FIDELITY BANK PLC

CONDENSED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

Statement of directors' responsibilities in relation to the preparation of the interim financial statements for the period ended 30 September 2020

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

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

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

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

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

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

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

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

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

Signed on behalf of the Directors by:
Date: *30 October 2020*

Director

Director

Insider Trading Policy (Dealing in the Company's Securities)
for the period ended 30 September 2020

Insider Trading Policy (Dealing in the Company's Securities)
The Bank has a formal Insider Trading Policy that prohibits all "Insiders" and their "Connected Persons" (as defined in the Policy) from dealing in the Company's securities at certain times. The provisions of the Policy are based on terms no less exacting than the standards defined in the Listing Rules of the Nigerian Stock Exchange. The objectives of the Policy include the following:

(a) Promote compliance with the provisions of the Investments and Securities Act (ISA) 2007, the Securities and Exchange Commission Code of Corporate Governance and the Listing Rules of the Nigerian Stock Exchange;
(b) Ensure that all persons to whom the policy applies (affected persons), who possess material non-public information do not engage in insider trading or tipping.
(c) Ensure that all the Bank's employees and Directors comply with utmost secrecy and confidentiality on all information which they receive as a result their position within the Bank; and
(d) Protect the Bank and its staff from reputational damage and penalties that may be imposed by regulators as a result of improper identification, disclosure and management of insider trading activities.

The Policy has been communicated to all persons to whom it is applicable including Employees, Directors and members of the Statutory Audit Committee. The Company Secretary periodically notifies affected persons of when trading in the Bank's securities is either permitted (Open Periods) or prohibited (Blackout Periods).

The Bank has established a mechanism for monitoring compliance with the Policy and affected persons are required to notify the Company Secretary of transactions undertaken on their accounts in the Bank's securities. Enquiries are also made to confirm the Directors compliance with the Policy and in event of non-compliance, the reasons for same and the remedial steps taken. In addition to being hosted on the Bank's website and Share Points Portal (an internal web-based application), the Policy is circulated to all affected persons on a regular basis.

Notes to the financial statements
for the period ended 30 September 2020

1 Corporate information

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

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

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.1.1 Basis of preparation

The Bank's interim financial statements for the six months ended **30 September 2020** 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 - Interim Financial Reporting in preparing its interim 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 2019.

Additional information required by national regulations is included where appropriate.

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

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

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

2.1.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations are applied for the first time in 2020, but do not have an impact on the interim financial statements of the Bank.

Below is a list of interpretations and amendment that were effective for the first time in 2020 but do not have a significant impact on the Bank:

i Amendments to IFRS 3 - Definition of a Business
ii Amendments to IAS 1 and IAS 8 - Definition of Material
iii The Conceptual Framework for Financial Reporting
iv Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform
v Amendment to IFRS 16 - Covid-19-Related Rent Concessions

2.1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Bank's interim 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 interim 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

Following the continued spread of the Covid-19 pandemic which has further increased uncertainties and market volatility. It remains difficult to say how effective governmental measures will be towards bringing the spread of the virus under control. In the event of a further prolonged pandemic there may be an effect on the financial performance of the Bank. The Bank has taken measures to ensure that its employees continue to be safe. Measures have been taken to minimize the impact of the pandemic and to continue operations

Business continues to function well and largely uninterrupted. The Bank continues to provide access to vital materials for modern life. The Bank is showing that this can be done responsibly and efficiently in challenging circumstances.

ESTIMATES AND ASSUMPTIONS continued

***Going Concern* continued**

Given the evolving nature of Covid-19, uncertainties will remain and the Bank is unable to reasonably estimate the future impact. However, the financial situation of the Bank is currently healthy and it does not believe that the impact of the Covid-19 pandemic will have a material adverse effect on our financial condition or liquidity. Therefore, based on the Bank's liquidility and expected yearly cash outflow, the Bank expects that it will be able to meet its financial obligations and therefore continues to adopt a going concern assumption as the basis for preparing its interim 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.

Allowances for credit losses

Measurement of the expected credit loss allowance

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

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

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

The uncertainties caused by Covid-19, and the volatility in macro economic variables have required the Bank to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2020.

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.

In determining the collateral value, the Bank has considered potential impacts of the current economic volatility as a result of Covid-19.

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 interim financial statements, are disclosed in the notes.

Fair value measurement of financial instruments

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

The Bank has considered potential impacts of the current economic volatility in determination of the reported fair value of the financial instruments and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

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 interim 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 2023, 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.

Proposed amendments to IFRS 17

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

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

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

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

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.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.The amendments clarify:

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Notes to the financial statements
for the period ended 30 September 2020

2.2 Standards issued but not yet effective *continued*

***Amendments to IAS 1 - Classification of Liabilities as Current or Non-current* continued**

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-
In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.
The Bank will apply this amendment when it becomes effective on 1 January 2023.

Amendments to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be+B148within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments will currently have no impact on the financial statements of the Bank, and it's effective annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from thecost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments will currently have no impact on the financial statements of the Bank, and it's effective annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments will currently have no impact on the financial statements of the Bank, and it's effective annual reporting periods beginning on or after 1 January 2022.

Annual Improvements 2018-2020 cycle (issued in May 2020)

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

• The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 tomeasure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

• An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

These amendments will currently have no impact on the financial statements of the Bank.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

• The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

• An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

• An entity applies the amendment for annual reporting periods beginning on or after1 January 2022. Earlier application is permitted.

These amendments will currently have no impact on the financial statements of the Bank.

2.2 Standards issued but not yet effective *continued*

IFRS 16 Leases Illustrative Example accompanying - Lease incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

IAS 41 Agriculture - Taxation in fair value measurements

• The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

• An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

These amendments will currently have no impact on the financial statements of the Bank.

2.3 Foreign currency translation and transaction

(a) *Functional and presentation currency*

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

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

(b) *Transactions and balances*

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

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

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

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

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

2.4 Financial assets and liabilities

2.4.1 Initial recognition

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

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

Day 1 profit or loss

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

Amortised cost and gross carrying amount

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

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

2.4 Financial assets and liabilities *continued*

2.4.1 Initial recognition *continued*

Effective interest method

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

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

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

Interest income

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

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

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

2.4.2 Financial assets - Subsequent measurement

a) Debt instruments

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

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

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

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

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

Business Model assessment

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

* the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
* how the performance of the portfolio is evaluated and reported to the Bank's management;
* the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

* how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.
* the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing financial assets is achieved and how cash flows are realized.

Notes to the financial statements
for the period ended 30 September 2020

2.4 Financial assets and liabilities *continued*

2.4.2 Financial assets - Subsequent measurement *continued*

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.

The Bank suspended repayments of certain customers for the period of lockdown and the resulting modification loss on these exposures is not considered material for the Bank. In accordance with IASB guidance, the extension of payment relief does not automatically trigger a significant increase in credit risk and a stage migration for the purpose of calculating expected credit losses, as these are measures being made available to assist borrowers affected by Covid-19 outbreak to resume regular payments.

(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.

Notes to the financial statements
for the period ended 30 September 2020

2.4 Financial assets and liabilities *continued*

2.4.3 Impairment of financial assets *continued*

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

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

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

The calculations of ECLs

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

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

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

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

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

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

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

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

The mechanics of the ECL method are summarised below:

Stage 1

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

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

Stage 2

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

Stage 3

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

POCI

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

2.4 Financial assets and liabilities *continued*

2.4.3 Impairment of financial assets *continued*

Loan commitments and letters of credit

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

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

Financial guarantee contracts

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

Bank overdraft and other revolving facilities

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

Collateral valuation

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

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

2.4 Financial assets and liabilities *continued*

2.4.3 Impairment of financial assets *continued*

Collateral repossessed

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

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

2.4.4 Presentation of allowance for ECL

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

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

Write-off

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

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

2.4.5 Financial liabilities

Initial and subsequent measurement

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

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

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

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.

Notes to the financial statements

2.4 Financial assets and liabilities *continued*

2.4.5 Financial liabilities

Financial guarantee contracts and loan commitments

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

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

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

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

2.5 Revenue recognition

Interest Income and expense

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

Fees and commission income

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

Income from bonds or guarantees and letters of credit

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

Dividend income

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

2.6 Impairment of non-financial assets

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

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

The Bank assessed the potential accounting implications of decreased economic activity as a result of Covid-19 pandemic. The uncertainty in the economic environment may decrease the reliability of long-term forecasts used in the impairment testing models. Based on the current estimates of expected performance, no impairment needs were identified at the end of the period.

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

(a) The Bank is the lessee

Right-of-use assets

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

Short-term leases and leases of low-value assets

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

(b) The Bank is the lessor

(i) *Operating lease*

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

(ii) *Finance lease*

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

2.10 Property, plant and equipment

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

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

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

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

2.10 Property, plant and equipment *continued*

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

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

2.11 Intangible assets

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

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

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

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

2.12 Income taxation

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

(i) *Current income tax*

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

(ii) *Deferred income tax*

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

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

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

2.13 Provisions

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

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

2.14 Retirement obligations and Employee benefits

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

2.14.1 Defined contribution pension scheme

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

2.14.2 Short-term benefits

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

2.15 Share capital

(i) *Share issue costs*

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

Dividends on ordinary shares

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

2.16 Fair value measurement

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

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

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

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

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

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

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

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

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

2.17 Comparatives

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

Segment Reporting

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

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

Retail banking

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

Corporate banking

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

Investment banking

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

Notes to the financial statements
for the period ended 30 September 2020

3 **Financial risk management and fair value measurement and disclosure**

3.1 **Introduction and overview**

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

Enterprise Risk Management

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

- **i)** Comprehensive and well defined policies and procedures designed to identify, assess, measure, monitor and report significant risk exposures of the entity. These policies are clearly communicated throughout the Bank and are reviewed annually.
- **ii)** Clearly defined governance structure.
- **iii)** Clear segregation of duties within the Risk Management Division and also between them and the business groups.
- **iv)** Management of all classes of banking risk broadly categorized into credit, market, liquidity, operational risk independently but in a co-coordinated manner at all relevant levels within the Bank.
- **v)** Incorporate the volatility in macro economic variables caused by Covid-19 in the inputs and assumptions used for the determination of expected credit losses ("ECLs")

Risk Management Governance Structure

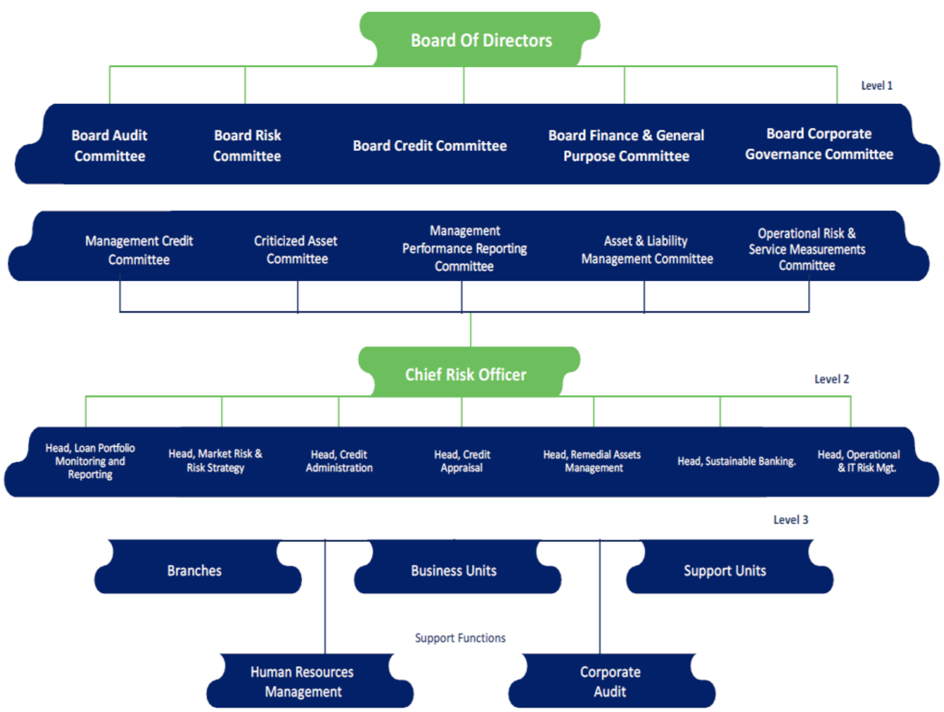
Enterprise-wide risk management roles and responsibilities are assigned to stakeholders in the Bank at three levels as follows:

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

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

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

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



Notes to the financial statements
for the period ended 30 September 2020

3.1 Introduction and overview *continued*
Enterprise Risk Philosophy
Fidelity Enterprise Risk Mission

Risk Culture

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

Risk Appetite

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

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

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

3.2 Credit risk

3.2.1 Management of credit risk

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

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The Bank measures and manage credit risk following the principles below:

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

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

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

3.2.2 Credit risk ratings

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

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

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

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

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

3.2.3 Credit Limits

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

Monitoring Default Risk

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

Notes to the financial statements
for the period ended 30 September 2020

3.2.4 Expected credit loss measurement

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

Change in credit quality since initial recognition

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

(a) Significant increase in credit risk

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

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

Backstop indicators

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

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

(b) Definition of default

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

Quantitative criteria

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

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

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

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

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

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

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

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

3.2.4 Expected credit loss measurement *continued*

(d) Forward-looking information incorporated in ECL models

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

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

In addition to the base economic scenario, the Bank's strategy team also provides other possible scenarios along with scenario weightings. The number of other scenarios used is based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2020 and 30 September 2020, the Bank concluded that three scenarios appropriately captured non-linearities for all its portfolios.

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

Economic variable assumption

The most significant period-end assumptions used for the ECL estimate as at 30 September 2020 are set out below. The scenarios "base case", "best case" and "worst case" were used for all portfolios.

		9 M	2021	2022	2023
Foreign exchange rate (N)					
	Base Case	420.00	443.00	465.00	472.00
	Best Case	336.00	354.37	371.69	377.32
	Worst Case	504.00	531.55	557.53	565.99
Inflation rate					
	Base Case	13.69%	13.33%	11.13%	10.00%
	Best Case	10.95%	10.66%	8.90%	8.00%
	Worst Case	16.43%	16.00%	13.36%	12.00%
Crude Oil ($)					
	Base Case	40.00	49.00	55.00	60.00
	Best Case	56.00	68.60	77.00	84.00
	Worst Case	24.00	29.40	33.00	36.00
Foreign Reserves ($ Bn)					
	Base Case	29.88	31.37	32.94	33.60
	Best Case	38.01	38.10	37.59	45.70
	Worst Case	23.07	25.84	24.71	25.98
Unemployment rate					
	Base Case	27.27%	27.60%	33.26%	36.61%
	Best Case	21.82%	22.08%	26.61%	29.29%
	Worst Case	32.73%	33.12%	39.92%	43.93%
Money Supply (RM)					
	Base Case	2.79	3.27	3.78	4.30
	Best Case	3.91	4.58	5.29	6.03
	Worst Case	1.67	1.96	2.27	2.58
Baltic Dry					
	Base Case	0.55	0.61	0.36	0.37
	Best Case	0.66	0.74	0.43	0.44
	Worst Case	0.44	0.49	0.29	0.29
Share Index					
	Base Case	27.32	29.36	30.31	30.50
	Best Case	32.79	35.23	36.37	36.60
	Worst Case	21.86	23.49	24.25	24.40
USD Index					
	Base Case	97.00	93.40	92.60	91.50
	Best Case	116.40	112.08	111.12	109.80
	Worst Case	77.60	74.72	74.08	73.20

Notes to the financial statements
for the period ended 30 September 2020

3.2.4 Expected credit loss measurement *continued*

(e) Grouping financial instruments for collective assessment

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

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

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

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

The Bank's maximum exposure to credit risk as at **30th September 2020** and 31st December 2019 is represented by the gross carrying amounts of the financial assets set out below:

	30 September 2020			
	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central bank	605,886	-	-	605,886
Due from banks	184,109	-	-	184,109
Loans and advances to customers	1,334,648	23,434,258	22,099,610	-
Investments:				
Financial assets at fair value through profit or loss	44,718	-	-	44,718
Debt instruments at fair value through other comprehensive income	228,909	-	-	228,909
Debt instruments at amortised cost	103,846	-	-	103,846
Other assets	44,648	-	-	44,648
Financial guarantee contracts:				
Performance bonds and guarantees	203,754	-	-	203,754
Letters of credit	135,039	-	-	135,039
	2,885,557	**23,434,258**	**22,099,610**	**1,550,908**

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

***Excluding equity instruments**

Notes to the financial statements
for the period ended 30 September 2020

3.2.6 Credit quality

Maximum exposure to credit risk – Financial instruments subject to impairment

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

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

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

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

	30 September 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Credit grade				
Investment grade	3,471	-	-	3,471
Standard monitoring	482,498	273,010	-	755,508
Default	-	-	29,885	29,885
Gross carrying amount	**485,969**	**273,010**	**29,885**	**788,863**
Loss allowance	(2,423)	(19,554)	(18,993)	(40,970)
Carrying Amount	**483,545**	**253,457**	**10,891**	**747,893**

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

b) Government, Public Sector & NBFIs portfolio

	30 September 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Credit grade				
Investment grade	57,352		-	57,352
Standard monitoring	103,133	3	-	103,136
Default	-	-	7,534	7,534
Gross carrying amount	**160,485**	**3**	**7,534**	**168,022**
Loss allowance	(11)	(0)	(5,352)	(5,362)
Carrying Amount	**160,475**	**3**	**2,182**	**162,660**

Notes to the financial statements
for the period ended 30 September 2020

3.2.7 Credit quality *continued*

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

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

	30 September 2020			
	Stage 1 N'million	**Stage 2 N'million**	**Stage 3 N'million**	**Total N'million**
Credit grade				
Investment grade	238			238
Standard monitoring	241,114	28,275	-	269,389
Default	-	-	19,505	19,505
Gross carrying amount	**241,352**	**28,275**	**19,505**	**289,132**
Loss allowance	(4,512)	(110)	(9,380)	(14,002)
Carrying Amount	**236,840**	**28,165**	**10,125**	**275,131**

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

d) Automobile, Equipment & Mortgage Loans portfolio

	30 September 2020			
	Stage 1 N'million	**Stage 2 N'million**	**Stage 3 N'million**	**Total N'million**
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	10,839	849		11,687
Default	-	-	28	28
Gross carrying amount	**10,839**	**849**	**28**	**11,715**
Loss allowance	(6)	-	(18)	(24)
Carrying Amount	**10,832**	**849**	**10**	**11,691**

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

Notes to the financial statements
for the period ended 30 September 2020

3.2.7 Credit quality *continued*

e) Medium and Small Scale Enterprises portfolio

	30 September 2020			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	18,820	2,361	-	21,181
Default	-	-	2,773	2,773
Gross carrying amount	**18,820**	**2,361**	**2,773**	**23,954**
Loss allowance	(39)	(12)	(876)	(928)
Carrying Amount	**18,781**	**2,349**	**1,897**	**23,027**

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

f) Personal & Employee Loans portfolio

	30 September 2020			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	48,370	1253.757705	-	49,624
Default	-	-	3,338	3,338
Gross carrying amount	**48,370**	**1,254**	**3,338**	**52,961**
Loss allowance	(209)	(2)	(631)	(842)
Carrying Amount	**48,160**	**1,252**	**2,707**	**52,119**

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

3.2.8 Description of collateral held

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

(a) Key Collateral Management Policies

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

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

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

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

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

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

3.2.8 Description of collateral held *continued*

(a) Key Collateral Management Policies *continued*

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

	30 September 2020		31 December 2019	
		Collateral		Collateral
	Exposure	Value	Exposure	Value
	N'million	N'million	N'million	N'million
Secured against real estate	227,118	2,314,423	215,737	2,010,909
Secured by shares of quoted companies	30,841	3,440	20	40
Secured by others	951,140	21,116,396	953,832	25,059,620
Unsecured	125,550	-	8,800	-
Gross loans and advances to customers	**1,334,648**	**23,434,258**	**1,178,389**	**27,070,569**

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

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

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

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

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

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

Short-Term Liquidity

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

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

Notes to the financial statements
for the period ended 30 September 2020

3.3.2 Maturity analysis

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

30 September 2020	Up to 1 month N'million	1-3 Months N'million	3-12 Months N'million	1-5 Years N'million	Over 5years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	150,477	-	-	484,338	-	634,815
Due from banks	167,583	10,043	6,983	-	-	184,609
Loans and advances to customers	124,650	126,083	275,950	535,504	572,460	1,634,648
Investment securities:						
Financial instrument at FVTPL	1,453	6,465	14,192	25,608	-	47,718
Debt instruments at amortised	6,439	28,448	14,517	11,681	44,762	105,846
Debt instruments at FVOCI	13,713	56,971	75,986	10,944	73,294	230,909
Other Assets	4,213	20,816	22,722	-	-	47,751
Total financial assets	**468,528**	**248,827**	**410,350**	**1,068,075**	**690,517**	**2,886,296**
Financial liabilities						
Customer deposits	207,175	320,513	200,001	385,940	484,784	1,598,413
Other liabilities	71,612	55,238	94,275	163,113	160,304	544,541
Debt issued and other borrowed funds	44,754	-	8,996	194,844	16,292	264,885
Total financial liabilities	323,540	375,750	303,272	743,897	661,380	2,407,839
Gap (assets-liabilities)	144,989	(126,924)	107,078	324,177	29,137	
Cumulative liquidity gap	**144,989**	**18,065**	**125,143**	**449,320**	**478,457**	
Financial guarantee contracts:						
Performance bonds and guarantees	5,812	18,913	66,990	112,038	-	203,754
Letters of credit	-	56,678	78,361	-	-	135,039
	5,812	**75,592**	**145,351**	**112,038**	**-**	**338,793**

31 December 2019	Up to 1 month N'million	1-3 Months N'million	3-12 Months N'million	1-5 Years N'million	Over 5years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	110,046	-	-	343,346	-	453,392
Due from banks	101,853	3,647	51,294	-	-	156,794
Loans and advances to customers	135,282	149,074	338,959	419,077	339,078	1,381,469
Investment securities:						
Financial instrument at FVTPL	1,341	10,193	31,550	1,180	1,874	46,138
Debt instruments at amortised	22,571	23,450	21,262	17,978	40,394	125,655
Debt instruments at FVOCI	10,815	4,281	95,605	7,225	20,784	138,710
Other Assets	1,696	2,096	6,045	8,069	9,770	27,676
Total financial assets	**383,604**	**192,742**	**544,714**	**796,875**	**411,900**	**2,329,835**
Financial liabilities						
Customer deposits	249,853	483,146	514,447	-	-	1,247,446
Other liabilities	50,978	95,957	5,003	12,506.95	250,139	414,584
Debt issued and other borrowed funds	26,015	11,338	22,675	226,754	-	286,782
Total financial liabilities	326,846	590,441	542,125	239,260	250,139	1,948,811
Gap (assets-liabilities)	56,758	(397,699)	2,589	557,615	161,761	381,024
Cumulative liquidity gap	**56,758**	**(340,941)**	**(338,352)**	**219,263**	**381,024**	
Financial guarantee contracts:						
Performance bonds and guarantees	10,217	20,767	72,375	57,053	43,723	204,135
Letters of credit	10,389	66,134	57,559	-	-	134,082
	20,606	**86,901**	**129,934**	**57,053**	**43,723**	**338,217**

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

3.4 Market Risk

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

3.4.1 Management of market risk

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

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

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

Notes to the financial statements
for the period ended 30 September 2020

3.5 Fair value of financial assets and liabilities

Fair valuation methods and assumptions

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

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

(iii) Treasury bills and bonds
Treasury bills represent short term instruments issued by the Central banks of the jurisdiction where the Bank operates. The fair value of treasury bills are derived from the quoted yields, while the fair value of bonds are determined with reference to quoted prices in active markets for identical assets. For certain securities market prices cannot be readily obtained especially for illiquid Federal Government Bonds, State Government and Corporate Bonds. The positions was marked-to-model at 30 September 2020 and 31 December 2019 based on yields for identical assets. Fair value is determined using discounted cash flow model.

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

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

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

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

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

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

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

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

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

• The Covid-19 situation has driven the Bank to put additional focus on several operational risk aspects, such as:
– Business continuity plans to support our employees, customers and overall businesses.
– Potential increase of cyber risk due to new conditions in business management and remote working. Our cyber security programme continued to be improved by strengthening detection, response and protection mechanisms.
– Increase in technological support in order to ensure adequate customer service and correct performance of our services, especially in online banking and call centres.

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

3.6 Operational Risk Management *continued*

Operational Risk Framework

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

Loss Data Collection

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

Risk and Control Self Assessments (RCSA)

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

Key Risk Indicators (KRIs)

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

Business Continuity Management (BCM)

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

4 Capital management

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

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

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

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

In 2016, the Central Bank of Nigeria issued circular BSD/DIR/CIR/GEN/LAB/06/03 to all Bank's and discount houses on the implementation of Basel II/III issued 10 December 2013 and guidance notes to the regulatory capital measurement and management for the Nigerian Banking System for the implementation of Basel II/III in Nigeria. The capital adequacy ratio for the year ended 30 September 2020 and the comparative period 31 December 2019 is in line with the new circular. The computations are consistent with the requirements of Pillar I of Basel II Accord (Internal Convergence of capital measurement and Capital Standards. Although the guidelines comply with the requirement of the Basel II accord certain sections were adjusted to reflect the peculiarities of the Nigerian environment.

The Bank's regulatory capital as managed by its Financial Control and Treasury Units is made up of Tier 1 and Tier 2 capital as follows:
Tier 1 capital: This includes only permanent shareholders' equity (issued and fully paid ordinary shares/common stock and perpetual noncumulative preference shares) and disclosed reserves (created or increased by appropriations of retained earnings or other surpluses). There is no limit on the inclusion of Tier 1 capital for the purpose of calculating regulatory capital.

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

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

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

Interim statement of profit or loss and other comprehensive income
for the period ended 30 September 2020

	Notes	Q3 2020 N'million	Q3 2019 N'million*	30 Sept 2020 N'million	30 Sept 2019 N'million*
Gross earnings		**49,275**	**57,399**	**155,030**	**161,055**
Interest revenue calculated using the effective interest rate method	6	41,180	48,268	128,250	132,558
Other interest and similar income	12.1	3,667	1,018	4,219	2,558
Interest expense calculated using the effective interest rate method	7	(18,167)	(27,939)	(57,469)	(76,870)
Net interest income		**26,680**	**21,347**	**75,000**	**58,246**
Credit loss (expense)/reversal	8	(3,194)	(483)	(11,035)	4,843
Net interest income after credit loss (expense)/reversal		**23,485**	**20,864**	**63,964**	**63,089**
Fee and commission income	9	4,955	6,193	14,490	19,262
Fee and commission expense	9	(1,607)	(1,369)	(4,371)	(3,770)
Net losses on derecognition of financial assets measured at amortised cost	10	-	-	-	(4,705)
Other operating income	11	(526)	1,920	8,072	6,676
Net gains from financial assets at fair value through profit or loss	12	27	200	2,983	329
Personnel expenses	13	(6,430)	(5,338)	(18,620)	(17,013)
Depreciation and amortisation	14	(1,543)	(1,512)	(4,573)	(3,889)
Other operating expenses	15	(8,976)	(10,172)	(40,597)	(39,381)
Profit before income tax expense		**9,385**	**10,785**	**21,348**	**20,598**
Income tax expense	16	(283)	(228)	(943)	(1,542)
Profit for the period		**9,102**	**10,557**	**20,406**	**19,056**
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Fair value gains on equity instruments at fair value through other comprehensive income **#**	23.3.1	-	(442)	1,164	5,917
Total items that will not be reclassified to profit or loss in subsequent period		**-**	**(442)**	**1,164**	**5,917**
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		2,531	(3,108)	12,463	1,136
- Changes in allowance for expected credit losses		(148)	(174)	(95)	-
- Reclassification adjustments to profit or loss	17	-	96	-	(29)
Net gains on debt instruments at fair value through other comprehensive income		**2,383**	**(3,186)**	**12,368**	**1,107**
Total items that will be reclassified to profit or loss in subsequent period		2,383	(3,186)	12,368	1,107
Other comprehensive income for the period, net of tax		**2,383**	**(3,628)**	**13,531**	**7,024**
Total comprehensive income for the period, net of tax		**11,485**	**6,929**	**33,937**	**26,081**
Earnings per share					
Basic and diluted (in kobo)	18	**31**	**36**	**70**	**66**

*Income from these instruments is exempted from tax*

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

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

Interim statement of financial position
As at 30 September 2020

Assets	Notes	30 September 2020 N'million	30 September 2019 N'million	31 December 2019 N'million
Cash and balances with central bank	19	634,815	418,295	453,392
Due from banks	21	183,323	140,454	149,869
Loans and advances to customers	22	1,272,520	1,074,096	1,126,974
Investments:				
Financial assets at fair value through profit or loss (FVTPL)	23.1	44,718	21,825	45,538
Debt instruments at fair value through other comprehensive income (FVOCI)	23.2	228,909	93,532	134,846
Equity instruments at fair value through other comprehensive income (FVOCI)	23.3	15,700	13,418	14,536
Debt instruments at amortised costs	23.4	103,585	117,856	118,569
Other assets	27	48,373	50,557	28,756
Right-of-use assets	28	1,725	1,324	1,529
Property, plant and equipment	24	38,738	37,639	38,392
Intangible assets	25	2,793	1,624	1,636
Total assets		**2,575,198**	**1,970,621**	**2,114,037**
Liabilities				
Deposit from customers	29	1,498,419	1,116,416	1,225,213
Current income tax payable	16	1,846	411	2,339
Other liabilities	30	544,738	394,389	397,074
Provisions	31	3,135	2,098	3,795
Debts issued and other borrowed funds	32	264,885	235,580	251,586
Total liabilities		**2,313,024**	**1,748,894**	**1,880,007**
Equity				
Share capital	33	14,481	14,481	14,481
Share premium	34	101,272	101,272	101,272
Retained earnings	34	58,968	54,995	43,642
Other equity reserves				
Statutory reserve	34	36,703	30,744	35,008
Small scale investment reserve	34	764	764	764
Non-distributable regulatory risk reserve	34	10,923	2,806	13,897
Fair value reserve	34	34,501	14,090	20,969
AGSMEIS reserve	34	4,562	2,576	3,997
Total equity		**262,174**	**221,728**	**234,030**
Total liabilities and equity		**2,575,198**	**1,970,621**	**2,114,037**

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

The interim financial statements were approved by the Board of Directors on **30 October 2020** and signed on its behalf by:

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

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

Interim statement of changes in equity
for the period ended 30 September 2020

	Notes	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non distributable regulatory risk reserve	Fair value reserve	AGSMEIS reserve	Total
		N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
As at 1 January 2020		**14,481**	**101,272**	**43,642**	**35,008**	**764**	**13,897**	**20,969**	**3,997**	**234,030**
Profit for the year		-	-	20,406	-	-	-	-	-	20,406
Other comprehensive income:										
Net change in fair value of debt instruments at FVOCI		-	-	-	-	-	-	12,463	-	12,463
Net change in fair value of equity instruments at FVOCI		-	-	-	-	-	-	1,164	-	1,164
Changes in allowance for expected credit losses		-	-	-	-	-	-	(95)	-	(95)
Reclassification adjustment for realised net gains		-	-	-	-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**20,406**	**-**	**-**	**-**	**13,531**	**-**	**33,937**
Dividends		-	-	(5,793)	-	-	-	-	-	(5,793)
Transfer between reserves		-	-	713	1,695	-	(2,974)	-	565	-
As at 30 September 2020		**14,481**	**101,272**	**58,968**	**36,703**	**764**	**10,923**	**34,501**	**4,562**	**262,174**

for the period ended 30 September 2019

	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non distributable regulatory reserve	Fair value reserve	AGSMEIS reserve	Total
	Notes	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
As at 1 January 2019	**14,481**	**101,272**	**37,133**	**30,744**	**764**	**408**	**7,038**	**2,576**	**194,416**
Profit for the year	-	-	20,598	-	-	-	-	-	20,598
Other comprehensive income:	-	-	-	-	-	-	-	-	-
Net change in fair value of debt instruments at FVOCI	-	-	-	-	-	-	1,135	-	1,135
Net change in fair value of equity instruments at FVOCI	-	-	-	-	-	-	5,917	-	5,917
Changes in allowance for expected credit losses	-	-	-	-	-	-	-	-	-
Reclassification adjustment for realised net gains	-	-	443	-	-	-	-	-	443
Total comprehensive income for the period	**-**	**-**	**21,042**	**-**	**-**	**-**	**7,052**	**-**	**28,094**
Dividends			(3,187)						(3,187)
Transfer between reserves	-	-	(2,398)	-	-	2,398	-	-	-
As at 30 September 2019	**14,481**	**101,272**	**52,590**	**30,744**	**764**	**2,806**	**14,090**	**2,576**	**219,323**

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

Interim statement of cash flows
for the period ended 30 September 2020

	Notes	30 September 2020 N'million	30 September 2019 N'million
Operating activities			
Cash flows used in operations	35	(26,885)	(49,578)
Interest received		127,469	121,373
Interest paid		(52,469)	(74,816)
Income tax paid	16c	(1,436)	(1,198)
Net cash flows from /(used in) operating activities		**46,679**	**(4,219)**
Investing activities			
Purchase of property, plant and equipment	24	(2,753)	(4,178)
Proceeds from sale of property and equipment		53	2,506
Purchase of intangible assets	25	(2,824)	(1,614)
Purchase of debt instruments at amortised cost	23.6.2	(43,527)	(40,986)
Purchase of debt instruments at FVOCI	23.6.1	(131,546)	(118,833)
Redemption of financial assets at amortised cost	23.6.2	72,425	45,752
Proceeds from sale of debt financial assets at FVOCI	23.6.1	51,753	141,199
Proceeds from sale of equity instruments at FVOCI	23.3	-	2,918
Dividends received		855	1,392
Net cash flows (used in)/from investing activities		**(55,563)**	**28,156**
Financing activities			
Dividends paid		(5,793)	(3,187)
Lease payment	28	(702)	(205)
Proceeds of debts issued and other borrowed funds	32	24,312	39,365
Payment of debts issued and other borrowed funds	32	(42,028)	(61,720)
Net cash flows (used in)/from financing activities		**(24,211)**	**(25,747)**
Net decrease in cash and cash equivalents		(33,095)	(1,810)
Net foreign exchange difference on cash and cash equivalents		2,805	2,328
Cash and cash equivalents at 1 January	20	**259,915**	**246,950**
Cash and cash equivalents at 30 September	20	**229,625**	**247,468**

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

Notes to the financial statements
for the period ended 30 September 2020

6 Interest revenue calculated using the effective interest rate method

	Q3 2020	Q3 2019	30 Sept 2020	30 Sept 2019
	N'million	N'million	N'million	N'million
Loans and advances to customers	31,932	35,628	94,176	95,940
Advances under finance lease.	1,276	848	2,745	2,621
Treasury bills and other investment securities:	-	-		
- Fair value through other comprehensive income	1,043	5,445	16,406	17,176
- Amortised cost.	5,541	4,365	9,805	10,979
Placements and short term funds	1,388	1,982	5,118	5,842
	41,180	**48,268**	**128,250**	**132,558**

7 Interest expense calculated using the effective interest rate method

	Q3 2020	Q3 2019	30 Sept 2020	30 Sept 2019
	N'million	N'million	N'million	N'million
Term deposits	8,364	16,603	28,106	46,420
Debts issued and other borrowed funds	6,827	8,069	19,558	21,328
Savings deposits	1,896	2,175	6,723	5,920
Current accounts	870	1,083	2,569	3,193
Inter-bank takings	210	8	513	8
	18,167	**27,939**	**57,469**	**76,870**

8 Credit loss reversal/(expense)

The table below shows the ECL charges on financial instruments recorded in profit or loss for the period ended **30 Sept 2020:**

	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Due from banks	-	477	-			-	477
Loans and advances to customers	-	(1,515)	-	489	11,739	-	10,713
Debt instruments measured at FVOCI	-	(95)	-	-	-	-	(95)
Debt instruments measured at amortised costs	-	107	-	-	-	-	107
Financial guarantees	-	5	-	-	-	-	5
Letters of credit	-	115	-	-	-	-	115
Total credit loss expense	**-**	**(906)**	**-**	**489**	**11,739**	**-**	**11,322**
Other assets (Note 27)	(287)	-	-	-	-	-	(287)
	(287)	**(906)**	**-**	**489**	**11,739**	**-**	**11,035**

The table below shows the ECL charges on financial instruments for the year recorded in profit or loss for the period ended **30 September 2019**:

	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Due from banks	-	1				-	1
Loans and advances to customers	-	(11,613)	5,428	-	1,805	-	(4,380)
Debt instruments measured at	-		-	-	-	-	-
FVOCI		94					94
Debt instruments measured at		(181)	-	-	-	-	(181)
amortised costs		1	-				1
Financial guarantees	-	-	-	-	-	-	-
Letters of credit	-	(526)	-	-	-	-	(526)
Total Impairment loss	**-**	**(12,223)**	**5,428**	**-**	**1,805**	**-**	**(4,990)**
Other assets (note 27)	-	147	-	-	-		147
	-	**(12,076)**	**5,428**	**-**	**1,805**	**-**	**(4,843)**

Notes to the financial statements
for the period ended 30 September 2020

9 Net fee and commission income

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

	Q3 2020 N'million	Q3 2019 N'million	30 Sept 2020 N'million	30 Sept 2019 N'million
Fee and commission type:				
ATM charges	833	1,236	2,294	3,227
Accounts maintenance charge	731	801	1,979	2,485
Commission on travellers cheque and foreign bills	394	810	1,270	2,357
Commision on E-banking activities	631	1,027	1,738	2,625
Commission on fidelity connect	391	359	993	1,239
Other fees and commissions	20	(315)	319	451
Commision and fees on banking services	144	(256)	359	440
Commision and fees on NXP	269	469	595	887
Collection fees	81	(304)	243	23
Telex fees	112	111	376	783
Cheque issue fees	25	(16)	65	129
Letters of credit commissions and fees	244	513	763	1,045
Commissions on off balance sheet transactions	416	987	1,424	1,074
Remittance fees	15	51	62	162
Total revenue from contracts with customers	**4,304**	**5,475**	**12,479**	**16,928**
Other non-contract fee income:				
Credit related fees	650	718	2,010	2,335
Total fees and commission income	**4,955**	**6,193**	14,490	**19,262**
Fee and commission expense	(1,607)	(1,369)	(4,371)	(3,770)
Net fee and commission income	**3,348**	**4,824**	**10,119**	**15,492**

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

	30 Sept 2020 N'million	30 Sept 2019 N'million
Modification loss*	-	**4,705**

*There was no significant modification in September 2020, "all modifications as a result of the impact of Covid-19 for the period ended 30 September 2020 did not result in the derecognition of the related financial assets." However in prior period, a significant modification was carried out on a loan to a customer and the cash flows of the modified assets are substantially different from the contractual cash flows of the original financial assets. Based on this, the cash flows of the original financial assets were deemed to have expired and therefore derecognised and a new financial assets was recognised at fair value. The gross carrying amount of the loan before modification was N29 billion. The financial assets is not deemed to be credit impaired.

11 Other operating income

	Q3 2020 N'million	Q3 2019 N'million	30 Sept 2020 N'million	30 Sept 2019 N'million
Net foreign exchange gains	(756)	(626)	6,687	2,328
Dividend income (Note 23.3.1)	63	20	855	1,392
Profit on disposal of property, plant and equipment	12	2,421	53	2,506
Other income	154	105	476	450
	(526)	**1,920**	**8,072**	**6,676**

12 Net gains from financial assets at fair value through profit or loss

	Q3 2020 N'million	Q3 2019 N'million	30 Sept 2020 N'million	30 Sept 2019 N'million
Net gains/(losses) arising from:				
- Bonds	357	(58)	2,245	104
- Treasury bills	(330)	257	738	224
	27	**200**	**2,983**	**329**

	Q3 2020	Q3 2019	30 Sept 2020	30 Sept 2019
12.1 Interest income on financial assets measured at FVTPL	**3,667**	**1,018**	**4,219**	**2,558**

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

13 Personnel expenses

	Q3 2020 N'million	Q3 2019 N'million	30 Sept 2020 N'million	30 Sept 2019 N'million
Wages and salaries	5,415	6,476	16,233	17,013
End of the year bonus (see note 31.1)	904	(1,137)	2,042	-
Pension contribution	111	-	345	-
	6,430	**5,338**	**18,620**	**17,013**

14 Depreciation and amortisation

	Q3 2020 N'million	Q3 2019 N'million	30 Sept 2020 N'million	30 Sept 2019 N'million
Property, plant and equipment (Note 24)	783	801	2,405	2,320
Intangible asset-computer software (Note 25)	591	580	1,666	1,099
Depreciation of right-of-use assets (Note 28)	169	131	502	470
	1,543	**1,512**	**4,573**	**3,889**

15 Other operating expenses

	Q3 2020 N'million	Q3 2019 N'million*	30 Sept 2020 N'million	30 Sept 2019 N'million*
Marketing, communication & entertainment	2,180	2,673	6,825	7,103
Banking sector resolution cost*	0	-	11,866	10,478
Deposit insurance premium	1,347	1,258	4,096	3,624
Outsourced cost	1,171	1,108	3,443	3,232
Repairs and maintenance	730	775	2,116	2,434
Computer expenses	879	666	2,634	2,362
Other expenses	420	983	2,887	2,588
Security expenses	338	329	1,004	782
Rent and rates	49	67	136	185
Training expenses	53	141	122	357
Cash movement expenses	139	241	525	858
Travelling and accommodation	118	238	746	813
Consultancy expenses	144	576	426	1,163
Corporate finance expenses	202	171	548	443
Legal expenses	79	248	162	577
Electricity	107	115	320	356
Office expenses	103	62	449	433
Directors' emoluments	477	94	690	330
Insurance expenses	87	90	368	292
Stationery expenses	87	81	202	230
Bank charges	47	154	186	387
Auditor's remuneration	94	50	194	150
Donation	83	-	512	51
Telephone expenses	23	25	74	71
Postage and courier expenses	20	28	67	83
	8,976	**10,172**	**40,597**	**39,381**

** Banking sector resolution cost have been restated and do not correspond to the amount in the audited financial statements of the prior period presented.*

Notes to the financial statements
for the period ended 30 September 2020

16 Taxation

a Income tax expense

	Q3 2020 N'million	Q3 2019 N'million	30 Sept 2020 N'million	30 Sept 2019 N'million
Current tax on the income for the reporting period	188	795	728	1,310
Police trust fund levy	0	-	1	2
Information technology levy	94	80	213	230
Current income tax expense	283	875	943	1,542
Deferred tax expense	-	-	-	-
	283	**875**	**943**	**1,542**

	30 Sept 2020 N'million	30 Sept 2019 N'million	December 2019 N'million
c Current income tax payable			
At 1 January	2,339	2,339	1,609
Income tax paid	(1,436)	(1,436)	(1,198)
Current income tax expense	943	943	1,928
At 31 December	**1,846**	**1,846**	**2,339**

Reconciliation of effective tax rate

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

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

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

17 Net reclassification adjustments for realised net gains

The net reclassification adjustments for realised net gains 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 prior period "there was no sale of financial assets classified as at fair value through other comprehensive income for the period ended 30 June 2020"

18 Earnings per share (EPS)

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

	Q3 2020 N'million	Q3 2019 N'million	30 Sept 2020 N'million	30 Sept 2019 N'million
Profit attributable to equity holders of the Bank	7,697	10,557	20,406	19,056
Weighted average number of ordinary shares in issue (million unit)	28,963	28,963	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	**31**	**36**	**70**	**66**

19 Cash and balances with central bank

	30 Sept 2020	30 Sept 2019	31 December 2019
	N'million	N'million	N'million
Cash	28,929	28,006	31,658
Balances with central bank other than mandatory reserve deposits	17,374	79,008	78,388
Included in cash and cash equivalents (note 20)	**46,302**	**107,014**	**110,046**
Mandatory reserve deposits with central bank (see note 19.1 below)	484,340	281,053	304,618
Special cash reserve (see note 19.2 below)	104,173	30,228	38,728
	634,815	**418,295**	**453,392**

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

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

20 Cash and cash equivalents

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

	30 Sept 2020	30 Sept 2019	31 December 2019
	N'million	N'million	N'million
Cash and balances with central bank (Note 19)	46,302	107,014	110,046
Due from banks	183,323	140,454	149,869
Total cash and cash equivalents	**229,625**	**247,468**	**259,915**

21 Due from banks

	30 Sept 2020	30 Sept 2019	31 December 2019
	N'million	N'million	N'million
Current accounts with foreign banks	130,494	37,956	101,853
Placements with other banks and discount houses	53,615	103,306	48,325
Sub-total	####### #######	141,261	150,178
Less: Allowance for impairment losses	(786)	(807)	(309)
	183,323	**140,454**	**149,869**

Impairment allowance for due from banks

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

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
External rating grade				
Performing				
High grade	104,993	-	-	104,993
Standard grade	79,117	-	-	79,117
Total	**184,109**	**-**	**-**	**184,109**

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

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

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	150,178	-	-	150,178
New assets originated or purchased	32,784	-	-	32,784
Assets derecognised or repaid (excluding write offs)	(9,425)	-	-	(9,425)
Accrued interest	4,935	-	-	4,935
Foreign exchange adjustments	5,637	-	-	5,637
At 30 September 2020	**184,109**	**-**	**-**	**184,109**

21 Due from banks ***continued***

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	309	-	-	309
New assets originated or purchased	264	-	-	264
Assets derecognised or repaid (excluding write offs)	(8)	-	-	(8)
Unwind of discount	40	-	-	40
Foreign exchange adjustments	181	-	-	181
At 30 September 2020	**786**	**-**	**-**	**786**

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

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

Contractual amounts outstanding in relation to Due from banks that were still subject to enforcement activity, but otherwise had already been written off, were nil both at **30 September 2020** and at 31 December 2019.

22 Loans and advances to customers

	30 Sept 2020	30 Sept 2019	31 December 2019
	N'million	N'million	N'million
Loans to corporate and other organisations	1,281,687	1,079,274	1,125,000
Loans to individuals	52,961	47,186	53,389
	1,334,648	1,126,460	1,178,389
Less: Allowance for ECL	(62,128)	(52,364)	(51,415)
	1,272,520	**1,074,096**	**1,126,974**

	30 Sept 2020	30 Sept 2019	31 December 2019
	N'million	N'million	N'million
Loans to corporate entities and other organisations			
Overdrafts	167,887	131,821	126,472
Term loans	1,078,272	929,759	953,489
Advances under finance lease	35,529	17,694	45,039
	1,281,687	1,079,274	1,125,000
Less: Allowance for ECL	(61,286)	(50,221)	(47,793)
	1,220,401	**1,029,053**	**1,077,207**
Loans to individuals			
Overdrafts	6,004	4,970	8,696
Term loans	44,523	41,850	44,145
Advances under finance lease	2,434	366	548
	52,961	**47,186**	**53,389**
Less: Allowance for ECL	(842)	(2,143)	(3,622)
	52,119	45,043	49,767
Net loans and advances	**1,272,520**	**1,074,096**	**1,126,974**

22.1 Impairment allowance for loans and advances to customers

22.1.1 Corporate and other organisations

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

			30 September 2020	
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade (AAA-A)	75,149	11,684	-	86,833
Standard grade (BBB-B)	742,521	170,745	-	913,266
Sub-standard grade (CCC-C)	97,914	122,069	-	219,983
Past due but not impaired	1,880	-	-	1,880
Non-performing	-	-	-	
Individually impaired	-	-	59,724	59,724
Total	**917,464**	**304,499**	**59,724**	**1,281,687**

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

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

			30 September 2020	
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	832,431	256,575	35,994	1,125,000
New assets originated or purchased	483,121	-	-	483,121
Assets derecognised or repaid (excluding write offs)	(356,971)	(23,460)	(3,883)	(384,314)
Transfers to Stage 1	(67,443)	67,443		-
Transfers to Stage 2	24,958	(22,743)	(2,214)	-
Transfers to Stage 3	(18,654)	6	18,648	-
Effect of modifications				-
Accrued interest	14,622	21,394	9,176	45,192
Foreign exchange adjustments	5,400	5,283	2,004	12,688
At 30 September 2020	**917,464**	**304,499**	**59,724**	**1,281,687**

			30 September 2020	
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	5,654	19,188	22,951	47,793
New assets originated or purchased	8,781	-	-	8,781
Assets derecognised or repaid (excluding write offs)	(263)	(5,731)	(926)	(6,920)
Transfers to Stage 1	(2,840)	2,840		-
Transfers to Stage 2	1,241	(1,266)	25	(0)
Transfers to Stage 3	(2,475)		2,475	-
Effect of modifications				-
Impact on year end ECL of exposures transferred between stages during the year	(3,740)	4,225	10,028	10,513
Foreign exchange adjustments	634	420	66	1,120
At 30 September 2020	**6,991**	**19,676**	**34,619**	**61,286**

22.1.1 Corporate and other organisations *continued*

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

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

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 30 September 2020 (31 December 2019: nil).

22.1.2 Loans to individuals

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

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade (AAA-A)	-	-	-	-
Standard grade (BBB-B)	43,613	1,254	-	44,867
Sub-standard grade (CCC-C)	67	-	-	67
Past due but not impaired(C)	4,690	-	-	4,690
Non-performing	-	-	-	
Individually impaired	-	-	3,338	3,338
Total	**48,370**	**1,254**	**3,338**	**52,961**

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

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22.1.2 Loans to individuals *continued*

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

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	50,726	24	2,639	53,389
New assets originated or purchased	20,763	-	-	20,763
Assets derecognised or repaid (excluding write offs)	(26,466)	(255)	(550)	(27,271)
Transfers to Stage 1	(545)	541	5	0
Transfers to Stage 2	64	(7)	(57)	-
Transfers to Stage 3	(604)	0	604	-
Accrued interest	2,892	701	467	4,060
Foreign exchange adjustments	1,540	250	230	2,020
At 30 September 2020	**48,370**	**1,254**	**3,338**	**52,961**

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	3,062	0	560	3,622
New assets originated or purchased	195			195
Assets derecognised or repaid (excluding write offs)	(66)	(0)	(117)	(183)
Transfers to Stage 1	(2)	4	(2)	-
Transfers to Stage 2	0	0	(0)	-
Transfers to Stage 3	(1)	(0)	2	-
Impact on period end ECL of exposures transferred between stages during the period	(3,082)	(38)	87	(3,034)
Foreign exchange adjustments	104	35	102	241
At 30 September 2020	**209**	**2**	**631**	**842**

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	3,300	48	11,360	14,708
New assets originated or purchased	3,015	-	-	3,015
Assets derecognised or repaid (excluding write offs)	(11,533)	-	(2,136)	(13,669)
Transfers to Stage 1	8,766	(8,766)	-	-
Transfers to Stage 2	(61)	10,094	(10,033)	-
Transfers to Stage 3	-	(1,333)	1,333	-
Impact on period end ECL of exposures transferred between stages during the period	(448)	(43)	17	(474)
Foreign exchange adjustments	23	-	19	42
At 31 December 2019	**3,062**	**-**	**4,182**	**3,622**

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22.2 Advances under finance lease may be analysed as follows:

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Gross investment			
- No later than 1 year	2,554	60	1,809
- Later than 1 year and no later than 5 years	35,199	11,436	43,549
- Later than 5 years	209	6,563	227
	37,962	18,059	45,585
Unearned future finance income on finance leases	(3,350)	(229)	(546)
Net investment	**34,612**	**17,830**	**45,039**
The net investment may be analysed as follows:			
No later than 1 year	2,545	60	1,775
Later than 1 year and no later than 5 years	31,858	11,271	43,062
Later than 5 years	209	6,500	201
	34,612	**17,830**	**45,039**

22.3 Nature of security in respect of loans and advances:

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Secured against real estate	227,118	373,914	210,888
Secured by shares of quoted companies	30,841	49,621	20
Secured others	940,148	670,631	913,115
Advances under finance lease	10,992	19,773	45,567
Unsecured	125,550	12,521	8,800
Gross loans and advances to customers	**1,334,648**	**1,126,460**	**1,178,389**

23 Investments

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
23.1 <u>Financial assets at fair value through profit and loss (FVTPL)</u>			
Held for trading:			
Federal Government bonds	22,507	1,092	1,875
Treasury bills	22,211	20,733	36,176
Placements	-	-	7,487
Total financial assets measured at FVTPL	**44,718**	**21,825**	**45,538**

23.2 <u>Debt instruments at fair value through other comprehensive income (FVOCI)</u>	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Treasury bills	146,790	63,135	98,939
Federal government bonds	75,404	13,189	18,147
State government bonds	6,714	4,238	4,353
Corporate bonds	0	12,969	13,407
Total debt instruments measured at FVOCI	**228,909**	**93,532**	**134,846**

An expected credit loss of N687 million (31 Dec 2019: N504 million) has been recognised on debt instrument measured at FVTOCI, the allowance has been credited to other comprehensive income for the year

23.3 <u>Equity instruments at fair value through other comprehensive income (FVOCI)</u>	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Unquoted equity investments:			
- Unified Payment Services Limited (UPSL)	8,162	7,767	8,776
- African Finance Corporation (AFC)	3,534	2,198	2,223
- The Central Securities Clearing System (CSCS)	2,227	2,381	1,840
- Nigerian Inter Bank Settlement System (NIBBS)	1,777	1,072	1,697
Total equity instruments at FVOCI	**15,700**	**13,418**	**14,536**

23.3.1 The Bank has designated its equity investments as equity investments at fair value through other comprehensive income (FVOCI) on the basis that these are not held for trading. During the period ended 30 September 2020, the Bank recognised dividend of N855 million (31 December 2019: N1.44 billion) from its FVOCI equities which was recorded in the profit or loss as other operating income.

23.4 <u>Debt instruments at amortised cost</u>	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Treasury bills	42,072	47,498	48,248
Federal government bonds	61,375	69,076	69,378
State government bonds	399	1,310	1,097
Sub-total	**103,846**	**117,885**	**118,723**
Allowance for impairment	(261)	(29)	(154)
Total debt instruments measured at amortised cost	**103,585**	**117,856**	**118,569**

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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:

	30 Sept 2020	30 Sept 2019	31 December 2019
	N'million	N'million	N'million
Treasury bills - Amortised cost	29,774	26,925	26,051
Federal Government bonds - Amortised cost	46,628	51,399	51,499

23.6 Impairment losses on financial investments subject to impairment assessment

23.6.1 Debt instruments measured at FVOCI

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank’s internal credit rating system and year-end stage classification. Details of the Bank’s internal grading system are

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	222,195	-	-	222,195
Standard grade	6,714	-	-	6,714
Total	**228,909**	**-**	**-**	**228,909**

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

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

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	134,846	-	-	134,846
New assets purchased	131,546	-	-	131,546
Assets derecognised or repaid (excluding write offs)	(51,753)	-	-	(51,753)
Accrued interest	739	-	-	739
Change in fair value	13,531	-	-	13,531
At 30 September 2020	**228,909**	**-**	**-**	**228,909**

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	783	-	-	783
New assets originated or purchased	447	-	-	447
Assets derecognised or repaid (excluding write offs)	(739)	-	-	(739)
Unwind of discount	97	-	-	97
Changes to models and inputs used for ECL calculations	99	-	-	99
At 30 September 2020	**687**	**-**	**-**	**687**

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23.6.1 Debt instruments measured at FVOCI *continued*

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

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

23.6.2 Debt instruments measured at amortised cost

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

			30 September 2020	
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing		-		
High grade	103,447	-	-	103,447
Standard grade	399	-	-	399
Total	**103,846**	**-**	**-**	**103,846**

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

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

			30 September 2020	
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	118,723	-	-	118,723
New assets originated or purchased	43,527	-	-	43,527
Assets derecognised or repaid (excluding write offs)	(72,425)	-	-	(72,425)
Accrued interest	2,119	-	-	2,119
Foreign exchange adjustments	11,902			11,902
At 30 September 2020	**103,846**	**-**	**-**	**103,846**

			30 September 2020	
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	154	-	-	154
New assets originated or purchased	65	-	-	65
Assets derecognised or repaid (excluding write offs)	(49)	-	-	(49)
Unwind of discount	91	-	-	91
At 30 September 2020	**261**	**-**	**171**	**261**

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23.6.2 Debt instruments measured at amortised cost *continued*

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	210	-	-	210
New assets originated or purchased	48	-	-	48
Assets derecognised or repaid (excluding write offs)	(112)	-	-	(112)
Unwind of discount	8			8
At 31 December 2019	**154**	**-**	**146**	**154**

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24 Property, plant and equipment	Land	Buildings	Leasehold Improvements	Office Equipment	Furniture & fittings	Computer equipment	Motor vehicles	Work in progress	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cost									
At 1 January 2020	15,207	16,913	3,722	9,531	2,288	17,921	5,780	1,207	72,569
Additions	-	-	62	250	31	1,288	481	641	2,753
Reclassifications	292	164	-	93	-	-	-	(549)	-
Disposals	-	-	(5)	(147)	(1)	(551)	(388)	-	(1,092)
At 30 September 2020	**15,499**	**17,077**	**3,779**	**9,727**	**2,318**	**18,658**	**5,873**	**1,299**	**74,230**
Accumulated depreciation									
At 1 January 2020	-	(3,128)	(2,441)	(7,970)	(2,079)	(13,416)	(5,143)	-	(34,177)
Charge for the period	-	(250)	(170)	(453)	(77)	(1,149)	(307)	-	(2,406)
Reclassifications	-	-	-	-	-	-	-	-	-
Disposals	-	-	6	147	1	551	386	-	1,091
At 30 September 2020	**-**	**(3,378)**	**(2,605)**	**(8,276)**	**(2,155)**	**(14,014)**	**(5,064)**	**-**	**(35,492)**
Carrying amount at 30 September 2020	**15,499**	**13,699**	**1,174**	**1,451**	**163**	**4,644**	**809**	**1,299**	**38,738**
Cost									
At 1 January 2019	15,303	16,648	8,013	8,908	2,254	13,673	6,015	1,477	72,291
Additions	169	-	169	258	41	4,267	266	604	5,774
Reclassifications	59	308	8	499	-	-	-	(874)	-
Transfer to ROU asset (Note 2.1.2)	-	-	(4,448)	-	-	-	-	-	(4,448)
Disposals	(324)	(43)	(20)	(134)	(7)	(19)	(501)	-	(1,048)
At 31 December 2019	**15,207**	**16,913**	**3,722**	**9,531**	**2,288**	**17,921**	**5,780**	**1,207**	**72,569**
Accumulated depreciation									
At 1 January 2019	-	(2,798)	(5,914)	(7,522)	(1,971)	(11,979)	(5,198)	-	(35,382)
Charge for the period	-	(333)	(225)	(582)	(112)	(1,456)	(404)	-	(3,112)
Reclassifications	-	1	(1)	-	-	-	-	-	-
Transfer to ROU asset (Note 2.1.2)	-	-	3,698	-	-	-	-	-	3,698
Disposals	-	2	1	134	4	19	459	-	619
At 30 December 2019	**-**	**(3,128)**	**(2,441)**	**(7,970)**	**(2,079)**	**(13,416)**	**(5,143)**	**-**	**(34,177)**
Carrying amount at 31 December 2019	**15,207**	**13,785**	**1,281**	**1,561**	**209**	**4,505**	**637**	**1,207**	**38,392**

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25 Intangible assets - Computer software

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Cost			
Balance at beginning of year	5,846	4,188	4,188
Additions	2,824	1,614	2,183
Disposal during the year	(1,135)	(242)	(525)
Balance	**7,535**	**5,560**	**5,846**
Accumulated amortization			
Balance at beginning of year	4,210	3,112	3,112
Amortisation for the year	1,666	1,099	1,623
Disposal during the year	(1,135)	(275)	(525)
Balance	**4,741**	**3,936**	**4,210**
Carrying amount	**2,793**	**1,624**	**1,636**

These relate to purchased software.

The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was N1.67 billion for the period ended **30 Sept 2020** (31 December 2019: N1.623 billion).

27 Other assets

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Financial assets			
Sundry receivables	40,018	36,262	24,163
Others	583	3,324	888
Investments in SMESIS	3,997	2,576	2,575
Shared Agent Network Expansion Facility (SANEF)	50	50	50
	44,648	**42,212**	**27,676**
Less:			
Specific allowances for impairment	(1,640)	(3,009)	(1,927)
	43,008	**39,203**	**25,749**
Non financial assets			
Prepayments	5,009	10,623	2,422
Other non financial assets	356	731	585
	5,365	11,354	3,007
Total	**48,373**	**50,557**	**28,756**

Reconciliation of allowance for impairment

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
At beginning of the year	1,927	2,219	2,219
Reversal for the year	(287)	790	(292)
At end of the year	**1,640**	**3,009**	**1,927**

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28 Right-of-use assets

Building

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Cost			
Balance at the beginning of period	2,215	1,490	-
Effect of adoption of IFRS 16	-	304	1,721
Additions	702	-	494
	2,917	**1,794**	**2,215**
Accumulated depreciation			
Balance at beginning of year	(686)	-	-
Depreciation for the year	(505)	(470)	(686)
Balance	(1,191)	(470)	(686)
Carrying amount	**1,725**	**1,324**	**1,529**

29 Deposits from customers

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Demand	498,294	367,206	430,107
Savings	385,080	248,881	275,219
Term	341,223	226,570	247,564
Domicilliary	265,449	263,186	261,503
Others	8,373	10,574	10,820
	1,498,419	**1,116,416**	**1,225,213**
Current	1,498,419	1,116,416	1,225,213
Non-current	-	-	-
	1,498,419	**1,116,416**	**1,225,213**

30 Other liabilities

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Customer deposits for letters of credit	64,692	58,822	50,978
Accounts payable	138,917	75,769	82,170
Manager's cheque	3,848	3,442	3,484
FGN Intervention fund (see note 28.1)	306,810	236,619	250,139
Payable on E-banking transactions	27,504	18,024	8,642
Other liabilites/credit balances	2,967	1,714	1,661
Payable to staff	1	1	-
	544,738	**394,389**	**397,074**

30.1 Included in the FGN Intervention fund is CBN Bailout Fund of **N89.78 billion** (31 Dec 2019: N92.07 billion) This represents funds for states in the Federation that are having challenges in meeting up with their domestic obligation including payment of salaries. The loan was routed through the Bank for on-lending to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum. Repayments are deducted at source, by the Accountant General of the Federation (AGF), as a first line charge against each beneficiary state's monthly statutory allocation.

31 Provisions

	30 Sept 2020 N'million	30 Sept 2019 N'million	31 December 2019 N'million
Provisions for year end bonus (see note 31.1)	1,799	1,180	2,580
Provisions for litigations and claims (see note 31.1)	623	643	623
Provision for guarantees and letters of credit (see note 31.3)	713	274	592
	3,135	**2,098**	**3,795**

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

Movement in provision for year end bonus			
At 1 January	2,580	2,000	2,000
Arising during the year	1,799	1,137	2,537
Utilised	(2,580)	(1,957)	(1,957)
At the end of the year	**1,799**	**1,180**	**2,580**

31.3 Impairment losses on guarantees and letters of credit

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

31.3.1 ***Performance bonds and guarantees***

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

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	2,905	-	-	2,905
Standard grade	169,565	-	-	169,565
Sub-standard grade	31,284	-	-	31,284
Non-performing				
Individually impaired	-	-	-	-
Total	**203,754**	**-**	**-**	**203,754**

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

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

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	204,135	-	-	204,135
New exposures	71,672	-	-	71,672
Exposures matured/lapsed	(70,759)	-	-	(70,759)
Changes due to modifications not resulting in derecognition	(1,294)	-	-	(1,294)
At 30 September 2020	**203,754**	**-**	**-**	**203,754**

	30 September 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	1	-	-	1
New assets originated or purchased	7	-	-	7
Exposures matured/lapsed	(1)	-	-	(1)
At 30 September 2020	**7**	**-**	**-**	**7**

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	1	-	-	1
New exposures	1	-	-	1
Exposures matured/lapsed	(1)	-	-	(1)
At 31 December 2019	1	-	-	1

31.3.2 ***Letters of credit***

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

			30 September 2020	
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Internal grading				
Performing				
High grade	38,769	-	-	38,769
Standard grade	89,373	-	-	89,373
Sub-standard grade	6,897	-	-	6,897
Non-performing				
Individually impaired	-	-	-	-
Total	**135,039**	**-**	**-**	**135,039**

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

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

			30 September 2020	
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2020	134,082	-	-	134,082
New exposures	70,987	-	-	70,987
Exposures matured/lapsed	(70,030)	-	-	(70,030)
Amounts written off	-	-	-	-
At 30 September 2020	**135,039**	**-**	**-**	**135,039**

			30 September 2020	
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2020	591	-	-	591
New exposures	642	-	-	642
Exposures matured/lapsed	(631)	-	-	(631)
Changes in ECL during the year	(436)	-	-	(436)
Foreign exchange adjustments	540	-	-	540
At 30 September 2020	**706**	**-**	**-**	**706**

			31 December 2019	
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2019	188,641	-	-	188,641
New exposures	97,572	-	-	97,572
Exposures matured/lapsed	(152,130)	-	-	(152,130)
At 31 December 2019	**134,082**	**-**	**-**	**134,082**

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

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32 Debts issued and other borrowed funds

	30 Sept 2020	30 Sept 2019	31 December 2019
	N'million	N'million	N'million
Long term loan from Proparco Paris (see note 32.1)	2,886	5,389	3,979
Long term loan from African Development Bank (ADB) (see note 32.2)	22,401	23,157	22,630
European Investment Bank Luxembourg (see note 32.3)	3,254	4,065	3,465
$400 Million Euro Bond issued (see note 32.5)	160,137	149,427	145,141
Local Bond issued (see note 32.6)	31,453	31,348	30,137
Repurchase transaction with Renaissance Capital (see note 32.7)	44,754	22,195	23,650
Afrexim (see note 32.4)	-	0	22,584
	264,885	**235,580**	**251,586**

	30 Sept 2020	30 Sept 2019	31 December 2019
Reconciliation of debt issued and other borrowed funds:	N'million	N'million	N'million
At 1 January	251,586	240,767	240,767
Additions during the year	24,312	38,000	64,336
Accrued interest (Note 7)	15,134	9,311	5,067
Payment of interest	(14,158)	(3,249)	(5,023)
Repayment of principal during the year	(27,870)	(45,222)	(50,819)
Foreign exchange difference	15,882	(4,027)	(2,742)
At the end of the year	**264,885**	**235,580**	**251,586**

32.1 The amount of **N2.886 billion** (31 Dec 2019: N3.979 billion) represents the amortised cost balance on the syndicated on-lending facility of $40million granted to the Bank by Proparco Paris on 4 April 2016 to mature on 4 April 2021 at an interest rate of Libor plus 4.75% per annum. The initial loan matured on 4 April 2016 and was renewed on the same day. The Principal and Interest are repaid semiannually. The borrowing is an unsecured borrowing.

32.2 The amount of **N22.401 billion** (31 Dec 2019: N22.630 billion) represents the amortised cost balance in two different on-lending facility granted to be bank by ADB. The first is a $75million facility granted 6 October 2014 while the second is a $40million facility granted on 7 May 2019. The $75million facility was disbursed in two tranches. The first tranche of $40million was disbursed on 6 October 2014 while the second tranche of $35million was disbursed 15 July 2015 both to mature 6 October 2021. The $40million facility was disbursed on 27 April 2019 and matures on 27 July 2021. Both facilities are at the interest rate of Libor plus 4.75% (for the $75million facility) and 4.5% (for the $40million facility) per annum. Interest is repaid semi-annually, with principal repayment at maturity. The borrowing is an unsecured borrowing.

32.3 The amount of **N3.254 billion** (31 Dec 2019: N3.465 billion) represents the amortised cost balance in the on-lending facility of $21.946 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repaid quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

32.4 In 31 Dec 2019: N22.584 billion represents amortised cost balance of $75 million borrowing from AFREXIM due to mature in March 2022. Repayment is semi-annual and the interest rate is six months LIBOR plus 5.75%. This has been paid down as at September 2020.

32.5 On 11 October 2017, Fidelity Bank PLC issued a $400 million five year Eurobond at a 10.50 percent coupon. The Bond was used to finance the existing bondholders who subscribed to the tender offer of $256 million, while the balance (net of issuance costs) is used to support the trade finance business of Fidelity Bank. The issuance of the Bond was part of a strategic liability management exercise designed to extend, Fidelity Bank's debt maturity profile and proactively refinance the maturing 2018 Eurobond. The amount of **N160.137 billion** (31 Dec 2019 : N145.141 billion)) represents the amortised cost of $400 million, 5- year, 10.50% Eurobond issued at 99.48% in October 2017. The principal amount is repayable in October 2022, while the coupon is paid semi annually.

32.6 The amount of **N31.453 billion** (31 Dec 2019: N30.137 billion) represents the amortised cost of a N30 billion, 6.5- year, 16.48% Local bond issued at 96.5% in May 2015. The principal amount for the Local bonds is repayable in Nov 2021. The coupon is paid semi annually. The purpose of the Local bond issuance is to finance the SME business of the economy of Nigeria.

32.7 The amount of **N44.754 billion,** (31 Dec 2019: N23.650 billion) represents a $33million dollar borrowing under a repurchase agreement from Renaissance Capital, at an interest rate of Libor plus 3% per annum.

33 Share capital

	30 Sept 2020	30 Sept 2019	31 December 2019
Authorised	N'million	N'million	N'million
32 billion ordinary shares of 50k each (2019: 32 billion ordinary shares)	16,000	16,000	16,000
Issued and fully paid			
28,963 million ordinary shares of 50k each (2019: 28,963 million ordinary shares)	14,481	14,481	14,481

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

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34 Other equity accounts

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

Share premium

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

Retained earnings

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

Statutory reserve

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

Small scale investment reserve

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

Non-distributable regulatory risk reserve

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

Fair value reserve

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

AGSMEIS reserve

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

35 Cash flows from operations

	30 Sept 2020 N'million	30 Sept 2019 N'million
Profit before income tax	21,348	20,598
Adjustments for:		
– Depreciation and amortisation	4,573	3,889
– Profit on disposal of property, plant and equipment	(53)	(2,506)
– Net foreign exchange gains	(6,687)	4,931
– Net gains from financial assets at fair value through profit or loss	(2,983)	(329)
– Credit loss expense/(reversal)	11,035	(4,843)
– Impairment charge on other assets	(287)	147
– Increase in provisions	(660)	(1,245)
– Net losses on derecognition of financial assets measured at amortised cost	-	-
– Dividend income	(855)	(1,392)
– Gain on debt instruments measured at FVOCI reclassified from equity	-	96
– Net interest income	(63,964)	(58,246)
	(38,534)	**(38,900)**
Changes in operating assets		
– Cash and balances with the Central Bank (restricted cash)	(245,166)	(61,667)
– Loans and advances to customers	(145,546)	(180,843)
– Financial assets held for trading	820	8,102
– Other assets	(19,330)	(15,580)
Changes in operating liabilities		
– Deposits from customers	273,206	178,863
– Other liabilities	147,664	58,042
Cash flows used in operations	**(26,885)**	**(51,983)**

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36 Contingent liabilities and commitments

36.1 Capital commitments

At the reporting date, the Bank had capital commitments amounting to N1 billion (31 Dec 2019: N2.5 billion).

36.2 Confirmed credits and other obligations on behalf of customers

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

	30 Sept 2020	30 Sept 2019	31 December 2019
	N'million	N'million	N'million
Performance bonds and guarantees (Note 31.3.1)	203,754	202,505	204,135
Letters of credit (Note 31.3.2)	135,039	152,042	134,082
AGSMEIS Disbursement	37	42	48
	338,830	**354,590**	**338,265**

36.3 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N7.26 billion as at 30 September 2020 (31 Dec 2019: N7.74billion). Based on the advice of the Bank's legal team and the case facts, the management of the Bank estimates a potential loss of N623 million (31 Dec 2019: N623 million) upon conclusion of the cases.