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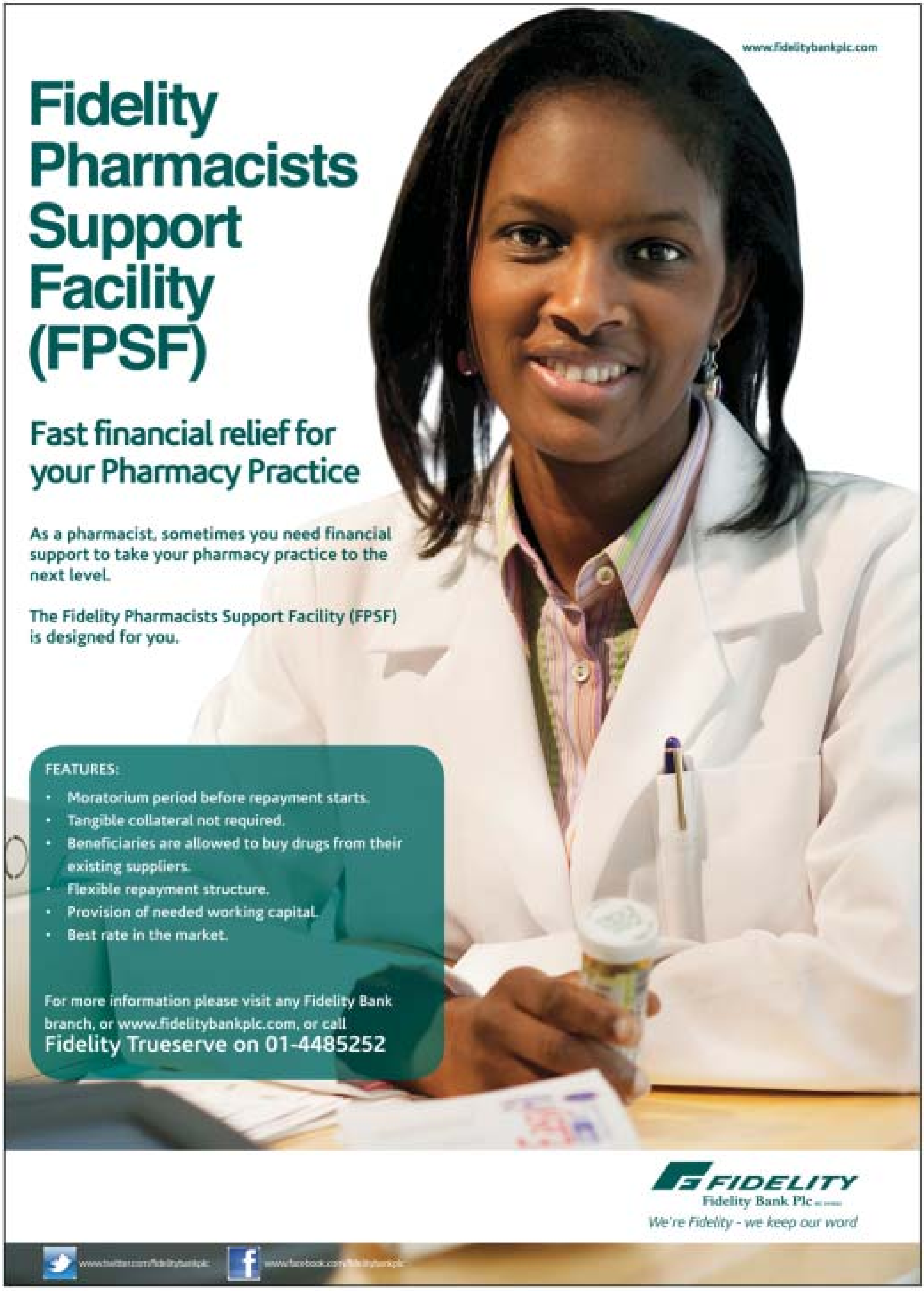
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# Corporate Information

**Head Office:**
Fidelity Place,
2, Kofo Abayomi Street,
Victoria Island, Lagos, Nigeria.
Tel: +234 1 4485252; 2700530-3
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www.fidelitybankplc.com
Facebook:facebook.com/fidelitybankplc
twitter:twitter.com/fidelitybankplc

**Joint Auditors:**
Ernst & Young
2A, Bayo Kuku Road, Ikoyi, Lagos.

PKF-Professional Services
PKF House
205A, Ikorodu Road, Obanikoro, Lagos

**Correspondent Banks:**

- ABSA Bank, Johannesburg, South Africa
- African Export Import Bank, Cairo, Egypt
- Citibank N.A. London & New York
- Commerz Bank, Frankfurt
- Deutsche Bank
- FBN Bank UK
- HSBC, South Africa
- Standard Chartered, UK

**Vision:**
**To be No. 1 in every market we serve and every branded product we offer**

**Mission:**
**To make financial services easy and accessible to our customers**

**Shared Values:**
**CREST**
**C- Customer First**
**R- Respect**
**E- Excellence**
**S- Shared Ambition**
**T- Tenacity**

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the **Twenty Sixth Annual General Meeting of Fidelity Bank Plc**. will be held at the **Nwaniba Hall, Le Meridien Ibom Hotel & Golf Resort, Nwaniba Road, Uyo, Akwa Ibom State**, on the **2nd day of May, 2014 at 11.00 a.m**. for the purpose of transacting the following business:

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended December 31, 2013 and the Reports of the Directors, Joint Auditors and Audit Committee thereon;
2. To declare a dividend;
3. To elect/re-elect Directors:

Special Notice is hereby given for the re-election of Chief Christopher I. Ezeh, MFR, and Dim Elias. E. Nwosu as Directors of the Company, notwithstanding that they are over 70 years old;

4. To approve the remuneration of the Directors;
5. To authorize the Directors to fix the remuneration of the Joint Auditors;
6. To elect members of the Audit Committee.

### PROXY

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy form is attached. The proxy need not be a member of the Company. To be valid, a completed and duly stamped proxy form must be deposited at the office of the Registrar, First Registrars Nigeria Limited, Plot 2, Abebe Village Road, Iganmu, Lagos, no later than 48 hours before the time fixed for the meeting.

### NOTES

#### (A) DIVIDEND

If the proposed dividend is approved, dividend warrants will be posted on May 2, 2014 to Shareholders whose names appear in the Register of Members at the close of business on April 11, 2014, while Shareholders who have mandated their dividend to their accounts will be credited on the same day.

(B) CLOSURE OF REGISTER OF MEMBERS

The Register of Members and Transfer Books of the Company will be closed from April 14, 2014 to April 18, 2014 both days inclusive to enable the Registrars prepare for dividend payment.

## (C) AUDIT COMMITTEE

As stipulated by Section 359 (5) of the Companies and Allied Matters Act 2004, any member may nominate a Shareholder for election to the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

The Central Bank of Nigeria in its Code of Corporate Governance for Banks stipulates that some members of the Audit Committee should be knowledgeable in internal control processes, accounting and financial matters. Consequently, detailed curriculum vitae should be submitted with each nomination.

## (D) UNCLAIMED DIVIDEND WARRANTS AND SHARE CERTIFICATES

A number of dividend warrants and share certificates have remained unclaimed or are yet to be presented for payment or returned to the Company for revalidation. Affected Shareholders are advised to contact the Registrars, First Registrars Nigeria Limited.

## (E) E-DIVIDEND/BONUS

Shareholders are advised to update their records and or open bank accounts, stock broking accounts and CSCS accounts for the purpose of dividend payments and e-bonus. Detachable application forms for change of address, unclaimed items, e-dividend and e-bonus are attached to the Annual Report for the convenience of all Shareholders.

Ugochukwu.

**CHIJIOKE UGOCHUKWU**
Company Secretary
FRC/2014/NBA/00000006957

Fidelity Bank Plc
No 2, Kofo Abayomi Street
Victoria Island
Lagos.

Dated this 31st day of March, 2014

**CHIEF (DR.) CHRISTOPHER I. EZEH, MFR**
Chairman

Fellow shareholders, invited guests, distinguished ladies and gentlemen, it gives me great pleasure to extend to you all a very warm welcome. Please permit me to give you an insight into the key events that transpired within the global and domestic business environment and how these events shaped the performance of our bank in 2013.

## THE GLOBAL ECONOMY IN 2013

The world economy recorded a relatively weak growth in 2013 due to new setbacks that challenged investments and production output in major economies. The advanced economies started off on a slow gear but improved slightly in H2-2013 as increase in private consumption stimulated production activities, while falling commodity prices, weak credit creation, poor domestic demand and political instability slowed down output growth in emerging markets and developing economies. According to the report released by International Monetary Fund (IMF), the world economy grew to 3.0 percent in 2013 from 3.1 percent reported in 2012, with growth in advanced economies put at 1.3 percent annualized, a negative of 0.4 percent in the euro zone, while emerging markets and developing economies receded to 4.7 percent from 4.9 percent reported in 2012.

The economy of the euro zone was at the centre of events. Italy, Spain, and a few peripheral states remained in recession throughout the year, although the worst downturn seems to be over. In mid 2013, the European Commission (EC) initiated a plan to change its budget policy on deficit calculation after it became clear that some of its debt-ridden member states may record government budget deficit to gross domestic product (GDP) above the acceptable membership criterion of 3.0 percent. The move was expected to aid Portugal, Italy, Greece, Spain (PIGS) and other members struggling with huge debt crises and possibly guarantee their membership in the bloc. Notwithstanding the economic challenges faced by most member states and the rising uncertainty around the balance sheet of banks in the zone, the risk of euro zone breakup is no longer on the table considering the measures adopted by the bloc and the recent economic growth figures reported by some of its members. Germany and France posted strong positive growth in the last two quarters of 2013 which hauled the zone out of 18 months recession. Estonia, Malta, Belgium and Slovak Republic, amongst the peripheral economies in the zone reported positive growth that put the bloc on a recovery path for the first time in 6 years. Euro zone sovereign debt dropped quarter-on-quarter to 8.84 trillion euros in Q3 - 2013 from 8.88 trillion euros reported in the previous quarter. Sovereign debt to national output also edged down to 92.7 percent from 93.4 percent in Q2 - 2013, adding to the signs that the bloc is gradually recovering from its debt ridden state though the debt level remains very high. The guaranteeing of debt by the European Central Bank (ECB) over a year ago has helped in this regard and the risk spread of sovereign bonds of most high-debt member states have since moderated. Nonetheless, the progress on encouraging regional competition and boosting exports to Asia and America especially, is still very poor whilst domestic demand that should offset the short fall in the export market remains weak.

Elsewhere in Europe, the economy of the United Kingdom was buoyed by improved investors' confidence and somewhat relaxed credit conditions that saw significant growth in investment and inventory. The economy grew by an estimated 1.9 percent in 2013 while growth in investment was put at 14.0 percent which mirrors savings deposit growth of 11.3 percent from 10.9 percent in 2012. Unemployment rate dipped to 7.1 percent in Q3 - 2013, the lowest level since the financial crisis in 2008, raising fears that the UK apex bank may increase the policy rate which currently stands at 0.5 percent. Though unemployment rate inched up to 7.2 percent in Q4 – 2013, the rebounding business investment and growing export market have clearly placed the United Kingdom on the pedestal of sustained economic recovery. In Sweden, the story was not different. The Nordic country gained strength from its fiscal discipline and low taxes for corporate firms, which have been accepted as the model that tamed increase in unemployment and shielded the country from Europe's financial turmoil. According to a Bloomberg report, the Swedish Government prioritized corporate tax cuts as a path to job creation. Output growth in Sweden averaged 1.5 percent in 2013, while countries like Iceland, New Zealand, and Switzerland also reported higher positive growth figures.

On the other side of the Atlantic, output growth was solid. The United States (US) economy came back strong rising from 1.3 percent GDP growth in Q1 – 2013 to 2.7 percent in Q4 – 2013 on the back of improved private consumer spending. According to US Bureau of Economic Analysis (US BEA), the economy would record a 1.9 percent growth in 2013 while private consumer expenditure would inch up by 2.0 percent. The US economy, notwithstanding, suffered a turbulent business cycle that stifled growth and spiked unemployment rate especially in the first half of the year forcing US monetary authorities to ramp up liquidity and credit through quantitative easing (QE). During the year, the US Government purchased about $85 billion worth of assets ($40 billion in mortgage-backed securities and agency debt and $45 billion treasury securities) each month and by June 2013, the US Government balance sheet had risen to more than $3 trillion, from less than $1 trillion in 2008. Much of the challenges that confronted the economy centred on political bickering along party lines. Between 1st and 16th October 2013, the US government shutdown most of its routine operations after Congress failed to give in to pressure to raise the county's debt ceiling to $16.7 trillion, representing about 99.4 percent of its 2013 GDP figure. According to Standard & Poor's, the shutdown cost the US economy $24 billion, shaving off 0.6% of economic growth in Q4 – 2013. Approximately 800,000 federal employees were rendered jobless due to the shutdown, and another 1.3 million were required to report to work without known payment dates.

In Japan, growth was spurred by Abenomic policies, a neologism coined from Shinzo Abe, the current Prime Minister of Japan. The policies, hinged on three arrows of fiscal stimulus, monetary easing and structural reforms, were designed by the Prime Minister to lower the unemployment rate and jolt the economy out of years of recession. So far, the policy has stimulated growth and encouraged exports resulting in 1.9 percent growth in output from 1.7 percent in 2012, while the unemployment rate slipped to 3.7 percent as at end of December 2013. The manufacturing sector soared on account of the Japanese Yen which lost over 20% to the US dollar during the year. The cheap Yen lowered the price of Japanese exports, making them more attractive in the international market and warding off foreign product competition in the domestic market. Analysts believe that the economy would sustain current growth, as consumer spending accelerates before the government planned hike in consumption tax to 8.0 percent from 5.0 percent becomes effective in April 2014.

Contrary to improved recovery witnessed in advance economies, the emerging markets and developing economies grappled with slower growth as the attendant effect of dwindling exports and domestic demands, unstable government policies and low foreign direct investment (FDI) resulted in 4.7 percent growth in 2013 from 4.9 percent in 2012. Particularly, funds flow into emerging markets was curtailed as growth expectation dwindled despite the US quantitative easing (QE) programme that injected $85 billion monthly into the US economy. According to data provided by EPFR Global, in 2013, about $29.2 billion was liquidated from fund managers that typically invest in emerging markets and developing economies. Low output growth compelled China and a growing number of emerging markets to enact policies aimed at boosting business activities and investor confidence. China, during the year, announced new social and economic policies that placed greater reliance on market forces than it had in the past and encouraged private-sector participation and foreign competition in industries long previously controlled by the Chinese Government. It also tempered its one-child policy, opening the country and its citizenry to a vast opportunity tied to social and economic freedom. The economy in 2013 averaged 7.7 percent growth, the same as 2012, though the International Monetary Fund (IMF) had estimated a slightly moderated growth of 7.6 percent which would have been the lowest reported figure since 1999. IMF believes the Chinese economy and most emerging markets are coming off a cyclical peak as the growth levels are projected to slump below the elevated levels seen in recent years, though it would remain above growth figures of advanced economies.

The impact of global challenges on emerging markets and developing economies varied by country, and within each economic group, there were broad differences in growth and policy reactions of governments. For instance, amongst the BRIC countries (Brazil, Russia, India and China), Brazil and India posted solid output growth unlike Russia that dropped in performance. Brazil reported a 2.3 percent growth in 2013 from 1.0 percent in 2012, India grew by 4.4 percent from 3.2 percent, while output growth in Russia dropped significantly from 3.4 percent in 2012 to 1.5 percent in 2013. Most African countries battled to subdue inflation while they remained keen on expanding regional trade. Sub-Saharan Africa grew by 5.0 percent from 4.9 percent while output growth in East Africa averaged 4.1 percent.

Interest in regional integration in Africa gradually accelerated, reflecting renewed political and stronger trade ties after a long period of economic stagnation, especially in North Africa where the combination of public protest and hostile confrontation, led to the removal of duly elected governments. Regional economic blocs in Africa like Economic Community of West African States (ECOWAS) and East African Community (EAC) deepened their campaign for closer economic links through free trade, custom duty unification and common markets. In a recent ECOWAS meeting held in Dakar, member states adopted the final procedure for the implementation of the Common External Tariff (CET), the Community Integration Levy (CIL) and the Economic Partnership Agreement (EPA), aimed at protecting the region from trade dumping. However, reducing dependence on primary produce and political instability remained the biggest challenge to strong economic convergence on the continent.

## THE NIGERIAN ECONOMY IN 2013

Fiscal deliverables of the Federal Government in 2013 were challenged by falling revenue generation that was severely hampered by rising crude oil theft and vandalization of oil pipelines. These illegal activities significantly lowered crude production to an average of 2.2 million barrels per day (mbpd), about 12.0 percent below the budgetary target of 2.5mbpd. In a recent interview, the Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala stated that stolen crude oil stood at about 400,000 barrels per day. This equals 18.2 percent of Nigeria's daily average crude oil production, amounting to $16.2 billion per annum at an estimated average crude oil price of $110.8 per barrel. The year also witnessed increased assets divestment by oil majors as they favoured drilling operations far out to sea and out of reach of youth restiveness. While their choice of drilling locations has somewhat curtailed kidnapping of expatriates and illegal oil bunkering, it also dropped the percentage of crude oil profit accrued to the Federal Government after all deductions by oil companies, further putting additional pressure on government oil revenue.

Aside the challenges faced in the oil and gas sector, government efforts to enhance revenue generation fell short of target as internally generated revenues and other non-oil revenue, with the exception of company income tax, became susceptible to changes in government policies. In provisional data released by the Budget Office, Customs Duty, Value Added Tax (VAT), and other non-oil revenue recorded a year-to-date total shortfall of N345.8 billion as at September 2013 compared to the proportionate revenue target contained in 2013 budget. Company Income Tax was the only income source that posted an exception with revenue of over N380.1 billion compared to the budget of N342.8 billion for the same period, representing a surplus of N37.3 billion. In the case of Customs Duty, the increase in import duty for rice, wheat etc, to encourage local production and reduce import dependence, fostered smuggling activities, negating the true essence of the policy and resulting in loss of revenue. There is strong indication that the Federal Government may consider reversal of the policy in 2014.

However, the commitment of the Federal Government to boosting general production in the economy was reflected in government's deep-thought-through policies targeted at reducing import dependence and unemployment rate currently put at 24%. The decomposition and the final handover of Power Holding Company of Nigeria (PHCN) to investors depicts the preparedness of the current administration in stimulating activities in the real sector of the economy. In addition, the Federal Government initiated a new Auto Policy as a precursor to attracting foreign direct investment in the automobile industry and consequently revive auto-manufacturing business in the country. In a recent statement credited to Carlos Ghosn, Chief Executive of Nissan, the Japanese company has rolled out plans to set up a car manufacturing plant in Nigeria in 2014. If successful, Nigeria would become an auto manufacturing hub in West Africa. The attendant effect of this development in the long-run would strengthen exchange rate, boost external reserves and cause considerable development in the economy. The Federal Government also introduced the Graduate Internship Scheme (GIS) under the Subsidy Reinvestment and Empowerment Programme (SURE-P), to check the growing count of unemployed graduates. The scheme creates entrepreneurial cum employment opportunities for graduates by attaching qualified applicants to reputable public and private firms to be trained and mentored for a year on a monthly minimum wage of N18, 000.00 payable by the Federal Government.

Interestingly, the Nigerian productive sector improved in capacity recording a higher average capacity utilization of 58.0 percent from 56.8 percent in 2012. The improved production capacity especially in the productive sector translated to an increased estimated annual Gross Domestic Product (GDP) growth of 6.91 percent compared to 6.58 percent in 2012. According to the provisional data released in Q3 - 2013 by the Nigeria Bureau of Statistics (NBOS), the non-oil sector grew by 7.95 percent against negative 0.58 percent growth recorded by the oil & gas sector despite favourable crude oil prices which averaged $110.8 per barrel during the period. The negative growth in the oil and gas sector was largely attributed to low crude oil production.

During the year, the accommodative fiscal policies of the Federal Government, which supported activities in the real sector, and the strong monetary policy stance of the Central Bank of Nigeria (CBN) helped in taming inflationary pressure within the single digit band. Headline inflation rate commenced the year with a moderate profile, dropping from 12.0 percent in December 2012 to 9.0 percent in January 2013, but later inched up to 9.5 percent in February before sliding to 7.8 percent in October 2013, the lowest inflation rate since the global financial crises of 2008. Inflation rate closed the year at 8.0 percent, reaffirming CBN's tight monetary policy stance. Broad money supply (M2) grew by 1.2% year-on-year to N15.7 trillion as at December 2013 which stood well above the CBN indicative target of N15.2 trillion.

Monetary Policy Rate (MPR) as well as other policy rates was kept unchanged on the back of relatively stable cum single digit headline inflation rate and moderate assets pricing. However, the CBN modified Cash Reserve Ratio (CRR) by introducing a separate CRR for public sector deposits of 50.0 percent in July 2013, while private sector deposits CRR remained unchanged at 12.0 percent. The split and subsequent implementation of 50.0 percent public sector CRR in August 2013 caused a strain in banking sector liquidity, forcing the Nigerian Inter-bank Offer Rate (NIBOR) to touch 60% in late August 2013. As expected, the change in money market rates compelled most investors in money market securities to realign their investment portfolios to suit market realities as rates continued to reflect the quantum of liquidity in the system. However, the strain in the banking sector liquidity proved a stabilizing factor for the Naira, as foreign exchange rate remained stable within the band of N155.5 and 156.5 per US dollar at the Wholesale Dutch Auction System (WDAS).

Huge currency outside the banking system slowed the transmission mechanism of monetary policies. According to provisional data from the CBN, currency outside the banking system represented over 81% of the total currency in circulation as at December 2013, negating the import of CBN cashless policy which commenced full nation-wide implementation in October 2013. Though the CBN carried out a wide policy sensitization exercise in the six-geopolitical zones in the country, low literacy levels and cultural inclination, especially among rural dwellers, remain the biggest challenge confronting the implementation of the policy.

## ECONOMIC OUTLOOK

The global economy appears to have seen the worst of 2008/2009 financial crisis and its aftermath trade flow and investment impact on emerging markets and developing economies, which adversely affected production output in major industrialized nations. Going forward, global economic growth is expected to remain positive, though slower in advanced economies as fragmented economic challenges and high indebtedness of euro zone members continue to tense up the financial system in Europe. Meanwhile, the tapering of the United States quantitative easing program could cause tightness in liquidity in the global financial market in the short to medium term, but the rising investment profile of China, Russia and India, amongst others, would sustain interest in emerging markets and developing economies.

We are optimistic in our outlook on the Nigerian economy in 2014. The inclusion of Nigeria in the new financial neologism, MINT countries (Mexico, Indonesia, Nigeria and Turkey) has once again positioned the country as a promising investors' delight and a sweet spot of high returns to portfolio managers. We expect the increasing interest in the economy and rising political profile of Nigeria in international politics to foster increased foreign direct investment with potential impact on foreign exchange inflow. As a result, the capacity of the Central Bank of Nigeria (CBN) to protect the value of the Naira would be enhanced. On the other hand, increasing foreign exchange demand in the money market would continue to put pressure on foreign exchange rate especially as we approach the election year of 2015.

In the emerging order, policies and programs of government would be particularly guided by the approaching general election in 2015 and the desire to influence the electorates. We expect the federal, state and local government machineries to pursue increased revenue collections as infrastructure development moves to the front burner which is a major parameter for gauging the performance of executive officers in the country. Without doubt, the development would boost the collection business of the banking industry especially for deposit money banks (DMBs) playing actively in the collection market. Also, we anticipate the Nigerian economy would witness increased liquidity injection while the resulting effect would compel the CBN to further tighten monetary policies. The interplay may result in some mild adjustment in assets and liabilities prices of banks.

Clearly, the future is promising but not devoid of challenges. We are however comforted by the unalloyed support and loyalty we have continued to receive from our esteemed shareholders and customers and staff. We will continue to count on your prayers.

Thank you for making out time to come for this meeting.

God bless you all.

CHIEF (DR.) CHRISTOPHER I. EZEH, MFR
Chairman

# Chief Executive Officer's
DISCUSSION ON BUSINESS OPERATIONS AND PERFORMANCE

Our valued customers, distinguished shareholders, fellow directors, colleagues, ladies and gentlemen, I am pleased to welcome you to the 26th Annual General Meeting of our Bank.

## INTRODUCTION

The banking industry operated under challenging conditions in the year under review due to the contractionary monetary policy and regulatory headwinds which both had a negative impact on industry earnings. There were also significant milestones (Power Privatization and Cash less initiative) achieved which laid the foundation for an improved business climate in the years ahead and present significant business opportunities depending on the strategic roadmap adopted by each institution. In spite of the varying challenges that confronted our industry, the financial result of our bank shows resilience in the face of all the daunting challenges as the business fundamentals remain strong despite one-off exceptional items that negatively impacted the financial performance. It is on this note that I present to you a review of the key activities of our bank in the Financial Year Ended (FYE) December 31 2013.

### 1. Succession: Stable Platform for Future Growth

Mr. Reginald Ihejiahi retired as the Managing Director/Chief Executive of the bank in compliance with regulatory requirements after 10 years at the helm of affairs. During this period the bank witnessed tremendous growth on all indices and is now a highly respected top 8 bank in the banking industry. Following his retirement I was appointed by the Board of Directors of the bank as the third MD/CEO of the bank in its 25 years history. Fidelity's board and management stability has been a reference point in the financial services industry and is a testament to the strong corporate governance culture in the bank.

On behalf of the over 10,000 employees and 2.8 million customers of the bank I will like to thank Mr. Ihejiahi for the solid platform he developed over the last 10 years which now serves as the bedrock for the future growth and aspirations of the bank.

### 2. The Next Level: Sustaining the Tempo and Building Momentum for Industry Dominance

The bank already has a solid platform for future growth, underpinned by strong customer loyalty and significant investments in physical and electronic distribution channels. To drive the next growth trajectory, we have adopted a mantra, **"back to the basics, forward to the future"**. This involves our drive to build a performance-driven organization on the back of product innovation, superior customer service and compete fiercely in the retail and electronic banking segment with technology driven innovation.

We have commenced a technology driven Transformation Project for Performance Management and Retail & Electronic Banking. The transformation is driven by leading experts in the various areas who have proven competence to increase stakeholders' value by leveraging technological innovations.

We have also restructured our sales force into a flatter and more nimble organization which is closer to the customers and aggressive enough to drive our market share aspirations in order to achieve our corporate strategy.

On cost optimization, we are centralizing our processing functions which will reduce our cost to serve and improve uniformity of customer service.

In the medium term we will consolidate our proven niche expertise in the corporate banking segment, scale-up to be a dominant bank in the SME segment and be a preferred banker to the select retail segments; Kids & Youths, Mass Market, Middle Class, Affluent and Senior Citizens.

## 3. Unleashing the Potentials: Empowering and Growing Small and Medium Scale Enterprises (SME).

Our resolve to support the productive sector of the economy and grow a new generation of passionate entrepreneurs was further accentuated with the creation of Fidelity Managed SMEs Team that provides financing, business advisory services, capacity development and shared technology platforms to SMEs. In May 2013, we launched the Fidelity SME Forum, a weekly interactive radio program where renowned entrepreneurs with indelible footprints in their industries were invited to share their experiences, tell their inspiring stories and provide business advice to encourage new and existing entrepreneurs in different industries. The impact of the Forum is felt in all industries and has greatly aided in giving our Managed SMEs desk significant media and marketplace visibility. It is noteworthy that the responses from clients have been very impressive and as at today, beyond the borders of Lagos State, our Fidelity SME Forum now enjoys a wider radio air coverage that includes Kaduna, Abuja, Enugu, Owerri, Awka, Port Harcourt and Ibadan. We are encouraged by the increasing patronage and the volume of business we have received since the introduction of products dedicated to this business segment. More importantly, the great feat achieved through our business advisory services has earned the bank resounding recognition amongst local and international organizations. Our bank is one of the 2 (two) banks selected by the International Finance Corporation (IFC) to work on the mobile collateral initiative to facilitate lending to small and medium scale businesses. The Ministry of Trade and Investment also endorsed our Managed SMEs business platform, a development that would encourage partnership and collaboration with the Ministry of Trade and Investment and other Federal Government ministries in our continued support for the growth of small and medium scale enterprises.

The compelling potentials inherent in small and medium scale businesses and the role it plays as the largest employer of labour in our economy increases our appetite and passion for what we do. We hope to remain steadfast in encouraging Nigerian entrepreneurs through delivering special products and services, and improved platforms for knowledge sharing and business advisory services.

### 4. Staying True to Our Passion: Investing in the Productive Sector of the Nigerian Economy

During the year we expanded our foray into some new and key sectors of the economy, establishing and growing a relatively balanced and sustainable business portfolio that would provide a consistent revenue stream to the bank in the years ahead. Also our collection business in both the public and private sectors has continued to improve on the back of the deployment of more efficient collection platforms. We ranked among the top 5 Collecting Banks for Federal Inland Revenue Services (FIRS) in the year under review.

Similarly, our financing deals executed in energy, telecommunication, manufacturing, oil and gas, mining, and agricultural sectors received commendations from government agencies, top manufacturers and industry leaders. Our bank solely financed the 10.4KW Alausa Independent Power Project (IPP), which was commissioned by the Lagos State Governor, Babatunde Raji Fashola in October 2013. This came on the heels of the success recorded in similar projects recently financed by our bank including the Akute Independent Power Project and the Island Independent Power Project Phase 2. We also played a major role in the privatization of the power generation and the distribution arms of the defunct Power Holding Company of Nigeria (PHCN). We co-financed major Power Generation Plant deals which include Transcorp Ughelli Power Plant with 972 mega watts installed capacity and Egbin Power Plant purchased by Sahara Energy. We were the mandated Lead Arranger and Facility Agent for the acquisition of 60 percent equity stake in Kano Distribution Company by Sahelian Consortium and a major financier for the acquisition of 60 percent equity stake by Sahara Energy in the largest distribution company in the country, Ikeja Distribution Company. We won the Africa Oil & Gas Deal of the Year Award 2013 by Euromoney Project Finance, United Kingdom, and the Worldwide Award for Excellence in Transaction Processing by Deutsche Bank for 2013.

In order to continue to support the Import Substitution Policy of the Federal Government, we have continued to invest in production expansion and the manufacturing sector. We participated in the syndicated medium term facility for the construction of the 2.8 million metric tons Fertilizer Manufacturing Company and the 600,000 million metric tons Polypropylene/Petrochemicals Plant by Dangote Group. We have committed to provide up to US$1 billion to Total Oil's Local Contractor Finance Scheme in support of the growth of local suppliers and contractors under the Nigeria Oil and Gas Industry Content Development Act. We also financed the acquisition of the biggest Platform Supply Vessel DP2 in West African Waters; 87.07 meters long with the latest cutting edge DP2 technology and state of the art cruising features.

In order to retain the capacity to provide sustainable support to the productive sectors of the economy, we further optimised our foreign currency balance sheet towards a more efficient structure in terms of cost, tenor and currency. We approached the international debt market in May 2013 with a Eurobond offering in which we raised US$300 million, priced at a coupon of 6.875 percent for a 5 Year Term. This foreign currency funding has improved our capacity to invest in the growth of the Manufacturing, Oil and Gas, Infrastructure and Power Sectors of the economy.

## 5. Staying True to Our Promise: Growing our Reach and Product Offerings

The need to respond to our growing customer base and deepen our operation in the growing retail market vis-à-vis our commitment to make financial services easy and accessible necessitated further expansion in our products and services distribution capabilities in 2013. During the year, 13 new branches were added to our physical distribution channels, providing our valued customers with improved convenience for their business transactions. We also received approval for 26 additional new branches from the CBN which would be fully implemented before the end of 2014 at targeted locations. Notwithstanding, we are aware that customers' preferences are fast changing while the growing youth population in our economy has continued to change the dimensions of competition in our industry. In this regard, we have continued to increase the deployment of Automated Teller Machines (ATMs), Point of Sale (POS) terminals and e-branches to offer a wide range of electronic banking services. As at December 31, 2013, we had fully deployed and integrated 574 ATMs and 7,759 POS terminals.

On retail liability products, our savings products were reinvigorated with the introduction of fresh and innovative features, plus added benefits, that helped to sustain customers' interest in our savings products bouquet. We also marked our 25th Anniversary with a savings campaign christened "Cars and Cash Savings Splash Promo" which lasted for 6 months from October 2012 to March 2013. We grew our savings customer base by over 28% within the same period. The Savings Promo was not only a boost to our savings customer base, it was one of the bank's well-thought-out programs aimed at encouraging savings culture amongst Nigerians of all ages, and at the same time show appreciation to our numerous customers who have remained faithful and loyal to the Fidelity Brand. Twenty five (25) Hyundai Accent Cars were won and a total of N25 million cash reward was doled out to winners determined through raffle draws conducted each time in the presence of Consumer Protection Commission (CPC), the National Lottery Regulatory Commission (NLRC), and regulatory agencies and media houses. Other prizes include 250 Power Generators, 250 Blackberry smart phones, DSTV Drifters and a host of instant and consolation prizes. It was a good opportunity for us to say "Thank You" to our customers.

## 6. Financial Performance in 2013

The financial year ended (FYE) December 31, 2013 was challenging as the business environment experienced increased volatility in response to the CBN's tightened monetary policy stance and introduction of the revised Bankers' Tariff in April 2013. Despite this, we have continued to grow our Balance Sheet and income indicators including Deposits, Loans, Total Assets, Gross Earnings, Non-Interest Income, etc. This improvement is attributable to the bank's medium term strategy to deepen our market share in the retail and commercial segments particularly the SMEs whilst consolidating our leadership position in the corporate banking segment.

Profit before Tax (PBT) was N9.03 billion for the Financial Year Ended (FYE) December 31, 2013. Gross Earnings increased by 6.5% to N126.92 billion for FYE December 31, 2013 from N119.14 billion recorded in December 31, 2012. Total Assets increased by 18.2% to N1, 081.22 billion as at December 31, 2013 from N914.36 billion as at December 31, 2012 while Total Customer Deposits increased by 12.5% from N716.75 billion as at December 31, 2012 to N806.32 billion as at December 31, 2013. Net Loans and Advances grew by 23.3% to N426.08 billion as at December 31, 2013 from N345.50 billion as at December 31, 2012. Shareholders' Funds stood at N163.46 billion.

The increased monetary tightening by the Monetary Policy Committee negatively impacted earnings on liquid assets which were utilized to fund the increase in reserve requirements. The revised Bankers Tariff increased interest expense on savings deposits and reduced transactional banking fee income whilst the increase in the Asset Management Corporation of Nigeria (AMCON) Industry Resolution Levy from 0.3% to 0.5% also impacted profitability.

However there were two one-off exceptional items (total of N6.2bn) which negatively impacted the profitability for the year; AMCON write-backs on previously sold loans and additional provision in respect of Actuarial Valuation on gratuity and pension obligations.

As we embark on the third phase of our growth we are confident that our execution of the strategic initiatives and roadmap already outlined above by a dedicated and talented workforce guided by an experienced leadership team and a strong and supportive Board will lead to increased value creation for all stakeholders.

## 7. Appreciation

On behalf of my fellow Directors and colleagues, I want to thank you, our valued Shareholders for your trust and support. As always, it is great to know that we can count on you to go the extra mile for our bank. I also want to appreciate the untiring contributions of the Board of Directors and the relentless efforts of the staff who work tirelessly to make our bank succeed.

Thank you again and God bless you.

**NNAMDI J. OKONKWO**
**Managing Director/Chief Executive Officer**

# SUSTAINABILITY BANKING REPORT

Fidelity Bank's mission is to make financial services easy and accessible. Execution of this mission connects us with the goals of sustainable economic development and poverty reduction. As a bank we play key roles in driving long-term economic development which we believe should occur in a manner that is not only economically viable but also environmentally responsible and socially relevant. We understand that our lending and investment activities could in uncontrolled circumstances produce unfortunate Environmental and Social (E&S) impacts including air and water pollution; destruction of biodiversity and ecosystems; threats to human health and safety; violations of labour rights; displacement of livelihoods, etc. Consequently, we continually seek ways to carry out our banking activities with the intent to "do no harm" to people and the environment. This way we contribute to ensuring that the costs of economic development do not fall disproportionately on those who are poor or vulnerable, that the environment is not degraded in the process, and that renewable natural resources are managed sustainably. In this understanding, Fidelity commits to observe relevant local and international standards such as the Nigerian Sustainability Banking Principles (NSBP) and the Equator Principles in managing environmental and social risks in its own undertakings as well as that of clients it finances.

## MANAGING ENVIRONMENTAL AND SOCIAL RISKS IN CLIENTS' BUSINESSES

Fidelity may be exposed to the E&S risks associated with the underlying business activities of its clients. These risks often present as credit, collateral guarantee, legal liability and reputational risk. Our fit-for-purpose E&S systems and processes have therefore been developed to respond to the nature and scale of client operations, sector, nature of E&S risks and potential impacts. Our decision-making processes incorporate an approach that systematically identifies, assesses and manages E&S risks and their potential impacts. Where avoidance of E&S risk is not possible, the Bank engages with the client to minimise and/or offset identified risks and impacts, as appropriate. The bank believes that its regular engagement with clients and third-party suppliers about matters that directly affect them plays an important role in avoiding or minimizing risks and impacts to people and the environment. Fidelity also recognizes the importance of supporting sector-wide market transformation initiatives that are consistent with sustainable development objectives. Our Bank screens all Project Finance loan applications for E&S risks and maintains a database of E&S risks inherent in transactions processed. For instance, the E&S risk categorizations and sectorial distribution of the number of Project Loan applications that meet the Equator Principles reporting threshold of US$10million as at December 31, 2013 are shown in the table below:

| E&S Risk | | | SECTOR | | | | |
|---|---|---|---|---|---|---|---|
| Category | Power | Oil & Gas | Telecom | Cement manufacturing | Food & Beverage | Construction | Fast moving consumer Goods |
| A | 4 | 16 | 0 | 6 | 0 | 5 | 0 |
| B | 0 | 0 | 8 | 0 | 10 | 0 | 4 |
| C | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| **Total** | **4** | **16** | **8** | **6** | **12** | **5** | **4** |

## FIDELITY MANAGED SME AS A VEHICLE FOR POVERTY REDUCTION

At Fidelity we believe that Small and Medium-Scale Enterprises (SMEs) are engines of economic growth, job creation and poverty reduction. In line with our commitment to social risk management, we have renewed our support for SMEs, thus increasing our lending by about 93 per cent to ₦62 billion to this sector in 2013. Our experience indicates that SMEs do not only need financing but in addition also require focused training and capacity building to grow their businesses. This is why in 2013 we continued to develop our Managed SME Scheme to deliver tailor-made training and capacity enhancements to SMEs. Through the scheme, SME owners receive training on accounting, financial management, human resources management and the use of information technology systems along with an overview of how the Bank works to finance SME businesses. The aim is to help our SME customers manage their finances more efficiently, while accessing appropriate products and financing to grow their businesses.

## CONTRIBUTING TO GREENHOUSE EMISSIONS REDUCTION

Fidelity recognizes that climate change is a serious global challenge and that climate-related impacts may impede economic and social well-being and development efforts. Working with our clients and collaborative partners to address climate change is therefore a strategic priority for the Bank. Given the importance of the private sector's role in the reduction of greenhouse gas (GHG) emissions, Fidelity engages in innovative investments and advisory services to support climate-friendly solutions and opportunities for businesses. Fidelity will also support adaptation measures that promote sustainable investments.

Fidelity support for low-carbon economic development is one dimension of its balanced approach to development, including supporting access to modern, clean, and reliable energy services. The Bank pursues this objective through the use and development of relevant service products, instruments, markets, and advisory services as well as through the adoption of appropriate technologies, processes, and practices in the activities it supports. In pursuit of greenhouse gas emissions reduction, we have implemented strategies at Fidelity to reduce local and overseas travels. Key components of these strategies include implementation of online learning and conferencing facilities which have reduced official travels within the Bank by an estimated 15%. Also, as a deliberate carbon emissions reduction strategy, we ensure that our over 570 ATMs are powered with clean and renewable energy generated from a combination of solar panels and power inverters.

## GUIDED BY THE INTERNATIONAL BILL ON HUMAN RIGHTS

Fidelity is guided by the International Bill of Human Rights and the conventions of the International Labour Organization in its dealings with employees, suppliers and third-party contractors. The Bank recognizes the responsibility of business to respect human rights independently of the state duties to respect, protect, and fulfill human rights. This responsibility ensures we avoid infringing on the human rights of others and to address adverse human rights impacts businesses may cause or contribute to. Meeting this responsibility also means creating access to an effective grievance mechanism that can facilitate early indication and prompt remediation of various project-related grievances. In pursuit of these objectives, Fidelity employee policies prohibit use of child labour; forced labour and discrimination on grounds of race, religion, age, gender or economic background. We are currently implementing procedures that will enable us require similar compliance from our contractors and third party suppliers.

## EMPOWERING AND CREATING OPPORTUNITIES FOR WOMEN

Fidelity Bank believes that women have a crucial role in achieving sound economic growth and poverty reduction. They are an essential part of private sector development. The Bank therefore expects its clients to minimize gender-related risks from business activities and unintended gender differentiated impacts. Recognizing that women are often prevented from realizing their economic potential because of gender inequity, Fidelity is committed to creating opportunities for women in its employment as well as through its lending, investment and advisory activities. In this regard and in compliance with Central Bank of Nigeria requirement, Fidelity ensures a minimum 40% female representation in its workforce at all cadres.

## TIMELY REPORTING AND TRANSPARENT DISCLOSURES

Fidelity seeks to provide accurate and timely information regarding its lending, investment and advisory activities as well as more general institutional information in accordance with its corporate governance stance. The Bank recognizes the importance of disclosure of information, both for itself and its clients, as a means of managing environmental, social, and governance risks. To guard against the risk of financial crime within our business, we focus on training our employees, strengthening our screening systems and ensuring that our policies and procedures are effective and up to date. In 2013 over 75% of our full time-employees completed anti-money laundering and know-your-customer training.

## COLLABORATING WITH PARTNERS

Fidelity acknowledges that it can do more working together with others than it could acting alone. The Bank therefore endeavors to collaborate with clients who identify and manage environmental and social risks and who pursue environmental and social opportunities and outcomes in their business activities with a view to continually improving their sustainability performance. Fidelity participates actively in sector-wide efforts and international initiatives to promote sustainable development. Fidelity is both a signatory to the United Nations Environmental Programme – Finance Initiative (UNEP-FI) and the Equator Principles. Other partners that Fidelity collaborates with for sustainability include the Nigerian Conservation Foundation (NCF), The Nigerian Writers Association, and Spinal Cord Injuries Association of Nigeria (SCIAN)

## LEADING BY EXAMPLE IN E&S FOOTPRINTS MANAGEMENT

Fidelity believes that the commitment to E&S risk management requires leading by example. We therefore manage E&S footprints associated with our internal operations and undertakings by making sustainability considerations an integral part of day-to-day work in our offices wherever located. This commitment includes pursuing best practices in environmental and social management with the objective of achieving carbon neutrality and conservation of nature in our internal business operations. We do this by continually seeking innovative ways for efficient use of materials and resources such as energy and water consumption and effective management of paper and electronic waste in our banking operations. In this regard, the Bank has since 2008 embraced the environmental management concepts of reduce, reuse and recycle. Strategies to realize our commitment to these concepts led to our use of recycled biodegradable paper cashbags as against the common practice among our peers who use polyethylene cashbags. We have equally implemented paperless computing concepts which ensure that most internally generated communication within the Bank is handled electronically without recourse to paper printing. Our cashless banking concepts have eliminated the use of paper and cheque books for certain categories of transactions resulting in huge paper savings. Likewise, about 95 per cent of our customer statements are delivered electronically.

In pursuit of our nature conservation and environmental beautification strategies, the Bank works with State and Local Governments to create green parks in key locations across Nigeria. In 2013, the Bank took its environmental advocacy programme a notch higher by increasing financial sponsorship for the Nigerian Conservation Foundation / Lagos State Government organized “Walk For Nature” and other fora with Friends of the Earth.

## DOING GOOD AND DOING WELL

As part of E&S footprints management, Fidelity aligns its community investment programmes with overall goals for economic and social development within communities in which the Bank operates. One of the initiatives to realize objectives in this area is the annual Fidelity Bank Creative Writing Workshop. Every year, the Bank identifies a notable young Nigerian writer based abroad who has excelled in the craft. Such a Writer is sponsored to anchor the workshop and to bring along two other internationally recognised and award winning writers to teach at the workshop to encourage young Nigerian Writers.

The Bank further strives for positive social contributions in communities in which it operates by providing basic needs, reducing poverty, supporting education, improving health and increasing long-term employment through its internal community help initiative tagged “Helping Hands Project”. Fidelity also raises staff awareness regarding this commitment. The Bank’s E&S awareness programme produced over 1000 staff volunteers in 2013 who in addition to volunteer labour contributed the total sum of ₦26million. This amount was matched 100% by the Bank which provided an additional ₦26million to fund various help projects in about 19 communities in which the Bank operates. Key projects completed and handed over to beneficiary communities under the scheme include installation of water treatment plants, rehabilitation of hospitals, renovation of schools, equipment of women craft workshops, donation of books to school libraries and construction/ equipment of school computer laboratories.

## Board of Directors


**(1)** Mrs. Bessie N. Ejeckam **(2)** Mr. Nnamdi J. Okonkwo, Managing Director/Chief Executive Officer
**(3)** Chief Christopher I. Ezeh MFR, Chairman **(4)** Dim Elias E. Nwosu **(5)** Alhaji Bashari Mohammed Gumel
**(6)** Mr Robert Nnana-Kalu **(7)** Mr. Stanley I. Lawson **(8)** Mallam Umar Yahaya **(9)** Mrs. Chijioke Ugochukwu

## Board of Directors


**(10)** Mr. Gabriel Kayode Olowoniyi **(11)** Chief Nnamdi I. Oji **(12)** Mr. Mohammed Balarabe **(13)** Mrs. Onome Joy Olaolu **(14)** Mr. John Obi **(15)** Mr. Ik Mbagwu **(16)** Ichie Nnaeto Orazulike

# Board of Directors Profile

**CHIEF CHRISTOPHER I. EZEH MFR**

CHAIRMAN

A Fellow of the Institute of Chartered Accountants of Nigeria (ICAN); Institute of Directors (IOD); Institute of Cost and Management Accountants (CMA) and a member of the British Institute of Management, Chief Ezeh, also holds a Doctor of Business Administration (DBA) Honoris Causa, from Enugu State University of Technology. He started his career with Chrysler (UK) Limited in 1968. He then joined Shell BP, Zambia, before leaving for John Holt (Nig) Plc in 1976, becoming Group Managing Director (in 1986) and later, Chairman, a position he has held from 2001 to date.

**MR. NNAMDI J. OKONKWO**

MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

Nnamdi Okonkwo holds a B.Sc from the University of Benin and an MBA, Banking and Finance from Enugu State University. He is also a graduate of the Advanced Management Programme (AMP) INSEAD, Fontainbleau, France and an alumnus of Havard Business School, USA, among other leading business schools. He was appointed Managing Director/Chief Executive Officer of Fidelity Bank Plc with effect from January 1, 2014, following the retirement of the former MD/CEO, Mr Reginald Ihejiahi, who completed his 10 year term in December 2013. Before his appointment, Mr Okonkwo was Executive Director of the Bank, a position he held from April 2012 to December 2013. Prior to joining Fidelity, Okonkwo was the head of the Corporate Banking Directorate in United Bank for Africa (UBA). Before then, he was at various times, the Managing Director & Chief Executive Officer of UBA, Ghana, and the Regional Chief Executive Officer of all UBA subsidiaries in Ghana, Liberia and Sierra Leone. Okonkwo also worked with the former FSB International Bank and Guaranty Trust Bank (GTBank) and comes with over 21 years experience in various areas of banking.

**MR. IK MBAGWU**

Ik Mbagwu holds a Combined Honours degree in Geography & Economics as well as a Master's degree in Development Economics from Reading University, Berkshire (UK). He has attended management courses in notable institutions in Nigeria and overseas. Starting his career as a tax senior in Arthur Andersen & Co, Ik moved on to Nigerian American Bank Limited (Bank of Boston) before joining the then Fidelity Union Merchant Bank Limited in 1993, rising to the position of General Manager. In 2001, he moved on to Citizens International Bank as an Executive Director. He rejoined the new Fidelity Bank as Executive Director in 2006.

**MRS. ONOME JOY OLAOLU**

Onome Olaolu holds a B.Sc in Accounting from the University of Benin and M.Sc., Banking & Finance, from the University of Lagos. She is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and also of the Chartered Institute of Bankers in Nigeria. She worked at Texaco Nigeria Plc from 1985-1990 from where she moved to the then Nigerian Intercontinental Merchant Bank Ltd. In 1994 she moved to Metropolitan Merchant Ltd before joining Fidelity Bank in 1997 as a Senior Manager, rising to the position of General Manager, Risk Management Sector in 2006. She was appointed to the Board in July 2009 and is the Chairman of the Society for Women Accountant of Nigeria (SWAN).

**MR. JOHN OBI**

John Obi is a graduate of Accountancy and holds an MBA from the Lagos State University. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a member of the Chartered Institute of Bankers of Nigeria (CIBN). Obi, who was once the General Manager, Corporate Banking in the bank, was the pioneer Managing Director of Fidelity Pension Managers Limited (FPML), a former subsidiary of Fidelity Bank. He had previously worked with Union Bank amongst others, before joining Fidelity Bank (through the former Manny Bank) in 2000. He has over 28 years industry experience and has served in various areas of banking. He was appointed to the Board in April, 2012.

**MRS. CHIJIOKE UGOCHUKWU**

Chijioke Ugochukwu holds an LLB (Hons.) degree from Obafemi Awolowo University, Ile-Ife, and a BL from the Nigerian Law School. She also holds a Master of Business Administration degree from IESE, Barcelona, Spain. She is a member of the Institute of Chartered Secretaries and Administrators in Nigeria and has more than 21 years Industry experience. At various points, Mrs. Ugochukwu had been in Operations, Treasury Management and Corporate Services functions. She was a General Manager, Legal Services and Company Secretary of the bank. She is a regular speaker on Ethics, Personal Financial Planning and Wealth Preservation. She was appointed to the Board in April, 2012.

**MR. MOHAMMED BALARABE**

Mohammed Balarabe holds a Bachelor's degree in Accountancy and Finance from Nottingham Trent University, UK, as well as a M.Sc. in Finance from the University of Lagos. A dealing member of the Nigerian Stock Exchange since 1992, Mohammed was an Executive Director with the former Oceanic Bank Plc. He was also a General Manager in United Bank for Africa (UBA) and had been the General Manager & Chief Executive of Newdevco Finance Services Company Limited. He has over 24 years banking experience across business portfolios in banking. He was appointed to the Board in April, 2012.

**MRS. BESSIE N. EJECKAM**
Mrs. Ejeckam holds a B.Sc. in Accounting from Bloomfield College, Bloomfield, New Jersey, U.S.A. She worked in the Foreign Exchange Department of PZ Industries Limited from 1982 to 1984, from where she moved to First City Finance Company Limited. In 1988, she joined Fidelity Bank as the Head of Domestic Operations Unit from where she rose to Head of Internal Control in 1996. She resigned from the Bank in 1998 for private business.

**ALHAJI BASHARI MOHAMMED GUMEL**
Alhaji Gumel is an alumnus of the Ahmadu Bello University, Zaria. He holds a Post Graduate Diploma, Public & Social Administration from South Devon Technical College, Torquay, England and is a seasoned administrator who began his career as a civil servant in 1968 and rose to the position of a Permanent Secretary until 1980 when he withdrew his services from the state government to venture into private business. He is on the boards of several companies and is currently the Chairman, Jafa Foam Products Limited. Alhaji Gumel is an Independent Director on the Board of the Bank.

**MR. STANLEY I. LAWSON**
Mr. Lawson holds an M.Sc in Petroleum Geology and MBA in Finance both from the University of Ibadan. He started his career in the Oil & Gas industry as a Resident Geologist/ Drilling Engineer from where he moved to the Banking/ Finance industry, rising to the position of Managing Director/Chief Executive Officer of erstwhile African Express Bank in 2003. He moved to the Nigerian National Petroleum Corporation (NNPC) between 2004 - 2009 where he was appointed Group Executive Director, Finance & Accounts. Mr. Lawson has attended several leadership and management courses in Nigeria and overseas. Mr Lawson is an Independent Director on the Board of the Bank.

**DIM ELIAS E. NWOSU**
Dim Nwosu attended St. Paul's Teachers' Training College, Oghe, Enugu State. He rose from the position of a Sales Assistant at Geoelis Trading Company, Onitsha to Sales Manager fully in charge of the management of the company and later became the Chairman and Chief Executive - a position he holds to date. He is a notable member of the Nigerian Cable Manufacturers Association and a member of the Nigeria Chamberof Commerce, Industry & Agriculture (NACCIMA). He has attended various seminars and workshops both in Nigeria and abroad.

**MR. ROBERT NNANA-KALU**
Mr. Nnana-Kalu holds an M.A. in International Relations as well as a Bachelor of Laws from University of Kent, at Canterbury, Kent, England. He also obtained a Master of Laws from Kings College, University of London, England. He practiced law in the firm of Chief K.K. Ogba Chambers, Owerri, before joining Star Paper Mills Limited, Aba, as Manager, Legal Services & Corporate Affairs. He rose to the position of Executive Director in the company in 1995 a position he holds till date. From 2001 to 2005, Mr Nnana-Kalu was the Chairman of Manufacturers Association of Nigeria (MAN) in Imo/Abia Chapter, as well as a National Council member of the association. He has travelled extensively in Nigeria and overseas. He joined the Board of Fidelity Bank in July 2012.

**CHIEF NNAMDI I. OJI**
Chief Oji holds a National Diploma in Business Studies from Brookland Technical College, Surrey, England and a B.A. in Accountancy from the University of North London, England. He also holds a Post Graduate Certificate in Textile Technology from Bolton Institute of Technology, Lancashire, England. He is presently the Finance Director of Rosies Group of Companies in Aba, Abia State. He sits on the boards of numerous other companies.

**MR. GABRIEL KAYODE OLOWONIYI**
Mr. Olowoniyi is an alumnus of the Federal Polytechnic, Ado-Ekiti and the Institute of Chartered Secretaries and Administrators, London. A Chartered Secretary and Administrator of long standing, Mr Olowoniyi is currently a Director of Amazing Inspiration Media Limited.

**ICHIE NNAETO ORAZULIKE**
Ichie Nnaeto Orazulike holds a B.Sc in Accountancy from the University of Nigeria, Enugu Campus. He began private business in 1993 when he started Genesis Foods Limited, a frontline industrial catering services company. His vast chain of other successful businesses includes Orazulike Trading Company Limited; Stanchions Nigeria Limited and Genesis Deluxe Cinemas Limited.

**MALLAM UMAR YAHAYA**
Mallam Yahaya holds a Bachelor's and a Master's degree in Business Administration from Ahmadu Bello University, Zaria. He has an Advanced Diploma in Management from Harvard Business School, Boston Massachusetts, and an Executive Management Diploma in Strategy & Organisation from Stanford Graduate School of Business, USA. He was an Executive Director of First Bank of Nigeria Plc, responsible for policy formulation, strategic direction and day-to-day management of sector posting. He was the Managing Director/Chief Executive, New Africa Merchant Bank (NAMB) from 1992 to1997 and currently sits on the boards of some other companies.

## MANAGEMENT TEAM &
### HEADS OF SOME KEY DEPARTMENTS, AS AT MARCH 2014

| | |
|---|---|
| Nnamdi J. Okonkwo | MD & Chief Executive Officer |
| Ik Mbagwu | ED, Lagos & South West |
| Onome Olaolu | ED, Risk Management |
| John Obi | ED, Corporate Bank |
| Chijioke Ugochukwu | ED, Shared Services |
| Mohammed Balarabe | ED, North Directorate |
| Oluwatobi Lawal | GM, Head, South-West Bank |
| Obioha Obiagwu | GM, Head, Lagos Island Bank |
| Idris Yakubu | GM, Head, North Bank |
| Charles Okoro | GM, Head, South-South Bank |
| Chimaobi Onwuka | DGM, Head, Corporate Services |
| Gabriel Anajekwu | DGM, Head, South-East Bank |
| Chineze Osakwe | DGM, Head, Treasury |
| Boye Ogunmolade | DGM, Chief Compliance Officer |
| Taiwo Joda | DGM, Head, Large Corporates & Multinationals |
| Ken Opara | DGM, Head, Managed SMES & Consumer Sales Force |
| Hassan Imam | DGM, Head, Abuja Bank |
| Adeyeye Adepegba | DGM, Head, Power Infrastructure |
| Victor Abejegah | DGM, Head, Financial Controls & CFO |
| Emma Esinnah | DGM, Head, Marketing Communications |
| Lazarus I. Okolie | DGM, Head, Infotech & CTO |
| Francis Ikenga | AGM, Head, Strategy |
| Ezinwa Unuigboje | AGM, Head, Legal Services Division |
| Martins Izuogbe | AGM, Head, Operations |
| Jude Monye | AGM, Lagos Mainland Bank |
| Charles Onyeoguzoro | AGM, Head, Loan Processing |
| Chinwe Basil-Ezegbu | AGM, Head, Inspection & Audit |
| Musa Tarimbuka | AGM, Head, Agri-Business |
| Mannir Ringim | AGM, Head, North West Region |
| Nasiru Sama | AGM, Head, North Central Region |
| Osahon Ogieva | AGM, Head, Telecoms |
| Abolore Solebo | AGM, Head, Oil & Gas (Upstream) |
| Abimbola Ilupeju | AGM, Legal Advisory |
| Felicia Anya | AGM, Head, Credit Administration |
| Uchenna Enyinnia | AGM, Head, Imo & Abia Region |
| Carolyn Folami | AGM, Head, Card Business |
| Anthony Yaro | AGM, Head, Abuja Mainland |
| Chijioke Ijezie | AGM, Head, Credit Inspection |
| Ignay Nwene | AGM, Head, Public Sector Abuja |
| Chikwendu Ogbodo | AGM , Head, Yaba & Mushin Region |
| Desmond Anumkua | AGM, Head, Internal Control |
| Halilu Malabu | AGM, Head, North East Region |
| Ndubuisi Agoh | AGM, Head, Transport and Shipping |
| Olajuwon Enilolobo | AGM, Head, Oba Akran |
| Oluseyi Olojode | AGM, Head, Lagos Island 2 Region |
| Richard Madiebo | AGM, Head, Collections & Remittances |
| Mobolaji Omotoso | Head, South West Region |
| Napoleon Esemudje | Chief Human Resources Officer |
| Chioma Nwankwo | Head, Private Banking |

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 December 2013

The Directors are pleased to submit their report on the affairs of Fidelity Bank Plc ("the Bank"), together with the financial statements and auditors' report for the year ended December 31, 2013.

## 1. RESULTS

| | 31 Dec, 2013<br>₦'million | 31 Dec, 2012<br>₦'million |
|---|---|---|
| Profit before income tax | **9,028** | **21,349** |
| Income tax expense | **(1,307)** | **(3,425)** |
| Profit after taxation | **7,721** | **17,924** |

## 2. DIVIDEND STATEMENT

In respect of the current financial year, the Directors propose a dividend of 14 kobo per Ordinary Share of 50 kobo each amounting to N4,054,761,997.00 to be paid to shareholders subject to approval at the Annual General Meeting. The proposed dividend is subject to withholding tax and is payable to shareholders whose names appear on the Register of Members as at close of business on April 11th 2014.

## 3. LEGAL FORM

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

## 4. PRINCIPAL BUSINESS ACTIVITIES

The principal activity of the Bank continues to be the provision of banking and other financial services to corporate and individual customers from its Headquarters in Lagos and 204 business offices. These services include retail banking, granting of loans and advances, equipment leasing and other related services.

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

## 5. BENEFICIAL OWNERSHIP

The Bank is owned 100% by Nigerian Citizens and Corporations.

## 6. SHARE CAPITAL

The range of shareholding as at December 31, 2013 is as follows:

| *Range* | *No. of Holders* | *Holders%* | *Holders Cum* | *Units* |
|---|---|---|---|---|
| 1 - 1,000 | 94,743 | 22.87% | 270,898 | 80,446,558 |
| 1,001 - 5,000 | 176,155 | 42.52% | 447,053 | 486,477,844 |
| 5,001 - 10,000 | 54,942 | 13.26% | 501,995 | 451,985,206 |
| 10,001 - 50,000 | 63,421 | 15.31% | 565,416 | 1,524,031,782 |
| 50,001 - 100,000 | 11,953 | 2.88% | 577,369 | 945,487,454 |
| 100,001 - 500,000 | 10,230 | 2.47% | 587,599 | 2,229,616,683 |
| 500,001 - 1,000,000 | 1,429 | 0.34% | 589,028 | 1,058,578,443 |
| 1,000,001 - 5,000,000 | 1,065 | 0.26% | 590,093 | 2,293,523,775 |
| 5,000,001 - 10,000,001 | 163 | 0.04% | 590,256 | 1,237,195,616 |
| 1,000,001 - 50,000,001 | 177 | 0.04% | 590,433 | 3,444,263,495 |
| 50,000,001 - 100,000,000 | 24 | 0.01% | 590,457 | 1,717,028,055 |
| 100,000,001 - 500,000,000 | 24 | 0.01% | 590,481 | 5,230,757,708 |
| 500,000,001 - 1,000,000,000 | 8 | 0.00% | 590,489 | 6,063,821,331 |
| 500,000,001 - 28,974,797,023 | 2 | 0.00% | 590,491 | 2,211,583,073 |
| ***GRAND TOTAL*** | 414,336 | 100% | | 28,974,797,023 |

Substantial interest in shares:

The Bank's shares are widely held and no shareholder held up to 5% of the issued share capital of the Bank during the period.

## 7. DIRECTORS AND THEIR INTERESTS:

**a.** The names of the Directors who held office during the review period are listed at page 32 below.

**b.** Since the last Annual General Meeting, the following changes have taken place on the Board of Directors:

(i) In accordance with Article 95(1)(a) of the Articles of Association of the Bank, the Directors retiring by rotation are Chief Christopher I. Ezeh, MFR, Dim Elias Nwosu and Mr. Stanley Lawson and being eligible, they offer themselves for re-election.

(ii) Mr. Reginald Ihejiahi retired from the Board as Managing Director & Chief Executive Officer with effect from December 31, 2013, after completing a 10 (ten) year term in accordance with the Central Bank of Nigeria's Guidelines on tenure of Managing Directors of Banks.

(iii) Mr. Nnamdi Okonkwo, former Executive Director, South Bank, was appointed as the succeeding Managing Director & Chief Executive Officer of the Bank with effect from January 1, 2014. The approval of the Central Bank of Nigeria has been obtained for the appointment.

A profile of all the Directors, including the Directors presented for election/re-election is at page 26.

**c. Directors' shareholding:**

The interests of Directors' in the issued share capital of the Bank as recorded in the Register of Directors' Shareholding and/or as notified by the Directors for the purpose of Section 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are as follows:

| | | | 31 Dec 2013 | | | 31 Dec 2012 |
|---|---|---|---|---|---|---|
| NAME OF DIRECTOR | DIRECT | INDIRECT | TOTAL | DIRECT | INDIRECT | TOTAL |
| Chief Christopher I. Ezeh | 175,086,490 | NIL | 175,086,490 | 108,419,411 | NIL | 108,419,411 |
| Mallam Umar Yahaya | 1,689,572 | NIL | 1,689,572 | 1,689,572 | NIL | 1,689,572 |
| Mr Nnamdi Oji | 1,347,085 | 83,277,680 | 84,624,765 | 1,347,085 | 83,277,680 | 84,624,765 |
| Mrs Bessie N. Ejeckam | 3,378,775 | 185,865,376 | 189,244,151 | 3,378,775 | 135,265,409 | 138,644,185 |
| Dim Elias E. Nwosu | NIL | 678,711,839 | 678,711,839 | NIL | 653,704,655 | 653,704,655 |
| Ichie Nnaeto Orazulike | 1,665,300 | 1,665,300 | 3,330,000 | 1,665,300 | 1,665,300 | 3,330,600 |
| Mr Kayode Olowoniyi | 50,000 | NIL | 50,000 | 50,000 | NIL | 50,000 |
| Mr Stanley Lawson | NIL | NIL | NIL | NIL | NIL | NIL |
| Alhaji Bashari Gumel | NIL | NIL | NIL | 101,666 | NIL | 101,666 |
| Mr. Nnamdi Okonkwo | 1,001,200 | NIL | 1,001,200 | 1,001,200 | NIL | 1,001,200 |
| Mr Robert Nnana-Kalu | 70,006 | NIL | 70,006 | 70,006 | NIL | 70,006 |
| Mr Ik. Mbagwu | 4,782,606 | NIL | 4,782,606 | 4,782,606 | NIL | 4,782,606 |
| Mrs Onome Olaolu | 5,160,669 | NIL | 5,160,669 | 5,160,669 | NIL | 5,160,669 |
| Mr. John Obi | 558,483 | NIL | 558,483 | 51,515 | NIL | 51,515 |
| Mrs. Chijioke Ugochukwu | 3,410,093 | NIL | 3,410,093 | 2,665,249 | NIL | 2,665,249 |
| Mr. Mohammed Balarabe | 2,002,221 | NIL | 2,002,221 | 2,002,221 | NIL | 2,002,221 |
| Mr Reginald Ihejiahi | 134,121,210 | NIL | 134,121,210 | 124,210,000 | NIL | 124,210,210 |

Mr. Nnamdi Oji has indirect shareholding amounting to 83,277,680 shares through Rosies Textile Mills Limited (8,250,666 shares) and Rosies Garments Factory (Nigeria) Limited (75,027,014 shares).

Dim Elias Nwosu has indirect shareholding amounting to 678,711,839 shares through Beverly Trust Limited.

Mrs. Bessie Ejeckam has indirect shareholding amounting to 185,865,376 shares through Felink Investment & Property Limited.

Ichie Nnaeto Orazulike has indirect shareholding amounting to 1,665,300 shares through Genesis Foods Nigeria Limited (1,665,300 shares).

**d. Directors interest in Contracts**

Directors' interest in contracts and related party transactions which interest was disclosed to the Board in compliance with Section 277 of the Companies and Allied Matters Act of Nigeria is detailed in Note 32.

**e. Disclosure on Directors' Remuneration**

The disclosure on Directors' Remuneration is made pursuant to the Code of Corporate Governance for Public Companies issued by the Securities & Exchange Commission (SEC).

**(i) Executive Directors**

Fidelity's policy is to attract, retain and motivate the right calibre of staff required to achieve the Bank's business objectives. This policy is based on the underlying philosophy of job evaluation/classification, performance assessment and the need to reward individuals based on their contribution to the business. The Bank's remuneration philosophy therefore is to stimulate better performance and to achieve this, the Bank has evolved a compensation package which is competitive externally and equitable internally.

Staff compensation, including Executive Directors compensation, is tied to specific deliverables for each category of staff. To this end, Executive Directors annual compensation includes fixed and variable pay components. Fixed pay includes basic salary, transport, housing and other allowances. These are paid monthly, quarterly or annually as appropriate. The annual compensation package also includes a 13$^{th}$ month salary which is paid in the last month of the financial year as well as a performance bonus which is paid once a year and tied to specific deliverables.

**(ii) Non-Executive Directors**

Non-Executive Directors are paid an annual fee in addition to reimbursable hotel and travel expenses. The annual fee is approved by Shareholders at the Annual General Meeting in each year and is paid quarterly in arrears during the year. Non-Executive Directors also receive a sitting allowance for each meeting attended by them.

## 8. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events which could have had a material effect on the state of affairs of the Bank as at 31 December 2013 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

## 9. PROPERTY AND EQUIPMENT

Information relating to property and equipment is given in Note 20 to the financial statements. In the Directors' opinion, the market value of the Bank's properties is not less than the value shown in the financial statements.

## 10. DONATIONS & CHARITABLE CONTRIBUTIONS

Donations and gifts to charitable organizations during the year amounted to N185,136,733.02 (Dec 2012 – N45,820,000.00). There were no donations to political organizations during the year. The beneficiaries are:

| | |
|---|---|
| NATIONAL FLOOD RELIEF FUND | 150,000,000.00 |
| CHARTERED INSTITUTE OF BANKERS OF NIGERIA 50TH ANNIVERSARY | 10,000,000.00 |
| IMO STATE RED CROSS SOCIETY | 10,400,000.00 |
| INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA (ICAN) - CONFERENCE 2013 | 2,500,000.00 |
| HEART OF GOLD HOSPICE, SURULERE, LAGOS | 2,112,160.39 |
| ICAN LAGOS MAINLAND DISTRICT | 2,000,000.00 |
| INTERNATIONAL WOMEN SOCIETY | 1,000,000.00 |
| NATIONAL YOUTH SERVICE CORPS - BATCH A. 2013 SPONSORSHIP | 1,000,000.00 |
| FIDELITY HELPING HANDS PROJECTS - MAKURDI, BENUE, GOMBE, ENUGU, IBADAN AND PLATEAU | 4,058,011.96 |
| ONDO STATE SCHOOL OF THE DEAF, AKURE | 480,000.00 |
| IKOYI PRISON - RENOVATION OF SICK BAY, IKOYI, LAGOS | 411,560.67 |
| HOME ECONOMICS CENTRE, KATSINA- EQUIPPING OF COOKING AND TAILORING SECTION | 350,000.00 |
| RENOVATION OF WOMEN DEVELOPMENT CENTRE | 337,000.00 |
| OUR LADY'S HIGH SCHOOL, ONITSHA - RENOVATION OF 2 BLOCKS OF CLASSROOM | 305,000.00 |
| DOWN SYNDROME FOUNDATION OF NIGERIA | 183,000.00 |
| | **185,136,733.02** |

## 11. EMPLOYMENT & EMPLOYEES

**Employment of disabled persons**

It is the policy of the Bank to ensure that there is no discrimination in considering applications for employment including those from physically challenged persons. The policy ensures that disadvantaged persons are afforded, as far as is practicable, identical opportunities with other employees. There was no such physically challenged person employed during the year.

**Health, Safety and Welfare at Work In Fidelity Bank Plc**

Fidelity Bank places the highest priority on the health, safety and well being of all employees both in and outside the workplace and continues to make significant investments along these lines.

Fidelity Bank's employees are covered under a comprehensive healthcare cover through a medical retainership scheme with over 120 hospitals across the country. The scheme covers every staff, spouse and four biological children. Furthermore, the Bank also has an International Health Insurance Scheme which provides staff with a personal health insurance plan and emergency medical evacuation support. These healthcare facilities are actively supported by annual health screening exercises that have in recent years included mammograms, prostate screening, eye screening, cardiovascular risk screening and immunizations for cerebrospinal meningitis and Hepatitis B.

Beyond direct clinical healthcare support, staff members also benefit from a deliberate and structured preventive health awareness programme across the Bank. In this regard, the Bank carries out well articulated awareness sessions on various health issues, including diabetes, hypertension, malaria and HIV/AIDS prevention. The Bank also has a defined policy to guide employees on preventing the spread of malaria, HIV/AIDS and other communicable diseases, whilst ensuring that no person living with HIV/AIDS is discriminated against.

Through regular medical alerts, emails, text messages and periodic Health Awareness Month presentations, staff members are frequently educated on how to take personal responsibility for their health by consciously making better lifestyle choices.

**Employee involvement and training**

The Bank is committed to keeping employees fully informed on the institution's performance and progress. Opinions and suggestions of members of staff are sought and considered not only on matters affecting them as employees but also on the general business of the Bank.

Sound management and professional expertise are considered to be the Bank's major assets, and investment in employees' future development continues to be a top priority. Each employee has a documented training and career development program. To this end, short and long term training programs are tailored to suit the requirements of both employees and the Bank. Employees are also adequately rewarded and motivated to achieve results.

12. **AUDITORS**

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

BY ORDER OF THE BOARD

**CHIJIOKE UGOCHUKWU (MRS)**
Company Secretary
FRC/2014/NBA/00000006957

LAGOS, NIGERIA
March 31, 2014
FIDELITY BANK PLC

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2013

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, and Sections 24 and 28 of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No.6, 2011, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Bank, and of the financial performance for the year. The responsibilities include ensuring that:

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

(b) the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which ensure that the financial statements comply with 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, International Financial Reporting Standards and relevant circulars issued by the Central Bank of Nigeria;

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

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

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

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

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

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

Signed on behalf of the Directors by:

CHIEF (DR.) CHRISTOPHER I. EZEH, MFR
Chairman

**NNAMDI J. OKONKWO**
Managing Director

25 March 2014

# REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED DECEMBER 31, 2013

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

i) Reviewed the scope and planning of the audit requirements and found them adequate.

ii) Reviewed the financial statements for the year ended 31 December 2013 and are satisfied with the explanations obtained.

iii) Reviewed the External Auditors Management Report for the year ended 31 December 2013 and are satisfied that Management is taking appropriate steps to address the issues raised.

iv) Reviewed all insider related credits as defined in Section 20 (5) of the Banks and Other Financial Institutions Act, Cap B3 LFN 2004. Our review confirmed that the Bank disclosed all such credits and they were reported in line with the CBN's prescribed format.

v) Ascertained that the accounting and reporting policies of the company for the year ended 31 December 2013 are in accordance with legal requirements and agreed ethical practices.

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

Chairman Audit Committee
March 26, 2014

Members of the Audit Committee are:

| | | | |
|---|---|---|---|
| 1) | Mr. Chidi Agbapu | - | Chairman |
| 2) | Dr. Christian Nwinia | - | Member |
| 3) | Mrs. Bessie N. Ejeckam | - | Member |
| 4) | Alh. Bashari M. Gumel | - | Member |
| 5) | Mr. Frank Onwu | - | Member |
| 6) | Mr. Robert Nnana-Kalu | - | Member |

# CORPORATE GOVERNANCE REPORT

For the YEAR ENDED 31 December 2013

## INTRODUCTION

Fidelity Bank Plc remains concerned with governance practices that ensure the Bank is run effectively to achieve its defined objectives. Thus, the key tenets of good Corporate Governance remain at the center of Fidelity Bank Plc's governance framework and the Bank continues to be committed to maintaining global best practices in governance by ensuring accountability at all levels. This is achieved through mechanisms that reduce or eliminate procedural breaches by ensuring ethical behaviour across the Bank, thereby adding value to shareholders and other stakeholders, while also enhancing service delivery to our customers.

The Board continues to comply with the Bank's internal governance policies and the Corporate Governance Codes issued by the Central Bank of Nigeria (CBN) and the Securities & Exchange Commission (SEC) (the Codes). The Codes are very detailed and cover a wide range of issues, including Organizational Structure, Quality of Board Membership, Board Performance Appraisal, Reporting Relationship, Disclosure Requirements, Risk Management, Relationship with Shareholders, Conflict of Interest, Sustainability Issues, Whistle-blowing, Code of Ethics and the Role of Auditors.
Fidelity also undertakes frequent internal assessments of its compliance with both Codes and submits periodic Compliance Reports to the CBN and SEC on matters specified in the Codes.

### KEY GOVERNANCE DEVELOPMENTS

Major governance developments since the last Annual General Meeting include the following:

(i) Retirement of Mr. Reginald Ihejiahi, former Managing Director & Chief Executive Officer, with effect from December 31, 2013 upon completion of a ten (10) year term in accordance with the Central Bank of Nigeria's Guidelines on Tenure of Managing Directors of Deposit Money Banks.

(ii) Appointment of Mr. Nnamdi J. Okonkwo, erstwhile Executive Director, South Bank, as Managing Director & Chief Executive Officer of the Bank with effect from January 1, 2014.

### CORPORATE GOVERNANCE FRAMEWORK

Fidelity's governance structure is hinged on its internal governance framework, which is executed through the following principal organs:

(a) The Board of Directors
(b) Board Committees
(c) Shareholders Audit Committee
(d) General Meetings
(e) Management Committees

### A. THE BOARD OF DIRECTORS

### The Board (Structure and Responsibilities):

The Board of Directors is at the apex of the Bank's governance structure and ensures that appropriate controls are in place and fully operational. The Board has both Supervisory and Management functions. These functions are split between the Executive Board, which comprises six (6) Executive Directors and the Supervisory or Full Board, which comprises sixteen (16) Directors (i.e. the six Executive Directors and ten (10) Non Executive Directors).

The Executive Board is the key management organ of the Bank and is primarily responsible for achieving performance expectations and increasing shareholder value. The Executive Board reports regularly to the Supervisory Board on all issues that relate to the growth and development of the Bank. The Supervisory Board plays a major supportive and complementary role in ensuring that the Bank is well managed. The Supervisory Board includes two (2) Independent Directors, Mr. Stanley Lawson and Alhaji Bashari Gumel.

The Board of Directors is accountable to all stakeholders and continues to play a pivotal role in the Bank's governance. It is the responsibility of the Board of Directors to endorse the Bank's organisational strategy, develop directional policy, appoint, supervise and remunerate senior executives and ensure accountability of the Bank to its owners, stakeholders and the regulatory authorities. The Board is also responsible for providing stable and effective leadership for the Bank, to facilitate achievement of its corporate operating objectives.

Responsibility for the day-to-day management of the Bank resides with the Managing Director & Chief Executive (MD & CE), who carries out his functions in accordance with guidelines approved by the Board of Directors. The MD & CE is ably assisted by the five (5) Executive Directors.

All Directors are persons of high integrity and seasoned professionals, who are competent, knowledgeable and proficient in their professional career, business and/or vocation. The Directors bring to the Board their diverse experience in several fields ranging from business, corporate finance, accounting, management, banking operations, taxation, project finance, leasing, law and treasury management. The diverse professional background of the Board members reflects a balanced mix of skills, experiences and competencies that impacts positively on the Board's activities.

## Chairman and Chief Executive:

The positions, functions and responsibilities of the Chairman and Managing Director continue to remain separate. Whilst the Chairman is responsible for leadership and overall Board effectiveness, the Managing Director is responsible for the day to day management of the enterprise and its overall performance.

## Board Induction & Training:

Given the increasing complexity of banking transactions, the demands of the operating environment and their weighty oversight responsibilities, the Board acknowledges that its ability to effectively discharge its functions can only be enhanced by qualitative training programs. To this end, the Bank has a formal induction program for new Directors and bespoke training programs for serving Directors. The Directors also attend all Regulator initiated training programs. The induction and training programs are robust and designed to equip all Directors to effectively discharge their responsibilities whilst improving overall board effectiveness.

The Directors are members of the Institute of Directors of Nigeria (IOD) and the Bank Directors Association of Nigeria (BDAN), two nonprofit organizations dedicated to promoting best corporate governance practices and the highest ethical standards for Nigerian Companies/Banks.

## Board Appraisal:

In compliance with the Codes and to further enhance its governance practices, the Board engages knowledgeable consultants to conduct an annual appraisal of the Board's performance.

The annual Board appraisal is extensive and covers all major Board focus areas including strategy, corporate culture, monitoring, evaluation, performance and stewardship. The Consultant's report on the board appraisal is presented to the Shareholders at the Annual General Meeting in each year.

## Board Meetings:

Membership and attendance at Board meetings during the period under review is as follows: (SEE TABLE 1)

TABLE 1: MEMBERSHIP AND ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS DURING THE YEAR IS AS FOLLOWS:

| S/N | Name | Designation 2013 | 31 Jan 2013 | 14 Feb 2013 | 25 Apr 2013 | 20 May 2013 | 21 May 2013 |
|---|---|---|---|---|---|---|---|
| 1 | Chief Christopher I. Ezeh MFR | Chairman | " | " | " | " | " |
| 2 | Dim Elias E. Nwosu | Non Executive | " | " | " | " | " |
| 3 | Mrs. Bessie Ejeckam | Non Executive | " | " | " | A | " |
| 4 | Chief Nnamdi I. Oji | Non Executive | " | " | " | " | " |
| 5 | Mallam Umar Yahaya | Non Executive | " | " | " | " | " |
| 6 | Ichie Nnaeto Orazulike | Non Executive | " | " | " | " | " |
| 7 | Mr. Kayode Olowoniyi | Non Executive | " | " | " | " | " |
| 8 | Alhaji Bashari Gumel | Non Executive | " | " | " | " | " |
| 9 | Mr. Stanley Lawson | Non Executive | " | " | " | " | " |
| 10 | Mr. Robert Nnana-Kalu | Non Executive | " | " | " | " | " |
| 11 | Mr. Reginald Ihejiahi * | Executive | " | " | " | " | " |
| 12 | Mr. Ik Mbagwu | Executive | " | " | " | " | " |
| 13 | Mrs. Onome Olaolu | Executive | " | " | " | " | " |
| 14 | Mrs. Chijioke Ugochukwu | Executive | " | " | " | " | " |
| 15 | Mr. John Obi | Executive | " | " | " | " | " |
| 16 | Mr. Nnamdi Okonkwo | Executive | " | " | " | " | " |
| 17 | Mr. Mohammed Balarabe | Executive | " | " | " | " | " |

" *– Present; A – Apology; NYA – Not Yet Appointed; R- Resigned* *Retired with effect from December 31, 2013

## B. BOARD COMMITTEES

The responsibilities of the Board are further accomplished through four (4) standing Committees which work closely with the Board to achieve the Bank's strategic objectives. The Board Committees are detailed below:

(a) Board Credit Committee.
(b) Board Audit & Risk Committee.
(c) Board Corporate Governance Committee.
(d) Board Finance & General Purpose Committee.

Each Committee has a clearly defined Charter which sets out its composition, functions, responsibilities and scope of authority.

Complex and specialized matters are effectively dealt with through these Committees which also make recommendations to the Board on various matters as appropriate. The Committees present periodic reports to the Board on all issues considered by them.

| 24 Jul 2013 | 25 Jul 2013 | 22 Aug 2013 | 21 Oct 2013 | 22 Oct 2013 | 26 Nov 2013 | 13 Dec 2013 | No of Meetings Attended |
|---|---|---|---|---|---|---|---|
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 11 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | A | “ | “ | “ | “ | “ | 11 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | A | “ | “ | “ | “ | 11 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | 12 |
| “ | “ | “ | A | A | A | “ | 9 |

Total Number of Board Meetings during the year – 12 meetings.

### 1. Board Credit Committee:

This Committee functions as a Standing Committee of the Board with responsibility for Credit Management. The Committee currently comprises six (6) Non Executive Directors (including an Independent Director), the Managing Director & Chief Executive and the Executive Directors. Its terms of reference include:

(a) Exercising all Board assigned responsibilities on credit related issues.
(b) Review and recommend credit policy changes to the full Board.
(c) Ensure compliance with regulatory requirements on credits.
(d) Approving credits above the Management’s credit approval limits.
(e) Tracking the quality of the Bank’s loan portfolio through quarterly review of risk assets.
(f) Receive and consider recommendations from the Management Credit & Investment Committee (MCIC), Asset & Liability Committee (ALCO), and Operational Risk Review Committee (OpsRisk) on matters relating to Credit Management.

TABLE 2: MEMBERSHIP AND ATTENDANCE AT THE BOARD CREDIT COMMITTEE MEETINGS DURING THE YEAR IS AS FOLLOWS:

| S/N | NAME | DESIGNATION | 14 Jan 2013 | 30 Jan 2013 | 26 Feb 2013 | 18 Mar 2013 | 16 Apr 2013 |
|---|---|---|---|---|---|---|---|
| 1 | Mallam Umar Yahaya | Chairman | “ | “ | “ | “ | “ |
| 2 | Mr. Kayode Olowoniyi | Non Executive | “ | “ | “ | “ | “ |
| 3 | Ichie Nnaeto Orazulike | Non Executive | “ | “ | “ | A | “ |
| 4 | Mrs. Bessie Ejeckam | Non Executive | “ | “ | “ | A | A |
| 5 | Chief Nnamdi I. Oji | Non Executive | “ | “ | “ | “ | “ |
| 6 | Mr. Stanley Lawson | Non Executive | “ | “ | “ | “ | “ |
| 7 | Mr. Reginald Ihejiahi* | Executive | “ | “ | “ | “ | “ |
| 8 | Mr. Ik Mbagwu | Executive | “ | “ | “ | A | “ |
| 9 | Mrs. Onome Olaolu | Executive | “ | “ | “ | “ | “ |
| 10 | Mrs. Chijioke Ugochukwu | Executive | “ | “ | “ | A | “ |
| 11 | Mr. John Obi | Executive | “ | “ | “ | “ | “ |
| 12 | Mr. Nnamdi Okonkwo | Executive | A | “ | “ | “ | “ |
| 13 | Mr. Mohammed Balarabe | Executive | A | “ | “ | “ | “ |

*“ – Present; A – Apology; NYA – Not Yet Appointed; R- Resigned* *Retired with effect from December 31, 2013

(g) Consider and recommend for full Board approval, any Director, Shareholder and Insider Related credits.
(h) Consider exceptions to rules or policies and counsel on unusual credit transactions.

The Committee meets monthly or as the need arises. A total of 15 (fifteen) Credit Committee meetings were held during the year. Membership and attendance at the Committee's meetings during the period under review (SEE TABLE 2)

## 2. Board Audit & Risk Committee:

This Committee was formerly called the Board Risk Committee and was recently renamed Board Audit & Risk Committee. It functions as a Standing Committee of the Board with responsibility for Audit and Management. The Committee currently comprises six (6) Non Executive Directors, (including an Independent Director) and the Managing Director & Chief Executive. The Executive Director, Risk Directorate, Chief Compliance Officer and Chief Inspector are in attendance at the Committee's meetings. Occasionally, a joint meeting is held between the Board Audit & Risk Committee and Board Credit Committee. The terms of reference of the Board Audit & Risk Committee includes the following:

(a) Exercising all Board assigned responsibilities on risk related issues.
(b) Ensuring compliance with the Bank's Enterprise Risk Policies including Credit Risk, Market Risk and Operational Risk Policies.
(c) Ensuring compliance with regulatory risk requirements.
(d) Promote enterprise risk management and ensure that the risk management processes and culture are

| 15 May 2013 | 20 May 2013 | 19 Jun 2013 | 18 Jul 2013 | 14 Aug 2013 | 22 Aug 2013 | 24 Sep 2013 | 5 Nov 2013 | 27 Nov 2013 | 11 Dec 2013 | No of Meetings Attended |
|---|---|---|---|---|---|---|---|---|---|---|
| “ | “ | “ | “ | A | “ | “ | “ | “ | A | 13 |
| “ | “ | “ | “ | “ | A | “ | “ | “ | “ | 14 |
| “ | “ | “ | “ | “ | “ | “ | A | “ | “ | 13 |
| “ | “ | “ | “ | “ | “ | A | “ | “ | “ | 12 |
| “ | “ | “ | “ | “ | “ | “ | “ | “ | “ | 15 |
| “ | “ | “ | A | A | “ | “ | “ | A | A | 11 |
| “ | “ | “ | “ | A | “ | “ | “ | “ | “ | 14 |
| “ | “ | “ | “ | “ | “ | “ | “ | “ | “ | 14 |
| “ | “ | “ | “ | “ | “ | “ | “ | “ | “ | 15 |
| “ | “ | “ | A | “ | “ | “ | A | “ | “ | 12 |
| “ | “ | “ | “ | “ | A | “ | “ | “ | “ | 14 |
| “ | “ | “ | “ | A | “ | “ | “ | “ | “ | 13 |
| “ | “ | “ | “ | A | “ | “ | A | A | A | 10 |

Total Number of Committee Meetings during the year – 15 meetings.

embedded throughout the Bank.

(e) Recommend the Bank’s risk management policy including risk appetite and strategy.

(f) Review the Bank’s compliance level with applicable laws and regulatory requirements that may impact the Bank’s risk profile and evaluate the Bank’ risk profile and the action plans in place to manage risk.

(g) Clearly delineate the Bank’s overall risk tolerance level by reviewing and approving risk limits for various target markets and products.

(h) Oversee the establishment of whistle blowing procedures for the receipt, retention and treatment of complaints received.

(i) Establish a sustainability framework that ensures ongoing identification, evaluation and monitoring of social, political, economic and environmental issues which could materially affect the Bank’s business activities and performance.

(j) Perform oversight functions on the Bank’s information security programmes.

(k) External Audit including recommending the appointment, removal and remuneration of the Joint External Auditors.

(l) Other Finance matters including recommending for Board approval, the Bank’s dividend policy, including amount, nature and timing and other corporate activities. Ensure that control issues identified and recommendations made by the internal and external auditors are addressed by Management within the agreed timeframes.

(m) Review the results of Management’s investigation of actual and suspected breaches of law including fraud and theft and follow up with appropriate disciplinary actions.

(n) Approve a comprehensive framework for delegation of authority on financial matters and ensure compliance with same.
(o) Review and approve the internal audit charter outlining its scope of work, authority and responsibilities.
(p) Evaluate the performance of the Head, Inspection and Audit and make recommendations on his or her appointment, reward, discipline and dismissal.
(q) Review and agree on the terms of engagement of the external auditors prior to the commencement of the annual audit of the financial statements.
(r) Review the results of the annual audit and discuss the annual financial statements with Management and the External Auditors.

TABLE 3: MEMBERSHIP AND ATTENDANCE AT THE BOARD AUDIT & RISK COMMITTEE MEETINGS DURING THE YEAR IS AS FOLLOWS:

| S/N | NAME | DESIGNATION | 29TH JAN 2013 | 23RD APR 2013 | **23RD JULY 2013 | 23RD OCT 2013 | No of Meetings Attended |
|---|---|---|---|---|---|---|---|
| 1 | Mr. Stanley Lawson | Chairman | “ | “ | “ | “ | 4 |
| 2 | Mr. Kayode Olowoniyi | Non Executive | “ | “ | “ | “ | 4 |
| 3 | Mallam Umar Yahaya | Non Executive | “ | “ | “ | “ | 4 |
| 4 | Dim Elias Nwosu | Non Executive | “ | “ | “ | “ | 4 |
| 5 | Alh. Bashari Gumel | Non Executive | “ | “ | “ | “ | 4 |
| 6 | Mr. Robert Nnana-Kalu | Non Executive | “ | “ | “ | “ | 4 |
| 7 | Mr. Reginald Ihejiahi | Executive | “ | “ | “ | “ | 4 |

“ *– Present; A – Apology; NYA – Not Yet Appointed; R- Resigned* *Retired with effect from December 31, 2013
Total Number of Committee Meetings during the year – 4 meetings. ** Joint Meeting with the Board Credit Committee.

## 3. Board Corporate Governance Committee:

The Board Corporate Governance Committee comprises six (6) Non-Executive Directors (including an Independent Director). The Managing Director is in attendance at the Committee's meetings which are held quarterly or as the need arises. The Committee's terms of reference includes:
(a) Recommend membership criteria for the Board and its Committees.
(b) Ensure the existence of an appropriate remuneration policy and philosophy for the Executive Directors, Non-Executive Directors and Staff.
(c) Review and make recommendations on the Bank's key human capital policies.
(d) Review and make recommendations for improvements to the Bank's Corporate Governance Framework.
(e) Review and agree at the beginning of the year, key performance indicators for the Managing Director and Executive Directors.
(f) Ensure that a Board evaluation exercise is undertaken annually.
(g) Developing and maintaining an appropriate Corporate Governance framework for the Bank.
(h) Providing oversight for Directors' orientation and continuing education programmes.
(i) Ensuring proper reporting and disclosure of the Bank's Corporate Governance procedures to stakeholders.
(j) Ensuring proper succession planning for the Bank.

(k) Evaluating Board Committees in accordance with the Bank's Board Committees Evaluation process and ensuring compliance with CBN and SEC Codes.
(l) Review and continuously assess the composition and size of Board and Board Committees and recommend the appropriate Board structure, size, skills, competencies, knowledge, experience and background in line with the needs of the Bank and the diversity required to fully discharge the Board's duties.
(m) Recommend membership criteria for the Board and Board Committees.
(n) Ensure that there is an approved training policy for Directors and monitor compliance with the policy.
(o) Regularly monitor compliance with the Code of Conduct for Directors.
(p) Review the Board's policies and procedures relating to meeting schedules, meeting agendas and the participation of Directors at Board and Board Committee meetings.

MEMBERSHIP AND ATTENDANCE AT THE BOARD CORPORATE GOVERNANCE COMMITTEE MEETINGS DURING THE YEAR IS AS FOLLOWS:

| S/N | NAME | DESIGNATION | 29 JAN 2013 | 23 APR 2013 | 23 JUL 2013 | 23 OCT 2013 | 12 DEC 2013 | NO OF Meetings |
|---|---|---|---|---|---|---|---|---|
| 1 | Dim Elias E. Nwosu | Chairman | " | " | " | " | " | 5 |
| 2 | Alh. Bashari Gumel | Non Executive | " | " | " | " | " | 5 |
| 3 | Chief Nnamdi I. Oji | Non Executive | " | " | " | " | " | 5 |
| 4 | Ichie Nnaeto Orazulike | Non Executive | " | " | " | " | " | 5 |
| 5 | Mallam Umar Yahaya | Non Executive | " | " | " | " | " | 5 |
| 6 | Mr. Robert Nnana-Kalu | Non Executive | " | " | " | " | " | 5 |

*" – Present; A – Apology; NYA – Not Yet Appointed; R- Resigned*
Total Number of Committee Meetings during the year – 5 meetings.

## 4. Board Finance & General Purpose Committee:

The Board Finance & General Purpose Committee is comprised of six (6) Non-Executive Directors (including an Independent Director), the Managing Director and all the Executive Directors, except the Executive Director, Shared Services who is in attendance at meetings. The Committee's terms of reference include:
(a) Review major expense lines periodically and approve expenditure within the limit of the Committee as documented in the financial manual of authorities.
(b) Participate in and lead an annual strategy retreat for the Board and Management.
(c) Review the resources made available by the management including business plans and financial, operational and human resources required to implement the agreed strategy.
(d) Review and make recommendations to the Board for approval of the Bank's organizational structure and any proposed amendments.
(e) Review annually, the Bank's financial projections, as well as capital and operating budgets and review on a quarterly basis with Management, the progress of key initiatives, including actual financial results against targets and projections.
(f) Review and make recommendations to the Board regarding the Bank's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines and the performance of the Bank's investments portfolios.

TABLE 4: MEMBERSHIP AND ATTENDANCE AT THE BOARD FINANCE & GENERAL PURPOSE COMMITTEE MEETINGS DURING THE YEAR IS AS FOLLOWS:

| S/N | NAME | DESIGNATION | 28 JAN 2013 | 26 FEB 2013 | 18 MAR 2013 | 17 APR 2013 | 22 APR 2013 |
|---|---|---|---|---|---|---|---|
| 1 | Chief Nnamdi I. Oji | Chairman | “ | “ | “ | “ | “ |
| 2 | Dim Elias E. Nwosu | Non Executive | “ | A | “ | “ | “ |
| 3 | Mrs. Bessie Ejeckam | Non Executive | “ | “ | A | A | A |
| 4 | Ichie Nnaeto Orazulike | Non Executive | “ | “ | A | “ | “ |
| 5 | Mr. Kayode Olowoniyi | Non Executive | “ | “ | “ | “ | “ |
| 6 | Mr. Stanley Lawson | Non Executive | “ | “ | “ | “ | “ |
| 7 | Mr. Reginald Ihejiahi * | Executive | “ | “ | “ | “ | “ |
| 8 | Mr. Ik Mbagwu | Executive | “ | “ | A | “ | “ |
| 9 | Mrs. Onome Olaolu | Executive | “ | “ | A | “ | “ |
| 10 | Mr. John Obi | Executive | “ | “ | “ | “ | “ |
| 11 | Mr. Nnamdi Okonkwo | Executive | “ | “ | “ | “ | “ |
| 12 | Mr. Mohammed Balarabe | Executive | A | “ | “ | “ | “ |

“ *– Present; A – Apology; NYA – Not Yet Appointed; R- Resigned* *Retired with effect from December 31, 2013

(g) Ensure a transparent and competitive tendering process on major contracts to guarantee the best value for the Bank.
(h) Review and recommend to the Board for approval the procurement strategy and policy for the Bank.
(i) Ensure that all major contracts are carried out according to the terms and conditions of the contract agreement.

The Committee meets quarterly or as the need arises. Membership and attendance at meetings during the period under review are as follows (SEE TABLE 4 ABOVE):

## C. SHAREHOLDERS AUDIT COMMITTEE

This Committee is established in compliance with Section 359 (3) of the Companies & Allied Matters Act, CAP C20 LFN 2004. The Committee has six (6) members and membership is split evenly between three (3) members of the Board and three (3) members nominated annually by Shareholders at the Annual General Meeting.

The Committee’s key responsibilities include:

a) Review the external auditor’s proposed audit scope and approach.
b) Monitor the activities and performance of external auditors.
c) Review with external auditors any difficulties encountered in the normal course of the audit.
d) Review results of the interim and annual audits and discuss same with management and the External Auditors.
e) Present the report of Shareholders Audit Committee to the members of the Bank at the Annual General Meeting.

| 16 MAY 2013 | 20 JUNE 2013 | 22 JUL 2013 | 24 SEP 2013 | 22 OCT 2013 | 12 DEC 2013 | No of Meetings Attended |
|---|---|---|---|---|---|---|
| “ | “ | “ | “ | “ | “ | 11 |
| “ | “ | “ | A | “ | “ | 9 |
| “ | “ | “ | A | “ | “ | 7 |
| “ | “ | “ | “ | “ | “ | 10 |
| “ | “ | “ | “ | “ | “ | 11 |
| “ | “ | A | “ | “ | “ | 10 |
| “ | “ | “ | “ | “ | “ | 11 |
| “ | “ | “ | “ | “ | “ | 10 |
| “ | “ | “ | “ | “ | “ | 10 |
| “ | “ | “ | “ | “ | “ | 11 |
| “ | “ | “ | “ | “ | “ | 11 |
| “ | “ | “ | “ | A | “ | 9 |

Total Number of Committee Meetings during the year – 11 meetings.

MEMBERSHIP AND ATTENDANCE AT THE SHAREHOLDERS AUDIT COMMITTEE MEETINGS DURING THE YEAR IS AS FOLLOWS:

| S/N | NAME | DESIGNATION | APRIL 24TH, 2013 | NOVEMBER 27TH, 2013 | No of Meetings Attended |
|---|---|---|---|---|---|
| 1. | Mr. Chidi Agbapu | Chairman/Shareholder | A | “ | 1 |
| 2 | Dr. Christian Nwinia | Shareholder | “ | “ | 2 |
| 3 | Chief Frank Onwu | Shareholder | “ | “ | 2 |
| 4 | Alh. B. Gumel | Director | “ | “ | 2 |
| 5 | Mrs. Bessie Ejeckam | Director | A | “ | 1 |
| 6 | Mr. Robert Nnana-Kalu | Director | “ | “ | 2 |

“ *– Present; A – Absent*

Total Number of Meetings – 2 meetings

## D. GENERAL MEETINGS

Shareholders meetings are convened at least once a year through the Annual General Meeting to give all Shareholders the opportunity to participate in governance. The Board takes a keen interest in its responsibility to ensure that material developments are communicated to shareholders timely.

The Board is also conscious of regulatory reporting requirements and routinely discloses material information to all stakeholders. To achieve this, the Bank has developed formal structures for information dissemination via direct communication to all interested parties using electronic and print media and its website.

## E. MANAGEMENT COMMITTEES

In addition to the Board, Board Committees and the Shareholders Audit Committee, the Bank's Corporate Governance objectives are also met through the following Management Committees:

### 1. Executive Committee:

This Committee is comprised of the Managing Director & Chief Executive Officer and the Executive Directors of the Bank. The Committee meets fortnightly or as required to consider the following key objectives:

(a) Determine the strategic planning objectives of the Bank.
(b) Review the business plan and ensure that same is in line with agreed objectives.
(c) Review the Human Resources and Audit Policy of the Bank.
(d) Review all decisions that affect the management of the Bank and its staff.

### 2. Asset & Liability Committee:

Membership of the Asset & Liability Committee is derived mainly from the asset and liability generation divisions of the Bank. The Committee meets fortnightly or as required and has the following key objectives:

(a) Review the economic outlook and its impact on the Bank's strategy.
(b) Ensure adequate liquidity.
(c) Ensure that interest rate risks are within acceptable parameters.
(d) Maintain and enhance the capital position of the Bank.
(e) Maximize the risk adjusted returns to stakeholders over the long term.

### 3. Management Credit & Investment Committee:

The Management Credit & Investment Committee is charged with the following key responsibilities amongst others:

(a) Review of the Bank's Credit Policy Manual.
(b) Establishing Minimum Lending Rate (MLR).
(c) Establishing the Prime Lending Rate (PLR).
(d) Approving Target Market Definitions (TMD)
(e) Approving Risk Asset Acceptance Criteria (RAAC).
(f) Approving New Credit Products & Initiatives.
(g) Approving Individual Lending Limits subject to confirmation from the Executive Director, Risk Management.
(h) Pre-approval of Platform Credits (Product papers).
(i) Approving Risk Rating.
(j) Approving Inter-Bank and Discount House Placement Limits.
(k) Approving Exposures up to maximum of N500 Million
(l) Approving Credit Portfolio Structures and Market Development.

### 4. Credit Review Committee:

The Credit Review Committee is charged with the following key responsibilities:

(a) Review of the Bank's credit risk portfolio.
(b) Review of collateral documentation to ensure compliance with approvals.
(c) Review of non-performing loans.
(d) Approving recovery strategies for bad loans
(e) Approving portfolio classifications/reclassifications and level of provisioning.
(f) Approving interest waivers and loan write offs.

### 5. Monthly Performance Review Committee:

This Committee meets monthly and is concerned primarily with reviewing the Bank's performance on set targets:

(a) Review the Bank's monthly performance.
(b) Monitor budget achievement.
(c) Assess efficiency of resource deployment in the Bank.
(d) Review product performance.
(e) Reappraise cost management initiatives.

### 6. Operational Risk and Services Review Committee:

This Committee is charged with the following responsibilities:

(a) Ensuring full implementation of the Operational Risk Management framework approved by the Board Risk Committee and the Board of Directors within all Business and Support Units.
(b) Monitoring the implementation of policies, processes and procedures for managing operational risk in all of the Bank's material products, activities, processes and systems.
(c) Ensuring that clear roles and responsibilities for the management of operational risk are definedthroughout all levels of the Bank, including all Business and Support Units.
(d) Providing support to the Executive Director, Risk Management to ensure that a culture of compliance is entrenched throughout the Bank.

### 7. Loan Recovery Committee:

The Loan Recovery Committee is charged with the following key objectives:

(a) Review performance of Loan Recovery Agents, Receiver/Managers and Legal Firms assigned recovery briefs with the objective of delisting nonperformers.
(b) Consider and recommend collateral realization on defaulting accounts.
(c) Consider and determine waivers, concessions and propose amounts to be accepted in full and final settlement from defaulting borrowers.
(d) Approve interest suspension for non-performing accounts on a case-by-case basis.

## GENERAL

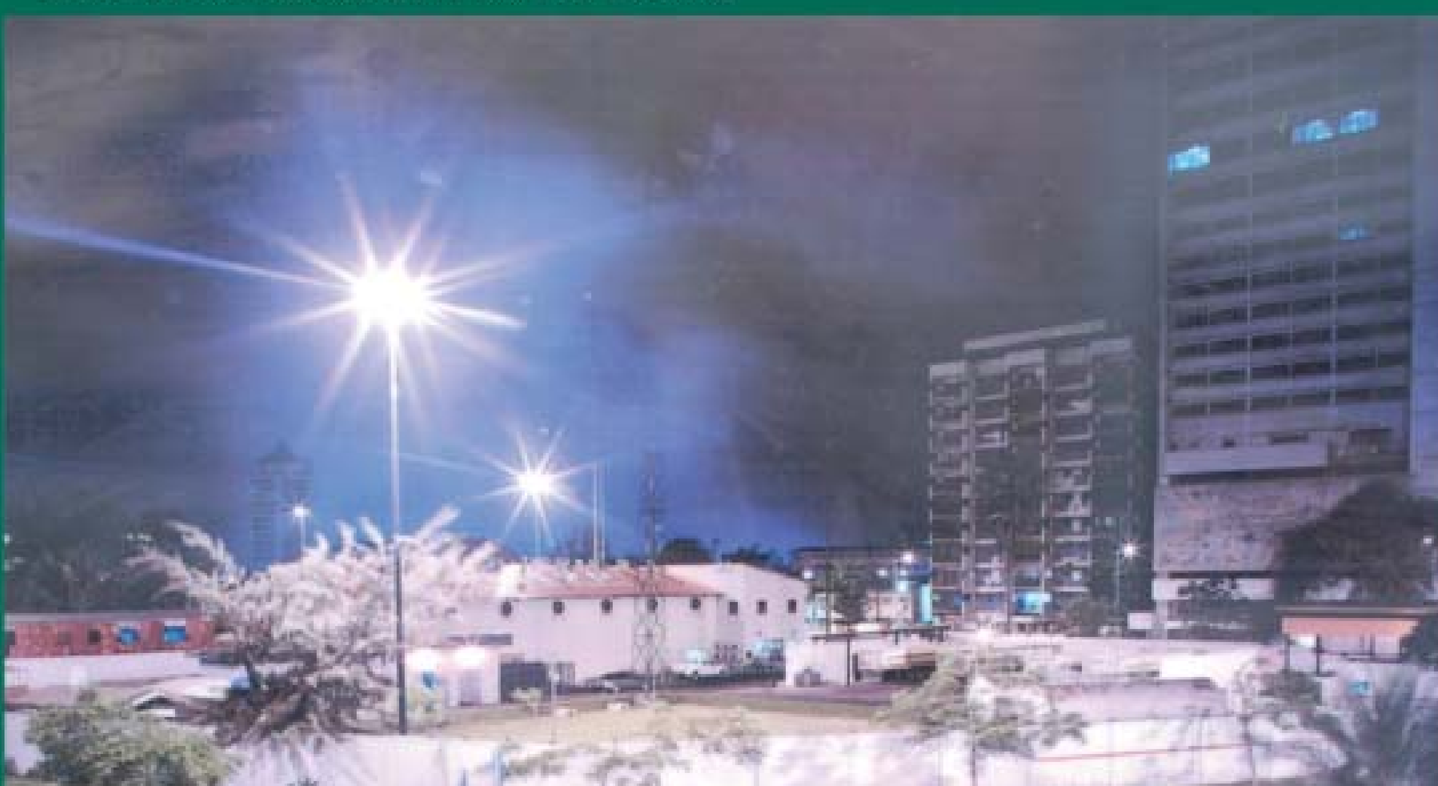
Except for the Board Credit Committee, which meets monthly, all other Board and Board Committee meetings are held quarterly or as the need arises. The Chairman is not a member of any Board Committees. Each Board Committee Chairman presents a formal report on their Committees deliberations at Board meetings.

With the exception of the Executive Committee, Assets & Liability Committee, Management Credit and Investment Committee and Monthly Performance Review Committee, which the Managing Director & Chief Executive Officer chairs, all other Management Committees meetings are presided over by Executive Directors. Management Committee Meetings are held fortnightly or monthly per the terms of reference of each Committee or as the need arises. The Bank diligently submits its financial reports quarterly, half yearly and annually to the Securities & Exchange Commission and to the Nigerian Stock Exchange for publication following approval by the CBN.

On December 31, 2013, Mr Reginald Ihejiahi, OFR, signed off from the bank, after ten years as Managing Director & Chief Executive Officer. Mr Nnamdi Okonkwo who was appointed his successor by the Board in October, fully took over by January 1, 2014. Until his appointment, Mr Okonkwo was the Executive Director in charge of the South Directorate of the Bank. Mr. Ihejiahi and Mr Okonkwo (right) at the Farewell/Welcome Dinner held in their honour.

Chief Chris Ezeh, Chairman, Her Excellency, Mrs Emmanuella Abimbola Fashola, wife of Lagos State Governor, Mr. Ihejiahi, Mr. Okonkwo and Mr. Nebolisa Arah, pioneer MD of Fidelity Bank at the farewell/welcome dinner.

The 10MW Alausa Independent Power Project funded by Fidelity was commissioned in October 2013. The project was the 3rd Partnership between Lagos State and the Bank in the area of IPPs.



Commissioning of Phase 2 of the Island Power Project, funded by Fidelity Bank. The 10MW plant supplies power to critical public facilities including street lights on Lagos Island.

## Reaching out to the Ikoyi Community

Onikan Roundabout Beautification maintain by Fidelity bank, Onikan Lagos

## SME Forum on Radio

Former MD, Mr. Ihejiahi, in the studio of Inspiration FM Lagos as a Guest on the Fidelity-Sponsored programme, SME Forum on Radio. It is one of Fidelity's ways of supporting the SME sector in the country. With him is programme anchor, Martins Udogie


Fidelity Bank team, led by the ED, Shared Services, Mrs Chijioke Ugochukwu (3rd left) receiving the Best Place to Work Award at a presentation ceremony in Lagos.

Team Fidelity receiving the Social Enterprise Reporting Awards (SERAs) 2013 as the Best Company in Nigeria for Youth-Focused CSR.

## 2013 NCF Walk for Nature

Team Fidelity at the 2013 Nigerian Conservation Foundation (NCF) Walk for Nature. NCF is Fidelity's major partner in environment-focused CSR.

# HELPING HANDS AT WORK HELPING HANDS AT WORK HELPING HANDS AT WORK HELPING HANDS AT WORK

A block of two classrooms renovated at the P-SUBEB Model School, Bukuru, Jos, and delighted pupils ready for studies in their new classrooms.

Some of the young inmates of the Heart of Gold Hospice, Surulere, Lagos at the commissioning of mobility and physiotherapy equipment donated to them by Fidelity. With them on the floor is the wife of Lagos State Governor, Mrs Abimbola Fashola.

The sick-bay of Ikoyi Prisons, renovated and equipped with medical supplies by the Bank

Modern toilet facilities provided for St. Patricks Secondary School, Emene, Enugu State

GM, North Bank, Mr Idris Yakubu, with wife of the Governor of Katsina State, Hajia Fatima Ibrahim Shema at the commissioning of the equipment donated by the Bank to Service to Humanity Foundation for vocational training of less-privileged women in the state.


Motorized water bore-hole donated to Plateau State Muslim Pilgrims Welfare Board.

Multi-purpose hall of Ondo State School for the Deaf, Akure, renovated and furnished by Fidelity.

One of the classroom blocks renovated at Gombe Special School

Three classroom blocks renovated for Total Parental Guidance Orphanage Home, Ring Road, Ibadan. A Mitsubishi bus was also provided for the Home. GM South West Bank, Tobi Lawal, did the handing over

Classroom block renovated for Our Lady's High School, Onitsha.

A Toyota Corolla car and food items donated to Pro Labore Dei Home for Orphans and Destitute Children in Asaba, Delta State.


GM South Bank, Mr. Charles Okoro, presenting keys of a Toyota Corolla car to the representative of the First lady for the use of Special Children's Home, Uyo Akwa Ibom State.

Honda Civic car donated to School for Special Needs, Yenegoa, Bayelsa State, by the Bank

A 60- bed male hostel, renovated and equipped by Fidelity for Kaduna State Special School (KASS). The school also received a water borehole from the bank. ED, North Directorate, Mohammed Balarabe, led the commissioning.

# REPORT OF THE INDEPENDENT CONSULTANT ON THE APPRAISAL OF THE BOARD OF DIRECTORS

In compliance with the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria Post Consolidation ("the CBN Code"), Fidelity Bank Plc ("Fidelity Bank" or "the Bank") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2013. The CBN Code mandates an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual Director competencies and respective roles in the performance of the Board.

Corporate governance is the system by which business corporations are directed and controlled to enhance performance and shareholder value. It is a system of checks and balances among the Board, management, and investors to produce a sustainable corporation geared towards delivering long-term value.

Our approach to the appraisal of the Board involved a review of the Bank's key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained during one-on-one interviews with the members of the Board and management. We also reviewed the Bank's Corporate Governance report prepared by the Board and included in the Annual Report for the year ended 31 December 2013, and assessed the level of compliance of the Board with the CBN Code.

On the basis of our review, except as noted below, the Bank's corporate governance practices are largely in compliance with the key provisions of the CBN Code. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. The key areas for improvement identified include the structure of Directors' remuneration and effectiveness of Board committees.

Olumide Olayinka

Partner, KPMG Advisory Services

FRC/2013/1CAN/00000000427

8 April 2014

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# Independent Joint Auditors' Report To The Members Of Fidelity Bank Plc

## Report on the financial statements

We have audited the accompanying financial statements of Fidelity Bank Plc, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fidelity Bank Plc as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, provisions 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, the Financial Reporting Council Act No.6, 2011 and relevant Central Bank of Nigeria circulars and guidelines.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fidelity Bank Plc as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, provisions 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, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria circulars .

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

iii) the Bank's statements of financial position and comprehensive income are in agreement with the books of account.

In compliance with the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and circular issued by CBN: in accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

i) Related party transactions and balances are disclosed in note 32 of the financial statements in compliance with Central Bank of Nigeria circular BSD/1/2004.

ii) ATM customer complaints are disclosed in note 35.2 of the financial statements in compliance with Central Bank of Nigeria circular PDR/DIR/CIR/01/20

iii) As stated in Note 35.1, the Bank paid penalties for contravention of certain sections of the Banks and Other Financial Institutions Act CAP B3, Laws of the Federation of Nigeria 2004 and related penalty amounted to N81.56million during the financial year ended 31 December 2013.

**Lagos, Nigeria**
27 March 2014
Signed
Kayode A. Famutimi
FRC/2012/ICAN/00000000155

**Lagos, Nigeria**
27 March 2014
Signed
Najeeb A. Abdus-salaam
FRC/2013/ICAN/00000000753

# Financial statements

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | 2013<br>N'million | 2012<br>N'million |
|---|---|---|---|
| Gross Earnings | | 126,918 | 119,137 |
| Interest and similar income | 6 | 86,257 | 78,996 |
| Interest and similar expense | 7 | (55,445) | (42,186) |
| Net interest income | | 30,812 | 36,810 |
| Impairment charge | 8 | (7,630) | (4,610) |
| Net interest income after impairment charge | | 23,182 | 32,200 |
| Net fee and commission income | 9 | 18,698 | 21,421 |
| Net gains from financial instruments classified as held for trading | 10 | 7,789 | 3,034 |
| Net losses on investment securities | 11 | - | (1,041) |
| Other operating income | 12 | 14,174 | 15,686 |
| Other operating expenses | 13 | (54,815) | (50,708) |
| **Operating profit** | | 9,028 | 20,592 |
| Gain from sale of subsidiary | | - | 757 |
| Profit before income tax | | 9,028 | 21,349 |
| Income tax expense | 14 | (1,307) | (3,425) |
| PROFIT FOR THE YEAR | | 7,721 | 17,924 |

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

| | | | |
|---|---|---|---|
| Earnings per share | | | |
| Basic and diluted (in kobo) | 15 | 27k | 62k |

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | 2013<br>N'million | 2012<br>N'million |
|---|---|---|---|
| PROFIT FOR THE YEAR | | 7,721 | 17,924 |
| Other comprehensive income: | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| - Net gains/(losses) on Available-for-sale financial assets | | | |
| - Unrealised net gains/(losses) arising during the year | | 2,263 | (67) |
| - Net reclassification adjustments for realised net gains/(losses) | | (812) | - |
| **Items that may not be reclassified subsequently to profit or loss:** | | | |
| - Actuarial gains/(losses) | **27** | (1,087) | 1,824 |
| Other comprehensive income for the year, net of tax | | 364 | 1,757 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 8,085 | 19,681 |

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

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

| | Note | 2013<br>N'million | 2012<br>N'million |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with Central Bank | 16 | 207,834 | 117,291 |
| Loans and advances to banks | 18.1 | 80,875 | 98,000 |
| Loans and advances to customers | 18.2 | 426,076 | 345,500 |
| Investments: | | | |
| Held for trading(Fair value through profit or loss) | 19.1 | 254,909 | 201,806 |
| Available for sale | 19.2 | 21,040 | 21,835 |
| Held to maturity | 19.3 | 45,105 | 76,258 |
| Property and equipment | 20 | 37,470 | 35,358 |
| Intangible assets | 21 | - | 470 |
| Other assets | 23 | 7,908 | 17,842 |
| TOTAL ASSETS | | 1,081,217 | 914,360 |
| LIABILITIES | | | |
| Deposits from customers | 24 | 806,320 | 716,749 |
| Current income tax liability | 14 | 1,307 | 2,275 |
| Deferred income tax liabilities | 22 | 1,955 | 1,955 |
| Other liabilities | 25 | 30,286 | 26,354 |
| Debt issued and other borrowed funds | 26 | 70,328 | - |
| Retirement benefit obligations | 27 | 7,566 | 5,572 |
| TOTAL LIABILITIES | | 917,762 | 752,905 |
| EQUITY | | | |
| Share capital | 28 | 14,481 | 14,481 |
| Share premium | 29 | 101,272 | 101,272 |
| Retained earnings | 29 | 7,395 | 6,193 |
| Other reserves: | | | |
| Statutory reserve | 29 | 18,861 | 17,703 |
| Small scale investment reserve | 29 | 764 | 764 |
| Contingency reserve | 29 | 1,723 | 1,723 |
| Non-distributable regulatory reserve | 29 | 18,884 | 19,608 |
| Revaluation reserve | 29 | 75 | (289) |
| Total equity | | 163,455 | 161,455 |
| TOTAL EQUITY AND LIABILITIES | | 1,081,217 | 914,360 |

The accompanying notes are an integral part of these financial statements. The financial statements and notes on pages 66 to 70 were approved by the Board of Directors in 25 March 2013 and signed on its behalf by

Chief Christopher I. Ezeh (Chairman)
FRC/2013/ICAN/00000001833

Nnamdi Okonkwo (MD/Chief Executive Officer)
FRC/2014/ICANI/00000006963

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

| | Attributable to equity holders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital N'million | Share premium N'million | Retained earnings N'million | Statutory reserve N'million | Small scale investment reserve N'million | Contingency reserve N'million | NDR N'million | Revaluation reserve N'million | Total N'million |
| **Balance at 1 January 2012** | 14,481 | 101,272 | (4,829) | 12,244 | 764 | 1,867 | 20,395 | (222) | 145,972 |
| | | | | | | | | - | |
| Profit for the year | - | - | 17,924 | - | - | - | - | - | 17,924 |
| Other comprehensive income | | | | | | | | | |
| Actuarial gains (Note 27) | - | - | 1,824 | - | - | - | - | - | 1,824 |
| Net gains/(losses) on Available-for-sale financial assets | - | - | - | - | - | - | - | (67) | (67) |
| Share of OCI of associates, net of tax | - | - | - | - | - | - | - | - | - |
| **Total comprehensive income** | - | - | 19,748 | - | - | - | - | (67) | 19,681 |
| Dividends | - | - | (4,055) | - | - | - | - | - | (4,055) |
| Transfer from retain earnings | - | - | 788 | - | - | - | (788) | - | - |
| Transfer between reserves | - | - | (5,460) | 5,460 | - | - | - | - | - |
| Arising during the year | - | - | | - | - | (144) | - | - | (144) |
| | - | - | - | - | - | - | - | - | - |
| **At 31 December 2012** | 14,481 | 101,272 | 6,193 | 17,703 | 764 | 1,723 | 19,608 | (289) | 161,455 |
| Profit for the year | - | - | 7,721 | - | - | - | - | - | 7,721 |
| Other comprehensive income | | | | | | | | | |
| Net gains/(losses) on | | | | | | | | | |
| Available-for-sale financial assets | - | - | - | - | - | - | - | 2,263 | 2,263 |
| Actuarial losses (Note 27) | - | - | - | - | - | - | - | (1,087) | (1,087) |
| Net reclassification adjustments | | | | | | | | | |
| for realised net gains/(losses) | | | | | | | | (812) | (812) |
| Total comprehensive income | - | - | 7,721 | - | - | - | - | 364 | 8,085 |
| Dividends | - | - | (6,084) | - | - | - | - | - | (6,084) |
| Transfer between reserves | - | - | (435) | 1,158 | - | - | (723) | - | - |
| **At 31 December 2013** | **14,481** | **101,272** | **7,395** | **18,861** | **764** | **1,723** | **18,884** | **75** | **163,455** |

The accompanying notes are an integral part of these financial statements

## STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | 31 December 2013 N'million | December 2012 N'million |
|---|---|---|---|
| **Operating Activities** | | | |
| Profit before taxation | | 9,028 | 21,349 |
| Adjustment for: | | | |
| Change in operating assets | **35** | (91,509) | (151,391) |
| Change in operating liabilities | **35** | 93,503 | 161,145 |
| Other non-cash items included in profit after taxation | | 6,301 | 16,492 |
| Net gain/(loss) from investing activities | | - | (1,993) |
| Income tax paid | | (2,275) | (2,424) |
| **Net cash flows from operating activities** | | 15,048 | 43,178 |
| Investing activities | | | |
| Proceeds from sale of Subsidiaries | | - | 749 |
| Purchase of property and equipment | | (5,454) | (5,121) |
| Proceeds from sale of property and equipment | | 141 | 48 |
| Purchase of intangible assets | | - | (189) |
| **Net cash flows used in investing activities** | | (5,313) | (4,513) |
| Financing activities | | | |
| Dividends Paid | | (6,084) | (4,055) |
| Debt issued and other borrowed funds | | 69,768 | - |
| **Net cash flows used in Financing activities** | | 63,684 | (4,055) |
| **Increase in cash and cash equivalents** | | 73,419 | 34,609 |
| **Cash and cash equivalents at start of year** | | 215,292 | 180,682 |
| **Cash and cash equivalents at end of year** | **17** | 288,711 | 215,292 |
| Operational cash flow from interest and dividend | | | |
| Interest received | | 86,257 | 78,996 |
| Interest paid | | 55,445 | 42,186 |
| Dividend received | | 725 | 933 |

## 1. GENERAL INFORMATION

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

The registered office address of the Bank is at Fidelity Place, 2 Kofo Abayomi Street, Victoria-Island, Lagos, Nigeria.

The principal activity of the Bank is the provision of banking services to corporate and individual customers.

The financial statements for the year ended 31 December 2013 were approved for issue by the Board of Directors on 25 March 2014.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Introduction to summary of significant accounting policies

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

#### 2.1.1 Basis of preparation

Statement of Compliance

The Bank’s financial statements for the year 2013 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Additional information required by national regulations are included where appropriate.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the notes.

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

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

#### 2.1.2 Significant accounting judgements, estimates and assumptions

The preparation of the Bank’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosure, as well as the disclosure of contingent liability about these assumption and estimates could result in outcome that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. Management discusses with the Audit Committee the development, selection and disclosure of the Bank’s critical accounting policies and estimates, and the application of these policies and estimates.

**Estimates and Assumptions**

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

*Going Concern*

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

*Allowances for credit losses*

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy Note 2.7The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

*Fair value of financial instruments*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy Note 2.4 (E) For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

*Deferred tax assets*

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that the future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Tax losses can be used indefinitely.

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 taxes relate to the same fiscal authority. The offset amounts are as follows:

*Retirement benefit obligation*

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuationinvolves making assumptions about discount rates, expected rates of return on assets, future salary increases,mortality rates and future pension increases. Due to the long–term nature of these plans, such estimates aresubject to significant uncertainty. See Note 27 for the assumptions used.

**JUDGEMENTS**

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

*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.

*Determination of impairment of property, plant and equipment, and intangible assets*
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed
*Determination of collateral Value*
Management monitors market value of collateral in a regular basis. Management uses its experienced judgement on independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterpart.

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

2.2 A **STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2013**
The accounting policies adopted in the preparation of the 2013 financial statements are consistent with those followed in the preparation of the Bank's 2012 financial statements, except for the adoption of new standards or interpretations effective as of 1 January 2013. The nature and the impact of each new standard/amendment are described below:

- *IAS 1 - Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Bank's financial position or performance.

- *IAS 1- Clarification of the requirement for comparative information (Amendment)*

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim financial statements do not include a third balance sheet. The amendment had no impact on the Bank's financial position or performance as there was no retrospective application of accounting policy, nor retrospective restatement or reclassification.

- *IAS 32 - Tax effects of distributions to holders of equity instruments (Amendment)*

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the financial statements of the Bank, as there is no tax consequences attached to cash or non-cash distribution.

*IAS 34 - Interim financial reporting and segment information for total assets and liabilities (Amendment)*
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The Bank provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Bank now also includes disclosure of total segment liabilities as these are reported to the CODM.

*IAS 16 - Property, Plant and Equipment (Amendments) – Classification of servicing equipment*
The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

*IAS 19 - Employee Benefits (Revised 2011) (IAS 19R)*
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. In case, the transition to IAS 19R had an impact on the net defined benefit plan obligations due to the difference in accounting for interest on plan assets and unvested past service costs. This has no impact on the Bank.

*IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities(Amendments to IFRS 7)*
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Bank is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Bank.

*IFRS 10 - Consolidated Financial Statements and IAS 27 Separate Financial Statements*
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee;(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the Bank's financial statements.

*IFRS 11- Joint Arrangements and IAS 28 - Investments in Associates and Joint Ventures*
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. This has no effect on the financial statements.

*IFRS 12 - Disclosure of Interests in Other Entities*
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable to the Bank.

*IFRS 13 - Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Bank re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.Application of IFRS 13 has not materially impacted the fair value measurements of the Bank. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 3.5.

*IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*
This Interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). This Interpretation addresses the following issues-recognition of production stripping costs as an asset; initial measurement of the stripping activity asset; and subsequent measurement of the stripping activity asset. This standard is applicable for annual periods beginning on or after 1 January 2013. This is not applicable to the Bank.In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Bank is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Bank. The Bank has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

B STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE 31 DECEMBER 2013 YEAR END
Standards and improvement that are issued but not yet effective up to the date of review of the Banks financial statements are disclosed below. The Bank intends to adopt the standards and improvements, if applicable, below when it becomes effective: (i) IFRS 9 - Financial Instrument: Classification and Measurement IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard should have been effective for annual periods beginning on or after 1 January 2015, but the IASB at its July 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. The impact of this IFRS will be in the area of classification and measurement of financial assets, reporting for entities that have designated liabilities using FVO. The other phases including impairment and hedge accounting are also expected to have significant accounting implications.

## 2.3 Foreign currency translation

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

The financial statements are presented in Naira millions, 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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

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

2.4 Financial assets and liabilities

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

*A) Initial recognition and measurement*

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

Financial instruments are recognised or derecognised on the date that the financial instrument is delivered to or by the Bank (settlement date accounting).
The Bank does not currently apply hedge accounting.

*B) Subsequent measurement*

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

*C) Classification and related measurement*

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

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

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

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

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

*b) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as fair value through profit or loss;
- those that the Bank upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest income' in the Statement of comprehensive income. Refer to accounting policy 2.7 for the impairment of financial assets.

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

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

These financial assets are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest income' in the Statement of comprehensive income. Refer to accounting policy 2.8 for the impairment of financial assets.

*d) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. No financial assets designated as available-for-sale exist at any of the reporting dates covered by these financial statements.

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

*ii) Financial liabilities*

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

*a) Financial liabilities at amortised cost*

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

*D) Reclassification of financial assets*

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

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

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

*E) Determination of fair value*

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

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

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

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations may therefore be adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary.

*F) Derecognition*

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

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

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

## 2.5 Offsetting financial instruments

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

### 2.6 Revenue recognition

Interest income and expense

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

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

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

**Fees and commission income**

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

**Income from bonds or guarantees and letters of credit**

Income from bonds or guarantees and letters of credit are recognised on a straight line basis over the life of the bond or guarantee.

**Dividend income**

Dividends are recognised in the Statement of comprehensive income in 'Other income' when the entity's right to receive payment is established.

### 2.7 Impairment of financial assets

**(i)** Assets carried at amortised cost

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

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

Delinquency in contractual payments of principal or interest;· Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);· Breach of loan covenants or conditions;· Initiation of bankruptcy proceedings;· Deterioration of the borrower's competitive position;· Deterioration in the value of collateral;· Downgrading below investment grade level;· Significant financial difficulty of the issuer or obligor;· A breach of contract, such as a default or delinquency in interest or principal payments;· The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;· It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;· The disappearance of an active market for that financial asset because of financial difficulties; and· Observable data indicating that there is an measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

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

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

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

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

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

**(ii)** Available-for-sale financial assets

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

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

### 2.8 Impairment of non-financial assets

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

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

### 2.9 Share-based payments

The Bank operates a share scheme which enables employees of the Bank to acquire shares in the Bank. The shares are bought on loan account and the fair value is calculated as the difference between the price paid and the fair value of the shares. The share vests immediately and the post vesting conditions are included in the valuation.

### 2.10 Statement of cash flows

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

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

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

### 2.11 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.

### 2.12 Leases

Leases are divided into finance leases and operating leases.

*(a) The company is the lessee*

(i) Operating lease

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

*(ii) Finance lease*

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

*(b) The company is the lessor*

(i) Operating lease

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

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in 'Other operating expenses' in profit or loss.
Construction cost and improvements in respect of offices is carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment. Payments in advance for items of property and equipment are included as Prepayments in "Other Assets" and upon delivery are reclassified as additions in the appropriate category of property and equipment.

## 2.14 Intangible assets

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

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

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

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

## 2.15 Income taxation

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

*(a) Current income tax*

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

*(b) Deferred income tax*

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

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

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

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

## 2.16 Employee benefits

Defined contribution scheme

For defined contribution plans, the Bank pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Bank contributes 7.5% of basic salary, rent and transport allowances, with the employee contributing a further 7.5%. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**Defined benefit scheme**

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using Federal Government Bonds of Nigeria as High Quality Corporate bonds are not available.

Acturial gains and losses are recognised in full in other comprehensive income when they occur.

**Gratuity scheme**
The Bank had a non contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of periods are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank upon retirement.

## 2.17 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.

## 2.18 Financial guarantee contracts
A financial guarantee contract is a contract that requires the Bank (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee liabilities are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

## 2.19 Share capital

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

*(b) Dividends on ordinary shares*
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.
Dividends for the year that are declared after the date of the Statement of financial position are dealt with in the subsequent events note.
Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

*(c) Treasury shares*
Where the Bank purchase the Bank's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

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

### 2.21 Segment reporting

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

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance. Refer to note 5 for the segment report.

# Notes to the Financial Statements

## 3. FINANCIAL RISK MANAGEMENT

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

## 3.1 Enterprise Risk Management

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

ß 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.

ß Clearly defined governance structure.

ß Clear segregation of duties within the Risk Management Sector and also between them and the business groups.

ß Management of all classes of banking risk broadly categorized into credit, market, liquidity and operational risk independently but in a co-coordinated manner at all relevant levels within our organization.

**Risk Management Governance Structure**

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

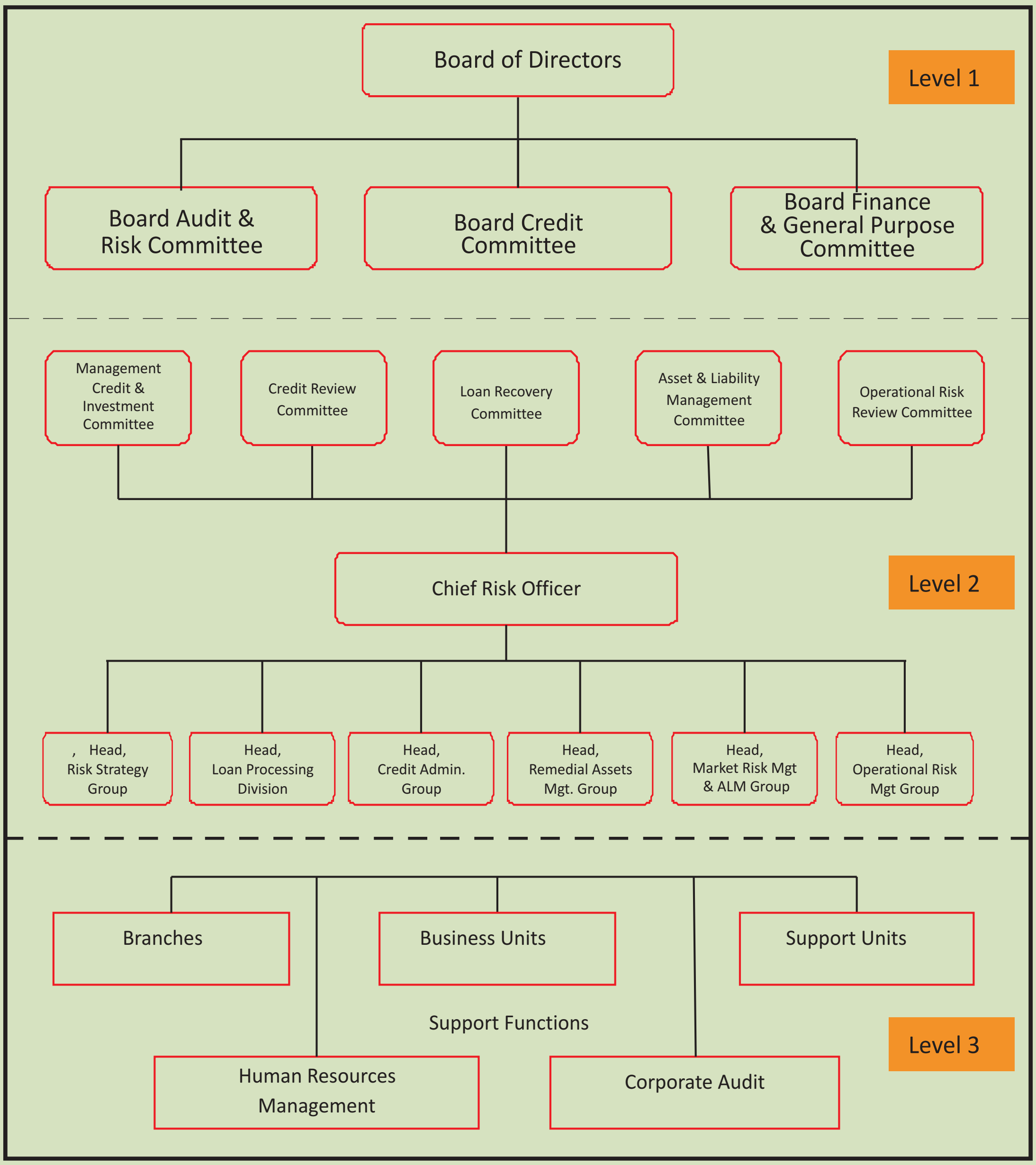
**Level 1 -** Board/Executive Management oversight is performed by the Board of Directors, Board Audit & Risk Committee (BA&RC), Board Credit Committee (BCC), Board Finance & General Purpose Committee and Executive Management Committee (EXCO).

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

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

The Risk Management Organogram of the Bank is as follows:



## ENTERPRISE RISK PHILOSOPHY

### Fidelity Enterprise Risk Mission

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

### Risk Culture

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

### Risk Appetite

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

We define our Risk Appetite quantitatively at two levels: Enterprise level and Business/Support Unit level.
To give effect to the above, the Board of Directors of the Bank sets target Key Performance Indicators (KPIs) at both enterprise and business/support unit levels based on recommendations from the Executive Management Committee (EXCO).

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

## 3.2 Credit risk

### 3.2.1 Management of credit risk

The Bank defines credit risk as the risk of transactions that give rise to actual, contingent or potential claims against any counter-party, borrower or obligor. Credit risk arises anytime the Bank's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements. This is the largest single risk we carry as a Bank.

We measure and manage credit risk following the principles below:

- Consistent standards as documented in our 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 our standard risk acceptance criteria.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counter-party requires approval at the appropriate authority level. The approval limits are as follows:

| Approving Authority | Approval Limit |
|---|---|
| Executive Directors | ₦50million and below |
| Managing Director/CEO | Above ₦50million but below ₦100million |
| Management Credit & Investment Committee | Above ₦100 million but Below ₦500million |
| Board Credit Committee | Above ₦500million but below ₦1billion |
| Full Board | ₦1billion and above |

- The Credit Appraisal and Review process is centrally handled using our end-to-end credit software, Credit Quest (CQ). This provides uniformity and standardization in the quality of credit requests generated by Relationship Management Teams.
- There is also Dual Approval Structure where the recommendations/consent of Risk Management and Legal Services must be in place before a limit holder can exercise the approval authority.
- We measure and consolidate all our credit exposures to each obligor on a global basis. Our definition of an obligor includes a group of individual borrowers that are linked to one another by any of a number of criteria we 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 we have extended.
- Our 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.
- Our Credit Inspection 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 our credit approval process is a detailed risk assessment of every credit associated with a counter-party. Our 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.

We have our own in-house assessment methodologies and rating scale for evaluating the creditworthiness of our counter-parties. Our programmed 9-grade rating model developed in collaboration with Agusto & Company, a foremost rating agency in Nigeria, enables us to compare our internal ratings with common market practice and ensures comparability between different portfolios of our institution. We generally rate all our credit exposures individually. The rating scale and its mapping to the Standard and Poors agency rating scale is as follows:

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

### 3.2.3 Credit Limits

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

### 3.2.4 Monitoring Default Risk

We monitor all of our credit exposures on a continuing basis using the risk management tools described above. We also have 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 our risk management tools, demonstrate the likelihood of problems, are identified well in advance so that we 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 our credit culture and is intended to ensure that greater attention is paid to such exposures. In instances where we have identified counter-parties where problems might arise, the respective exposure is placed on a watch-list.

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

The Bank's maximum exposure to credit risk at 31 December 2013 and 31 December 2012 is represented by the net carrying amounts of the financial assets set out below:

| | **Maximum exposure** | **Fair value of Collateral held** | **Surplus collateral** | **Net exposure** |
|---|---|---|---|---|
| Financial Assets | 2013 | 2013 | 2013 | 2013 |
| | N'million | N'million | N'million | N'million |
| Cash and balances with central bank | 207,834.00 | - | - | 207,834.00 |
| Loans and advances to banks | 80,875.00 | - | - | 80,875.00 |
| Loans and advances to customers | 426,075.92 | 2,650,548.00 | (2,224,472.08) | - |
| Investments: | | | | |
| Held for trading(Fair value through profit or loss) | 254,881.29 | - | - | 254,881.29 |
| Available for sale | 12,685.40 | - | - | 12,685.40 |
| Held to maturity | 45,104.76 | - | - | 45,104.76 |
| Other assets | 1,445.00 | - | - | 1,445.00 |
| Performance bonds and guarantees | 143,269.00 | - | - | 143,269.00 |
| Letters of credit | 35,978.00 | - | - | 35,978.00 |
| On-lending facilities | 41.00 | - | - | 41.00 |
| | 1,028,901.37 | 2,650,548.00 | (2,224,472.08) | 602,825.45 |

| Financial Assets | Maximum exposure 2012 N'million | Fair value of Collateral held 2012 N'million | Surplus collateral 2012 N'million | Net exposure 2012 N'million |
|---|---|---|---|---|
| Cash and balances with central bank | 117,290.38 | - | - | 117,290.38 |
| Loans and advances to banks | 98,000.49 | - | - | 98,000.49 |
| Loans and advances to customers | 345,500.00 | 2,389,834.00 | (2,044,334.00) | - |
| Investments: | | | | |
| Held for trading(Fair value through profit or loss) | 201,778.46 | - | - | 201,778.46 |
| Available for sale | 21,834.50 | - | - | 21,834.50 |
| Held to maturity | 76,258.20 | - | - | 76,258.20 |
| Other assets | 2,794.00 | - | - | 2,794.00 |
| Performance bonds and guarantees | 103,152.00 | - | - | 103,152.00 |
| Letters of credit | 29,044.00 | - | - | 29,044.00 |
| On-lending facilities | 27.00 | - | - | 27.00 |
| | 863,456.04 | 2,389,834.00 | (2,044,334.00) | 517,956.04 |

### 3.2.6 Credit concentrations

The Bank monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2013, 31 December 2012 respectively, is set out below:

| | 31 Dec 2013 | | 31 Dec 2012 | |
|---|---|---|---|---|
| Loans and advances: | To banks N'million | To customers N'million | To banks N'million | To customers N'million |
| **Carrying amount** | 80,875 | 426,076 | 98,000 | 345,500 |
| | | | | |
| Concentration by sector | | | | |
| Agriculture | 9,039 | - | 13,050 | |
| Oil and gas | | 74,324 | - | 47,100 |
| Capital markets | | 0 | - | 80 |
| Consumer credit | | 33,054 | - | 32,680 |
| Manufacturing | | 29,339 | - | 42,330 |
| Mining and Quarrying | | - | - | - |
| Mortgage | | 860 | - | 1,250 |
| Real Estate | | 7,790 | - | 7,750 |
| Construction | | 17,617 | - | 21,162 |
| Finance and insurance | 80,875 | 373 | 98,000 | 1,310 |
| Government | | 31,809 | - | 46,650 |
| Power | | 48,145 | - | 6,050 |
| Other public Utilities | | 299 | - | 200 |
| Transportation | | 20,517 | - | 19,040 |
| Communication | | 84,834 | - | 66,540 |
| Education | | 3,817 | - | 3,610 |
| Other | | 64,259 | - | 36,698 |
| | **80,875** | **426,076** | **98,000** | **345,500** |

| Concentration by location | N'million | N'million | N'million | N'million |
|---|---|---|---|---|
| **Nigeria:** | | | | |
| North East | - | 9,520 | - | 12,580 |
| North Central | - | 26,408 | - | 24,030 |
| North West | - | 10,399 | - | 30,000 |
| South East | - | 9,868 | - | 12,290 |
| South South | - | 16,321 | - | 12,760 |
| South West | 80,875 | 353,560 | 98,000 | 253,840 |
| | **80,875** | **426,076** | **98,000** | **345,500** |

### 3.2.7 Credit quality

| | 31 Dec 2013 | | 31 Dec 2012 | |
|---|---|---|---|---|
| | Loans and advances to banks N'million | Loans and advances to customers N'million | Loans and advances to banks N'million | Loans and advances to customers N'million |
| Neither past due nor impaired | 80,875 | 426,168 | 98,000 | 345,056 |
| Past due but not impaired | - | - | - | - |
| Past due and collectively impaired | - | 2,693 | - | 2,464 |
| Individually impaired | - | 13,787 | - | 11,365 |
| **Gross** | 80,875 | 442,647 | 98,000 | 358,884 |
| Impairment allowance | | | | |
| Collective Impairment | | (6,503) | 0 | (5,779) |
| Specific impairment | | (10,069) | - | (7,605) |
| Net | 80,875 | 426,076 | 98,000 | 345,500 |

**(a) Historical Default Rates in Percentages**

| | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| 1. AAA to AA | 0.0001 | 0.0001 |
| 2. A+ to A- | 0.0015 | 0.0689 |
| 3. BBB+ to BB- | 0.0182 | 0.7559 |
| 4. Below BB- | 0.0153 | 2.8863 |
| 5. Unrated | 0.0022 | 0.1374 |

**(b) Financial assets neither past due nor impaired**

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

| | Overdrafts | Term loans | Other | | Total |
|---|---|---|---|---|---|
| 31 December 2013 | N'million | N'million | N'million | N'million | N'million |
| Grades: | | | | | |
| 1. AAA to AA | 244 | 23,746 | 14,967 | - | 38,958 |
| 2. A+ to A- | 4,986 | 24,983 | 9,449 | 9,858 | 49,276 |
| 3. BBB+ to BB- | 28,832 | 126,898 | 14,798 | - | 170,528 |
| 4. Below BB- | 6,127 | 53,612 | 1,903 | - | 61,642 |
| 5. Unrated | 16,124 | 77,938 | 11,611 | - | 105,672 |
| | **56,312** | **307,177** | **52,728** | **9,858** | **426,076** |

| 31 December 2012 | N'million | N'million | N'million | N'million | N'million |
|---|---|---|---|---|---|
| Grades: | | | | | |
| 1. AAA to AA | 1,288 | 13,471 | 17,435 | - | 32,193 |
| 2. A+ to A- | 7,533 | 40,070 | 14,800 | 1,050 | 63,453 |
| 3. BBB+ to BB- | 41,766 | 112,056 | 20,007 | - | 173,829 |
| 4. Below BB- | 1,179 | 2,539 | 234 | - | 3,952 |
| 5. Unrated | 5,465 | 39,201 | 20,779 | 6,248 | 71,629 |
| | **57,231** | **207,336** | **73,254** | **7,298** | **345,500** |

The credit quality of cash and cash equivalents, short-term investments and investments in government securities that were neither past due nor impaired can be assessed by reference to the Group's internal rating agency at 31 December 2013; 31 December 2012:

| | | Investments in Government Securities | | | | |
|---|---|---|---|---|---|---|
| | Cash & cash equivalents N'million | Treasury bills N'million | Federal Govt bonds N'million | State bonds N'million | AMCON bonds N'million | Others N'million |
| 31 December 2013 | | | | | | |
| AAA to AA | 288,709 | 239,885 | 35,169 | 15,361 | 19,328 | 2,930 |
| A+ to A- | | | | | | |
| BBB+ to BB- | | | | | | |
| Below BB- | | | | | | |
| Unrated | | | | | | |
| | **288,709** | **239,885** | **35,169** | **15,361** | **19,328** | **2,930** |
| 31 December 2012 | | | | | | |
| AAA to AA | 117,291 | 197,238 | 32,565 | 17,191 | 42,556 | - |
| A+ to A- | - | - | - | - | - | - |
| BBB+ to BB- | - | - | - | - | - | - |
| Below BB- | - | - | - | - | - | - |
| Unrated | - | - | - | - | - | 291 |
| | **117,291** | **197,238** | **32,565** | **17,191** | **42,556** | **291** |

The credit risk associated with other financial assets that were neither past due nor impaired are considered to be low at 31 December 2013; 31 December 2012.

**(c) Financial assets past due and collectively impaired**

| | | | To customers | | |
|---|---|---|---|---|---|
| | Overdrafts | Term loans | Finance lease | Other | Total |
| 31 December 2013 | N'million | N'million | N'million | N'million | N'million |
| AAA to AA | - | - | - | - | - |
| A+ to A- | 183 | | | | 183 |
| BBB+ to BB- | 1,225 | 165 | 1 | | 1,391 |
| Below BB- | 147 | | | | 147 |
| Unrated | 790 | 171 | 10 | | 971 |
| | 2,345 | 337 | 11 | - | 2,693 |

| | Overdrafts N'million | Term loans N'million | To customers Finance lease N'million | Other N'million | Total N'million |
|---|---|---|---|---|---|
| 31 December 2012 | | | | | |
| AAA to AA | - | - | - | - | - |
| A+ to A- | 140 | - | - | - | 140 |
| BBB+ to BB- | 1,001 | 711 | - | - | 1,711 |
| Below BB- | 119 | - | - | - | 119 |
| Unrated | 468 | 7 | 18 | - | 494 |
| | 1,728 | 718 | 18 | - | 2,464 |

**(d) Financial assets individually impaired**

| | Overdrafts | Term loans | **To customers** Finance lease | Other | Total |
|---|---|---|---|---|---|
| 31 December 2013 | | | | | |
| Gross amount | | | | | |
| 1. AAA to AA | - | - | - | - | - |
| 2. A+ to A- | 282 | 211 | | | 493 |
| 3. BBB+ to BB- | 6,605 | | 60 | | 6,666 |
| 4. Below BB- | 4,300 | 2,327 | | | 6,627 |
| 5. Unrated | | | | | - |
| | 11,188 | 2,539 | 60 | - | 13,787 |
| Specific impairment | (8,670) | (1,338) | (60) | - | (10,069) |
| Net amount | 2,517 | 1,200 | - | - | 3,717 |

| | | | | | |
|---|---|---|---|---|---|
| 31 December 2012 | | | | | |
| Gross amount | **N'million** | **N'million** | **N'million** | **N'million** | **N'million** |
| 1. AAA to AA | - | - | - | - | - |
| 2. A+ to A- | 107 | - | - | - | 107 |
| 3. BBB+ to BB- | 1,005 | - | - | - | 1,005 |
| 4. Below BB- | 10,252 | - | - | - | 10,252 |
| 5. Unrated | - | - | - | - | - |
| | 11,365 | - | - | - | 11,365 |
| Specific impairment | (7,605) | - | - | - | (7,605) |
| Net amount | 3,760 | - | - | - | 3,760 |

### 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. We assess the degree of reliance that can be placed on these credit risk mitigates carefully in the light of issues such as legal enforceability, market valuation, correlation with exposure and the counterparty risk of the guarantor.

**Key Collateral Management Policies**

Our 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.

We report 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 the 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.

We believe that the requirement for collateral is not a substitute for the ability to pay, which is a primary consideration in our 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 following table indicates the Bank's credit exposures by class and value of collaterals (refer to key collateral management policy above):

| | 31 December 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Exposure | Fair Value of Collateral | Exposure | Fair Value of Collateral |
| | N'million | N'million | N'million | N'million |
| Secured against real estate | 46,648 | 167,636 | 41,689 | 225,733 |
| Secured by shares of quoted companies | 643 | 1,469 | 550 | 1,341 |
| Otherwise secured | 380,941 | 2,481,443 | 306,909 | 2,162,760 |
| Unsecured | 14,415 | - | 9,736 | - |
| **Gross loans and advances to customers** | **442,647** | **2,650,548** | **358,884** | **2,389,834** |

The following table indicates the nature and carrying amount of collateral possessed through foreclosure:

| | 31 December 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Exposure | Carrying Amount of Collateral | Exposure | Carrying Amount of Collateral |
| | N'million | N'million | N'million | N'million |
| Secured against real estate | 176 | 183 | 25 | 27 |
| Total | 176 | 183 | 25 | 27 |

## 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 lend.

### 3.3.1 Management of liquidity risk

Our principal liquidity objective is to ensure that the bank holds sufficient liquid resources 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. Our liquidity risk management framework has been an important factor in maintaining adequate liquidity and a healthy funding profile during the year. The Board approved liquidity policy guides the management of liquidity risk strategically, through the Board Risk Committee (BRC), as well as Asset and Liability Committee (ALCO) and daily by the ALM group. The risk framework is designed to identify, measure and manage our liquidity risk position at all times, with the underlying Assets and Liability Management policies and procedures reviewed and approved regularly by the Assets and Liability Management Committee (ALCO).

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

**Short-Term Liquidity**

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

**Asset Liquidity**

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

**Funding Diversification**

Diversification of our 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 our 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.

## 3.3.2 Maturity Analysis

The table below analyses financial liabilities of the bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The table includes both principal and interest cash flows.

| 31 December 2013 | **Up to** 1 month N'million | **1-3** months N'million | **3-12** months N'million | **1-5** years N'million | Over 5 years N'million | Total N'million |
|---|---|---|---|---|---|---|
| Financial liabilities | | | | | | |
| Customer deposits | 458,518 | 248,013 | 99,740 | 49 | - | 806,320 |
| Other liabilities | - | - | - | 88,618 | - | 88,618 |
| Performance bonds and guarantees | 16,909 | 18,037 | 60,893 | 16,244 | 31,187 | 143,269 |
| Letters of credit | 10,586 | 13,266 | 12,126 | - | - | 35,978 |
| On-lending facilities | 41 | - | - | - | - | 41 |
| **Total financial liabilities** | **486,012** | **279,316** | **172,759** | **104,911** | **31,187** | **1,074,184** |

| 31 December 2012 | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Financial liabilities | | | | | | |
| Customer deposits | 420,047 | 219,694 | 76,930 | 78 | - | 716,749 |
| Other liabilities | 2,176 | 4,597 | 19,581 | - | - | 26,354 |
| Performance bonds and guarantees | | | | | - | |
| Letters of credit | | | | | - | - |
| On-lending facilities | | - | - | - | - | - |
| **Total financial liabilities** | **422,223** | **224,291** | **96,511** | **78** | **-** | **743,103** |

## 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 we are 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 factors. Our definition of financial market factors 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.

We assume market risk in both our trading and non-trading activities. We 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 vested 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. Our 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, monitored on a daily basis by our 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 our trading books are marked-to-market to enable the bank obtain an accurate view of its trading portfolio exposures. Financial market prices used in the mark-to-market exercise are independently verified by the Market Risk Group with regular reports prepared at different levels to reflect volatility of the bank's earnings.

### 3.4.2 Measurement of market risk

The measurement technique used to measure and control market risk is outlined below.

**Value at Risk (VaR)**

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

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

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

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

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

| | 12 months to 31 December 2013 | | | 12 months to 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Average | High | Low | Average | High | Low |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Foreign exchange risk | 14,734 | 60,388 | 982 | - | - | - |
| Interest rate risk | 4,988 | 189,446 | 865 | - | - | - |
| Equity risk | - | - | - | - | - | - |
| **Total VAR** | 19,722 | 249,834 | 1,847 | - | - | - |

**3.4.3 Foreign exchange risk**

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

The table below summarises the Bank's exposure to foreign currency exchange risk at 31 December 2013 and 31 December 2012

| 31 December 2013 | USD | GBP | Euro | Other | Naira | Total |
|---|---|---|---|---|---|---|
| Financial assets | N'million | N'million | N'million | N'million | N'million | N'million |
| Cash and balances with Central Bank | 10,834 | 935 | 2,395 | - | 193,670 | 207,834 |
| Loans and advances to banks | 66,351 | 273 | 1,249 | - | 13,002 | 80,875 |
| Loans and advances to customers | 114,378 | 339 | 453 | - | 310,906 | 426,076 |
| Investment securities | | | | | | |
| - Financial assets held for trading | 12,909 | - | - | - | 242,000 | 254,909 |
| - Available for sale | - | - | - | - | 21,041 | 21,041 |
| - Held to maturity | - | - | - | - | 45,105 | 45,105 |
| Other financial assets | - | - | - | - | 1,444 | 1,444 |
| | 204,472 | 1,547 | 4,097 | - | 827,168 | 1,037,284 |
| **Financial liabilities** | | | | | | |
| Customer deposits | 129,506 | 2,070 | 1,547 | 6 | 673,191 | 806,320 |
| Other financial liabilities | 70,328 | | | | 9,566 | 79,894 |
| | 199,834 | 2,070 | 1,547 | 6 | 682,757 | 886,214 |

**Sensitivity Analysis of Foreign Currency Balance Sheet**

| Currency | USD | GBP | Euro | Other | Total |
|---|---|---|---|---|---|
| | N'million | N'million | N'million | N'million | N'million |
| Net on Balance Sheet Position | | 4,638 | (523) | 2,550 | (6) |
| Closing Exchange Rate (Naira/ Currency) | | 160.60 | 266.51 | 220.86 | 1.95 |
| 1% Currency Depreciation (+)/Appreciation (-) | | 162.21 | 269.18 | 223.07 | 1.97 |
| Net Effect on Profit &Capital | 46 | (5) | 25 | (0) | 67 |

| 31 December 2012 | USD | GBP | Euro | Other | Naira | Total |
|---|---|---|---|---|---|---|
| Financial assets |  | N'million | N'million | N'million | N'million | N'million |
| N'million |  |  |  |  |  |  |
| Cash and balances with Central Bank | 5,408 | 532 | 1,845 | - | 109,505 | 117,290 |
| Loans and advances to banks | 81,431 | 1,498 | 3,965 | - | 11,106 | 98,000 |
| Loans and advances to customers | 4,607 | - | - | - | 340,893 | 345,500 |
| Investment securities |  |  |  | - |  | - |
| - Financial assets held for trading | 2,440 | - | - | - | 199,366 | 201,806 |
| - Available for sale | - | - | - | - | 21,835 | 21,835 |
| - Held to maturity | - | - | - | - | 76,258 | 76,258 |
| Other financial assets | - | - | - |  | 2,646 | 2,646 |
|  | 93,886 | 2,030 | 5,810 | - | 761,609 | 863,335 |
| **Financial liabilities** |  |  |  |  |  |  |
| Customer deposits | 91,631 | 1,540 | 1,466 | - | 622,112 | 716,749 |
| Other financial liabilities | - | - | - | - | 26,354 | 26,354 |
|  | 91,631 | 1,540 | 1,466 | - | 648,466 | 743,103 |

**Sensitivity Analysis of Foreign Currency Balance Sheet**

| Currency | USD | GBP | Euro | Other | Total |
|---|---|---|---|---|---|
|  | N'million | N'million | N'million | N'million | N'million |
| Net on Balance Sheet Position |  | 2,255 | 490 | 4,344 | - |
| Closing Exchange Rate (Naira/ Currency) |  | 160.6 | 266.5 | 220.9 | - |
| 1% Currency Depreciation (+)/Appreciation (-) |  | 162.2 | 269.2 | 223.1 | - |
| Net Effect on Profit &Capital +/- | 23 | 5 | 43 | - | 71 |

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

**3.4.4 Interest rate risk**

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

| 31 December 2013 | Carrying amount N'million | Variable interest N'million | Fixed interest N'million | Non interest-bearing N'million |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and balances with Central Bank of Nigeria | 207,834 | - | 207,834 | - |
| Loans and advances to banks | 80,875 | - | 80,875 | - |
| Loans and advances to customers | 426,076 | - | 426,076 | - |
| Investment securities | | | | |
| - Financial assets held for trading | 254,909 | - | 254,909 | - |
| - Available for sale | 21,041 | - | 12,686 | 8,383 |
| - Held to maturity | 45,105 | - | 45,105 | - |
| Other financial assets | 1,444 | - | - | 1,444 |
| | 1,037,284 | - | 1,027,485 | 9,827 |
| **Financial liabilities** | | | | |
| Customer deposits | 806,320 | - | 1,340,185 | 19,654 |
| Other financial liabilities | 70,328 | 22,484 | 47,844 | 9,566 |
| | 876,648 | 22,484 | 1,388,029 | 29,220 |

| **31 December 2012** | **Carrying amount** N'million | **Variable interest** N'million | **Fixed interest** N'million | **Non interest-bearing** N'million |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and balances with Central Bank of Nigeria | 117,290 | - | 117,290 | - |
| Loans and advances to banks | 98,000 | - | 98,000 | - |
| Loans and advances to customers | 345,500 | 4,607 | 340,893 | - |
| Investment securities | | | | |
| - Financial assets held for trading | 201,806 | - | 201,806 | - |
| - Available for sale | 21,835 | - | 21,835 | - |
| - Held to maturity | 76,258 | - | 76,258 | - |
| Other financial assets | 2,646 | - | - | 2,646 |
| | 863,335 | 4,607 | 856,082 | 2,646 |
| **Financial liabilities** | | | | |
| Customer deposits | 716,749 | - | 716,749 | - |
| Other financial liabilities | 26,354 | - | 26,354 | - |
| | 743,103 | - | 743,103 | - |

## Interest Rate Sensitivity

### Total Interest Repricing Gap

The repricing gap details each time the interest rates are expected to change:- For a fixed rate instrument it is on maturity- For variable rates linked to prime, it is the date prime is next expected to change unless the instrument is expected to mature sooner- For non-interest bearing items it is not included in the table.

| 31-Dec-13 | Less than 3 months | 3-6months | 6-12 months | 1-5years | more than 5 years | Total rate sensitive |
|---|---|---|---|---|---|---|
| Financial assets | N'million | N'million | N'million | N'million | N'million | N'million |
| Loans and advances to banks | 80,875 | - | - | - | - | 80,875 |
| Loans and advances to customers | 29,204 | 31,481 | 41,416 | 50,189 | 273,786 | 426,076 |
| - Available for sale | 149 | | | 3,905 | 17,014 | 21,068 |
| - Held to maturity | 2,176 | 1,551 | 21,599 | 9,293 | 10,486 | 45,105 |
| **Total assets** | **112,404** | **33,032** | **63,015** | **63,387** | **301,286** | 573,123 |
| **Financial liabilities** | | | | | | |
| Customer deposits | 706,530 | 86,635 | 13,105 | 50 | - | 806,320 |
| Other financial liabilities | - | - | - | 1 | - | 1 |
| **Total liabilities** | **706,530** | **86,635** | **13,105** | **51** | **-** | 806,321 |
| **Net gap** | (594,126) | (53,603) | 49,910 | 63,336 | 301,286 | (233,198) |

**INTEREST RATE SENSITIVITY ANALYSIS 31 DEC 2013**

| | Increase/Decrease in bp | Net Gap | Cummulative gap | Sensitivity on Profit | Annualised profit |
|---|---|---|---|---|---|
| | | N'million | N'million | N'million | |
| Less than 3 Months | +200bp | (594,126) | (594,126) | (2,971) | 3 months |
| 3-6 Months | +200bp | (53,603) | (647,729) | (536) | 6 months |
| 6-12 Months | +200bp | 49,910 | (597,819) | 998 | 1 year |
| 1-5 years | +200bp | 63,336 | (534,483) | 1,267 | |
| More than 5 Years | +200bp | 301,286 | (233,197) | 6,026 | |

| 31-Dec-12 | Less than months | 3-6 month | 6-12 months | 1-5 years | 5 years | Total rate |
|---|---|---|---|---|---|---|
| Financial assets | N'million | N'million | N'million | N'million | N'million | N'million |
| Loans and advances to banks | 98,000 | - | - | - | - | 98,000 |
| Loans and advances to customers | 46,385 | 62,087 | 26,605 | 210,423 | - | 345,500 |
| Investment securities | | | | | | - |
| - Available for sale | - | - | 9,305 | 12,530 | - | 21,835 |
| - Held to maturity | 6,607 | - | 1,881 | 58,466 | 9,304 | 76,258 |
| **Total assets** | **150,992** | **62,087** | **37,791** | **281,419** | **9,304** | 541,593 |

| | Increase/Decrease in bp | Net Gap | Cummulative gap | Sensitivity on Profit | | Annualised profit |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Customer deposits | 639,741 | 72,491 | 4,439 | 78 | - | 716,749 |
| Other financial liabilities | | | | | | - |
| **Total liabilities** | **639,741** | **72,491** | **4,439** | **78** | **-** | **716,749** |
| **Net gap** | **(488,749)** | **(10,404)** | **33,352** | **281,341** | **9,304** | (175,156) |

**INTEREST RATE SENSITIVITY ANALYSIS 31 DEC 2013**

| | Increase/Decrease in bp | Net Gap N'million | Cummulative gap N'million | Sensitivity on Profit N'million | Annualised profit |
|---|---|---|---|---|---|
| Less than 3 Months | +200bp | (488,749) | (488,749) | (2,444) | 3 months |
| 3-6 Months | +200bp | (10,404) | (499,153) | (104) | 6 months |
| 6-12 Months | +200bp | 33,352 | (465,801) | 667 | 1 year |
| 1-5 years | +200bp | 281,341 | (184,460) | 5,627 | |
| More than 5 Years | +200bp | 9,304 | (175,156) | 186 | |

### 3.4.5 Equity and commodity price risk

The Bank is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Bank.

As at 31 December 2013, the market value of quoted securities held by the Bank is N28 million (31 December 2013: N28 million) of which all is in the trading portfolio. If the all share index of the NSE moves by 100 basis points from the (38,747) position at 31 December 2013, the effect on the fair value of these quoted securities would have been N0.072 million and the effect on profit or loss would have been N0.072 million.

The Bank holds a number of investments in unquoted securities with a market value of N8.112 billion (31 December 2012: N7.358 billion). The significant investments are MTN and AFC which were valued at N6.177billion (cost N5.096 billion) for MTN and N900 million (cost N638 million) for AFC as at 31 December 2013. AFC is a private sector led investment bank and development finance institution which has the Central Bank of Nigeria as the single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. The AFC operates a US dollar denominated balance sheet and privides finance in this currency. As at 31 December 2012 the corporation had a balance sheet size of $1.6 billion. MTN Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform.

The information on AFC financial statement for 2013 was not available as at the time of this report.

The Bank does not deal in commodities and is therefore not exposed to any commodity price risk.

## 3.5 Fair value of financial assets and liabilities

### (a) Financial instruments not measured at fair value

| | 31 December 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| Financial assets | N'million | N'million | N'million | N'million |
| Cash and balances with Central banks | 207,834 | 207,834 | 117,291 | 117,291 |
| Cash | 31,879 | 31,879 | 35,007 | 35,007 |
| Balances with central banks other than mandatory reserve deposits | 27,222 | 27,222 | 13,587 | 13,587 |
| Mandatory reserve deposits with central banks | 148,723 | 148,723 | 68,707 | 68,707 |
| **Loans and advances to banks** | **80,876** | **80,876** | **98,000** | **98,000** |
| - Current balances with local banks | - | **-** | 779 | 779 |
| - Current balances with foreign banks | 67,876 | 67,876 | 81,665 | 81,665 |
| - Placements with other banks and discount houses | 13,000 | 13,000 | 15,556 | 15,556 |
| **Loans and advances to customers** | **426,076** | **392,089** | **345,500** | **336,953** |
| - Overdrafts | 56,982 | 56,982 | 58,127 | 58,127 |
| - Term loans | 316,858 | 282,006 | 209,634 | 205,696 |
| - Advances under finance lease | 52,236 | 53,101 | 70,506 | 65,897 |
| - Others | - | **-** | 7,233 | 7,233 |
| **Other financial assets** | **1,444** | **1,444** | **2,646** | **2,646** |
| Listed debt securities | | | | |
| - Federal Government bonds (HTM) | 17,874 | 14,217 | 25,277 | **28,433** |
| - Crusader Insurance Convertible Debenture (L&R) | - | - | 291 | 251 |
| Unlisted debt securities | | | | |
| - Lagos State Government bonds (HTM) | 3,666 | 3,429 | 3,643 | 4,422 |
| - Ekiti State Government bonds (HTM) | 4,029 | 3,855 | 4,782 | 5,044 |
| - AMCON (HTM) | 19,329 | 19,104 | 42,556 | 42,550 |
| **Financial liabilities** | | | | |
| Deposits from customers | 806,320 | 806,320 | 716,749 | 716,749 |
| Demand | 315,209 | 315,209 | 363,339 | 363,339 |
| Saving | 83,325 | 83,325 | 67,129 | 67,129 |
| Term | 269,150 | 269,150 | 187,252 | 187,252 |
| Domiciliary | 132,759 | 132,759 | 94,096 | 94,096 |
| **Other liabilities** | | | | |
| Other liabilities | 5,877 | 5,877 | 4,934 | 4,934 |
| Eurobond issued | 47,844 | 45,024 | - | - |
| Long term borrowings | 22,484 | 22,484 | - | - |

**(b) Financial instruments measured at fair value**

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

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

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

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

| **31 December 2013** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets | N'million | N'million | N'million | N'million |
| Loans and Advances | | | | |
| Financial assets carried at amortised cost | | | | |
| - Term loans | - | 282,006 | - | 282,006 |
| - Advances under finance lease | - | 53,101 | - | 53,101 |
| | | | | |
| **Investments** | | | | |
| Financial assets held for trading | | | | |
| - Listed Debt Securities | 254,881 | - | - | 254,881 |
| - Listed Equity Securities | 28 | - | - | 28 |
| Available for sale | - | - | - | - |
| - Listed Debt Securities | - | 21,041 | - | 21,041 |
| - Unlisted Equity Securities | - | - | 8,355 | 8,355 |
| Held to maturity | | | | |
| - Listed Debt Securities | 26,388 | - | - | 26,388 |
| - Unlisted Equity Securities | - | - | - | - |
| | **281,297** | **356,148** | **8,355** | **645,800** |

| | | | | |
|---|---|---|---|---|
| Financial liabilities | N'million | N'million | N'million | N'million |
| Borrowings | | | | |
| Financial liabilities carried at amortised cost | | | | |
| - Listed Debt Securities | 45,024 | - | - | 45,024 |
| | **45,024** | **-** | **-** | **45,024** |

| 31 December 2012<br>Financial assets<br>Loans and Advances | Level 1<br>N'million | Level 2<br>N'million | Level 3<br>N'million | Total<br>N'million |
|---|---|---|---|---|
| Financial assets carried at amortised cost | | | | |
| - Term loans | - | 205,696 | - | 205,696 |
| - Advances under finance lease | - | 65,897 | - | 65,897 |
| **Investments** | | | | |
| Financial assets held for trading | | | | |
| - Listed Debt Securities | 201,778 | - | - | 201,778 |
| - Listed Equity Securities | 28 | - | - | 28.00 |
| Available for sale | | | | |
| - Listed Debt Securities | 6,116 | 8,656 | - | 14,772 |
| - Unlisted Equity Securities | - | - | 7,060 | 7,060 |
| Held to maturity | | | | |
| - Listed Debt Securities | 52,016 | - | - | - |
| - Unlisted Equity Securities | - | - | - | - |
| | **259,938** | **280,249** | **7,060** | **495,231** |

| Financial liabilities | N'million | N'million | N'million | N'million |
|---|---|---|---|---|
| Borrowings | | | | |
| Financial liabilities carried at amortised cost | - | - | - | - |
| - Listed Debt Securities | - | - | - | - |
| | - | - | - | - |

**Reconciliation of Level 3 items**

| | | Unlisted equity<br>N'million |
|---|---|---|
| **At 1 January 2013** | | 7,060 |
| Total gains / (losses) | | 778 |
| Purchases | | 818 |
| Sales | - | |
| Issues | | - |
| Settlements | | (301) |
| **At 31 December 2013** | | 8,355 |

Total gains or losses for the period included in profit or loss for assets/ liabilities held as at 31 December 2013.

| | Unlisted equity securities N'million |
|---|---|
| **At 1 January 2012** | 7,259 |
| Total gains / (losses) | 24 |
| Purchases | - |
| Sales | (223) |
| Issues | - |
| Settlements | - |
| **At 31 December 2012** | 7,060 |

Total gains or losses for the period included in profit or loss for assets/ liabilities held as at 31 December 2012.

## Sensitivity analysis of Level 3 items

The following table shows the sensitivity of level 3 measurements to reasonably possible alternative assumptions:

| | Carrying Value N'million | 31 December 2013 reasonbly possibly alternative assumption N'million | Carrying Value N'million | 31 December 2012 reasonbly possibly alternative assumption N'million |
|---|---|---|---|---|
| [Financial asset] | | | | |
| - Unlisted Equity Securities | 8,355 | 836 | 7,060 | 706 |

**In order to determine reasonably possible alternative assumptions the Bank adjusted key unobservable models inputs as follows:**

For equities, the Bank adjusted the net asset by increasing and decreasing the net asset by 10%, which is considered by the Bank to be within a range of reasonably possible increase in net assets of companies within similar industry from year to year.

## (c) Fair valuation methods and assumptions

**(i) Cash and balances with central banks**

Cash and balances with central bank represent cash held with central banks of the various jurisdictions in which the bank operates. The fair value of these balances is 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 are 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 and bonds at fair value are determined with reference to quoted prices (unadjusted) in active markets for identical assets; valued using market prices of individual securities at the reporting date. For certain securities, market prices cannot be readily obtained especially for illiquid State Government or Corporate Bonds. The positions was marked-to-model at 31 December 2013 based on yields for identical assets.

**(iv) Equity securities**

The fair value of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical instruments. The fair value of unquoted equity securities are determined based on the level of information available. The investment in MTN Nigeria was valued by reference to recent market transaction price (unadjusted). The investment in AFC and similar smaller holdings in various unquoted entities is determined on the basis of the fair value of the entity's net assets.

**(v) Loans and advances to customers**

Loans and advances are carried at amortised cost net of provision 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) 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.

**(vii) 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.

## 3.6 Operational Risk Management

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

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

**Organizational Set-up**

Operational Risk Management is an independent risk management function within Fidelity Bank. The Operational Risk & Service Measurements Committee is the main decision-making committee for all operational risk management matters and approves our 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 as well as the day-to-day operational risk management lies with our business and support units. Based on this business partnership model we ensure close monitoring and high awareness of operational risk.

**Operational Risk Framework**

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

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

**Loss Data Collection**
The Bank implements an event driven Loss Data Collection (LDC) system designed to facilitate collection of internal loss data triggered at the occurrence of a loss event anywhere within the divisions of the Bank. The LDC system captures data elements, which discriminate between boundary events related to credit, market and operational risk. The system facilitates collection of loss data arising from actual losses, potential losses and near misses. Work-flow capabilities built within our 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)**
We implement a quantitative methodology for our 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)Key Risk Indicators (KRIs)
We measure quantifiable risk statistics or metrics that provide warning signals of risk hotspots in our entity. We have established key risk indicators with tolerance limits for core operational groups of the Bank. Our KRI database integrate with the Loss Data Collection and Risk & Control Self Assessment models and systems to provide red flags that typically inform initiatives for risk response actions in the Bank.

**Business Continuity Management (BCM)**
Our BCM plans assist us in building resilience for effective response to catastrophic and business disruption events. In broad categories, the plans cover disaster recovery, business recovery, business resumption, contingency planning and crisis management events. Our event specific BCM plans which are tested semi-annually deal with threats of fire, flood, robberies, loss of utilities, information security breaches, civil disturbances, disruption from outsourced service partners amongst others.

## 4. CAPITAL MANAGEMENT

The Bank’s objectives when managing capital, which is a broader concept than the ‘equity’ on the face of balance sheets, are:
a. To comply with the capital requirements set by the regulators of the banking markets where the Bank operates;

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. Auditors to the Bank are also required to render an annual certificate to the Nigerian Deposit Insurance Corporation (NDIC) that includes the computed capital adequacy ratio of the Bank.

The CBN requires each bank to: (a) hold the minimum level of the regulatory capital of N25 billion and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%.

The Bank's regulatory capital as managed by its Financial Control and Treasury Units is made up of tier one capital as follows:
Tier 1 capital: share capital, retained earnings , reserves created by appropriations of retained earnings and capital reserve arising on consolidation. Investments in unconsolidated subsidiaries and associates are deducted from Tier 1 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2013 and 2012. During those two years, the individual entities within the Bank and the Bank as an entity as well complied with all of the externally imposed capital requirements to which they are subject.

| | **2013** | **2012** |
|---|---|---|
| | N'million | N'million |
| Tier 1 capital | | |
| Share capital | 14,481 | 14,481 |
| Share premium | 101,272 | 101,272 |
| Retained earnings | 7,395 | 6,193 |
| Statutory reserve | 18,861 | 17,703 |
| SSI reserve | 764 | 764 |
| Contingency reserve | 1,723 | 1,723 |
| Non-distributable reserve | 18,884 | 19,608 |
| Less: Intangible assets | | |
| **Total qualifying Tier 1 capital** | **163,380** | **161,744** |
| Tier 2 capital | | |
| Non-controlling interest | | |
| Revaluation reserve - investment securities | 75 | (289) |
| **Total qualifying Tier 2 capital** | **75** | **(289)** |
| Total regulatory capital | 163,454 | 161,455 |
| Risk-weighted assets: | 632,278 | 561,325 |
| On-balance sheet | 1,081,217 | 914,360 |
| Off-balance sheet | 179,288 | 132,223 |
| **Total risk-weighted assets** | **632,278** | 561,325 |
| **Risk weighted Capital Adequacy Ratio (CAR)** | **26%** | **29%** |

## 5 SEGMENT ANALYSIS

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Bank's Managing Director (the chief operating decision maker). In 2013, Management prepared its financial records in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board . This standard is what the Bank's Managing Director reviews in assessing performance, allocating resources and making investment decisions. 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. This 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.

**Public sector**

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

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

**Segment result of operations - IFRS 8.23**

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2013 is as follows:

| | Retail banking N'millions | Corporate banking N'millions | Investment banking N'millions | Public sector N'millions | Eliminations N'millions | Consolidated (IFRS) N'millions |
|---|---|---|---|---|---|---|
| At 31 December 2013 | | | | | | |
| Derived from external customers | 44,147 | 40,088 | 42,278 | 405 | - | 126,918 |
| Revenues from other segments | - | - | - | - | - | |
| Total | 44,147 | 40,088 | 42,278 | 405 | - | 126,918 |
| Operating profit | | | | | | |
| Profit/(loss) | 5,099 | 1,497 | 2,362 | 70 | - | 9,028 |
| Income tax expense | (714) | (226) | (356) | (11) | - | (1,307) |
| Profit for the year | 4,385 | 1,271 | 2,006 | 59 | - | 7,721 |
| At 31 December 2013 | | | | | | |
| Total segment assets | 303,466 | 453,281 | 321,055 | 3,374 | - | 1,081,217 |
| Total segment liabilities | 257,746 | 496,657 | 146 | 163,359 | - | 917,762 |
| Other segment information | | | | | | |
| Depreciation/Amortization | (2,996) | (539) | (6) | (140) | - | (3,681) |

## 6 INTEREST AND SIMILAR INCOME

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Loans and advances to customers | 41,366 | 38,698 |
| Treasury bills and other investment securities: | | |
| -Held For Trade | 24,276 | 21,928 |
| -Available For Sale | 3,409 | 921 |
| -Held To Maturity | 6,942 | 4,414 |
| Advances under finance lease | 9,651 | 11,372 |
| Placements and short term funds | 613 | 1,664 |
| | 86,257 | 78,996 |

**Interest income earned in Nigeria**

Interest income of N1,378,000 (2012:N1,814,000) on loans and advances to customers includes interest income on impaired financial assets, recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss

## 7 INTEREST AND SIMILAR EXPENSE

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Term deposits | 48,450 | 39,670 |
| Debt issued and other borrowed funds | 3,184 | - |
| Current accounts | 2,063 | 1,235 |
| Savings deposits | 1,154 | 748 |
| Inter-bank takings | 594 | 533 |
| | 55,445 | 42,186 |

## 8 IMPAIRMENT CHARGE

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Impairment on credit loss | (3,190) | (4,610) |
| Write off of AMCON clawback loan | (4,440) | - |
| | (7,630) | (4,610) |

| | | 2013<br>N'million | 2012<br>N'million |
|---|---|---|---|
| 9 | **NET FEE AND COMMISSION INCOME** | | |
| | Credit related fees | 1,359 | 1,717 |
| | Remittance fees | 148 | 78 |
| | Commissions on turnover | 4,578 | 4,357 |
| | Commissions on off-balance sheet transactions | 433 | 312 |
| | Letters of credit commissions and fees | 498 | 441 |
| | Facility management fee | - | - |
| | Commission on Travellers Cheques and foreign bills | 5,063 | 4,133 |
| | Other fees and commissions | 6,628 | 10,407 |
| | Fee and commission income | 18,707 | 21,443 |
| | Fee and commission expense | (9) | (22) |
| | Net fee and commission income | 18,698 | 21,421 |
| 10 | **NET GAINS/(LOSSES) FROM FINANCIAL INSTRUMENTS CLASSIFIED AS HELD-FOR-TRADE THROUGH PROFIT AND LOSS** | | |
| | Net gains / (losses) arising on: | | |
| | Bonds | 924 | 299 |
| | Treasury bills | 6,865 | 2,735 |
| | | 7,789 | 3,034 |
| 11 | **LOSS ON INVESTMENT** | | |
| | Equities investment in subsidiaries that were disposed | - | (1,041) |
| | | - | (1,041) |
| 12 | **OTHER OPERATING INCOME** | | |
| | Foreign exchange gains | 13,362 | 14,230 |
| | Dividend income | 725 | 933 |
| | Profit on disposal of investment property | - | 13 |
| | Other income | 87 | 510 |
| | | 14,174 | 15,686 |

## 13 OTHER OPERATING EXPENSES

| | 2013 | 2012 |
|---|---|---|
| | N'million | N'million |
| Personnel expenses | 25,629 | 22,649 |
| Depreciation | 3,211 | 3,408 |
| Amortisation | 470 | 148 |
| Auditors' remuneration | 125 | 113 |
| Directors' emoluments | 328 | 282 |
| Deposit insurance premium | 3,332 | 3,316 |
| Computer expenses | 1,354 | 1,274 |
| Contractor compensation | 2,427 | 2,741 |
| Infrastructure | - | 10 |
| Marketing, communication & entertainment | 1,067 | 2,174 |
| Electricity | 283 | 201 |
| Repairs and maintenance | 2,051 | 1,750 |
| Security expenses | 977 | 829 |
| Cash movement expenses | 403 | 331 |
| Impairment charge on other assets | 510 | 2,778 |
| Banking sector resolution cost | 4,572 | 2,230 |
| Other expenses | 8,076 | 6,474 |
| | 54,815 | 50,708 |

**Personnel expenses**

| | | |
|---|---|---|
| Wages and salaries | 24,231 | 21,780 |
| Pension costs: | | |
| - Staff Gratuity Plan | 431 | 435 |
| - Staff Retirement Benefit Plan | 967 | 434 |
| | 25,629 | 22,649 |

## 14 TAXATION

| | 2013 | 2012 |
|---|---|---|
| | N'million | N'million |
| Current taxes on income for the reporting period | 1,217 | 1,825 |
| Education tax | - | 19 |
| Technology levy | 90 | 209 |
| Capital Gains Tax | - | 22 |
| Current taxes referring to previous periods | - | 12 |
| **Total current tax** | 1,307 | 2,087 |
| Deferred taxation | | |
| Origination and reversal of temporary differences | - | 1,338 |
| **Total deferred taxation** | - | 1,338 |
| **Income tax expense** | **1,307** | **3,425** |

| Reconciliation of effective tax rate | 2013<br>N'million | 2012<br>N'million |
|---|---|---|
| Profit before income tax | 9,023 | 21,394 |
| Income tax using the domestic corporation tax rate | 2,707 | 6,340 |
| Effect of tax rates in foreign jurisdictions | - | - |
| Non-deductible expenses | 13,641 | 4,480 |
| Education tax levy | - | 19 |
| Tax exempt income | (42,750) | (9,172) |
| Technology levy | 90 | 209 |
| Capital Gains Tax | - | 22 |
| Tax loss effect | 25,004 | 1,539 |
| Over provided in prior years | - | (12) |
| Total income tax expense in income statement | (1,307) | 3,425 |

| | | |
|---|---|---|
| **The movement in the current income tax liability is as follows:** | | |
| At 1 Jan | 2,275 | 2,613 |
| Tax paid | (2,275) | (2,425) |
| Tax effect of translation | - | - |
| Prior period over provision | - | 12 |
| Income tax charge | 1,307 | 2,075 |
| At 31 December | 1,307 | 2,275 |
| Current tax liability reclassified to non-current assets held for sale | - | - |
| | 1,307 | 2,275 |

## 15 EARNINGS PER SHARE

Basic and Dilluted

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

| | **2013**<br>N'million | **2012**<br>N'million |
|---|---|---|
| Profit/(loss) attributable to equity holders of the Bank | 7,721 | 17,924 |
| Weighted average number of ordinary shares in issue | 28,963 | 28,963 |
| Basic & Diluted earnings per share (expressed in kobo per share) | 27 | 62 |

## 16 CASH AND BALANCES WITH CENTRAL BANK

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Cash | 31,889 | 35,007 |
| Balances with Central Bank other than mandatory reserve deposits | 26,586 | 13,577 |
| Included in cash and cash equivalents | 58,475 | 48,584 |
| Mandatory reserve deposits with Central Bank | 149,359 | 68,707 |
| | 207,834 | 117,291 |
| Carrying amount | 207,834 | 117,291 |

Mandatory reserve deposits are not available for use in the Bank's day-to-day operations. Mandatory reserve deposits are non interest-bearing and are calculated as a fixed percentage of the Bank's liabilities.

## 17 CASH AND CASH EQUIVALENTS

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

| | **2013** N'million | **2012** N'million |
|---|---|---|
| Cash and balances with Central Bank | 207,834 | 117,290 |
| Loans and advances to Banks | 80,875 | 98,000 |
| Carrying amount | 288,709 | 215,290 |

## 18 LOANS AND ADVANCES

| | 2013 | 2012 |
|---|---|---|
| **18.1 Loans and advances to banks** | N'million | N'million |
| Current balances with local banks | - | 779 |
| Current balances with foreign banks | 67,875 | 81,665 |
| Placements with other banks and discount houses | 13,000 | 15,557 |
| Carrying amount | 80,875 | 98,000 |

| | **2013** N'million | **2012** N'million |
|---|---|---|
| Current | 80,875 | 98,000 |
| Non-current | - | - |
| | 80,875 | 98,000 |

## 18.2 Loans and advances to customers

| | Gross amount | Specific impairment | Collective impairment | Total impairment | Carrying amount |
|---|---|---|---|---|---|
| 31 December 2013 (N'million) | | | | | |
| Overdrafts | 66,512 | (8,670) | (860) | (9,530) | 56,982 |
| Term loans | 323,036 | (1,340) | (4,838) | (6,178) | 316,858 |
| Advances under finance lease | 53,101 | (60) | (805) | (865) | 52,236 |
| Other loans | - | - | - | - | - |
| | 442,649 | (10,070) | (6,503) | (16,573) | 426,076 |
| **31 December 2012 (N'million)** | | | | | |
| Overdrafts | 66,517 | (6,757) | (1,633) | (8,391) | 58,127 |
| Term loans | 213,960 | (376) | (3,949) | (4,325) | 209,634 |
| Advances under finance lease | 71,172 | (472) | (194) | (666) | 70,506 |
| Other loans | 1,050 | - | (2) | (2) | 1,049 |
| Interest receivables | 6,185 | - | - | - | 6,185 |
| | 358,884 | (7,605) | (5,778) | (13,383) | 345,500 |

**Reconciliation of impairment allowance on loans and advances to customers:**

| | Overdrafts | Term loans | Finance leases | Others | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2013 (N'million)** | | | | | |
| Specific impairment | 7,605 | - | - | - | 7,605 |
| Collective impairment | 959 | 3,472 | 1,227 | 121 | 5,779 |
| | 8,564 | 3,472 | 1,227 | 121 | 13,384 |
| Additional provision | | | | | |
| Specific impairment | 2,102 | 1,340 | 60 | - | 3,502 |
| Collective impairment | (99) | 1,366 | (422) | (121) | 725 |
| Eliminated on loans sold to AMCON | - | - | - | - | - |
| Amounts recovered during the year | (1,037) | - | - | - | (1,037) |
| Total charge to income statement | 966 | 2,706 | (362) | (121) | 3,190 |
| Specific impairment | 8,670 | 1,340 | 60 | - | 10,070 |
| Collective impairment | 860 | 4,838 | 805 | - | 6,503 |
| **Balance at 31 December 2013 (N'million)** | **9,530** | **6,178** | **865** | **-** | **16,573** |

| | Overdrafts | Term loans | Finance lease | Other | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2012 (N'million)** | | | | | |
| Specific impairment | 15,109 | (4,814) | - | - | 10,295 |
| Collective impairment | - | 3,518 | - | - | 3,518 |
| | 15,109 | (1,296) | - | - | 13,813 |
| Additional provision | | | | | |
| Specific impairment | 6,767 | 3,752 | 472 | - | 10,991 |
| Collective impairment | 1,633 | 433 | 194 | - | 2,260 |
| Eliminated on loans sold to AMCON | - | (3,024) | - | - | (3,024) |
| Amounts recovered during the year | - | (5,617) | - | - | (5,617) |
| Total charge to income statement | 8,400 | (4,456) | 666 | - | 4,610 |
| Unwind of discount allowance | - | (8,641) | - | - | (8,641) |
| Specific impairment | 21,876 | (14,743) | 472 | - | 7,605 |
| Collective impairment | 1,633 | 3,951 | 194 | - | 5,778 |
| **Balance at 31 December 2012 (N'million)** | 23,509 | (10,792) | 666 | - | 13,383 |

**18.3 Advances under finance lease may be analysed as follows:**

| Gross investment | 2013 N'million | 2012 N'million |
|---|---|---|
| - No later than 1 year | 3,088 | 4,053 |
| - Later than 1 year and no later than 5 years | 61,090 | 80,301 |
| - Later than 5 years | 1,550 | 2,040 |
| | 65,728 | 86,394 |
| Unearned future finance income on finance leases | (12,627) | (15,519) |
| **Net investment** | 53,101 | 70,875 |
| **The net investment may be analysed as follows:** | | |
| - No later than 1 year | 2,496 | 3,834 |
| - Later than 1 year and no later than 5 years | 49,353 | 66,099 |
| - Later than 5 years | 1,252 | 942 |
| | 53,101 | 70,875 |

**18.4 Nature of security in respect of loans and advances:**

| | | |
|---|---|---|
| Secured against real estate | 46,648 | 41,689 |
| Secured by shares of quoted companies | 643 | 550 |
| Otherwise secured | 359,754 | 236,034 |
| Advances under finance lease | 21,187 | 70,875 |
| Unsecured | 14,415 | 9,736 |
| Gross loans and advances to customers | 442,647 | 358,884 |

## 19 INVESTMENTS

| | | 2013 | 2012 |
|---|---|---|---|
| | | N'million | N'million |
| | Debt securities | | |
| 19.1 | Fair value through profit and loss | | |
| | Treasury bills - At fair value through profit and loss | 239,885 | 198,123 |
| | Federal Government bonds - At fair value through profit and loss | 14,997 | 3,655 |
| | Listed equity investments - At fair value through profit and loss | 28 | 28 |
| | | **254,909** | **201,806** |
| 19.2 | Available for sale | | |
| | Treasury bills - Available-for-sale (At fair value) | - | 1,897 |
| | Federal Government bonds - Available-for-sale (At fair value) | 2,230 | 3,928 |
| | State bonds - Available-for-sale (At fair value) | 7,526 | 8,656 |
| | Federal Mortgage Bank Zero Coupoun Bonds | 2,930 | 291 |
| | Equity investments - Available-for-sale (At fair value) | 8,355 | 7,063 |
| | | **21,041** | **21,835** |
| 19.3 | Held to maturity | | |
| | Federal Government bonds - Held-to-maturity (At amortised cost) | 17,942 | 25,277 |
| | Lagos State Government bonds - Held-to-maturity (At amortised cost) | 3,806 | 3,643 |
| | Ekiti State Government bonds - Held-to-maturity (At amortised cost) | 4,029 | 4,782 |
| | AMCON - Held-to-maturity (At amortised cost) | 19,328 | 42,556 |
| | | **45,105** | **76,258** |
| | Total investments | 321,055 | 299,900 |

### 19.4 Pledged assets

Treasury Bills are pledged to the Nigerian Inter Bank Settlement System Company (NIBSS) in respect of the Bank's ongoing participation in the Nigerian settlement system. The Bank also pledged Treasury bills and Bonds in its capacity as Collection Bank for government taxes, in respect of interswitch electronic card transactions and loan facility from Bank of Industry.

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

| | **2013** | **2012** |
|---|---|---|
| | N'million | N'million |
| Treasury Bills | 15.5 | 11.6 |
| Federal Government Bonds | 9.3 | - |

## 20 PROPERTY, PLANT AND EQUIPMENT

| | Land & buildings N'000 | Leasehold improvement N'000 | Office equipment N'000 | Furniture, fittings & equipment N'000 | Computer equipment N'000 | Motor vehicles N'000 | Work in progress N'000 | Total N'000 |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| At 1 January 2013 | 17,250 | 3,108 | 5,948 | 1,608 | 6,590 | 4,717 | 11,837 | 51,058 |
| Additions | 197 | 758 | 414 | 106 | 1,456 | 785 | 1,738 | 5,454 |
| Reclassifications | 2,572 | 68 | 205 | 15 | 213 | 9 | (3,082) | 0 |
| Disposals | (33) | (9) | (50) | (3) | (7) | (430) | - | (534) |
| At 31 December 2013 | 19,986 | 3,923 | 6,517 | 1,726 | 8,252 | 5,081 | 10,493 | 55,978 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2013 | (708) | (2,100) | (4,122) | (1,210) | (4,489) | (3,069) | - | (15,699) |
| Charge for the year | (323) | (565) | (794) | (193) | (616) | (720) | - | (3,211) |
| Reclassifications | - | - | - | - | - | - | - | - |
| Write offs | - | - | - | - | - | - | - | - |
| Disposals | 1 | 9 | 50 | 3 | 5 | 335 | - | 403 |
| At 31 December 2013 | (1,031) | (2,657) | (4,866) | (1,400) | (5,100) | (3,455) | - | (18,508) |
| **Net book amount at 31 December 2013** | **18,956** | **1,266** | **1,650** | **326** | **3,152** | **1,626** | **10,493** | **37,470** |
| Cost | | | | | | | | |
| At 1 January 2012 | 16,153 | 1,441 | 5,357 | 1,525 | 6,037 | 4,120 | 11,108 | 45,741 |
| Additions | 352 | 668 | 613 | 67 | 403 | 968 | 2,102 | 5,173 |
| Reclassifications | 745 | 999 | 68 | 26 | 159 | 7 | (1,343) | 661 |
| Disposals | (1) | - | (90) | (11) | (10) | (378) | (30) | (520) |
| At 31 December 2012 | 17,249 | 3,108 | 5,948 | 1,607 | 6,589 | 4,717 | 11,837 | 51,055 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2012 | (412) | (1,589) | (3,387) | (1,013) | (3,919) | (2,656) | - | (12,976) |
| Charge for the year | (297) | (511) | (822) | (208) | (886) | (728) | - | (3,452) |
| Reclassifications | - | - | - | - | 306 | - | - | 306 |
| Write offs | - | - | - | - | - | - | - | - |
| Disposals | 1 | - | 87 | 11 | 10 | 315 | - | 424 |
| At 31 December 2012 | (708) | (2,100) | (4,122) | (1,210) | (4,489) | (3,069) | - | (15,698) |
| **Net book amount at 31 December 2012** | **16,541** | **1,008** | **1,826** | **397** | **2,100** | **1,648** | **11,837** | **35,358** |

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

## 21 INTANGIBLE ASSETS

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Cost | | |
| Balance at the beginning of the year | 1,545 | 1,276 |
| Additions | - | 269 |
| Balance at end of the year | 1,545 | 1,545 |
| **Amortization and impairment losses** | | |
| Balance at the beginning of the year | 1,075 | 927 |
| Amortisation for the year | 470 | 148 |
| Balance at the end of the year | 1,545 | 1,075 |
| **Carrying amounts** | - | 470 |

## 22 DEFERRED TAXATION

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 taxes relate to the same fiscal authority. The offset amounts are as follows:

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30 % (2012: 30 %).

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

Deferred tax liabilities

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Accelerated tax depreciation | (1,230) | (4,128) |
| Allowances for loan losses | - | (51) |
| | (1,230) | (4,179) |
| **Deferred tax assets** | | |
| Pension and other post-retirement benefits | 2,611 | 1,776 |
| Allowances for loan losses | 2,289 | - |
| Others | 171 | 5 |
| Tax losses carried forward | 3,868 | 443 |
| | 8,939 | 2,224 |
| Unrecognised deferred tax credit | (9,664) | - |
| **Net** | (1,955) | (1,955) |

| | | |
|---|---|---|
| **Deferred tax assets** | | |
| - Deferred tax assets to be recovered after more than 12 months | 2,224 | 2,224 |
| - Deferred tax assets to be recovered within 12 months | | - |
| **Deferred tax liabilities** | | |
| - Deferred tax liability to be recovered after more than 12 months | 4,179 | (4,179) |
| - Deferred tax liability to be recovered within 12 months | | - |

| Movements in temporary differences during the year: | 1 Jan 2013 | **Recognised** in P&L | **Recognised** OCI | 31 Dec 2013 |
|---|---|---|---|---|
| Accelerated tax depreciation | (4,128) | 2,898 | - | (1,230) |
| [Other assets] | 5 | 166 | - | 171 |
| [Allowances for loan losses] | 51 | 2,340 | - | 2,289 |
| [Tax loss carry forward] | 443 | 3,425 | - | 3,868 |
| [Employee benefits] | 1,776 | 835 | - | 2,611 |
| Unrecognised deferred tax credit | | (9,664) | | (9,664) |
| | (1,995) | - | - | (1,995) |

| Movements in temporary differences during the year: | 1 Jan 2012 | **Recognised** in P&L | **Recognised** OCI | 31 Dec 2012 |
|---|---|---|---|---|
| Accelerated tax depreciation | (3,660) | (468) | - | (4,128) |
| [Other assets] | - | 5 | - | 5 |
| [Allowances for loan losses] | 762 | (813) | - | (51) |
| [Tax loss carry forward] | - | 443 | - | 443 |
| [Employee benefits] | 2,281 | (505) | - | 1,776 |
| | (617) | (1,338) | 0 | (1,955) |

## 23 OTHER ASSETS

| | 2013 | 2012 |
|---|---|---|
| Financial assets | N'million | N'million |
| Sundry receivables | 268 | 4,422 |
| Others | 1,176 | 2,128 |
| | **1,444** | **6,550** |
| Less: | | |
| Specific allowances for impairment | - | (3,903) |
| | **1,444** | **2,646** |
| Non financial assets | | |
| Prepayments | 6,463 | 15,196 |
| Other non financial assets | 4,413 | - |
| | 10,876 | 15,196 |
| Specific allowances for impairment | (4,413) | - |
| | 6,463 | 15,196 |
| | **7,907** | **17,842** |
| Current | 7,907 | 17,842 |
| Non-current | - | - |

| **Reconciliation of impairment account** | | |
|---|---|---|
| At start of year | 3,903 | 1,125 |
| Increase in impairment | 510 | 2,778 |
| Amounts written off | | |
| At end of year | 4,413 | 3,903 |

| | | 2013<br>N'million | 2012<br>N'million |
|---|---|---|---|
| **24** | **DEPOSITS FROM CUSTOMERS** | | |
| | Demand | 315,209 | 363,339 |
| | Savings | 83,325 | 67,129 |
| | Term | 269,150 | 187,252 |
| | Domicilliary | 132,759 | 94,096 |
| | Others | 5,877 | 4,934 |
| | | **806,320** | **716,749** |
| | Current | 806,307 | 716,671 |
| | Non-current | 13 | 78 |
| | | **806,320** | **716,749** |
| **25** | **OTHER LIABILITIES** | | |
| | Customer deposits for letters of credit | 9,566 | 4,597 |
| | Accounts payable | 15,322 | 15,411 |
| | Managers cheque | 1,943 | 2,244 |
| | Defined contribution plan | - | - |
| | Provisions | 657 | 4,103 |
| | Other liabilites/credit balances | 2,798 | - |
| | | 30,286 | 26,354 |

Provisions include staffs year end bonus and other provisions of which there is a constructive and legal obligation on the part of the bank

| | | 2013<br>N'million | 2012<br>N'million |
|---|---|---|---|
| **26** | **DEBT ISSUED AND OTHER BORROWED FUNDS** | | |
| | Long term loan SCB London (see note 26.1) | 6,424 | - |
| | Long term loan Citibank London (see note 26.2) | 16,060 | - |
| | Bond issued (see note 26.3) | 47,844 | - |
| | | 70,328 | - |

**26.1** The amount of N6,424 million (USD 40million) represents the outstanding balance in the on-lending facility granted to the Bank by Standard Chartered Bank (SCB) London in November 2013 for a period of 2 years at an interest rate of Libor plus 4.25% per annum.

**26.2** The amount of N16,060 million (USD 100million) represents the outstanding balance in the syndicated on-lending facility granted to the Bank by Citibank London and HSBC London in April 2013 for a period of 3 years at an interest rate of libor plus 4.50% per annum.

**26.3** The amount of N47,844 million represents the amortised cost of a $300million, 5 year, 6.875% Eurobond issued at 99.48 percent in May 2013. The Principal amount is repayable in May 2018, while the coupon is paid semi annually. The purpose of the Loan was to finance foreign currency lending to the Power and Oil sectors of the economy.

## 27 RETIREMENT BENEFIT OBLIGATIONS

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Consolidated statement of financial position asset/(liability) for: | | |
| Staff Gratuity Plan | 2,877 | 1,751 |
| Retirement Benefit Scheme | 4,689 | 3,821 |
| | 7,566 | 5,572 |
| Income statement charge for: | | |
| Staff Gratuity Plan | 431 | 435 |
| Retirement Benefit Scheme | 967 | 434 |
| | 1,399 | 870 |
| Actuarial gains/(losses) are recognised in the statement of other comprehensive income. | | |
| Staff Gratuity Plan | (886) | (276) |
| Retirement Benefit Scheme | (201) | 2,100 |
| | (1,087) | 1,824 |
| (a) Gratuity scheme | | |
| The amounts recognised in the statement of financial position are as follows: | | |
| Present value of funded obligations | | |
| Fair value of plan assets | | |
| Deficit of funded plans | | |
| Present value of unfunded obligations | 2,877 | 1,751 |
| Unrecognised past service cost | | |
| Liability in the balance sheet | 2,877 | 1,751 |
| The movement in the defined benefit obligation over the year is as follows: | | |
| At beginning of the period | 1,751 | 1,487 |
| Current service cost | 208 | 211 |
| Interest cost | 224 | 224 |
| Employee contributions | - | - |
| Actuarial losses/(gains) | 886 | 276 |
| Past service cost | - | - |
| Benefits paid | (192) | (447) |
| Settlements | - | - |
| At end of the period | 2,877 | 1,751 |

The estimate of contributions expected to be paid in the defined benefit plans in 2014 are:

| | N'million |
|---|---|
| Stafff Gratuity Plan: | 414 |
| Retirement Benefit Scheme | 1,242 |

| | 2013 N'million | 2012 N'million |
|---|---|---|
| The amounts recognised in the income statement are as follows: | | |
| Current service cost | 208 | 211 |
| Interest cost | 224 | 224 |
| Expected return on plan assets | | |
| Past service cost | | |
| **Total, included in staff costs** | 431 | 435 |

| | | |
|---|---|---|
| The principal actuarial assumptions were as follows: | | |
| Average long term discount rate (p.a.) | 12% | 14% |
| Average long term rate of inflation (p.a.) | 10% | 10% |
| Average long term pay increase (p.a.) | 5% | 5% |

Mortality
Pre-retirement: A49/52

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

| **Age group** | **2013 annual rate of withdrawal /retirement** | **age group** | **2012 Annual rate of withdrawal /retirement** |
|---|---|---|---|
| 20-24 | 10% | 20-24 | 10% |
| 25-29 | 10% | 25-29 | 10% |
| 30-34 | 8% | 30-34 | 8% |
| 34-38 | 4% | 34-38 | 4% |
| 39-42 | 3% | 39-42 | 3% |
| 43-49 | 1% | 43-49 | 1% |
| 50-51 | 5% | 50-51 | 5% |
| 52-53 | 10% | 52-53 | 10% |
| 54 | 15% | 54 | 15% |
| 55+ | 100% | 55+ | 100% |

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

| | 2013 N'million | 2012 N'million |
|---|---|---|
| Present value of funded obligations | | |
| Fair value of plan assets | | |
| Deficit of funded plans | | |
| Present value of unfunded obligations | | |
| Unrecognised past service cost | 4,689 | 3,821 |
| Liability in the balance sheet | | |
| | 4,689 | 3,821 |

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

| | 2013 | 2012 |
|---|---|---|
| | N'million | N'million |
| At beginning of the period | | |
| Current service cost | 3,820 | 6,117 |
| Interest cost | 470 | 1,017 |
| Employee contributions | 497 | 996 |
| Actuarial losses/(gains) | - | - |
| Past service cost | 202 | (2,100) |
| Benefits paid | - | (1,579) |
| Settlements | (300) | (631) |
| At end of the period | - | - |
| | 4,689 | 3,820 |

The amounts recognised in the income statement are as follows:

| | | |
|---|---|---|
| Current service cost | | |
| Interest cost | 470 | 1,017 |
| Expected return on plan assets | 497 | 996 |
| Past service cost | | - |
| **Total, included in staff costs** | | (1,579) |
| The principal actuarial assumptions were as follows: | 967 | 434 |

| | | |
|---|---|---|
| Discount rate | | |
| Inflation rate | 12% | 14% |
| Future salary increases | 10% | 12% |
| | 5% | 10% |

Mortality

Pre-retirement: A49/52

Withdrawal and Early Retirement

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

| Age group | 2013 annual rate of withdrawal /retirement | age group | 2012 Annual rate of withdrawal /retirement |
|---|---|---|---|
| 20-24 | 10% | 20-24 | 10% |
| 25-29 | 10% | 25-29 | 10% |
| 30-34 | 8% | 30-34 | 8% |
| 34-38 | 4% | 34-38 | 4% |
| 39-42 | 3% | 39-42 | 3% |
| 43-49 | 1% | 43-49 | 1% |
| 50-51 | 5% | 50-51 | 5% |
| 52-53 | 10% | 52-53 | 10% |
| 54 | 15% | 54 | 15% |
| 55+ | 100% | 55+ | 100% |

## 28 SHARE CAPITAL

| | 2013 | 2012 |
|---|---|---|
| Authorised | N'million | N'million |
| 32 billion ordinary shares of 50k each (2012: 32 billion) | 16,000 | 16,000 |

| | | |
|---|---|---|
| **Issued and fully paid** | | |
| 28,963 million ordinary shares of 50k each (2012: 28,963 million) | 14,481 | 14,481 |

| **Movements during the period:** | **Number of** shares million | **Ordinary** shares |
|---|---|---|
| Balance at 1 January 2012 | 14,481 | 14,481 |
| Capitalised during the period | - | - |
| Issue of new shares | - | - |
| At 31 December 2012 | 14,481 | 14,481 |
| Capitalised during the period | - | - |
| Issue of new shares | - | - |
| At 31 December 2013 | 14,481 | 14,481 |

None of the ordinary shares are held by the Bank.

## 29 SHARE PREMIUM AND RESERVES

The nature and purpose of the reserves in equity 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, which have not been reclassified to the other reserves noted below.

**Statutory reserve**

Undistributable earnings required to be kept by the Central Bank in accordance with national law.

**Small Scale Industries reserve**

Appropriated from retained earnings by regulation for investment in small scale industries.

**Contingency reserve**

Appropriation of retained earnings for unspecified future events.

**Revaluation reserve**

The revaluation reserve shows the effects from the fair value measurement of financial instruments of the category available for sale after deduction of deferred taxes. Any gains or losses are not recognised in the consolidated income statement until the asset has been sold or impaired.

**Non-distributable reserve**

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

## 30 ADDITIONAL CASH FLOW INFORMATION

Change in operating assets

| | 2013 | 2012 |
|---|---|---|
| | N'million | N'million |
| Loans and advances to customers | (80,576) | (65,080) |
| Investments in Securities | | |
| Held for maturity | 31,153 | (181,186) |
| Available for sale | 794 | 104,793 |
| Held for trading | (53,103) | (636) |
| Investment property | - | (3,282) |
| Other assets | 9,934 | (6,000) |
| | (91,798) | (151,391) |

| | 2013 | 2012 |
|---|---|---|
| Change in operating liabilities | | |
| Deposits from customers | 89,571 | 152,359 |
| Other liabilities | 3,932 | 9,819 |
| | 93,503 | 162,178 |

## 31 CONTINGENT LIABILITIES AND COMMITMENTS

31.1 Capital commitments

At the reporting date, the Bank had capital commitments amounting to N203.4 million (2012: N252 million)

31.2 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-balance sheet 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:

| | 2013 | 2012 |
|---|---|---|
| | N'million | N'million |
| Performance bonds and guarantees | 143,269 | 103,152 |
| Letters of credit | 35,978 | 29,044 |
| On-lending facilities | 41 | 27 |
| | **179,288** | **132,223** |

31.3 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N3.41B (2012: N726.1M). Based on the estimates of our legal team and the case facts, the Bank estimates a potential loss of N295.9M (2012:6.5M) upon conclusion of the cases. On the other hand, the Bank has outstanding claims against various individuals in the sum of N13.583B (2012: N627.2M) that are yet to be settled.

## 32 RELATED PARTY TRANSACTIONS

The Bank is wholly owned by Nigerian citizens.

32.1b Loans and advances to related parties

| | Key management personnel N'million | Subsidiary N'million | Associates N'million | Related entities N'million |
|---|---|---|---|---|
| **32.2a Deposits from related parties** | | | | |
| Year ended 31 December 2013 | | | | |
| Due to customers | | | | |
| Deposits as 1 January | 522 | - | - | 140 |
| Deposits received during the year | 2,107 | - | - | 3,801 |
| Deposits repaid during the year | (2,218) | - | - | (3,365) |
| Deposits at 31 December | 411 | - | - | 577 |
| Interest expenses on deposits | 2 | - | - | 6 |
| **Year ended 31 December 2012** | | | | |
| Due to customers | | | | |
| Deposits as 1 January | 141 | - | 17 | 5 |
| Deposits received during the year | 527 | - | 733 | 136 |
| Deposits repaid during the year | (146) | - | - | - |
| Deposits at 31 December | 522 | - | 750 | 140 |
| Interest expenses on deposits | 2 | - | 17 | 0 |

32.2b Related parties

| Related party | Relationship | **Deposits at** 31 Dec 2013 | **Deposits at** 31 Dec 2012 |
|---|---|---|---|
| Geoelis and Co Nig Ltd | Related Entity | 13,608,491 | 14,019,156 |
| Rosies Textile Mill Ltd | Related Entity | 311,736 | 3,976,288 |
| Cy Incorporated Nig Ltd | Related Entity | 11,443 | 11,243 |
| Equipment Solutions and Logistics Services Limited | Related Entity | 56,635 | 82,101 |
| Ass. Haulages (Nig) Ltd | Related Entity | 15,347 | 188,721 |
| The Genesis Restaurant Limited | Related Entity | 552,067 | 50,791 |
| Next International | Related Entity | 3,938,877,183 | - |
| Namjid. Com Limited | Related Entity | 367,746 | - |
| **Total** | | 3,953,800,648 | 18,328,300 |
| Fidellty Pension Managers Limited | Related Entity | - | 133 |
| Finconnekt Nig Ltd | Related Entity | - | 70,512 |
| Fidelity Securities Ltd | Related Entity | - | 140,613,347 |
| **Total** | | - | 140,683,992 |
| Unified Payment Services Ltd | Associate | - | 749,868,519 |
| **Total** | | - | 749,868,519 |

## 32.1B LOANS AND ADVANCES TO RELATED PARTIES

| Related Party | Relationship OUTSTANDING 2013 | AMOUNT | AMOUNT OUTSTANDING 2012 | FACILITY TYPE | STATUS | SECURITIES STATUS |
|---|---|---|---|---|---|---|
| ASSOCIATED HAULAGES (NIGERIA) LIMITED | Related Entity | | 46,024,794 | Term Loan/Overdraft | Performing | Perfected |
| CY INCORPORATED NIG LTD | Related Entity | 244,267,103 | 240,544,047 | Finance Lease/Overdraft | Performing | Perfected |
| ROSIES TEXTILES MILL LTD | Related Entity | 73,500,365 | 59,588,050 | Overdraft | Performing | Perfected |
| GEOELIS AND CO NIG LTD | Related Entity | 242,316,109 | 187,040,103 | Overdraft | Performing | Perfected |
| EQUIPMENT SOLUTIONS AND LOGISTICS SERVICES LIMITED | Related Entity | 398,313,828 | 379,098,747 | Finance Lease/Overdraft | Performing | Perfected |
| THE GENESIS RESTAURANT LIMITED | Related Entity | 466,677,979 | 1,132,781,390 | Term Loan/Overdraft | Performing | Perfected |
| GENESIS DELUXE CINEMAS | Related Entity | 152,777,778 | - | Term Loan | Performing | Perfected |
| GENESIS HUB LIMITED | Related Entity | 550,334,585 | - | Term Loan/Overdraft | Performing | Perfected |
| CMB BUILDING MAINTAINCE AND INV. CO. LTD | Related Entity | 40,484,916 | - | Overdraft | Performing | Perfected |
| JOHN HOLT PLC | Related Entity | 179,521,608 | - | Term Loan | Performing | Perfected |
| NAMJID.COM LIMITED | Related Entity | 156,031,840 | - | Overdraft | Performing | Perfected |
| TRANSCORP UGHELLI POWER LIMITED | Related Entity | 3,212,000,000 | - | Term Loan | Performing | Perfected |
| **TOTAL** | | **5,716,226,112** | **2,045,077,131** | | | |
| FIDELITY SECURITIES LIMITED* | Related Entity | 122,368,113 | - | Overdraft | Performing | Perfected |
| FINCONNECKT COLLECTION A/C* | Related Entity | 194,814,120 | - | Overdraft | Lost | Perfected |
| **TOTAL** | **-** | **317,182,233** | **-** | | | |
| REGINALD U.IHEJIAHI | Key Personnel | - | 150,691,719 | Term Loan | Performing | Perfected |
| OBI OKECHUKWU JOHN | Key Personnel | - | 81,331,202 | Term Loan | Performing | Perfected |
| MR AND MRS A.I. MBAGWU | Key Personnel | 5,056 | 102,076,946 | Term Loan | Performing | Perfected |
| UCHE AUGUSTINE OKAM | Key Personnel | - | 796,680 | Term Loan | Performing | Perfected |
| OLAOLU ONOME JOY | Key Personnel | - | 155,638,525 | Term Loan | Performing | Perfected |
| OKONKWO NNAMDI JOHN | Key Personnel | 333,989 | 58,406,611 | Term Loan | Performing | Perfected |
| CHIJIOKE UGOCHUKWU | Key Personnel | 9,640,067 | 67,194,365 | Term Loan | Performing | Perfected |
| UMAR I YAHAYA | Key Personnel | 7,640,000 | 46,570,935 | Term Loan | Performing | Perfected |
| MOHAMMED BALARABE | Key Personnel | - | 8,216,146 | Term Loan | Performing | Perfected |
| CHIEF CHRISTOPHER EZEH | Key Personnel | 122,778,659 | - | Term Loan | Performing | Perfected |
| DIM ELIAS NWOSU | Key Personnel | 651,231 | - | Overdraft | Performing | Perfected |
| ICHIE NNAETO ORAZULIKE | Key Personnel | 2,456,629, | - | Overdraft | Performing | Perfected |
| **TOTAL** | | **143,505,631** | **670,923,129** | | | |

**Director Related Service Providers:**

Some of the Directors are also Directors of some companies with which the Bank does business. All the transactions are done at arms length:

| Company | Area of Specialization | Director | Designation |
|---|---|---|---|
| John Holt Plc | Generators/Technical services | Chief Christopher Ezeh | Chairman |
| CN Architects Limited | Architects, Project Managers | Chief Elias Nwosu | Non Executive |

32.2b Related parties

| RELATED PARTY | RELATIONSHIP | DEPOSITS 2013 | DEPOSITS 2012 |
|---|---|---|---|
| DIM ELIAS E NWOSU | Key management Personnel | 294,178,932 | 319,949,410 |
| MR. KAYODE OLOWONIYI | Key management Personnel | 17,692,513 | 57,548 |
| LAWSON STANLEY INYE | Key management Personnel | 139,279,252 | 18,314,218 |
| OKONKWO NNAMDI JOHN | Key management Personnel | 58,104,562 | 11,728,572 |
| MOHAMMED BALARABE | Key management Personnel | 7,032,940 | 24,818,864 |
| UCHE AUGUSTINE OKAM | Key management Personnel | - | 34,180 |
| MRS B. .N. EJECKAM | Key management Personnel | 7,714,625 | 3,135,613 |
| IK MBAGWU | Key management Personnel | 4,985,272 | 33,697,146 |
| ONOME OLAOLU | Key management Personnel | 55,298,800 | 6,367,354 |
| REGINALD U.IHEJIAHI | Key management Personnel | 212,071,388 | 2,729,634 |
| NNAMDI I. OJI | Key management Personnel | 698,759 | 159,723 |
| BASHARI M.GUMEL | Key management Personnel | 72,095,788 | 43,983,059 |
| CHIJIOKE UGOCHUKWU | Key management Personnel | 59,888,924 | 7,657,619 |
| OBI OKECHUKWU JOHN | Key management Personnel | 19,866,008 | 18,435,408 |
| UMAR I YAHAYA | Key management Personnel | 8,123,849 | 30,868,246 |
| CHIEF CHRISTOPHER EZEH | Key management Personnel | 27,858,313 | - |
| ICHIE NNAETO ORAZULIKE | Key management Personnel | 1,757,090 | - |
| ROBERT NNANNA-KALU | Key management Personnel | 397,931 | - |
| **TOTAL** | | **987,044,947** | **521,936,594** |

32.3

| Other transactions with related parties | N'million | N'million | N'million |
|---|---|---|---|
| Year ended 31 December 2013 | | | |
| Fee and commission income | - | - | - |
| Guarantees issued by the Bank | 13 | - | - |
| | 13 | - | - |
| Year ended 31 December 2012 | | | |
| Fee and commission income | - | - | 18 |
| Guarantees issued by the Bank | - | - | - |
| | - | - | 18 |

The above guarantees are issued by the Bank in the normal course of business
The above deposits carry fixed interest rates and are repayable on maturity on agreed terms

32.4

| Key management compensation | | |
|---|---|---|
| Salaries and other short-term employee benefits | | |
| (includes executive directors only) | 304 | 330 |
| Post-employment benefits | - | - |
| Other long term benefits | - | - |
| Termination benefits | - | - |
| | 304 | 330 |

## 33 EMPLOYEES

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

| | Number 2013 | Number 2012 |
|---|---|---|
| Executive directors | 7 | 7 |
| Management | 509 | 534 |
| Non-management | 2,968 | 2,956 |
| | 3,484 | 3,497 |

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

| | Number 2013 | Number 2012 |
|---|---|---|
| N300,000 - N2,000,000 | 164 | 646 |
| N2,000,001 - N2,800,000 | 518 | 1,097 |
| N2,800,001 - N3,500,000 | 1,052 | 310 |
| N3,500,001 - N6,500,000 | 823 | 634 |
| N6,500,001 - N7,800,000 | 416 | 272 |
| N7,800,001 - N10,000,000 | 250 | 336 |
| N10,000,001 and above | 267 | 196 |
| | 3,490 | 3,491 |

## 34 DIRECTORS' EMOLUMENTS

| Remuneration paid to the Bank's directors (excluding certain allowances) was: | Number 2013 N'million | Number 2012 N'million |
|---|---|---|
| Fees and sitting allowances | 56 | 27 |
| Executive compensation | 241 | 162 |
| Other director expenses | 105 | 92 |
| | **401** | 281 |

Fees and other emoluments disclosed above include amounts paid to:

| | | |
|---|---|---|
| Chairman | 11 | 10 |
| Highest paid director | 67 | 68 |

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

| | Number 2013 | Number 2012 |
|---|---|---|
| Below N1,000,000 | - | - |
| N1,000,000 - N2,000,000 | - | - |
| N2,000,001 - N3,000,000 | - | - |
| N5,500,001 - and above | 17 | 18 |
| | 17 | 18 |

## 35 COMPLIANCE WITH BANKING REGULATION

**35.1** The Directors are of the opinion that the financial statememt of the Bank is in compliance with the Banks and other Financial Institutions Act, CAP B3 LFN 2004 and all relevant CBN circulars. However, the Bank contravened the following which attracted penalties during the year.

| Nature of Contravention | Fine/Penalties (N'000) |
|---|---|
| Delayed disbursement of Commercial Agriculture Credit Scheme (CACS) | 66,021 |
| Non compliance with the reporting of Government deposits | 2,000 |
| Promotion to top management without CBN approval | 12,000 |
| Unauthorised publication of top management appointment | 1,540 |
| | 81,561 |

**35.2** In line with circular FDR/DIR/CIR/GEN/01/020, the returns on customers' complaints for the year ended 31 December 2013 is set as below:

| S/N | DESCRIPTION | NUMBER | | AMOUNT CLAIMED | | AMOUNT REFUNDED | |
|---|---|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013(N'm) | 2012(N'm) | 2013(N'm) | 2012(N'm) |
| 1 | Pending complaints b/f | 23 | 0 | 1,317 | N/A | N/A | N/A |
| 2 | Received complaints | 101 | 118 | 2,392 | 4,330 | N/A | N/A |
| 3 | Resolved complaints | 111 | 86 | 3,601 | 356 | 289 | 33 |
| 4 | Unresolved complaints escalated to CBN for intervention | 0 | 9 | 0 | 2,657 | N/A | N/A |
| 5 | Unresolved complaints pending with the Bank c/f | 13 | 23 | 108 | 1,317 | N/A | N/A |

## 36 GENDER DIVERSITY

| | WOMEN Number | % | MEN Number | % | TOTAL |
|---|---|---|---|---|---|
| Board Members | 3 | 18% | 14 | 82% | 17 |
| Management staff (AGM & Above) | 9 | 18% | 42 | 82% | 51 |
| **Total** | 12 | | 56 | | 68 |

## 37. STATEMENT OF PRUDENTIAL ADJUSTMENTS

TRANSFER TO REGULATORY RESERVE

The Regulatory Bodies CBN/NDIC stipulates that provisions recognized in the profit or loss account shall be determined based on the requirements of IFRS. The IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserve should be treated as follows:(i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to a non-distributable regulatory reserve.(ii) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve account to the general reserve to the extent of the non-distributable reserve previously recognized.

| | N'million | N'million |
|---|---|---|
| Transfer to regulatory reserve | | |
| Prudential provision: | | |
| Specific provision | 11,728 | 9,195 |
| General provision | 4,122 | 3,400 |
| Provision for other asset | 4,413 | 3,903 |
| Provision for investment | 1,581 | 2,726 |
| Total prudential provision (A) | 21,844 | 19,224 |
| IFRS provision: | | |
| Specific impairment | 10,070 | 7,605 |
| Portfolio impairment | 6,503 | 5,778 |
| Provision for other asset | 4,413 | 3,903 |
| Provision for investment | 1,581 | 2,726 |
| Total IFRS provision (B) | 22,567 | 20,012 |
| Difference in the impairment figures (A-B), transfer from Regulatory Reserve | (723) | (788) |
| Opening Regulatory Reserve | 19,607 | 20,395 |
| Closing Regulatory Reserve | 18,884 | 19,607 |

## 38 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements.

# STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2013

| | 2013 N'million | % | 2012 N'million | % |
|---|---|---|---|---|
| Interest and similar income | 86,257 | | 78,996 | |
| Interest and similar expense | (55,445) | | (42,186) | |
| | 30,812 | | 36,810 | |
| Administrative overheads | | | | |
| -Local | 22,641 | | 20,468 | - |
| Foreign | - | | (1,060) | |
| **Value added** | 53,453 | 100 | 56,218 | 100 |
| Distribution | | | | |
| Employees: | | | | |
| Salaries and benefits | 25,629 | 38 | 22,649 | 40 |
| Government: | | | | - |
| Taxation | 1,217 | 2 | 2,065 | 4 |
| -IT levy | 90 | - | 22 | - |
| The future: | | | | - |
| Dividend paid during the year | 6,084 | 9 | 4,055 | 7 |
| -Deferred taxation | - | - | 1,338 | 2 |
| -Asset replacement (depreciation) | 5,082 | 5 | 3,555 | 6 |
| -Asset replacement (provision for losses) | 7,630 | 34 | 4,610 | 8 |
| -Expansion (transfers to reserves) | 7,721 | 12 | 17,924 | 32 |
| | 53,453 | 100 | 56,218 | 100 |

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

# FINANCIAL SUMMARY

| | IFRS | NGAAP | 31 DECEMBER | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | N'million | N'million | N'million | N'million | N'million |
| Financial Position | | | | | |
| Assets: | | | | | |
| Cash and balances with Central Bank | 207,834 | 117,291 | 82,271 | 25,505 | 23,720 |
| Treasury bills and other eligible bills | - | - | - | - | 24,953 |
| Due from other banks | 80,875 | 98,000 | 98,411 | 148,401 | 136,018 |
| Loans and advances to customers | 426,076 | 345,500 | 280,421 | 207,491 | 176,398 |
| Investments | | | | | |
| Held for trading (Fair value through P or L) | 254,909 | 201,806 | 20,620 | 7,660 | - |
| Available for sale | 21,040 | 21,835 | 131,849 | 38,007 | - |
| Held to maturity | 45,105 | 76,258 | 75,622 | 27,761 | - |
| Interest in subsidiaries | - | - | - | 2,173 | - |
| Insurance receivables | - | - | - | - | 61 |
| Investment securities | - | - | - | - | 40,349 |
| Investment property | - | - | 343 | 343 | - |
| Property and equipment | 37,470 | 35,358 | 32,811 | 31,601 | 24,335 |
| Intangible assets | - | 470 | 349 | 253 | 296 |
| Other assets | 7,908 | 17,842 | 11,842 | 8,258 | 7,923 |
| Assets classified as held for sale | - | - | 3,193 | - | - |
| | 1,081,217 | 914,360 | 737,732 | 497,453 | 434,053 |
| Financed by: | | | | | |
| Share capital | 14,481 | 14,481 | 14,481 | 14,481 | 14,481 |
| Share premium account | 101,272 | 101,272 | 101,272 | 101,272 | 101,272 |
| Statutory reserves | 18,861 | 17,703 | 12,244 | 10,456 | 2,249 |
| Retained earnings | 7,395 | 6,193 | (4,829) | (3,761) | 8,707 |
| Small scale industries reserve | 764 | 764 | 764 | 764 | 764 |
| Contingent reserve | 1,723 | 1,723 | 1,867 | 1,867 | 1,867 |
| Non-distributable reserve | 18,885 | 19,608 | 20,395 | 20,858 | - |
| Revaluation reserve | 75 | (289) | (222) | 915 | - |
| Long term borrowings | 70,328 | - | - | - | - |
| Customer deposits | 806,320 | 716,749 | 564,390 | 329,200 | 288,808 |
| Current income tax | 1,307 | 2,275 | 2,613 | 1,515 | 1,491 |
| Deferred income tax liabilities | 1,955 | 1,955 | 617 | 5,835 | - |
| Other liabilities | 30,286 | 26,354 | 16,535 | 7,714 | 13,115 |
| Retirement benefit obligations | 7,566 | 5,572 | 7,605 | 6,437 | 1,299 |
| | 1,081,217 | 914,360 | 737,732 | 497,553 | 434,053 |

| | 31 DECEMBER | | IFRS | | NGAAP |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| INCOME STATEMENT | N'million | N'million | N'million | N'million | N'million |
| Operating income | - | - | - | 41,445 | 21,226 |
| Net interest income | 30,812 | 36,810 | 30,519 | - | - |
| Impairment charge for credit losses | (7,630) | (4,610) | (16,236) | (3,885) | (3,525) |
| Net interest income after impairment charge for credit losses | 23,182 | 32,200 | 14,283 | 37,560 | 17,701 |
| Commission and other operating income | 40,661 | 39,100 | 23,551 | - | - |
| Other operating expenses | (54,815) | (50,708) | (36,360) | (29,235) | (15,821) |
| **Operating profit** | 9,028 | 20,592 | 1,474 | 8,325 | 1,880 |
| Profit/(loss) from sale of subsidiary | - | 757 | - | - | - |
| **Profit before income tax** | 9,028 | 21,349 | 1,474 | 8,325 | 1,880 |
| Taxation | (1,307) | (3,425) | 2,437 | (2,497) | (466) |
| **Profit after taxation** | 7,721 | 17,924 | 3,911 | 5,828 | 1,414 |
| Comprehensive Statement | | | | | |
| Other comprehensive income | 364 | 1,757 | (736) | - | - |
| **Total comprehensive income for the year** | 8,085 | 19,681 | 3,175 | 5,828 | 1,414 |
| Per share data: | | | | | |
| Earnings per share (basic) | 27 | 62 | 55 | 20 | 5 |
| **Net assets per share** | 564 | 2,350 | 1,854 | 464 | 447 |

Note:

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

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

# SHARE CAPITAL HISTORY

| Date | Authorised | Authorised (Additional) ₦ | Issued and Fully Paid (Cumulative) ₦ | Issued and Fully Paid (Additional) N | Consideration (Cumulative) N |
|---|---|---|---|---|---|
| 1988 | 3,000,000 | 3,000,000 | 1,865,000 | 1,865,000 | Cash |
| 1989 | 9,000,000 | 12,000,000 | 5,822,000 | 7,687,000 | Bonus/Cash |
| 1989 | - | 12,000,000 | - | 7,687,000 | - |
| 1990 | 3,000,000 | 15,000,000 | 1,153,050 | 8,840,050 | Bonus/Cash |
| 1991 | 25,000,000 | 40,000,000 | 4,959,950 | 13,800,000 | Bonus/Cash |
| 1992 | 20,000,000 | 60,000,000 | 13,800,000 | 27,600,000 | Cash |
| 1993 | 40,000,000 | 100,000,000 | 12,703,000 | 40,303,000 | Bonus/Cash |
| 1994 | 50,000,000 | 150,000,000 | 51,830,000 | 92,133,000 | Bonus/Cash |
| 1995 | - | 150,000,000 | 21,737,000 | 113,870,000 | Bonus |
| 1997 | 650,000,000 | 800,000,000 | 272,247,000 | 386,117,000 | Bonus/Cash |
| 1998 | - | 800,000,000 | 151,472,000 | 537,589,000 | Bonus/Cash |
| 2000 | 700,000,000 | 1,500,000,000 | 6,458,920 | 544,047,920 | Cash |
| 2001 | | - | 1,500,000,000 | | 544,047,920 |
| 2001 | 500,000,000 | 2,000,000,000 | 272,023,960 | 816,071,880 | Bonus |
| 2002 | - | 2,000,000,000 | 36,501,911 | 852,573,791 | Cash |
| 2003 | - | 2,000,000,000 | 336,602,981 | 1,189,176,772 | Cash |
| 2004 | - | 2,000,000,000 | 344,554,220 | 1,533,730,992 | Bonus/Cash |
| 2004 | 4,000,000,000 | 6,000,000,000 | 519,088,134 | 2,052,819,126 | Bonus |
| 2005 | 2,000,000,000 | 8,000,000,000 | 2,222,101,272 | 4,274,920,398 | Cash |
| 2005 | 2,000,000,000 | 10,000,000,000 | 3,956,922,658 | 8,231,843,056 | Merger/Cash |
| 2007 | 2,500,000,000 | 12,500,000,000 | | 8,231,843,056 | |
| 2007 | 3,500,000,000 | 16,000,000,000 | | 8,231,843,056 | |

FIDELITY

Fidelity Bank Plc (RC. 103022)

# PROXY FORM

## TWENTY-SIXTH ANNUAL GENERAL MEETING

### TO BE HELD AT THE NWANIBA HALL, LE MERIDIEN IBOM HOTEL & GOLF RESORT, NWANIBA ROAD, UYO, AKWA IBOM STATE ON MAY 2, 2014 AT 11.00 A. M.

I/We.............................................................................................................................................................................................

of.................................................................................................................................being a shareholder(s) of Fidelity Bank Plc.

hereby appoint...................................................................................... or failing him Chief Christopher I. Ezeh or failing him Mr. Nnamdi Okonkwo as my/our Proxy to act and vote for me/us on my/our behalf at the 26th Annual General Meeting to be held on the 2nd day of May, 2014 and at any adjournment thereof.

DATED THE ............ DAY OF...............2014. SHAREHOLDER'S SIGNATURE..........................................................................................

| | NO | ORDINARY BUSINESS | FOR | AGAINST |
|---|---|---|---|---|
| I/We desire this proxy to be used in favour of/or against the resolution as indicated alongside (strike out whichever is not required). | 1. | To receive the Statement of Accounts for the period ended December 31, 2013 together with the report of the Directors and Joint Auditors. | | |
| | 2. | To declare a dividend. | | |
| | 3. | To elect/re-elect Directors: *Special Notice is hereby given for the re-election of Chief Christopher I. Ezeh, MFR, and Dim Elias E. Nwosu as Directors of the Company, notwithstanding that they are over 70 years old.* | | |
| | 4. | To approve the remuneration of Directors | | |
| | 5. | To authorize the Directors to fix the remuneration of the Auditors. | | |
| | 6. | To elect the members of the Audit Committee. | | |
| Please indicate with an "X" in the appropriate column, how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his discretion. | | | | |

This proxy form should NOT be completed and sent to the registered office if the member will be attending the meeting.

**NOTE**:

(i) A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy in his stead. All proxy forms should be deposited at the registered office of the Registrar (as in the Notice) not later than 48 hours before the meeting.

(ii) In the case of Joint Shareholders, any of them may complete the form, but the names of all Joint Shareholders must be stated.

(iii) If the Shareholder is a Corporation, this form must be executed under its Common Seal or under the hand of some of its officers or an attorney duly authorized.

(iv) The Proxy must produce the Admission Card sent with the Notice of the meeting to gain entrance to the meeting.

(v) It is a legal requirement that all instruments of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of Shareholders must bear appropriate stamp duty from the Stamp Duties Office (not adhesive postage stamps).

Fidelity Bank Plc (RC. 103022)

## ADMISSION CARD

### 26TH ANNUAL GENERAL MEETING

**TO BE HELD AT NWANIBA HALL, LE MERIDIEN IBOM HOTEL & GOLF RESORT, NWANIBA ROAD, UYO, AKWA IBOM STATE ON MAY 2, 2014 AT 11.00 A. M.**

NAME OF SHAREHOLDER: ______________________

NUMBER OF SHARES HELD: ______________________

Signature of person attending:..................................................................... the 26th Annual General Meeting of Fidelity Bank Plc.

Signature of person attending:.....................................................................

- This admission card should be produced by the Shareholder or his proxy in order to obtain entrance to the Annual General Meeting.
- You are requested to sign this card at the entrance in the presence of the Company Secretary or her Nominee on the day of the Annual General Meeting.

Please be advised that to enable a Proxy gain entrance to the meeting, the Proxy Form is to be duly completed and delivered to the Bank not later than 48 hours before the time fixed for the meeting.

______________________

COMPANY SECRETARY

FIDELITY

Fidelity Bank Plc (RC. 103022)

# CHANGE OF ADDRESS/SHAREHOLDER'S DATA UPDATE FORM

**Instructions**

**Please fill the form and return to the address below**

**The Registrar,**
**First Registrars Nigeria Limited,**
**2, Abebe Village Road, Iganmu,**
**P. M. B. 12692, Lagos, Nigeria.**

**REQUEST FOR CHANGE OF ADDRESS**

**Kindly change my/our address in respect of my/our holdings in the company indicated below:**

**(I) FIDELITY BANK PLC** √

**Shareholder's Account no. (if known)**

**SHAREHOLDER'S ACCOUNT INFORMATION**

**LAST NAME**

**OTHER NAMES**

**PREVIOUS ADDRESS**

**CITY**

**STATE**

**PRESENT/NEW ADDRESS**

**CITY**

**STATE**

**MOBILE TELEPHONE**

**EMAIL ADDRESS**

**SHAREHOLDER(S) SIGNATURE/THUMB PRINT**

**JOINT/CORPORATE SHAREHOLDERS'SIGNATURE & COMPANY SEAL**

**NOTES**

a) When completed on behalf of a corporate body, each signatory should state the representative capacity, e.g. Company Secretary, Director, etc.
b) When the holding is in more than one name, all of the security holders must sign.
c) Please note that this request would not be applied if the signature(s) herein differs from that at the Registrar's records.
d) Please attach a copy of your CSCS Statement to this form as evidence that a CSCS Account has been opened for you.

THE REGISTRAR,
FIRST REGISTRARS NIGERIA LIMITED,
2, ABEBE VILLAGE ROAD, IGANMU,
P. M. B. 12692 LAGOS, NIGERIA,

FIDELITY
Fidelity Bank Plc (RC. 103022)

# RE: MANDATE FOR-DIVIDEND PAYMENT

I/WE HEREBY REQUEST THAT FROM NOW ON, ALL DIVIDEND WARRANT(S) DUE TO ME/US FROM MY/OUR HOLDINGS IN FIDELITY BANK PLC SHOULD BE PAID DIRECTLY TO MY/OUR BANK NAMED BELOW:

DATE (DD/MM/YY)

ITEM

(1)* FIDELITY BANK PLC √

*SHAREHOLDER'S ACCOUNT NUMBER (IF KNOWN)

(2)* SURNAME/COMPANY'S NAME (WHICH EVER IS APPLICABLE)

(2.1)* OTHER NAMES (FOR INDIVIDUAL SHAREHOLDERS)

(2.2)* PRESENT POSTAL ADDRESS

(2.3)* CITY

STATE

(2.4) EMAIL ADDRESS

(2.5) MOBILE (GSM) PHONE NUMBER

(3)* BANK NAME

(3.1)* BRANCH ADDRESS

(3.2)* BANK ACCOUNT NUMBER

(3.3)* BANK SORT CODE (VERY IMPORTANT)

(4)*

| Shareholder's signature or Thumbprint | Joint Shareholders/Company Signatures | Company Seal/Incorporation Number (Corporate Shareholder) |
|---|---|---|
| | | |

(5)* AUTHORISED SIGNATURES AND STAMP OF BANKER

The branch stamp and signatures of the authorised signatures of your bank are required to confirm that the signature(s) in box 4 is that of the shareholder(s) or an authorised signatory

NOTES

a) When completed on behalf of a corporate body, each signatory should state the representative capacity, e.g. Company Secretary, Director, etc.
b) When the holding is in more than one name, all of the security holders must sign.
c) All asterisked fields must be completed.

THE REGISTRAR,
FIRST REGISTRARS NIGERIA LIMITED,
2, ABEBE VILLAGE ROAD, IGANMU,
P. M. B. 12692 LAGOS, NIGERIA.

FIDELITY
Fidelity Bank Plc (RC. 103022)

# RE: UNCLAIMED/STALE DIVIDEND WARRANT

I/WE DECLARE THAT I/WE AM/ARE THE REGISTERED HOLDER(S) OF FIDELITY BANK PLC SHARES.
TILL DATE, I/WE AM/ARE YET TO RECEIVE MY/OUR DIVIDEND WARRANT(S) PAYMENTS NO(S) ………………….. (PLEASE SPECIFY).
IN VIEW OF THIS, I/WE REQUEST AND AUTHORISE YOU TO CANCEL THE ORIGINAL DIVIDEND WARRANT(S) AND ISSUE A REPLACEMENT DIVIDEND WARRANT(S).

DATE (DD/MM/YY)

Item

*SHAREHOLDER'S ACCOUNT NUMBER (IF KNOWN)

(1) SHAREHOLDER'S NAME

SURNAME/COMPANY'S NAME (WHICHEVER IS APPLICABLE)

(1.1) OTHER NAMES

(1.2) ADDRESS

(1.3) EMAIL ADDRESS

(1.4) MOBILE (GSM) PHONE NUMBER

(2) BANK NAME AND BRANCH

(2.1) CURRENT A/C NO

BRANCH SORT CODE

(3) I/WE HEREBY AUTHORISE THAT THE RE-ISSUED/RE-VALIDATED DIVIDEND(S) BE PAID INTO MY/OUR CURRENT ACCOUNT AS INDICATED ABOVE.

(3.1) I/WE HEREBY INDEMNIFY THE COMPANY AND REGISTRAR FROM AND AGAINST ALL LOSSES IN RESPECT THEREOF AND ALL ACTIONS, PROCEEDINGS, DEMANDS, COSTS AND EXPENSES WHATSOEVER WHICH MAY BE MADE OR BROUGHT AGAINST THEM BY REASON OF COMPLIANCE WITH THIS REQUEST.

(4)

| Shareholder's signature or Thumbprint | Joint Shareholders/Company Signatures | Company Seal/Incorporation Number (Corporate Shareholder) |
|---|---|---|
| | | |

The branch stamp and signature of an authorized signatory of your bank is required to confirm that the signature(s) in box 4 is that of the shareholder(s) or an authorized signatory, before returning to the Registrar.

NOTES

* When completed on behalf of a corporate body, each signatory should state the representative capacity, e.g. Company Secretary, Director, etc.
* When the holding is in more than one name, all of the security holders must sign.
* Please note that this request would not be applied if the signature(s) herein differs from that in the Registrar's records.

FIDELITY

Fidelity Bank Plc (RC. 103022)

# FORM FOR E-BONUS SHARES

TO:
**The Registrar,**
**First Registrars Nigeria Limited,**
**2, Abebe Village Road, Iganmu,**
**P. M. B. 12692 Lagos, Nigeria.**

**RE: AUTHORITY TO CREDIT CSCS A/C WITH BONUS SHARES**

**Please take this as my/our authority to credit my/our under-mentioned account with Central Securities and Clearing Systems (CSCS) with all subsequent allotment and bonuses due on my/our shareholding(s) in Fidelity Bank Plc, from the date hereof.**

1. SHAREHOLDER'S NAME:

(SURNAME OR COMPANY NAME)

(FIRST NAME) (OTHER NAMES)

2. SHAREHOLDER'S ACCOUNT NO. (IF KNOWN)
(As it appears on either your dividend warrant stub or share certificate)

3. SHAREHOLDER'S CSCS CLEARING HOUSE NUMBER

4. SHAREHOLDER'S STOCKBROKER

5. SHAREHOLDER'S MOBILE TELEPHONE NUMBER

6. SHAREHOLDER'S E-MAIL ADDRESS:

SIGNATURE**
(Individual shareholder)

SIGNATURE**
(JOINT/CORPORATE SHAREHOLDERS)

COMPANY SEAL

DATED THIS______________________ DAY OF______________________20__________

NOTES

a) When completed on behalf of a corporate body, each signatory should state the representative capacity, e.g. Company secretary, Director, etc.
b) When the holding is in more than one name, all of the security holders must sign.
c) Please note that this request would not be applied if the signature(s) herein differs from that in the Registrar's records.
d) Please attach a copy of your CSCS Statement to this form as evidence that a CSCS Account has been opened for you.