FIDELITY BANK PLC

CONDENSED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

SEPTEMBER 30, 2018

FIDELITY BANK PLC

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Notes	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
		N'million	N'million	N'million	N'million
Gross Earnings		**46,705**	**44,266**	**139,001**	**130,086**
Interest and similar income	6	40,352	37,515	120,399	110,368
Interest and similar expense	7	(20,242)	(18,410)	(62,231)	(56,563)
Net interest income		**20,110**	**19,105**	**58,168**	**53,805**
Credit loss expense	8	(691)	(2,513)	(3,285)	(7,323)
Net interest income after credit loss expense		**19,419**	**16,592**	**54,883**	**46,481**
Fee and commission income	9	5,156	4,365	15,068	13,775
Fee and commission expense	9	(851)	(674)	(2,610)	(2,662)
Other operating income	10	1,197	2,386	3,535	5,943
Net gains from financial assets at fair value through p	11	29	(64)	(256)	186
Personnel expenses	12	(6,248)	(6,065)	(16,747)	(17,139)
Depreciation and amortisation	13	(816)	(841)	(3,632)	(2,696)
Other operating expenses	14	(10,833)	(9,680)	(30,177)	(27,651)
Profit before income tax		**7,054**	**6,019**	**20,064**	**16,236**
Income tax expense	15	(776)	(662)	(2,207)	(1,786)
PROFIT FOR THE PERIOD		**6,278**	**5,357**	**17,857**	**14,450**
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Revaluation gains on equity instruments at fair value through other comprehensive income*		-	-	103	-
Total items that will not be reclassified to profit or loss in subsequent period		-	-	103	-
Items that will be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income*:					
- Net change in fair value during the period		-	-	(3,059)	-
- Changes in allowance for expected credit losses		-	-	(1)	-
- Reclassification adjustments to profit or loss		-	-	(372)	-
Net losses on debt instruments at fair value through other comprehensive income		-	-	(3,432)	-
Available-for-sale financial assets*:					
- Unrealised net gains arising during the period		-	-	-	-
- Net reclassification adjustments for realised net gains		-	-	-	1,059
Net gains on available-for-sale financial assets		-	-	-	**1,059**
Total items that will be reclassified to profit or loss in subsequent period		-	-	**(3,432)**	**1,059**
Other comprehensive (loss)/income for the year, net of tax		-	-	**(3,329)**	**1,059**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**6,278**	**5,357**	**14,528**	**15,509**
* Income from these instruments is exempted from tax					
Earnings per share					
Basic and diluted (in kobo)	**17**	**22**	**18**	**62**	**50**

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

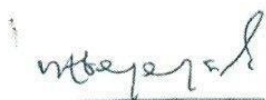
FIDELITY BANK PLC

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

ASSETS	Notes	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Cash and balances with central bank	18	347,123	225,850	269,625
Due from banks	20	167,852	37,122	52,287
Loans and advances to customers	21	830,375	753,799	768,737
Investments:				
Financial assets at fair value through profit or loss	22.1	9,620	16,344	20,639
Debt instruments at fair value through other comprehensive incor	22.2	138,940	-	-
Equity instruments at fair value through other comprehensive inc	22.3	9,006	-	-
Debt instruments at amortised cost	22.4	97,237	-	-
Available-for-sale	22.5	0	95,487	76,815
Held to maturity	22.6	0	118,515	108,784
Other assets	26	43,073	42,144	43,194
Property, plant and equipment	23	36,257	37,829	38,504
Intangible assets	24	1,321	736	629
Deferred tax assets	25	-	-	-
TOTAL ASSETS		**1,680,804**	**1,327,827**	**1,379,214**
LIABILITIES				
Deposits from customers	27	986,830	774,381	775,276
Current income tax payable	15	2,207	1,514	1,445
Other liabilities	28	270,441	174,323	183,200
Provision	29	1,873	3,212	2,745
Debts issued and other borrowed funds	30	227,066	173,797	213,233
TOTAL LIABILITIES		**1,488,417**	**1,127,227**	**1,175,899**
EQUITY				
Share capital	31	14,481	14,481	14,481
Share premium	32	101,272	101,272	101,272
Retained earnings	32	37,895	39,404	25,326
Other equity reserves:				
Statutory reserve	32	29,081	25,831	27,305
Small scale investment reserve (SSI)	32	2,194	764	764
Non-distributable regulatory reserve (NDR)	40	1,547	13,611	28,837
Fair value reserve	32	5,916	5,236	5,330
TOTAL EQUITY		**192,387**	**200,600**	**203,315**
TOTAL LIABILITIES AND EQUITY		**1,680,804**	**1,327,827**	**1,379,214**

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

The Third Quarter financial statements were signed on behalf of the Board of Directors on **25 October 2018** by:



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

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

FIDELITY BANK PLC
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Attributable to equity holders							
	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Fair value reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2018	**14,481**	**101,272**	**25,326**	**27,305**	**764**	**28,837**	**5,330**	**203,315**
Impact of adopting IFRS 9 (Note 2.29)	-	-	(28,393)	-	-	-	3,915	(24,478)
Transfers between reserves (Note 32)	-	-	28,393	-	-	(28,393)	-	-
Restated opening balance under IFRS 9	**14,481**	**101,272**	**25,326**	**27,305**	**764**	**444**	**9,245**	**178,837**
Profit for the period	-	-	20,064	-	-	-	-	20,064
Other comprehensive income								
Net change in fair value of debt instrument at FVOCI	-	-	-	-	-	-	(3,059)	(3,059)
Net change in fair value of equity instrument at FVOCI	-	-	-	-	-	-	103	103
Changes in allowance for expected credit losses	-	-	-	-	-	-	(1)	(1)
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(372)	(372)
Total comprehensive income	-	-	**20,064**	-	-	-	**(3,329)**	**16,735**
Dividends paid	-	-	(3,186)	-	-	-	-	(3,186)
Transfers between reserves (Note 32)	-	-	(4,309)	1,776	1,430	1,103	-	0
At 30 September 2018	**14,481**	**101,272**	**37,895**	**29,081**	**2,194**	**1,547**	**5,916**	**192,387**

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	Attributable to equity holders							
	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Available for sale reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balance at 1 January 2017	**14,481**	**101,272**	**25,918**	**24,476**	**764**	**16,271**	**2,220**	**185,402**
Profit for the period	-	-	16,236	-	-	-	-	16,236
Other comprehensive income								
Unrealised net gains arising during the period	-	-	-	-	-	-	3,036	3,036
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(19)	(19)
Total comprehensive income	-	-	**16,236**	-	-	-	**3,017**	**19,253**
Dividends paid	-	-	(4,055)	-	-	-	-	(4,055)
Transfers between reserves (Note 32)	-	-	1,305	1,355	-	(2,660)	-	-
At 30 September 2017	**14,481**	**101,272**	**39,404**	**25,831**	**764**	**13,611**	**5,237**	**200,600**

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

FIDELITY BANK PLC

INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Note	30 Sept 2018 N'million	30 Sept 2017 N'million
Operating Activities			
Cash flows used in operations	**33**	112,354	(41,552)
Interest received		91,676	109,970
Interest paid		(54,537)	(54,220)
Paid to staff in respect of Staff gratuity		-	-
Income tax paid	**15c**	(1,122)	(996)
Net cash flows from /(used in) operating activities		**148,371**	**13,202**
Investing activities			
Purchase of property, plant and equipment	**23**	(1,940)	(2,456)
Proceeds from sale of property and equipment		45	28
Purchase of intangible assets		(1,510)	(248)
Redemption of HTM financial assets at maturity		-	11,277
Proceeds from sale of AFS financial assets		-	8,540
Purchase of debt instruments at amortised cost		(34,413)	(7,100)
Purchase of debt instruments at FVOCI		(131,358)	-
Redemption of financial assets at amortised cost		119,947	-
Proceeds from sale of debt financial assets at FVOCI		55,468	-
Proceeds from sale of equity instrument at FVOCI	**22.7**	1,299	-
Dividends received	**10**	229	373
Net cash flows provided by investing activities		**7,767**	**10,414**
Financing activities			
Dividends paid		(3,186)	(4,055)
Proceeds of debts issued and other borrowed funds	**30**	18,563	-
Repayment of debts issued and other borrowed funds	**30**	(27,862)	(4,515)
Net cash flows (used in)/ from financing activities		**(12,485)**	**(8,570)**
Net increase in cash and cash equivalents		**143,653**	**15,046**
Net foreign exchange difference on cash and cash equivalents		2,641	-
Cash and cash equivalents at 1 January	**19**	**101,061**	**86,015**
Cash and cash equivalents at 30 September	**19**	**247,355**	**101,061**

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

1. General information

These financial statements are the interim 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 and other financial services to corporate and individual customers. Fidelity Bank Plc provides a full range of financial services including investment, commercial and retail banking.

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.1.1 Basis of preparation

Statement of compliance

The Bank's interim financial statements for the nine months ended **30 September 2018** have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Bank has applied IAS 34 - Interim Financial Reporting in preparing its interim financial statements.

Additional information required by national regulations is included where appropriate.

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

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

2.1.2 Changes on accounting policies and disclosures

New and amended standards and interpretations

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

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim financial statements of the Bank.

a IFRS 9 - Financial instruments: Impact on adoption

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt any earlier versions of IFRS 9 in previous periods. IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018.

a IFRS 9 - Financial instruments: Impact on adoption - continued

As permitted by the transitional provisions of IFRS 9, the Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as at 1 January 2018 and are disclosed in Note 2.18 (i.e. Transitional disclosures). Consequently, for notes disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

Changes to classification and measurement

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

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and loans have been replaced by:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

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

The Bank's classification of its financial assets and liabilities is explained in Notes 2.18. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 2.18.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.
Details of the Bank's impairment method are disclosed in Note 2.4.3. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 2.18 (i.e. Transitional disclosures).

b IFRS 7 Revised (IFRS 7R)

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Bank has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 2.18, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 3.

Reconciliations from opening to closing ECL allowances are presented in Notes 2.18 (Transitional disclosures).

c IFRS 15 Revenue from contracts with customers

The Bank adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Bank to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Bank recognises revenues or when revenue should be recognised gross as a principal or net as an agent. Therefore, Fidelity Bank will continue to recognise fee and commission income charged for services provided by the Bank as the services are provided (for example on completion of the underlying transaction). Revenue recognition for trading income and net investment income are recognised based on requirements of IFRS 9. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

d Impact of adoption of new standard on the third statement of financial position

The Bank adopted new IFRS standards during the period which led to changes in its accounting policies. The Bank applied these changes in accounting policies retrospectively and as such it is expected to present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements as required by IAS 1.40A. However, the third statement of financial position is not presented because the retrospective adjustments have no impact on the third statement of financial position. This is because the Bank opted not to restate the comparative figures as permitted by IFRS 9.

2.1.3 Significant accounting judgements, estimates and assumptions

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

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

ESTIMATES AND ASSUMPTIONS

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

Going Concern

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

2.1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

Allowances for credit losses

Measurement of the expected credit loss allowance

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

Measurement of the expected credit loss allowance - continued

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

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

Determination of collateral Value

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

The Directors believes that the underlying assumptions are appropriate and that the Bank’s interim 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.

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 interim financial statements:

Depreciation and carrying value of property, plant and equipment

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

Fair value measurement of financial instruments

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

2.2 Standards Issued But Not Yet Effective

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.
IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.
The Bank plans to adopt IFRS 16 on the required effective date, as the Bank has leases that qualify to be treated in line with this standard. The Bank is currently assessing the impact of this standard.

IFRS 17 Insurance Contracts

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.
IFRS 17 will have no impact on the Bank, as it does not issue insurance contract.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately
• The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Bank will apply the interpretation from its effective date. Since the Bank operates in a complex multinational tax environment, applying the Interpretation may affect its financial statements. In addition, the Bank may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis. The Bank is still assessing the impact of these ammendaments.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. The Bank is still assessing the impact of these amendments.

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

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

The Bank will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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

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

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

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

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

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement - continued
The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. The Bank does not expect any effect on its financial statements.
These amendments will not have any impact on the Bank.

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

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.
The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.
The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Bank does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)
These improvements include:

• IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.
An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments do not have any impact on the Bank.

• IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.
The amendments clarify that the previously held interests in that joint operation are not remeasured.
An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Bank but may apply to future transactions.

• IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

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

• IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Bank's current practice is in line with these amendments, the Bank does not expect any effect on its financial statements.

2.3 Foreign currency translation and transaction

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

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

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

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

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

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

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

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

2.4.1 Initial recognition

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

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

Day 1 profit or loss

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

Amortised cost and gross carrying amount

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

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

Effective interest method

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

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

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

Interest income

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

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

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

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

2.4.2 Financial assets - Subsequent measurement

a) Debt instruments

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

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

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

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

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

Business Model assessment

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

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

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

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

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

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

Solely payments of principal and interest (SPPI) assessment

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

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

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

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

Reclassifications

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

Modifications

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

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

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

b) Equity instruments

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

2.4.3 Impairment of financial assets

Overview of the ECL principles

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

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

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

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

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

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

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

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

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

The calculation of ECLs

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

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

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

The calculation of ECLs - continued

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

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

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

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

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

The mechanics of the ECL method are summarised below:

Stage 1
• The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.
• These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2
• When a financial instruments has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

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

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

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

Loan commitments and letters of credit - continued

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

Financial guarantee contracts

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

Bank overdraft and other revolving facilities

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

Restructured financial assets

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

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

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

Credit-impaired financial assets

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

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

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

Collateral valuation

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

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

Collateral repossessed

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

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

2.4.4 Presentation of allowance for ECL

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

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

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

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

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

Write-off

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

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

2.4.5 Financial liabilities

Initial and subsequent measurement

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

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

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

Derecognition

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

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

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

Financial guarantee contracts and loan commitments

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

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

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

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

2.5 Accounting policy applicable for financial instruments before 1 January 2018

2.5.1 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.

2.5.1 Financial assets and liabilities - continued

a) Initial recognition and measurement

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

b) Subsequent measurement

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

c) Classification and related measurement

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

i) Financial assets

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

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

- those that the Bank upon initial recognition designates as available-for-sale; or

- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest & similar income' in the profit or loss.

Held-to-maturity financial assets

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

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

These financial assets are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest & similar income' in profit or loss.

Available-for-sale financial assets

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

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

ii) Financial liabilities

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

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

d) Reclassification of financial assets

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

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

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

e) Derecognition

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

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

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

f) 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.

g) Renegotiated loans

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

h) Impairment of financial assets

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 conditiodns;
- 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.

Assets carried at amortised cost - continued

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

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

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

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

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

Available-for-sale financial assets

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

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

2.6 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 profit or loss and othe comprehensive income using the effective interest method.

Fees and commission income

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

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

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

2.7 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.

2.8 Statement of cash flows

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

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

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

2.9 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.

2.10 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 profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

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

(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.

2.11 Property, plant and equipment

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

Property, plant and equipment - continued

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

Land included in leasehold land and buildings is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:
- Leasehold buildings: Depreciated over the lease period
- Leasehold improvements: The lower of useful life and lease period
- Motor vehicles: 4 years
- Furniture and fittings: 5 years
- Computer equipment: 3 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.

2.12 Intangible assets

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

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

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

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

2.13 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 interim financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

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

2.15 Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

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

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

2.16 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.

2.17 Segment Reporting

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

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

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

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

Investment banking

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

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

6 Interest and similar income

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
Loans and advances to customers (see note 6.1)	29,085	27,628	84,199	78,678
Treasury bills and other investment securities:	0		-	
-Fair value through other comprehensive income	5,327	-	17,353	-
-Amortised cost	3,373	-	12,632	-
-Held For Trade	0	-	-	1,614
-Available for sale	0	5,854	-	13,750
-Held to maturity	0	2,904	-	12,682
Advances under finance lease	1,389	1,110	4,130	3,521
Placements and short term funds	1,178	18	2,085	122
	40,352	**37,515**	**120,399**	**110,368**

6.1 Interest and similar income on loans and advances to customers

Interest income on loans and advances to customers of **N84.20 billion** in 2018 includes interest income on impaired financial assets of N0 billion and N0.5b for 2017, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

7 Interest and similar expense

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
Term deposits	12,505	11,636	38,605	37,933
Debts issued and other borrowed funds	5,505	4,036	16,782	10,899
Savings deposits	1,533	1,262	4,564	4,257
Current accounts	878	897	2,279	2,691
Inter-bank takings	(179)	578	1	782
	20,242	**18,410**	**62,231**	**56,563**

8 Credit loss expense

The table below shows the ECL charges on financial instruments for the year recorded in profit or loss for the period ended **30 September 2018:**

	Note	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3		Q3 2018	Q3 2017	YTD SEPT 2017
								N'million	N'million	N'million
Balances with Central Bank of Nigeria		-	-	-	-	-	-	-		-
Due from banks		-	-	-	-	-	-	-		-
Loans and advances tocustomers		-	-	-	-	-	(3,285)	(691)	(2,513)	(7,323)
Debt instruments measured at FVOCI		-	-	-	-	-	-	-		-
Debt instruments measured at amortised costs		-	-	-	-	-	-	-		-
Financial guarantees		-	-	-	-	-	-	-		-
Loan commitments		-	-	-	-	-	-	-		-
Letters of credit		-	-	-	-	-	-	-		-
Total impairment loss		**-**	**-**	**-**	**-**	**-**	**(3,285)**	**(691)**	**(2,513)**	**(7,323)**

The table below shows the impairment charges recorded in profit or loss under IAS 39 for the period ended **30 September 2017:**

Impairment charge/(reversal) on loans and advances:	
- Overdrafts	-
- Term loans	-
- Finance leases	-
- Others	-
Impairment charge on other assets	-
	(7,323)

9 Net fee and commission income

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

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
Fee and commision type:				
ATM charges	880	856	2,620	2,541
Accounts maintenance charge	705	630	2,104	1,789
Commission on travellers cheque and foreign bills	634	500	1,769	1,370
Commision on E-banking activities	440	342	1,366	1,330
Commission on fidelity connect	318	293	982	1,201
Other fees and commissions	307	238	867	687
Commision and fees on banking services	126	124	361	574
Commision and fees on NXP	158	162	510	379
Collection fees	326	145	906	316
Telex fees	171	174	504	377
Cheque issue fees	41	47	130	147
Letters of credit commissions and fees	261	389	883	1,417
Commissions on off balance sheet transactions	216	110	950	617
Remittance fees	46	17	110	349
Total revenue from contracts with customers	**4,630**	**4,027**	**14,063**	**13,094**
Other non-contract fee income:				
*Credit related fees	527	339	1,005	681
Total fees and commission income	**5,156**	**4,365**	**15,068**	**13,775**
Fee and commission expense	(851)	(674)	(2,610)	(2,662)
Net fee and commission income	**4,305**	**3,691**	**12,457**	**11,113**

Credit related fees of N3,793bn as at June 2018 was reclassified to Interest Income

10 Other operating income

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
Net foreign exchange gains	1,012	2,319	2,641	4,871
Dividend income (Note 22.7)	88	-	229	800
Profit on disposal of property, plant and equipment	(17)	24	11	-
Profit on disposal of unquoted securities	-	-	-	28
Other income	114	43	654	244
	1,197	**2,386**	**3,535**	**5,943**

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

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
Net losses from financial instruments classified as held for trading				
Net (losses)/gains arising from:				
- Bonds	19	(63)	(132)	256
- Treasury bills	10	(2)	(124)	(70)
*Interest income on financial assets measured at FVTPL	-	1	0	-
	29	**(64)**	**(256)**	**186**

Interest income on financial assets measured at FVTPL of N3,378bn as at June 2018 was reclassified to Interest Income

12 Personnel expenses

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
Wages and salaries	6,248	6,065	16,747	17,139
End of the year bonus (see note 29)	-	-	-	-
Pension contribution	-	-	-	-
	6,248	**6,065**	**16,747**	**17,139**

13 Depreciation and Amortisation

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
Property, plant and equipment (Note 23)	734	752	2,813	2,396
Intangible-computer software (Note 24)	82	89	819	300
	816	**841**	**3,632**	**2,696**

14 Other operating expenses

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
Marketing, communication & entertainment	1,902	2,137	5,581	6,572
Banking sector resolution cost	2,471	1,655	6,293	4,847
Deposit insurance premium	803	947	2,507	2,680
Outsourced cost	1,033	998	2,968	2,663
Repairs and maintenance	778	583	2,073	1,901
Computer expenses	840	860	3,036	2,127
Security expenses	312	307	932	923
Other expenses	867	494	1,136	1,546
Rent and rates	221	220	661	614
Training expenses	100	124	529	250
Cash movement expenses	209	145	599	403
Travelling and accommodation	202	178	574	467
Consultancy expenses	181	182	535	515
Corporate finance expenses	132	88	435	228
Legal expenses	120	41	396	133
Electricity	107	110	336	318
Office expenses	114	98	312	283
Directors' emoluments	62	141	258	269
Insurance expenses	93	107	287	279
Stationery expenses	71	71	200	203
Bank charges	71	48	198	125
Auditors' remuneration	80	97	180	172
Telephone expenses	24	29	76	79
Postage and courier expenses	40	18	75	54
	10,833	**9,680**	**30,177**	**27,651**

15 Taxation

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
a Current taxes on income for the reporting period	-	-	-	-
Technology levy	-	-	-	-
Current income tax expense	776	662	2,207	1,786
Deferred tax expense	-	-	-	-
Income tax expense	**776**	**662**	**2,207**	**1,786**

16 Net reclassification adjustments for realised net gains

The net reclassification adjustments for realised net (gains)/ losses from other comprehensive income to profit or loss are in respect of debt instruments measured at fair value through other comprehensive income (2017: available-for-sale financial assets) which were sold during the period.

17 Earnings per share (EPS)
Basic and Dilluted

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

	Q3 2018	Q3 2017	YTD SEPT 2018	YTD SEPT 2017
	N'million	N'million	N'million	N'million
Profit attributable to equity holders of the Bank	6,278	5,357	17,857	14,450
Weighted average number of ordinary shares in issue	28,963	28,963	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	**22**	**18**	**62**	**50**

18 Cash and balances with central bank

	30 Sept 2018	30 Sept 2017	31 December 2017
	N'million	N'million	N'million
Cash	24,711	17,969	27,534
Balances with central bank other than mandatory reserve deposits	54,791	43,845	61,074
Included in cash and cash equivalents (note 19)	79,503	61,814	88,608
Mandatory reserve deposits with central bank (see note 18.1 below)	237,393	164,036	150,789
Special cash reserve (see note 18.2 below)	30,228	-	30,228
Carrying amount	**347,123**	**225,850**	**269,625**

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

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

19 Cash and cash equivalents

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

	30 Sept 2018	30 Sept 2017	31 December 2017
	N'million	N'million	N'million
Cash and balances with central bank (Note 18)	79,503	61,814	88,608
Due from banks	167,852	37,122	52,287
Total cash and cash equivalents	**247,355**	**98,936**	**140,895**

20 Due from banks

	30 Sept 2018	30 Sept 2017	31 December 2017
Current account with local banks	N'million	N'million	N'million
Current accounts with foreign banks	77,985	37,122	43,812
Placements with other banks and discount houses	89,867	-	8,475
Sub-total	167,852	37,122	52,287
Less: Allowance for impairment losses	-	-	-
	167,852	**37,122**	**52,287**

Impairment allowance for due from banks

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

	30 September 2018				
	Stage 1 individual	Stage 2 Individual	Stage 2 Individual		Total
	N'million	N'million	N'million		N'million
External rating grade					
Performing					
High grade	77,985	-	-	-	77,985
Standard grade	23,489	-	-	-	23,489
Sub-standard grade	66,378	-	-	-	66,378
Past due but not impaired	-	-	-	-	-
Non- performing		-	-	-	-
Individually impaired	-	-	-	-	-
Total	**167,852**	**-**	**-**	**-**	**167,852**

20 Due from banks - continued

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

	Stage 1 individual N'million	Stage 2 Individual N'million	Stage 3 N'million	Total N'million
Gross carrying amount as at 1 January 2018	7,500	-	-	**7,500**
New assets originated or purchased	167,852	-	-	**167,852**
Assets derecognised or repaid (excluding write offs)	(7,500)	-	-	**(7,500)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	**-**
At 30 September 2018	**167,852**	**-**	**-**	**167,852**

	Stage 1 individual N'million	Stage 2 Individual N'million	Stage 3 Individual N'million	Total N'million
ECL allowance as at 1 January 2018	-	-	-	**-**
New assets originated or purchased	11	-	-	**11**
Assets derecognised or repaid (excluding write offs)	-	-	-	**-**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	**-**
Unwind of discount	-	-	-	**-**
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	**-**
Changes to models and inputs used for ECL calculations	-	-	-	**-**
Recoveries	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	**-**
At 30 September 2018	**11**	**-**	**-**	**11**

Contractual amounts outstanding in relation to Due from banks that were still subject to enforcement activity, but otherwise had already been written off, were nil both at 30 Sept 2018 and at 31 December 2017.

21 Loans and advances to customers

	30 Sept 2018 N'million	**30 Sept 2017 N'million**	**31 December 2017 N'million**
Loans to corporate and other organisations	852,195	745,556	751,479
Loans to individuals	35,353	39,887	43,835
	887,549	785,443	795,315
Less: Allowance for ECL/impairment losses	(57,174)	(31,644)	(26,578)
	830,375	**753,799**	**768,737**

21 Loans and advances to customers - continued

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Loans to corporate entities and other organisations			
Overdrafts	71,362	67,057	56,001
Term loans	751,706	653,160	669,444
Advance under finance lease	29,127	25,339	26,035
	852,195	**745,556**	**751,479**
Less: Allowance for ECL/impairment losses	(54,292)	(29,951)	(23,287)
	797,903	**715,605**	**728,192**
Loans to individuals			
Overdrafts	5,252	5,152	8,963
Term loans	29,874	34,487	34,580
Advance under finance lease	227	249	292
	35,353	**39,887**	**43,835**
Less: Allowance for ECL/impairment losses	(2,882)	(1,693)	(3,291)
	32,472	**38,194**	**40,544**
Net loans and advances include	**830,375**	**753,799**	**768,736**

21.1 Impairment allowance for loans and advances to customers

21.1.1 Corporate and other organisations

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

	30 September 2018					
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million		Total N'million
Internal rating grade						-
Performing						-
High grade (AAA - A)	35,628	46	1,255		-	**36,929**
Standard grade (BBB - B)	558,844	145,788	10,378		-	**715,009**
Sub-standard grade (CCC - CC	44,369	3,271	613		-	**48,254**
Past due but not impaired (C)	-	-	5,713		-	**5,713**
Non- performing:					-	-
Individually impaired	-	-	46,290		-	**46,290**
Total	**638,840**	**149,106**	**64,249**	**-**		**852,195**

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

	30 September 2018				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Gross carrying amount as at1 January 2018	570,494	46,705	134,280	-	751,479
New assets originated or purchased	230,572	-	-	-	230,572
Assets derecognised or repaid (excluding write offs)	(3,596)	(225)	(126,035)	-	(129,856)
Transfers to Stage 1	53,376	(28,559)	(24,818)	-	(0)
Transfers to Stage 2	(94,142)	131,110	(36,968)	-	-
Transfers to Stage 3	(9,700)	(6,755)	16,455	-	(0)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At 30 September 2018	**747,005**	**142,276**	**(37,087)**	**-**	**852,195**

21 Loans and advances to customers - continued

	30 September 2018				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at 1 January2018 under IFRS 9	1,746	591	33,710	-	36,047
New assets originated or purchased	2,346			-	2,346
Assets derecognised or repaid (excluding write offs)	(97)	(6)	(3,604)	-	(3,707)
Transfers to Stage 1	13,585	(10,579)	(3,006)	-	(0)
Transfers to Stage 2	(10,081)	11,407	(1,326)	-	-
Transfers to Stage 3	(1,607)	(587)	2,194	-	-
Impact on period end ECL of exposures transferred between stages during the period	4,215	9,537	7,634	-	21,386

Unwind of discount	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	(2,528)	1,001	(253)	-	(1,780)
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At 30 September 2018	**7,579**	**11,363**	**35,350**	**-**	**54,292**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 30 September 2018 (2017: nil).

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions.

21.1.2 **Loans to individuals**

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	30 September 2018					
	Stage 1 Individual N'million	**Stage 2 Individual N'million**	**Stage 3 N'million**	**POCI N'million**		**Total N'million**
Internal rating grade						
Performing						
High grade (AAA - A)	-	-	-	-		-
Standard grade (BBB - B)	11,267	629	455	-		12,351
Sub-standard grade (CCC - CC	20,924	1,169	845	-		22,937
Past due but not impaired (C)	-	-	65	-		65
Non- performing	-	-	-	-		-
Individually impaired	-	-	-	-		-
Total	**32,190**	**1,798**	**1,365**	**-**	**-**	**35,353**

21 Loans and advances to customers - continued

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

	30 September 2018				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Gross carrying amount as at1 January 2018	39,424	149	4,262	-	43,835
New assets originated or purchased	15,409			-	15,409
Assets derecognised or repaid (excluding write of	(662)	(41)	(23,189)	-	(23,892)
Transfers to Stage 1	23,111	(204)	(22,907)	-	-
Transfers to Stage 2	(1,264)	2,451	(1,187)	-	-
Transfers to Stage 3	(593)	(531)	1,125	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-		-	-
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At 30 September 2018	**75,425**	**1,824**	**(41,896)**	**-**	**35,353**

	30 September 2018				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at 1 January 2018 under IFRS 9	305	53	18,423	-	18,781
New assets originated or purchased	4,807	-	-	-	4,807
Assets derecognised or repaid (excluding write of	1	0	32	-	33
Transfers to Stage 1	13	(11)	(3)	-	0
Transfers to Stage 2	(51)	68	(17)	-	(0)
Transfers to Stage 3	(741)	(2,319)	3,060	-	(0)
Impact on year end ECL of exposures transferred between stages during the year	(8,995)	3,875	(12,067)	-	(17,187)
Unwind of discount	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	120	153	(3,825)	-	(3,552)
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At 30 September 2018	**(4,540)**	**1,818**	**5,604**	**-**	**2,882**

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movFurther analysis of economic factors is outlined in Note 3.

Analysis of loans and advances at **31 December 2017**.

	Gross amount N'million	Individual impairment N'million	Collective impairment N'million	Total impairment N'million	Carrying amount N'million
Overdrafts	64,964	(3,550)	(4,961)	(8,511)	56,453
Term loans	704,024	(8,776)	(5,431)	(14,207)	689,817
Advances under finance lease	26,327	(3,751)	(109)	(3,860)	22,467
Other loans	-	-	-	-	-
	795,315	**(16,077)**	**(10,501)**	**(26,578)**	**768,737**

21.2 Advances under finance lease may be analysed as follows:

	30 Sept 2018 N'million	31 December 2017 N'million
Gross investment		
- No later than 1 year	7,219	3,219
- Later than 1 year and no later than 5 years	26,713	21,713
- Later than 5 years	3,770	1,770
	37,702	26,702
Unearned future finance income on finance leases	(8,575)	(375)
Net investment	**29,127**	**26,327**
The net investment may be analysed as follows:		
- No later than 1 year	6,057	3,115
- Later than 1 year and no later than 5 years	25,709	21,529
- Later than 5 years	1,504	1,684
	29,127	**26,327**

21.3 Nature of security in respect of loans and advances:

	30 Sept 2018 N'million	31 December 2017 N'million
Secured against real estate	663,293	503,293
Secured by shares of quoted companies	113,475	158,718
Secured others	63,791	111,791
Advances under finance lease	11,513	21,513
Unsecured	-	-
Gross loans and advances to customers	**852,072**	**795,315**

22 Investments

22.1 Financial assets at fair value through profit and loss (FVTPL)

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Held for trading:			
Federal Government bonds	-	1,027	2,302
Treasury bills	9,620	15,317	18,337
Total financial assets measured at FVTPL	**9,620**	**16,344**	**20,639**

22.2 Debt instruments at fair value through other comprehensive income (FVOCI)

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Treasury bills	123,455	-	-
Federal Government bonds	9,115	-	-
State bonds	6,371	-	-
Total debt instruments measured at FVOCI	**138,940**	**-**	**-**

22.3 Equity instruments at fair value through other comprehensive income (FVOCI)

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Unquoted equity investments:			
- Mobile Telecommunications Network (MTN)	3,086	-	3,619
- African Finance Corporation (AFC)	2,802	-	638
- Value Cards	1,509	-	1,634
- Nigerian Inter Bank Settlement System (NIBBS)	1,287	-	33
- The Central Securities Clearing System (CSCS)	322	-	88
Total equity instruments at FVOCI	**9,006**	**-**	**6,011**

22.4 Debt instruments at amortised cost

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Treasury bills	19,155	-	-
Federal Government bonds	72,274	-	-
State Government bonds	2,229	-	-
Corporate bonds	3,585	-	-
Sub-total	97,243	-	-
Allowance for impairment	(6)	-	-
Total debt instruments measured at amortised cost	**97,237**	**-**	**-**

22.5 Available for sale

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Treasury bills	-	60,550	39,570
Federal Government bonds	-	21,835	23,538
State bonds	-	7,086	7,333
Unquoted equity investments at cost (see note 22.5a)	-	-	1,646
Unquoted equity investments at fair value	-	6,412	5,125
	-	95,883	77,211
Impairment on unquoted equity investment at cost		(396)	(396)
	-	**95,487**	**76,815**
Reconciliation of allowance for impairment			
At beginning of year	396	408	408
Transition adjustment as at 1 January 2018	(396)	-	-
Provision no longer required	-	(12)	(12)
At end of period	**-**	**396**	**396**

22.5a Unquoted equity investments at cost

These are investments in AFC (African Finance Corporation) and other small scale enterprises which are carried at cost because their fair value cannot be reliably measured. The carrying cost of investments in AFC as at 31 December 2017 is N763 million. The fair value of these investments cannot be reliably benchmarked because there is no active market. The Bank does not intend to dispose the investment.

22 Investments - continued

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
22.6 Held to maturity			
Treasury bills	-	45,382	32,316
Federal Government bonds	-	60,161	63,430
State Government bonds	-	3,060	3,026
Corporate bonds	-	9,912	10,012
Total held to maturity instruments	-	118,515	108,784
Total investments	**245,798**	**230,347**	**206,238**

22.7 Pledged assets

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

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

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Treasury bills - Amortised cost	11,339	19,761	13,374
Corporate Bonds - Amortised cost	3,579	9,912	10,012
Federal Government bonds - Amortised cost	34,957	16,028	22,477
Federal Government bonds - FVOCI	-	-	-

The Bank has designated its equity investments previously classified as available-for-sale as equity investments at FVOCI on the basis that these are not held for trading.

More information regarding the valuation methodologies can be found in Note 3.

22.8 Impairment losses on financial investments subject to impairment assessment

22.8.1 Debt instruments measured at FVOCI

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

Internal rating grade	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	Total N'million
Performing				
High grade	132,570	-	-	**132,570**
Standard grade	6,371	-	-	**6,371**
Sub-standard grade	-	-	-	**-**
Past due but not impaired	-	-	-	**-**
Non- performing				**-**
Individually impaired	-	-	-	**-**
Total	**138,940**	**-**	**-**	**138,940**

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Fair value as at 1 January 2018	70,441	-	-	**70,441**
New assets originated or purchased	188,847	-	-	**188,847**
Assets derecognised or matured (excluding write-offs)	(120,348)	-	-	**(120,348)**
Change in fair value	-	-	-	**-**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Changes due to modifications not derecognised	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	**-**
At 30 September 2018	**138,940**	**-**	**-**	**138,940**

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2018	9	-	-	**9**
New assets purchased	2	-	-	**2**
Assets derecognised or matured (excluding write offs)	(3)	-	-	**(3)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	**-**
Unwind of discount (recognised in interest income)	-	-	-	**-**
Changes due to modifications not resulting in derecognition	-	-	-	**-**
Changes to models and inputs used for ECL calculations	(1)	-	-	**(1)**
Recoveries	-	-	-	**-**
Amounts written off	-	-	-	**-**
At 30 September 2018	**7**	**-**	**-**	**7**

22.8.2 Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per based on the Bank’s internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	N'million	N'million	N'million	N'million
Performing				
High grade	91,429	-	-	**91,429**
Standard grade	2,229	-	-	**2,229**
Sub-standard grade	3,579	-	-	**3,579**
Past due but not impaired	-	-	-	**-**
Non- performing				**-**
Individually impaired	-	-	-	**-**
Total	**97,237**	**-**	**-**	**97,237**

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2018	108,784	-	-	**108,784**
New assets originated or purchased	28,059	-	-	**28,059**
Assets derecognised or matured (excluding write-offs)	(39,606)	-	-	**(39,606)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Changes due to modifications not derecognised	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	**-**
At 30 September 2018	**97,237**	**-**	**-**	**97,237**

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2018	11	-	-	**11**
New assets purchased	0	-	-	**0**
Assets derecognised or matured (excluding write offs)	(4)	-	-	**(4)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	**-**
Unwind of discount (recognised in interest income)	-	-	-	**-**
Changes due to modifications not resulting in derecognition	-	-	-	**-**
Changes to models and inputs used for ECL calculations	(1)	-	-	**(1)**
Recoveries	-	-	-	**-**
Amounts written off	-	-	-	**-**
At 30 September 2018	**6**	**-**	**-**	**6**

24 Intangible assets - Computer software

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Cost			
Balance at beginning of year	3,361	2,993	2,992
Additions	1,510	146	369
Disposal during the period	(30)	-	-
Balance	**4,841**	**3,138**	**3,361**
Accumulated amortization			
Balance at beginning of year	2,732	2,197	2,197
Amortisation for the period/year	819	205	535
Disposal during the period	(30)	-	-
Balance	3,520	2,403	2,732
Carrying amount	**1,321**	**736**	**629**

These relate to purchased softwares.
The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was N819 million for the period ended **30 September 2018** (30 September 2017: N205).

25 Deferred taxation

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

Deferred taxes are calculated on all temporary differences under the liability method using a statutory tax rate of 30% or 32% as applicable (2017: 30% or 32%).

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

25.1 Deferred tax

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Deferred tax assets			
Property,plant and equipment	-	-	6,887
Allowances for loan losses	-	-	3,150
Tax loss carried forward	-	-	21,583
	-	-	31,620
Unrecognised deferred tax assets	-	-	(28,377)
Net	-	-	-

26 Other assets

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Financial assets			
Sundry receivables	29,164	22,283	30,535
Others	1,477	-	3,420
Deposit for investment in AGSMEIS	1,430	-	-
	32,072	**22,283**	**33,955**
Less:			
Specific allowances for impairment	(2,414)	-	(1,869)
	29,658	**22,283**	**32,086**
Non financial assets			
Prepayments	12,970	19,169	10,100
Other non financial assets	446	691	1,008
	13,415	**19,860**	**11,108**
Total	**43,073**	**42,144**	**43,194**

Reconciliation of allowance for impairment

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
At beginning of the period	1,869	-	1,851
Charge for the period	545	-	18
At end of the period	**2,414**	**-**	**1,869**

27 Deposits from customers

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Demand	417,620	313,663	322,903
Savings	201,661	163,788	178,570
Term	253,035	165,247	171,744
Domicilliary	107,383	91,400	95,569
Others	7,131	40,283	6,490
	986,830	**774,381**	**775,276**
Current	986,830	774,381	775,276
Non-current	-	-	-
	986,830	**774,381**	**775,276**

28 Other liabilities

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Customer deposits for letters of credit	66,262	0	7,768
Accounts payable	39,149	21,476	44,501
Manager's cheque	3,442	2,215	5,516
FGN Intervention fund (see note 28.1)	136,988	112,251	112,294
Payable on E-banking transactions	16,923	-	10,749
Other liabilites/credit balances	7,675	38,381	2,372
Payable to staff	1	-	-
	270,441	**174,323**	**183,200**

28.1 Included in the FGN Intervention fund is CBN Bailout Fund of **N94.495 billion.** This represents funds for states in the Federation that are having challenges in meeting up with their domestic obligation including payment of salaries. The loan was routed through the Bank for on-lending to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum. Repayments are deducted at source, by the Accountant General of the Federation (AGF), as a first line charge against each beneficiary state's monthly statutory allocation.

29 Provision

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
Provisions for year end bonus (see note 29.2)	1,873	3,212	2,200
Provisions for litigations and claims	-	-	545
Provision for guarantees and letters of credit	-	-	-
	1,873	**3,212**	**2,745**
At 1 January	2,200	1,546	1,001
Arising during the period	1,873	2,622	2,200
Utilised	(2,200)	(956)	(1,001)
At the end of the period	**1,873**	**3,212**	**2,200**

	30 Sept 2018 N'million	30 Sept 2017 N'million	31 December 2017 N'million
29.1 Current Provision	1,413	2,667	2,200
Non-current provisions	460	545	545
	1,873	**3,212**	**2,745**

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

29.3 Impairment losses on guarantees and letters of credit

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

29.3.1 *Financial guarantees*

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

	30 September 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	-	-	-	**-**
Standard grade	147,425	-	-	**147,425**
Sub-standard grade	6,645	-	-	**6,645**
Past due but not impaired	-	-	-	**-**
Non- performing				**-**
Individually impaired	-	-	-	**-**
Total	**154,070**	**-**	**-**	**154,070**

29.3.1 *Financial guarantees - continued*

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

	30 September 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 J	231,014	-	-	**231,014**
New exposures	77,627	-	-	**77,627**
Exposure derecognised or matured/lapsed (excluding write-offs)	(183,521)	-	-	**(183,521)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 30 June 2018	**125,119**	**-**	**-**	**125,119**

	30 September 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January	387	-	-	**387**
New exposures	7	-	-	**7**
Exposure derecognised or matured/lapsed (excluding write-offs)	(394)	-	-	**(394)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs use	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	
At 30 September 2018	**0**	**-**	**-**	**0**

29.3.2 *Letters of credit*

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

	30 September 2018			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	-	-	-	**-**
Standard grade	154,070	-	-	**154,070**
Sub-standard grade	-	-	-	**-**
Past due but not impaired	-	-	-	**-**
Non- performing				**-**
Individually impaired	-	-	-	**-**
Total	**154,070**	**-**	**-**	**154,070**

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

	30 September 2018			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 J	36,965	-	-	**36,965**
New exposures	153,946	-	-	**153,946**
Exposure derecognised or matured/lapsed (excluding write-offs)	(36,841)	-	-	**(36,841)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Changes due to modifications not resulting in derecognition	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	**-**
At 30 September 2018	**154,070**	**-**	**-**	**154,070**

29.3.2 *Letters of credit - contnued*

	30 September 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January	62	-	-	**62**
New exposures	1,139	-	-	**1,139**
Exposure derecognised or matured/lapsed (excluding write-offs)	(575)	-	-	**(575)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	**-**
Unwind of discount	-	-	-	**-**
Changes due to modifications not resulting in derecognition	-	-	-	**-**
Changes to models and inputs use(	-	-	-	**-**
Recoveries	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	
At 30 September 2018	**626**	**-**	**-**	**626**

30 Debts issued and other borrowed funds

	30 Sept 2018	30 Sept 2017	31 December 2017
	N'million	N'million	N'million
Long term loan from Proparco Paris (see note 30.1)	7,310	9,689	8,601
Long term loan from African Development Bank (ADB) (see note 30.2)	12,564	17,486	18,000
European Investment Bank Luxembourg (see note 30.3)	4,596	5,497	5,088
Mashreq Bank	18,113	-	-
$300 Million Euro Bond issued (see note 30.4)	-	99,750	14,954
$400 Million Euro Bond issued (see note 30.5)	130,805	-	132,872
Local Bond issued (see note 30.6)	29,226	29,176	29,878
Repurchase transaction with Renaisance Capital (see note 30.7)	24,451	12,198	3,840
	227,066	**173,797**	**213,233**

30 Debts issued and other borrowed funds - continued

30.1 The amount of **N7.310 billion (30 Sept 2017: N9.689 billion)** represents the amortised cost balance on the syndicated on-lending facility of $40million granted to the Bank by Proparco Paris on 4 April 2016 to mature on 4 April 2021 at an interest rate of Libor plus 4.75% per annum. The initial loan matured on 4 April 2016 and was renewed on the same day. The Principal and Interest are repaid semi-annually. The borrowing is an unsecured borrowing.

30.2 The amount of **N12.564 billion (30 Sept 2017: N17.486 billion)** represents the amortised cost balance in the on-lending facility of $75million granted to the Bank by ADB on 6 October 2014. The first tranche of $40million was disbursed on 6 October 2014 while the second tranche of $35million was disbursed 15 July 2015 both to mature 6 October 2021 at an interest rate of Libor plus 4.75% per annum. Interest is repaid semi-annually, with principal repayment at maturity.The borrowing is an unsecured borrowing.

30.3 The amount of **N4.596 billion (30 Sept 2017: N5.497 billion)** represents the amortised cost balance in the on-lending facility of $21.946 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repaid quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

30.4 During the reporting period, the 5-year, 6.875% Eurobond issued at 99.48% in May 2013 by the Bank matured in May 2018. The purpose of the debt issuance is to finance foreign currency lending to the Power and Oil sectors of the economy of Nigeria.

30.5 On 11 October 2017, Fidelity Bank PLC issued a $400 million five year Eurobond at a 10.50 percent coupon. The Bond was used to finance the existing bondholders who subscribed to the tender offer of $256 million, while the balance (net of issuance costs) will be used to support the trade finance business of Fidelity Bank. The issuance of the Bond was part of a strategic liability management exercise designed to extend, Fidelity Bank's debt maturity profile and proactively refinance the maturing 2018 Eurobond. The amount of N133.468 billion (31 Dec 2017 : N132.872 billion) represents the amortised cost of $400 million, 5- year, 10.50% Eurobond issued at 99.48% in October 2017. The principal amount is repayable in October 2022, while the coupon is paid semi annually.

30.6 The amount of **N29.226 billion,** (30 Sept 2017: N29.176 billion) represents the amortised cost of a N30 billion, 6.5- year, 16.48% Local bond issued at 96.5% in May 2015. The principal amount for the Local bonds is repayable in Nov 2021. The coupon is paid semi annually. The purpose of the Local bond issuance is to finance the SME business of the economy of Nigeria.

30.7 The amount of **N24.451 billion,** (30 Sept 2017: N12.198 billion) represents a $33million dollar borrowing under a repurchase agreement from Renaissance Capital, with Fidelity Bank pledging its USD denominated Eurobond and FGN, which the Bank has the right to buy at a later date.

31 Share capital

	30 Sept 2018	30 Sept 2017	31 December 2017
Authorised	**N'million**	**N'million**	**N'million**
32 billion ordinary shares of 50k each (2017: 32 billion ordinary shares)	16,000	16,000	16,000
Issued and fully paid			
28,963 million ordinary shares of 50k each (2017: 28,963 million ordinary shares)	14,481	14,481	14,481

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

32 Other equity accounts

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

Share premium

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

Retained earnings

32 Other equity accounts - continued

Statutory reserve

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

Small scale investment reserve

The Small scale investment reserve is made up of N764million maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small scale industries. Under the terms of the guideline (amended by a CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 periods but banks' contribution shall thereafter reduce to 5% of profit after tax However, this is no longer mandatory. And N1,430million is 5% of 2016 & 2017 PAT which relates to AGSMEIS; Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS), the AGSMEIS is maintained to support the Federal Government's effort at promoting Agricultural businesses and Small and Medium Enterprises. Effective 2017 all Deposit Money Banks (DMBs) are required to set aside 5% of their Profit After Tax for equity investment in permissible activities as stipulated in the scheme guidelines. The fund is domiciled with CBN.

Non-distributable regulatory reserve

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

Fair value reserves (2017: Available-for-sale reserve)

The fair value reserve includes the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income (2017: available-for-sale investments) until the investment is derecognised or impaired.

33 Cash flows from operations

	30 Sept 2018 N'million	31 December 2017 N'million
Profit before income tax	20,064	20,302
Adjustments for:		
– Depreciation and amortisation	3,632	4,373
– Profit from disposal of property and equipment	(11)	(83)
– Foreign exchange gains on operating activities	(2,641)	(5,678)
– Foreign exchange losses/(gains) on debts issued and other borrowed funds	21	1,980
– Foreign exchange losses/(gains) on loans and advances to customers	9,034	(29,454)
– Foreign exchange (gains)/losses on deposits from customers	(11,815)	(10,994)
– Net gains from financial assets classified as held for trading	(256)	348
– Impairment charge on loans and advances	3,285	11,297
– Impairment charge on other assets	-	18
– Write off of loans and advances	-	(9,438)
– Provision for payable to staff in respect of staff gratuity	-	-
– Dividend income	(229)	(891)
– Gain on debt instruments measured at FVOCI reclassified from equity	(372)	(622)
– Net interest income	(58,168)	(71,464)
	(37,457)	**(90,307)**
Changes in operating assets		
– Cash and balances with the Central Bank (restricted cash)	(86,603)	(10,771)
– Loans and advances to customers	(61,638)	46,467
– Financial assets held for trading	9,069	(2,889)
– Other assets	121	(5,702)
Changes in operating liabilities		
– Deposits from customers	211,554	(6,701)
– Other liabilities	87,241	25,009
– Provisions	(872)	5,317
– Interest payable on debts issued and other borrowed funds	(9,062)	4,408
Cash flows from/(used in) operations	**112,354**	**(35,169)**

34 Contingent liabilities and commitments

34.1 Capital commitments

At the reporting date, the Bank had capital commitments amounting to **N1.76 billion** (31 Dec 2017: N270.151 million).

34.2 Confirmed credits and other obligations on behalf of customers

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

	30 Sept 2018 N'million	31 December 2017 N'million
Performance bonds and guarantees	213,212	231,014
Letters of credit	186,694	138,975
Unsettled transactions	-	3,691
	399,906	**373,680**

Unsettled transactions are transaction that the Bank has entered into, but is either yet to make payment or receive payment in respect of these transactions.