Fidelity

2016
Annual Report & Accounts

Connecting For Growth And Development

Our financial solutions are designed to help Large Corporates, Small and Medium Enterprises, as well as individuals achieve their full potentials.

With a digital ecosystem that offers convenient banking solutions, we are connecting people and businesses to opportunities for growth and development.

Contents

Corporate Information

Head Office

Fidelity Place, 2 Kofo Abayomi Street
Victoria Island, Lagos, Nigeria
Tel + 234 1 4485252, 2700530 – 3
E-mail: info@fidelitybank.ng
www.fidelitybank.ng
Facebook: facebook.com/fidelitybankplc
Twitter: twitter.com/fidelitybankplc

Joint Auditors

Ernst & Young
10th Floor, UBA House, 57, Marina, Lagos

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

Correspondent Banks Include:

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

Shared Values

C.R.E.S.T

C - Customer First
R - Respect
E - Excellence
S - Shared Ambition
T - Tenacity

Vision

To be number one in every market we serve and for every branded product we offer

Mission

To make financial services easy and accessible to our customers

About Us

Fidelity Bank Plc began operations in 1988 as a Merchant Bank. In 1999, it converted to commercial banking and then became a universal bank in February 2001. The current enlarged Fidelity Bank is the outcome of the merger with the former FSB International Bank Plc and Manny Bank Plc (under the Fidelity brand name) in December 2005. The Bank is today ranked amongst the top in the Nigerian banking industry, with presence in major cities and commercial centres of Nigeria.

Fidelity Bank also enjoys the partnership of a network of off-shore institutions with which it has correspondent banking, confirmation line, credit and other relationships. These include ANZ, London; AFREXIMBANK, Cairo, Egypt; ABSA, South Africa; Citibank N.A., London and New York; FBN Bank Ltd, UK; SCB, London; US EX-IM Bank; and USAID.

Over the years, the Bank has been reputed for integrity, professionalism and the quality and stability of its management. Fidelity staff are also respected in the Nigerian banking industry for the quality of training they receive on the job, as well as in good Business Schools both in Nigeria and overseas.

The Management is particular about the quality of people that join the system. To qualify as a member of Team Fidelity, a candidate is expected to possess three vital attributes with the acronym TAC:

- Talent (an innate mental aptitude)
- Ambition (a desire to succeed)
- Character (a total quality of integrity which will guide the talent and ambition to productive ends).

The Management is focused on building and maintaining a virile and well-respected brand that caters to the needs of its growing corporate, commercial and consumer banking clientele. For this purpose, the Bank is leveraging its pedigree in investment banking (having been a merchant bank for 11 years) and its structures and service offerings for a retail populace.

Performance Highlights

Revenue & Efficiency Ratio

- Total Interest Income up by 1.6% to N123.2 billion in 2016 FY (2015 FY: N121.2 billion)
- Net Fee Income up by 9.6% to N25.6 billion in 2016 FY (2015 FY: N23.4 billion)
- Operating Income up by 3.9% to N87.6 billion in 2016 FY (2015 FY: N84.2 billion)
- PBT down by 21.1% to N11.1 billion in 2016 FY (PAT came in at N9.7 billion)

Asset Quality

- Cost of Risk increased to 1.2% in 2016 FY, compared to 1.0% in 2015 FY
- NPL Ratio increased to 6.6% in 2016 FY from 4.4% in 2015 FY
- Coverage Ratio stood at 83.5% in 2016 FY
- FCY Loans accounts for 44.4% of Total Loan Book from 40.4% in 2015 FY

Capital Adequacy & Liquidity

- Capital Adequacy Ratio of 17.2%, based on Basel II computation.
- Net Loans to Customer Deposits Ratio stood at 78.0% from 66.5% (2015 FY).
- Total savings deposits grew by 30.1% to 155.0bn in 2016 (2015 FY: N119.1 billion).
- Total Equity at N185.4 billion compared to N183.5 billion in 2015 FY

Notice Of Annual General Meeting

Notice Is Hereby Given that the 29th Annual General Meeting of Fidelity Bank Plc will be held at Shell Hall, Muson Center, 8/9 Marina, Onikan, Lagos at 11.00 a.m. on Thursday, May 4, 2017 to transact the following business:

Ordinary Business

1. To receive the Audited Financial Statements for the year ended December 31, 2016 and the Reports of the Directors, Joint Auditors and Audit Committee thereon.
2. To declare a Dividend.
3. To elect Otunba Seni Adetu, Mr. Ernest Ebi MFR, FCIB, Chief Charles C. Umolu and Pst. Kings C. Akuma who were appointed as Non-Executive Directors since the last Annual General Meeting.
4. To re-elect Mr. Alex C. Ojukwu and Mr. Michael E. Okeke as Non-Executive Directors.
5. To authorize the Directors to fix the remuneration of the Joint Auditors.
6. To elect members of the Audit Committee.

Proxy

A member entitled to attend and vote at the Annual General Meeting may appoint a Proxy to attend and vote in his/her/its stead. A Proxy need not be a member of the Company. A blank proxy form is attached to the Annual Report. To be valid, a completed and duly stamped proxy form must be deposited at the office of the Registrar, First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos, not later than 48 hours before the time fixed for the meeting.

April 07, 2017

By Order Of The Board

Ezinwa Unuigboje
Company Secretary
FRC/2014/NBA/00000008909
No. 2 Kofo Abayomi Street
Victoria Island, Lagos State.

Notes

(A) Dividend

If the proposed dividend of 14 kobo per Ordinary Share is approved, dividend will be paid on May 4, 2017 to Shareholders whose names appear in the Register of Members at the close of business on April 13, 2017. Shareholders who have completed the e-Dividend mandate will receive direct credit of the dividend to their bank accounts on May 4, 2017, while dividend warrants will be posted on the same day to Shareholders who are yet to complete the e-dividend mandate.

(B) Closure Of Register Of Members

The Register of Members and Transfer Books of the Company will be closed from April 18, 2017 to April 21, 2017 (both days inclusive) to enable the Registrar prepare for dividend payment.

(C) Audit Committee

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

The Codes of Corporate Governance issued by the Central Bank of Nigeria and Securities and Exchange Commission (the Commission) stipulate that members of the Audit Committee should be knowledgeable in internal control processes, accounting and financial matters. Consequently, a detailed curriculum vitae affirming the nominee's qualification should be submitted with each nomination.

(D) Unclaimed Dividend Warrants And Share Certificates

Some share certificates have been returned to the Registrars as unclaimed, while some dividend warrants are yet to be presented for payment or returned for revalidation. Affected Shareholders are advised to contact the Registrar, First Registrars & Investor Services Limited.

(E) E-Dividend/Bonus

Following the Capital Market Committee's meeting of August 9, 2016, the Securities and Exchange Commission directed all Capital Market Registrars to discontinue the issuance of dividend warrants to investors after July 31, 2017. All dividend payments must be credited directly to shareholders' accounts after the deadline.

Consequently, Shareholders who are yet to mandate their dividend to their bank accounts are advised to complete the e-dividend mandate form and submit same to the Registrar, as dividend will only be paid electronically after July 31, 2017 as directed by the Commission.

Detachable application forms for change of address, unclaimed items, e-dividend and e-bonus are attached to the Annual Report for the convenience of all shareholders. The forms can also be downloaded from the Company's website at **www.fidelitybank.ng** or from the Registrar's website at **www.firstregistrarsnigeria.com.** The completed forms should be returned to First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos, or to the nearest Fidelity Bank Plc Branch.

(F) Election/Re-election Of Directors

i. Election of Directors:

(a) Otunba Seni Adetu was appointed as an Independent Non-Executive Director of the Company on March 17, 2016. His appointment was approved by the Central Bank of Nigeria on April 28, 2016 and will be presented for Shareholders' approval at the 29th Annual General Meeting.

(b) Mr. Ernest Ebi, MFR, FCIB, was appointed as a Non-Executive Director of the Company on October 20, 2016. His appointment was approved by the Central Bank of Nigeria on November 25, 2016 and will be presented for Shareholders' approval at the 29th Annual General Meeting.

(c) Chief Charles Umolu was appointed as a Non-Executive Director of the Company on October 20, 2016. His appointment was approved by the Central Bank of Nigeria on November 25, 2016 and will be presented for Shareholders' approval at the 29th Annual General Meeting.

(d) Pst. Kings Akuma was appointed as a Non-Executive Director of the Company on October 20, 2016. His appointment was approved by the Central Bank of Nigeria on November 25, 2016 and will be presented for Shareholders' approval at the 29th Annual General Meeting.

ii. Re-election of Directors:

In accordance with the provisions of Article 95(1)(a) of the Articles of Association of the Company, the Directors to retire by rotation are **Mr. Alex C. Ojukwu** and **Mr. Michael E. Okeke.** The retiring Directors, being eligible, have offered themselves for re-election at the 29th Annual General Meeting.

The profile of the Directors for election/re-election are available in the Annual Report and on the Bank's website **www.fidelitybank.ng**.

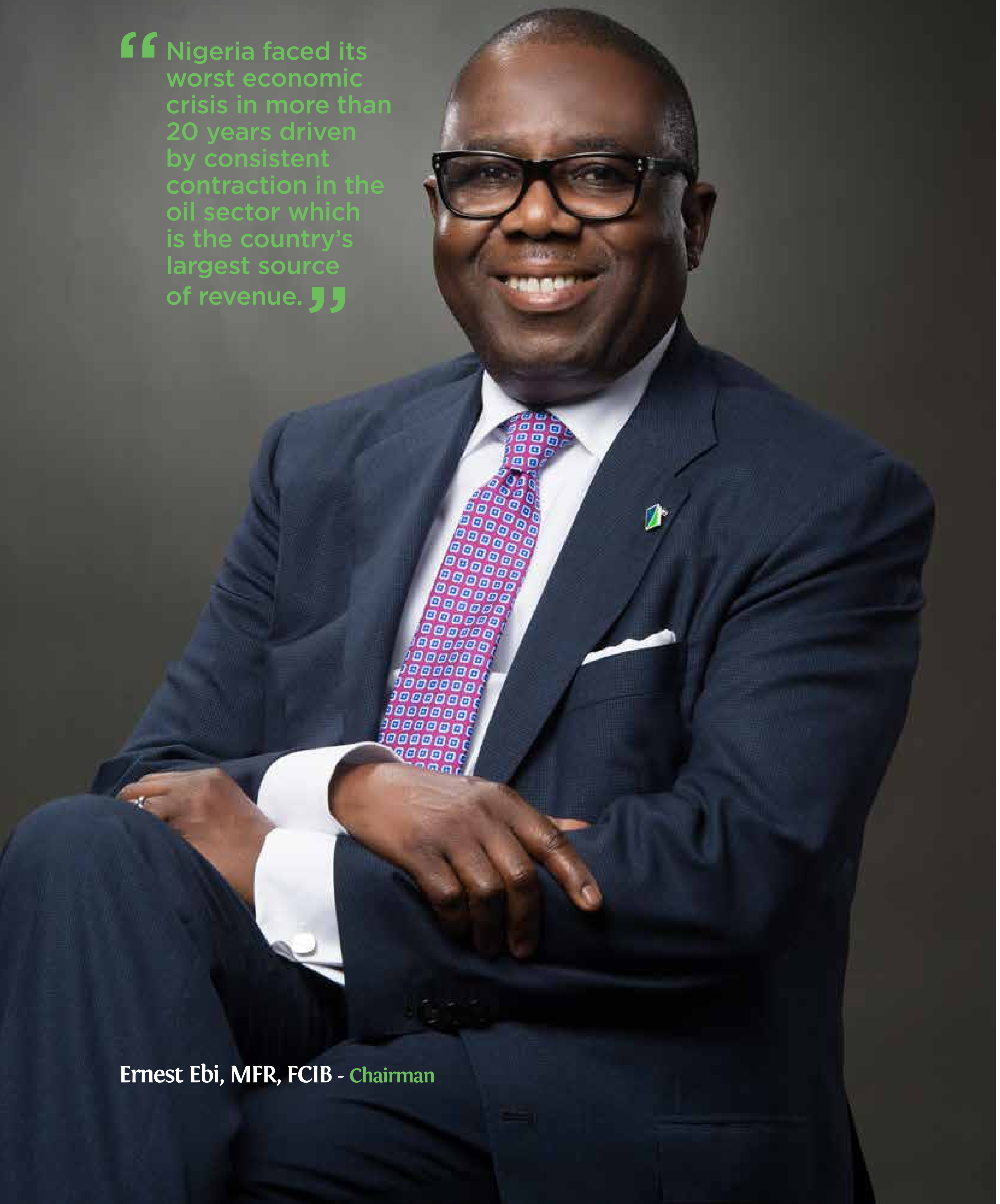
(G) Right of Securities' Holders to Ask Questions

Securities holders have the right to ask questions at the Annual General Meeting and may also submit written questions to the Company prior to the meeting. Such questions should be sent by electronic mail to **info.investorrelations@fidelitybank.ng** or addressed to the Company Secretary and delivered to The Company Secretariat, Fidelity Bank Plc, Block B, No. 2 Kofo Abayomi Street, Victoria Island, Lagos on or before Thursday, April 20, 2017.

(H) Website

A copy of this Notice and other information relating to the meeting can be found at **www.fidelitybank.ng**

Chairman's Statement



"Nigeria faced its worst economic crisis in more than 20 years driven by consistent contraction in the oil sector which is the country's largest source of revenue."

Ernest Ebi, MFR, FCIB - Chairman

Dear Shareholders, it is my pleasure to present to you the financial performance of your bank for the 2016 financial year.

At the start of the year, major concerns around the global economy were; falling crude oil prices, slower growth in China, a potential rate increase by the Federal Reserve and the fragile recovery of developing economies. Consequently, monetary policies in most regions were largely accommodating. The value of domestic currencies in emerging markets however remained at historically low levels due to the slower-than-expected growth in China and low commodity prices. This phenomenon led to the fall in the official value of the naira against the greenback recorded during the year.

Against this backdrop, our bank reported a 3.5 percent increase in gross revenue to NGN152.0 billion from NGN146.9 billion in 2015. Before going into the performance matrix of your Bank, please permit me to highlight the major global and domestic events that shaped our business environment in the 2016 financial year.

Major Events in the Global and Domestic Economy

Since the end of the global financial crisis, a large percentage of global output was from emerging markets and developing economies with the developing Asian countries controlling at least a third of global trade. However, reduced capital inflows into Africa, weaker global export demand, lower commodity prices, rising political conflicts and adverse weather effect on agricultural outputs exerted pressure on emerging markets and developing economies' productivity in 2016. Annual output growth was 4.1 percent according to the World Bank, barely matching the growth level reported in 2015

In contrast, output growth in advanced economies strengthened, as reduced drag from inventories and improved export demand from developing countries led to a spike in manufacturing activity in the first half of 2016. During the year, economic growth was strong in Canada, Germany and Italy whereas in the United States, Spain and Japan, business activities remained largely below potentials leading to an aggregate drop in advanced economies' annual output from 2.1 percent in 2015 to 1.6 percent in 2016. The annual output growth in the United States receded from 2.1 percent in 2015 to 1.6 percent in 2016, despite massive stimulus programmes rolled out by the Government.

The year was fraught with pockets of political tension that unsettled financial systems especially in western economies. In Europe, the unexpected result of the Brexit vote on June 23, 2016 changed the dynamics of trade relations and political collaborations between the United Kingdom and the 27 other members of the European Union (EU). The British Pound was under pressure as the political anxiety created by the outcome of the referendum triggered a run that led to a fall below the 1GBP/1.10EUR mark for the first time since March 2010. The currency also lost a fifth of its value against the US dollar in the week the results of the referendum were announced. Standard and Poor's and Fitch Ratings downgraded the United Kingdom's long-term foreign and local currency Issuer Default Ratings (IDR) to 'AA' from "AA+" citing the resignation of the Prime Minister, David Cameron and the possibility of Scotland seeking a second referendum for independence as triggers for economic instability. Brexit also spurred a flurry of political agitations across Europe as citizens of member states re-evaluated the pros and cons of remaining in the union.

In France, the possibility of "Frexit" dominated presidential political debates while the inability of Athens to negotiate favorable bailout terms with its creditors renewed the debate for euro exit or a more radical Grexit.

As the uncertainty expanded and threatened the European credit market, the Euro weakened in the global trade cycle especially against the US dollar. This development further restrained investment inflow into emerging markets and developing economies. A remarkable fallout of this development was the 46.9 percent drop in the capital inflow into Nigeria from US$9.64 billion in 2015 to US$5.12 billion, the lowest since the Nigerian Bureau of Statistics started collating capital importation data in 2006.

In Sub-Saharan Africa, aggregate growth fell sharply from 3.4 percent in 2015 to 1.6 percent in 2016 following a decline in capital inflows and the volatility in commodity prices experienced in the first half of the year. South Africa remained vulnerable as a result of its high level of exposure to the global financial market, recording a drop in total output to 0.3 percent from 1.3 percent in 2015. Other Sub-Saharan African countries especially in West Africa also showed signs of stress in view of declining capital inflows and relatively reduced exports to the Western markets.

Nigeria faced its worst economic crisis in more than 20 years driven by consistent contraction in the oil sector which is the country's largest source of revenue. The slower growth in China and increased shale oil production in the United States resulted in a global supply glut, forcing the price of Brent Crude to drop to US$26.01 per barrel in February 2016, its lowest level in over 12 years. Crude oil prices commenced the year at US$36.28 per barrel and only steadied above the US$50 per barrel mark in November 2016, after plans for a production cut by the Organisation of Petroleum Exporting Countries (OPEC) and other non-member states was announced.

While the Nigerian Government battled the attendant effects of low crude oil prices on its revenue base, youth restiveness and incessant pipeline vandalism in the Niger Delta Region kept crude oil production low. At some point during the year, aggregate crude oil production in Nigeria dropped below 1.2 million barrels per day compared to a budget benchmark of 2.4 million barrels per day.

The fiscal deliverables of both the Federal and State governments were frustrated by the significant drop in revenue, leading to the downgrading of the sovereign rating by Standard and Poor's and Fitch Ratings from 'BB-' to 'B+'. This consequently impacted negatively on the credit ratings of most Nigerian Banks as rating agencies adjudged that the Nigerian Government would have limited financial strength to provide the required support to companies operating in the economy in the event of a crisis. The inability of some States to meet their financial obligations also contributed to reduced ratings for Banks as it worsened the industry's risk exposure to the public sector and consumer segments of the market and inched up total non-performing loans.

Headline inflation recorded a sharp increase during the course of 2016, propelled by the 67 percent increase in the price of Premium Motor Spirit (PMS) to NGN145 per litre and the devaluation of naira from NGN199 per US$ to N285 per US$ shooting up price levels and the cost of living. Year-on-year headline inflation peaked at 18.5 percent in December 2016 after maintaining a consistent month-on-month increase for 14 months; December 2015 inflation rate was 9.6 percent. These developments culminated in a negative annual economic growth rate of 1.5 percent in 2016 from positive 2.7 percent in 2015.

Nevertheless, the fundamentals of the Nigerian economy remains very strong. As the global commodity market begins to open up in 2017, we expect the Nigerian economy would rebound with increasing opportunities for the banking industry.

Fidelity Bank's Financial Performance In 2016

Your Bank's financial performance in 2016 is reflective of the slowdown in business activities due to lower government revenues arising from depressed oil prices, lower interest rate regime, rising inflation rate, lower consumer disposable income, tougher operating environment and the impact of the currency devaluation on asset quality.

Gross earnings grew by 3.5 percent to NGN152.0 billion from NGN146.9 billion. The growth in total earnings came from interest income on loans which grew by 9.3 percent to NGN92.7 billion from NGN84.8 billion in 2015 as well as the 9.6 percent growth in net fees and commission income. Total interest expense increased by 1.5 percent from NGN60.3 billion in 2015 to NGN61.2 billion which was due to the devaluation impact on interest expense on borrowings.

Operating expense also increased by 4.7 percent to NGN67.2 billion in 2016 from NGN64.2 billion the previous year due to a NGN4.8 billion increase in staff gratuity and retirement benefit plan. As a result, profit before tax dropped by 21.1 percent to NGN11.1 billion from NGN15.8 billion.

Despite the drop in profitability, we remain strong, boasting of a capital adequacy ratio of 17.2 percent in 2016 which stood well above the regulatory minimum of 15.0 percent. This implies that as the business environment opens up in 2017 financial year, your Bank will have adequate capital to latch on to the opportunities.

Changes On The Board During The Year Under review

There have been some changes on the Board of your Bank since the last Annual General Meeting. The following Non-Executive Directors, Chief (Dr.) Christopher I. Ezeh MFR, Mr. Kayode Olowoniyi, Ichie (Dr.) Nnaeto Orazulike and Mallam Umar Yahaya retired from the Board of Directors, having completed their tenures in line with the Bank's corporate governance framework. On behalf of the Board and Management, I wish to express my sincere appreciation to the retired Directors for their contributions to the growth and development of the Bank.

During the same period, I, Ernest Ebi (MFR, FCIB), Pst. Kings Akuma and Chief Charles Umolu were appointed to the Board as Non-Executive Directors while Otunba Seni Adetu was appointed as an Independent Director. The appointments have been approved by the Central Bank of Nigeria (CBN).

Appreciation

On behalf of the Board of Fidelity Bank Plc, I would like to thank our customers for their unflinching loyalty, our staff for their diligence and committment, and our shareholders for your continuing support.

God bless you all.

Ernest Ebi, MFR, FCIB
Chairman

The CEO's Statement

Discussion on Performance and Business Operations for the 2016 Financial Year

Distinguished shareholders, ladies and gentlemen, thank you for attending this Annual General Meeting. I am grateful for the opportunity to present to you the highlights of our performance in the 2016 financial year.

Despite the severe negative operating environment in the banking industry, the volatility in the foreign exchange market, deterioration of credit, oil and gas sector worries and rising non-performing loans, your Bank was resilient. Our success story was anchored on improved service quality, innovative products and services tailored to meet the varying needs of our customers.

The strides achieved in our innovative pursuits strengthened the income stream of your Bank. On this note, I now present to you a review of the performance of your Bank in the 2016 financial year.

Our Financial Performance in 2016

The financial year under review was characterized by lower government revenues, rising inflation, lower consumer disposable income, significantly tougher operating environment in all sectors and the impact of these headwinds on asset quality and foreign trade transactions.

Though the macro-economic and business environment was challenging in 2016, the financial performance of your Bank reflects the sound fundamentals of its evolving business model as we continued with the disciplined execution of our medium-term strategy which positions the business for improved and sustainable profitability.

Your Bank continued to improve the earnings capacity of the different segments of its business as gross earnings increased by 3.5 percent, net interest income increased by 1.6 percent, and fee-based income increased by 9.6 percent while expense growth at 4.7 percent was significantly below the average inflation rate of 15.7 percent in 2016.

Despite the growth in operational income by 3.9 percent, profit before tax declined by 21.1 percent due to a NGN4.8 billion increase in staff gratuity scheme and retirement benefit plan costs in the 2016 financial year as your bank discontinued the two legacy schemes. Excluding this one-off charge, profit before tax for the year would have been NGN15.8 billion.

The retail and electronic banking strategy continued to deliver impressive results as savings deposits grew by 30.1 percent to NGN155.0 billion while customer enrollment on our flagship Instant Banking (*770#) and Online Banking products grew by over 200 percent leading to a 41.3 percent growth in e-banking revenue. This performance was driven by the upgrade of your Bank's core banking system which provided a superior architecture that enhanced operational efficiency and deepened electronic banking capabilities.

Deposits grew by 3.0 percent to NGN793.0 billion from NGN769.6 billion in December 2015. Demand deposits increased by 16.8 percent while savings deposits grew by 30.1 percent as we continued to drive traction in the mass market with our electronic banking capabilities. Low cost deposits now account for 78.7 percent of total deposits which reflected in the drop in our average cost of deposits to 5.7 percent from 6.8 percent.

Risk assets grew by 24.2 percent to NGN718.1bn in December 2016 with the devaluation of naira accounting for 19.2

> "Risk assets grew by 24.2 percent to NGN718.1bn in December 2016 with the devaluation of naira accounting for 19.2 percent (NGN110.9bn)"

Nnamdi J. Okonkwo
Managing Director/Chief Executive Officer

percent (NGN110.9bn). Foreign currency loans now constitute 44.4 percent of the loan book up from 40.4 percent in 2015 due to the currency devaluation. Cost of risk inched up to 1.2 percent due to increased impairment charge especially in Q2 and Q3, 2016 as we took a very prudent view of the impact of the currency devaluation, tougher operating environment, and declining business activities in selected sectors of our loan portfolio.

Though non-performing loans ratio increased to 6.6 percent largely due to a combination of naira devaluation and our conservative approach in appraising risk assets portfolio, other regulatory ratios remained above the set thresholds. Capital adequacy ratio stood at 17.2 percent, well above the regulatory ratio of 15.0 percent while liquidity ratio was 33.2 percent compared to the regulatory minimum of 30.0 percent.

Outlook for 2017 Financial Year

2016 was without doubt a challenging year not only for the banking sector but for the Nigerian economy as a whole. However, our outlook for 2017 is a bit more positive, as we expect that the country will begin to experience a recovery.

Economic activities will be shaped by the government's determination to push for successful diversification of the economy from reliance on oil and also lift the country out of recession. Just recently, the Federal Government released the Economic Recovery and Growth Plan (ERGP), which detailed its efforts to drive macroeconomic stability, economic diversification, social inclusion and governance over the next 3 years (2017-2020). The ERGP document revealed the Government's plan to focus on specific sectors that it hopes will be key for economic revival, while also highlighting infrastructural projects that will soon be executed.

Therefore, we remain solidly aware of opportunity areas in 2017 and will work to grab the lion's share. As we do that, we will not relent on plans to redesign our systems and processes to boost service delivery, intensify strategic efforts to reduce operating expenses and cost-to-serve, as well as improve our overall risk monitoring capacities to ensure both internal and external risks are promptly recognized and swiftly purged. We will also deepen our efforts in the retail and commercial market, Small and Medium Scale Enterprises (SME) and niche corporate banking businesses through innovative products and services.

In conclusion, we are highly optimistic that 2017 financial year will mark a huge improvement in our operating environment and we look forward to delivering better results at the end of the financial year.

On behalf of the Management and my colleagues, I would like to thank and appreciate our shareholders for the undiluted trust in our stewardship. My special appreciation also goes to our customers for their patronage, love and loyalty.

Thank you all for coming and God bless you.

Nnamdi J. Okonkwo
Managing Director/Chief Executive Officer

Fidelity

Supporting You To Grow Your Non-Oil Export Business

At Fidelity, we strongly believe that non-oil export businesses have huge capacity for wealth creation and employment generation. This is why we are at the forefront of providing our customers the required support to attain this potential.

Visit any of our branches to take advantage of our **export advisory services**.

We Are Fidelity, We Keep Our Word.

Contact Us: +234(1)448-5252, +234 8003-433-5489 true.serve@fidelitybank.ng

WAYS TO BANK WITH US

Branch | ATM | Online Banking | Instant Banking | POS | True Serve

Fidelity Bank Plc
RC 103022
FOLLOW US:
www.fidelitybank.ng

Sustainability Banking Report 2016

Fidelity Bank's mission is to make financial services easy and accessible to customers. Execution of this mission connects us with the goals of sustainable economic development and poverty reduction. As a Bank, we understand our key role in driving long term economic development through the provision of sustainable financial products and advisory services. We understand the need to ensure our lending and investment decisions meet the tripod objectives of economic viability, environmental responsibility and social relevance. Consequently, Fidelity Bank will continue to provide financial services and products with the intent to "do no harm" to the environment and the people.

This way we continue to ensure that the costs of economic development do not fall disproportionately on those who are poor or vulnerable, that the environment is not degraded in the process, and that renewable natural resources are managed sustainably. With this understanding, Fidelity Bank will continue to observe relevant local and international standards such as the Nigerian Sustainable Banking Principles (NSBP) and the Equator Principles in managing environmental and social risks in its own operations as well as that of clients it finances.

Managing Environmental and Social (E&S) Risks in Clients' Businesses

At Fidelity Bank, we understand that our lending and investment decisions could in uncontrolled circumstances, produce negative environmental and social impacts. Consequently, we have developed and deployed systems and processes to identify, assess, measure, mitigate, monitor and report such impacts. Our robust E&S Risk Management procedures which are well entrenched in the Bank's credit and investment processes, afford the Bank the opportunity to help clients manage such risks to secure long term sustenance of their businesses. By so doing, we meet our own objectives of engaging in responsible banking.

Compliance with Equator Principles

Equator Principles (EPs) are the financial sector's leading voluntary standard for identifying and managing social and environmental risks in relation to projects and project related financing. The Principles are based on the International Finance Corporation's (IFC) Performance Standards (PS) and the World Bank Group's Environmental, Health & Safety (EHS) Guidelines. Equator Principles were launched in 2003, later updated in 2006, and its most recent version, Equator Principles III, released in June, 2013. The latest version of the EPs brings important changes to its application scope on transparency and accountability of both Equator Principles Financial Institutions (EPFIs) and their clients, as well as on climate change and human rights. In addition to Project Finance, the new EPs now apply to Project-Related Corporate Loans as well as Bridge Loans. Accordingly, we have updated our lending policies and procedures to reflect the new requirements.

As part of the structure to mainstream E&S issues in the lending processes, Fidelity Bank maintains a dedicated Sustainability Banking Unit that operates out of the Bank's Head Office within its Risk Management Directorate. The Sustainability Banking Unit reviews project related applications above the threshold of US$10m as stipulated by the EPs while also reviewing other applications below this threshold in line with other national and international requirements.

Fidelity Bank has continued to strengthen its environmental and social risk management systems. The environmental and social risk assessment processes form an integral part of the Bank's credit analysis process. Every business related credit is screened/assessed against a set of Environmental and Social Risk criteria and then classified based on category definitions. Measures to mitigate identified risks are presented as part of loan preconditions and covenants. Fidelity Bank has also instituted measures that ensure effective monitoring and reporting on credits assessed. In the course of our monitoring/inspection visits to the clients, the Bank endeavors to provide education on the long term sustenance of their businesses through effective environmental and social risk management.

As part of its routine roles, the Sustainability Banking Unit organizes and facilitates training of Relationship Management teams across the Bank. The Bank's Sustainable Banking Module is hosted on the Fidelity Electronic Learning Management Systems (ELMS) and staff are required to take mandatory training and tests on the portal periodically.

As a financial institution adopting the EPs, Fidelity Bank undertakes not to support projects where the borrower will not or is unable to comply with the environmental and social requirements arising from the application of the EPs. As part of our E&S assessment procedures, we classify projects in line with the IFC Performance Standards for project categorization as follows:

- Category A: Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented;

- Category B: Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and

- Category C: Projects with minimal or no social or environmental impacts.

Below, we report our project finance activity, in line with Equator Principle III requirements for the period, January 1 to December 31, 2016. During the review period, Fidelity Bank did not engage in any project finance related advisory services, project- related corporate loans and bridge financing, as defined in the EPs:

Project Finance - Sector Reporting

Sector	E&S Risk Categories		
	A	B	C
Oil and Gas	1	0	0
Power	0	0	0
Infrastructure	0	0	0
Others	0	1	0
Total	**1**	**1**	**0**

Project Finance – Regional Reporting

Region	E&S Risk Categories		
	A	B	C
Americas	0	0	0
Europe, Middle East and Africa	1	1	0
Asia Pacific	0	0	0
Total	**1**	**1**	**0**

Project Finance – Country Designation

Designation	E&S Risk Categories		
	A	B	C
Designated Countries	0	0	0
Non-Designated Countries	1	1	0
Total	**1**	**1**	**0**

Project Finance – Independent Review

	E&S Risk Categories		
	A	B	C
Yes	1	0	0
No	0	1	0
Total	**1**	**1**	**0**

Fidelity Managed SME As A Vehicle For Poverty Reduction

At Fidelity Bank, our goal is to become the most innovative SME support banking business in Africa while helping our clients build sustainable businesses. Our support for the growth and development of SME businesses is premised on our strong conviction that SME businesses are critical agents for economic development, job creation and poverty alleviation.

Our experience indicates that SMEs do not only need financing but also require focused capacity building to grow their businesses. To this end, Fidelity Bank under its Managed SME Division, continues to develop and deliver tailored business management capacity building programmes to SME owners. Through these schemes, budding and established entrepreneurs receive training on the potentials of non-oil export markets, business sustainability and value chain opportunities in manufacturing along with an overview of how the Bank works to finance SME businesses.

Business icons and captains of industry in various sectors of the economy and leaders in the public sector are sponsored by the Bank to enlighten SME owners on how to identify and optimize opportunities in the business environment through the electronic media. The Fidelity Regional SME Conferences and the Fidelity SME Radio Programme remain key platforms for delivery of these capacity building initiatives.

Fidelity Bank is passionate about building Nigerian entrepreneurs and has committed ample human and material resources to drive the objective. As proof of commitment to the support of SME businesses, the Bank's SME customer footprint as at end of 2016 was in excess of 290,000 customers across Nigeria.

Contributing to Greenhouse Emissions Reduction

Fidelity recognizes that climate change is a serious global challenge and that climate-related impacts may impede economic and social well-being and development efforts.

Fidelity will continue to embrace adaptation measures that promote sustainable investments in its business. In pursuit of greenhouse gas emission reduction, our strategy is geared towards energy efficiency measures at our newly developed branches/facilities, which are fitted with energy efficient lighting facilities. This has reduced our energy requirements for lighting by about 50% and the lighting facilities are estimated to last 25 times longer than traditional incandescent lighting systems. The Bank has also gone an extra mile to invest in the use of roofing sheet gauge 0.75mm on our new branch buildings thereby reducing energy requirement for ventilation and air conditioning (HVAC) equipment. More so, all glass material fittings used at our new branches are thicker, tinted or reflective. These initiatives have invariably impacted positively on the use of fossil fuels in powering generators and reduced consumption from the national grid thus contributing to reduction in greenhouse emissions and related global warming.

Fidelity continues to retain its home-to-work commuting policy which offers well over 600 members of staff home-to-work commuting every work day. While this gesture serves to promote employee welfare, it also contributes to greenhouse emission reduction.

Guided by The International Bill on Human Rights

Fidelity Bank identifies with the responsibility to respect human rights as set out in the International Bill on Human Rights and the conventions of the International Labour Organization. While dealing with employees, suppliers and third-party contractors, the Bank ensures that business is done in a manner that respects human rights, that everyone is treated fairly and without discrimination. In order to ensure that we always meet this responsibility, we maintain an effective grievance mechanism and whistle blowing platforms that facilitate prompt identification and remediation of grievances. In pursuit of these objectives, the Bank introduced the HR Clinic, an initiative designed to provide an interactive platform between the HR team and employees bank-wide. It encourages staff to provide feedback on HR processes and creates opportunity for HR advisory and counselling to staff where required. This encourages freedom of expression amongst the staff.

Furthermore, Fidelity employee policies prohibit use of child labour; forced labour and discrimination on grounds of race, religion, age, gender or economic background.

Health And HIV/AIDS Policies

The Bank recognizes her workforce as one of her most strategic assets; offering a competitive advantage for sustainable business success. For this reason, the Bank is committed to supporting the good health and wellbeing of every employee and continues to adopt best practices that cater for the healthcare needs of all employees including but not limited to access to an in-house occupational doctor, appropriate medical intervention, guidance and counseling, equal opportunity policy structures and workplace inclusiveness.

The Bank periodically runs HIV/AIDS education and awareness programmes to enhance and deepen understanding at least once a year. Staff members are encouraged to voluntarily undergo regular medical check-ups including routine tests to know their HIV/AIDS status. The Bank has adopted a policy of non-discrimination against any employee or customer on the basis of their HIV/AIDS status. Employees living with HIV/AIDS have the right to confidentiality and privacy concerning their HIV status. All medical information regarding employees with HIV/AIDS is kept strictly confidential, except where required by law to be disclosed to specific people or with the expressed consent of the employee. In the event of a noticeable deterioration in the health of an employee living with HIV/AIDS matched by a decisive impact on the employee work ability, the Bank's standard incapacity procedures are usually applied.

Empowering And Creating Opportunities For Women

Fidelity Bank believes that women play a crucial role in achieving sound economic growth and poverty reduction. When empowered, they contribute significantly to family income and consequently, poverty reduction. Recognizing that women are often prevented from realizing their economic potentials because of gender inequity, Fidelity is committed to creating opportunities for them in its employment as well as through lending, investment and advisory activities. Through the Fidelity Managed SME Programmes, the Bank empowers women entrepreneurs with know-how and expertise that enables them build successful businesses. In this regard and in compliance with the Central Bank of Nigeria requirement, Fidelity Bank ensures a minimum of 43% female representation in its workforce. The Bank also expects its clients to minimize gender-related risks from business activities and unintended gender differentiated impacts.

Timely Reporting And Transparent Disclosures

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

Code Of Ethics And Insider Dealing

Fidelity Bank prides itself in its long standing good professional and ethical reputation. This is sustained through a combination of policies, systems and cultural practices. The Bank has in place a very effective Code of Conduct and Ethics which clearly communicates the Bank's zero tolerance for corruption, bribery, abuse of office and similar misdemeanors. In collaboration with the professional firm of KPMG, the Bank since 2007 put in place a robust Whistle Blowing Policy which enable staff anonymously report unethical activities affecting any aspect of its operations. The Bank's Insider Trading Policy defines clear boundaries and consequences for associated infractions. These systems work in concert to strengthen staff integrity, confidence and ensure a more disciplined work force.

Collaborating With Partners

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

Leading By Example In E&S Footprints Management

Fidelity believes that the commitment to E&S risk management requires leading by example. We therefore manage the E&S footprints associated with our internal operations and undertakings by making sustainability considerations an integral part of everyday work in our offices wherever located. This commitment includes pursuing best practices in environmental and social management with the objective of achieving carbon neutrality and conservation of nature in our business operations. We do this by continually seeking innovative ways for efficient use of materials and resources such as energy and water consumption and efficient management of paper and electronic waste in our banking operations.

In this regard, the Bank has since 2008 embraced the environmental management concepts of reduce, reuse and recycle. Strategies to realize our commitment to these concepts led to our use of recycled biodegradable paper cash bags as against the common practice among our peers who use polyethylene cash bags. We have equally implemented paperless computing concepts which ensure that most internally generated communication within the Bank are handled electronically without recourse to paper printing. Our cashless banking concepts have eliminated the use of paper and cheque books for certain categories of transactions resulting in huge paper savings. Likewise, about 95 per cent of our customer statements are delivered electronically.

In pursuit of our nature conservation and environmental beautification strategies, the Bank works with State and Local Governments to create and maintain green parks in key locations across Nigeria. In 2016, the Bank continued to maintain its environmental advocacy programme through financial sponsorship and physical participation in the Nigerian Conservation Foundation / Lagos State Government organized Walk-for-Nature programme.

As part of E&S footprints management, Fidelity aligns its community investment programmes with its overall goals for economic and social development within communities in which the Bank operates. The Bank strives for positive social contributions in these communities by providing basic needs, reducing poverty, supporting education, improving health and increasing long-term employment through its internal community help initiative tagged ''Fidelity Helping Hands Programme (FHHP)''. Fidelity also raises staff awareness regarding this commitment.

In 2016, key projects completed and handed over to beneficiary communities under the scheme include renovation of health centres and schools, provision of healthcare support, donation of educational materials to schools and relief materials to Internally Displaced Persons (IDP) camps and orphanages/special children's centres, etc.

The major highlight of the Bank's 2016 Corporate Social Responsibility initiatives/activities was the establishment of the Fidelity Youth Empowerment Programme aimed at educating, engaging and empowering undergraduates of Nigerian tertiary institutions with entrepreneurial skills in order to become financially independent upon graduation. Since its inception, over 500 undergraduates have been trained and empowered.

Board Of Directors

Standing (From Left To Right)

Robert Nnana-Kalu, Charles Umolu, Seni Adetu, Ezinwa Unuigboje, Kings Akuma, Alex Ojukwu, Adeyeye Adepegba, Michael Okeke

Sitting (From Left To Right)

Bashari Gumel, Chijioke Ugochukwu, Nnamdi Okonkwo, Ernest Ebi, Nneka Onyeali-Ikpe, Mohammed Balarabe, Aku Odinkemelu

Ernest Ebi, MFR, FCIB
Chairman

Ernest Ebi was a former Deputy Governor, Policy and Corporate Services at Central Bank of Nigeria (CBN) for 10 years. Prior to joining the CBN, he was Deputy Managing Director/ Chief Operating Officer of Diamond Bank Plc, and former Managing Director/Chief Executive Officer of New Nigeria Bank Plc. He served as an Executive Director with African Continental Bank and also held executive management positions in International Merchant Bank, Nigeria.

He obtained a Bachelor of Business Administration degree in Marketing and a Masters of Business Administration from Howard University, Washington DC. He is a recipient of the National Award, MFR, and a Fellow of the Chartered Institute of Bankers of Nigeria. He has participated in management development courses locally and overseas in the areas of Strategic Planning, Financial Management and Risk Management amongst others at IMD Switzerland, Harvard and Oxford-Said Business School.

He started his career as an Accounts Technician with the National Association of Counties, Washington DC and subsequently worked at the Federal Savings & Loans Association Washington DC where he served as the Assistant Vice-President Community Federal Savings & Loans Association.

He was the Chairman of Deputies of the Group of Twenty-four Countries (G24 countries) and was a Director of Afromedia Plc until July 28, 2015. He is a member of the Governing Board of Venture Garden Nigeria and has been an Independent Non-Executive Director at Dangote Cement Plc since January 30, 2014. He supports Worldvision and is also involved in various other humanitarian causes, especially in fundraising to promote their programs across the nation.

He joined the Board of Fidelity Bank on November 25, 2016.

Nnamdi J. Okonkwo
Managing Director/Chief Executive Officer

Nnamdi is a graduate of University of Benin, Nigeria from where he obtained a first degree in Agricultural Economics. He holds an MBA in Banking and Finance from Enugu State University of Technology, Nigeria. He is also a graduate of the Advanced Management Programme of INSEAD Business School, Fontainebleau, France.

Nnamdi has attended business leadership and management training programs locally and overseas, in some of the world’s leading institutions including Harvard Business School, Wharton Business School and Stanford Graduate School.

Mr. Okonkwo’s banking career started in 1990 at Merchant Bank of Africa, Nigeria. His early career was further nurtured in Guaranty Trust Bank, Nigeria where he rose to become a Manager and was appointed the pioneer Branch Manager of Onitsha branch before moving on. He later worked in other financial institutions, notably United Bank for Africa (UBA) where held various managerial and leadership positions including Regional Bank Head in Lagos, Regional Director, Federal Capital, Nigeria, Project Director, and Head of Corporate Banking, Multinational Corporates Division. The high point of his career in UBA came when he was appointed Managing Director/CEO of UBA Ghana and later elevated to Regional CEO of the bank’s West Africa Monetary Zone covering Ghana, Liberia and Sierra Leone.

In 2012, Nnamdi took advantage of an existing opportunity and joined Fidelity Bank Plc., Nigeria as Executive Director in charge of the bank’s businesses in Southern Nigeria, a position he held until January 1, 2014 when he was appointed Managing Director/CEO of Fidelity Bank.

Mr. Okonkwo also serves as Non-Executive Director of Nigeria Inter-Bank settlement system Plc and Unified payment Services Limited.

Mohammed Balarabe
Deputy Managing Director

Mohamed Balarabe serves as Deputy Managing Director and in addition oversees the bank’s business in Abuja and the Northern area of Nigeria.

Well experienced across various aspects of banking, Balarabe who has more than 25 years experience as banker, holds a Bachelor’s degree in Accountancy and Finance from Nottingham Trent University, UK, and an M.Sc. in Finance from the University of Lagos. He is a chartered stockbroker and a dealing member of the Nigerian Stock Exchange.

Mohammed Balarabe was formerly an Executive Director with the former Oceanic Bank Plc before joining Fidelity Bank Plc. He was also a General Manager in United Bank for Africa (UBA) Plc and had been the General Manager & Chief Executive of Newdevco Finance Services Company Limited.

He was appointed to the Board in April, 2012.

Chijioke Ugochukwu
Executive Director

Chijioke Ugochukwu started her work life as a Youth Corper at Fidelity Union Merchant Bank Limited in 1989 and has over 25years industry experience. She holds a Bachelor of Laws (LLB Hons.) degree from Obafemi Awolowo University, Ile-Ife and a Barrister at Law (BL) from the Nigerian Law School. She also holds a Master of Business Administration degree from IESE, Barcelona, Spain.

Ugochukwu was General Manager, Legal Services and Company Secretary of Fidelity Bank Plc until April 2012, when she joined the Board of the Bank as Executive Director (ED), Shared Services and Chief Information Officer with responsibility for Information Technology, Operations, Corporate Services, Human Resources, Legal Services and Service Excellence. She is a regular speaker on Personal Financial Planning and Wealth Preservation and has written several enriching and educating papers on these topics.

She has attended several Executive Education programs globally at Harvard Business School, Stanford Graduate School of Business, Oxford Said Business School, The Wharton School amongst others.

Chijioke is also an Honorary Member, Chartered Institute of Bankers of Nigeria (CIBN), Associate Member, Institute of Directors and Member, Chartered Institute of Registrars.

She is currently ED, Shared Services & Products with additional responsibilities for Retail Banking, Small and Medium Enterprises as well as National Sales.

Aku Odinkemelu
Executive Director

Aku is an alumna of the prestigious Harvard Business School, Cambridge Massachusetts. She holds a Bachelor of Laws (LL.B Hons) degree from the University of Nigeria, Enugu Campus 1986 and a BL from the Nigerian Law School, Lagos as well as Dual MBA degrees from IMD Switzerland and CKGSB, China.

With over 27 years top notch experience in first class banking Institutions including Guaranty Trust Bank Plc (January 1994 - October 1998 and March 2004 - July 2014), Access Bank Plc (February 2000 - February 2004), Equatorial Trust Bank (December, 1998 - February, 1999) and Continental Merchant Bank, formerly Chase Manhattan Inc. (December 1987 - December 1993), Aku is skilled in most key areas of banking viz Legal, Documentation and Credit Control, Business Development, Credits and Loan Structuring, Strategy, Relationship Management, Marketing etc.

She also served as a Non-Executive Director on the board of Mansard Assurance (formerly Guaranty Trust Assurance) and Guaranty Trust Bank Sierra Leone prior to her appointment as Executive Director in Fidelity Bank Plc in August, 2011.

Adeyeye Olawale Adepegba
Executive Director

Adeyeye Adepegba holds a Masters of Business Administration (MBA) degree from Lancaster University Management School, Lancaster University, United Kingdom, a Master's degree in Industrial & Labour Relations (MILR) as well as a Bachelor's degree in History from the University of Ibadan, Nigeria.

Prior to his appointment, Adeyeye was the General Manager and Divisional Head, Power & infrastructure, Corporate Banking Directorate of Fidelity Bank.

A banker with over 27 years post qualification experience, Adepegba was appointed to the Board on July 1, 2015 and currently oversees the Corporate Banking Directorate of the Bank.

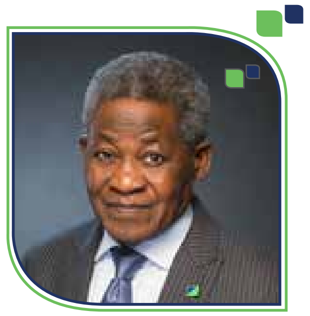
Nneka Onyeali-Ikpe
Executive Director

Nneka Onyeali–Ikpe has extensive industry experience in Retail, Commercial, Treasury and Corporate Banking spanning over 27 years, having at various times, held middle, senior and executive management positions.

Before joining Fidelity Bank, Nneka was an Executive Director, Lagos and South West at Enterprise Bank where she was part of a turnaround team that repositioned the bank and brought it back to profitability.

Prior to then she was Regional Manager in charge of Lagos with Standard Chartered Bank for many years.

Nneka holds a Bachelor of Laws (LL.B) and Masters of Law (LL.M) degrees from the University of Nigeria and Kings College, London, respectively. She had at different times attended various executive management programmes at Harvard Business School, The Wharton School of the University of Pennsylvania, INSEAD School of Business, and the University of Chicago Booth School of Business. She was appointed to the Board on July 2, 2015 and currently oversees the Bank's Lagos & South West Directorate.



Bashari Mohammed Gumel
Independent Director

A seasoned administrator who began his early career as a civil servant in 1968, Alhaji Bashari M. Gumel is an alumnus of the Ahmadu Bello University, Zaria.

As a civil servant, Gumel rose to the position of Permanent Secretary in 1980 before he retired to venture into private business.

He holds a Post Graduate Diploma in Public & Social Administration from South Devon Technical College, Torquay, England. Gumel sits on the Board of several companies and is currently the Chairman of Jafa Foam Products Limited.

Robert Nnana-Kalu
Non-Executive Director

Nnana-Kalu holds a Master of Arts degree in International Relations as well as Bachelor of Laws from University of Kent, at Canterbury, Kent England. He also obtained a Master of Laws from Kings College, University of London, England.

He practiced law in the firm of Chief K.K. Ogba Chambers, Owerri, before joining Star Paper Mills Ltd, Aba, as Manager, Legal Services & Corporate Affairs. He rose to the position of Executive Director in the company in 1995 a position he holds till date.

From 2001 to 2005, Mr Nnana-Kalu was the Chairman of Manufacturers Association of Nigeria (MAN) Imo/Abia Chapter, as well as a National Council Member of the Association. He has travelled extensively in Nigeria and overseas. He joined the Board of Fidelity Bank in July 2012.

Alex C. Ojukwu
Non-Executive Director

Alex C. Ojukwu has over 26 years experience in diverse fields including Banking Services, Controls & Audit, Marketing, Power, Mining, Steel, Risk and Manufacturing.

He joined Fidelity Bank Plc as a Non-Executive Director with effect from October 23, 2014. He holds a Bachelor's degree in Finance from Ogun State University and a Masters in Business Administration from the Federal University of Technology, Akure.

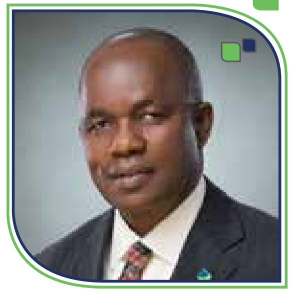
He is a Fellow of the Chartered Institute of Bankers (FCIB), an alumnus of the Lagos Business School and a Member of the Institute of Risk Management. He is currently the Managing Director of Afro Asia Automobile & Plastics Limited. He was the Executive Director, Risk Management, Western Goldfields Group Limited and also the founder and Managing Partner of Damos Practice – Risk Management Consultants, after leaving the services of Bank PHB Plc (now Keystone Bank Limited) as Assistant Vice President in charge of Remedial Assets Management.

Michael E. Okeke
Non-Executive Director

Michael E. Okeke holds a B.Sc degree in Estate Management and Post Graduate Diploma in Political Science from the University of Nigeria, Enugu Campus. He also holds an MBA in Business Administration from the Metropolitan School of Business & Management, United Kingdom.

He is a fellow of the Chartered Institute of Loan & Risk Management of Nigeria, and a Member of the Nigerian Institute of Estate Surveyors & Valuers (NIESV).

A proficient Estate Surveyor & Valuer with professional specialization in property valuation, project finance, procurements, syndicated asset management, valuation of aviation and navigation installations including aircraft, ships and vessels. He is currently the Managing Partner of Sun Oriala & Co, an estate management firm. He joined the Board of Fidelity Bank Plc with effect from October 23, 2014.



Pst. Kings C. Akuma
Non-Executive Director

Kings C. Akuma currently heads the Non Oil & Gas business of ALCON Nigeria Limited, a major player in the oil, gas and power sector. Prior to joing ALCON, he was the Managing Director of Hammakopp Consortium Limited (an affiliate of Nestoil Group Plc.). He holds a B.Sc in Accounting from the University of Nigeria, Nsukka and a Masters in Business Administration from the University of Lagos.

Akuma is a fellow of the Chartered Institute of Taxation of Nigeria and is regarded by his peers and contemporaries as a thoroughbred strategic change management specialist with core competence in organisational structure and financial due diligence review.

He also coordinated comprehensive financial due diligence on several banks with over three decades of in-depth understanding of banking/finance operations, consulting, manufacturing, due diligence and forensic accounting.

He joined the Board of Fidelity Bank on November 25, 2016.

Otunba Seni Adetu
Independent Director

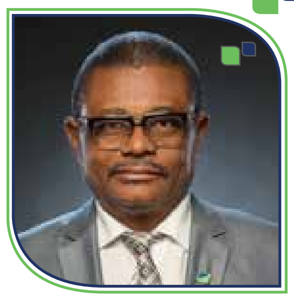
Seni Adetu brings over 30 years of quality private sector experience garnered at the highest levels with John Holt Plc, Coca-Cola International and Diageo/Guinness Plc in different countries within and outside Africa to the Board. He holds a B.Sc in Chemical Engineering and Masters in Business Administration (with specialization in Marketing), both from the University of Lagos.

He was at various times MD of Coca-Cola English West Africa based in Ghana and became the first African MD/CEO and Executive Vice Chairman of Guinness Ghana Plc; Group MD/CEO Diageo East Africa based in Kenya and until December 2014, was the MD/CEO of Guinness Nigeria Plc and Executive Chairman Diageo Brands Nigeria.

He has considerable expertise in commercial, financial and governance best practices. A great marketer renowned for championing innovation in the fast moving consumer goods (FMCG) sector, he was named runner-up Forbes/CNBC Business Leader/CEO of the Year 2012 in East Africa.

Adetu is the Founder/Group CEO of First Primus W.A. Limited, an upscale integrated marketing communications company. He is also the Founder and Group CEO of Algorithm Media Limited, a media specialist communications agency in Nigeria and affiliate of GroupM, one of the largest media networks in the world. He is a leadership coach and facilitates on the Chief Executive Program of the Lagos Business School.

He joined the Board of Fidelity Bank on April 28, 2016.



Chief Charles C. Umolu
Non-Executive Director

Charles C. Umolu, is the Managing Consultant and Chief Executive of Corimol Consulting Limited, a firm engaged in banking and financial consulting. He has over 18 years cognate experience in banking. He trained as a banker with Morgan Guaranty Trust Company of New York, United States of America. He obtained a B.Sc degree in Economics from the University of Ife, Ile-Ife and a Masters in Business Administration from the same institution.

Umolu has served on the boards of various organizations as Executive and Non-Executive Director. He was the Managing Director/CEO of Comet Merchant Bank Limited (1995-1997) a position he held until he retired in 1997 to set up Corimol Consulting Limited. He currently serves on the board of Profound Securities Limited – a subsidiary of the Nigerian Social Insurance Trust Fund (NSITF).

He joined the Board of Fidelity Bank on November 25, 2016.

Management Staff
As At December 31, 2016

Executive Management

Nnamdi Okonkwo
Managing Director/Chief Executive Officer

Mohammed Balarabe
Deputy Managing Director

Chijioke Ugochukwu
ED, Shared Services & Products

Aku Odinkemelu
ED, Commercial & Consumer Banking- South

Adeyeye Adepegba
ED, Corporate Bank

Nneka Onyeali-Ikpe
ED, Commercial & Consumer Banking Lagos & South-West

General Managers

Victor Abejegah
Chief Financial Officer

Leonard Ezugwu
Regional Bank Head

Hassan Imam
Regional Bank Head

Gbolahan Joshua
Chief Operations & Information Officer

Obaro Odeghe
Regional Bank Head

Adeboye Ogunmolade
Chief Compliance Officer

Lazarus Okolie
Regional Bank Head

Kenneth Opara
Head, Managed SMEs, Trade Missions & Multilateral Agencies

Kevin Ugwuoke
Chief Risk Officer

Deputy General Managers

Taiwo Joda
Regional Bank Head

Frank Anumele
Regional Bank Head

Chinweifenu Basil-Ezegbu
Chief Internal Auditor

Martins Izuogbe
Division Head, Operations

Abolore Solebo
Division Head, Strategy

Adeyinka Adebayo
Regional Bank Head

Halilu Malabu
Regional Bank Head

Jude Monye
Regional Bank Head

Mannir Ringim
Regional Bank Head

Richard Madiebo
Division Head, Retail Bank

Assistant General Managers

Ezinwa Unuigboje
Company Secretary

Felicia Anya
Group Head, Credit Administration

Abimbola Ilupeju
Division Head, Legal Services Division

Sadi Zawiya
Regional Bank Head

Janet Nnabuko
Group Head Savings

Micheal Nnaji
Division Head, Transport & Shipping

Ifeanyi Nwosu
Regional Bank Head

Tonie Obiefuna
Head, Corporate Services

Chikwendu Ogbodo
Regional Bank Head

Olusegun Ojo
Group Head, Domestic Operations

Charles Onyeoguzoro
Group Head, Loan Processing

Ovie Mukoro
Regional Bank Head

Charles Nwachukwu
Chief Human Resources Officer

Musa Tarimbuka
Regional Bank Head

Desmond Anumkua
Group Head, Internal Control

Chioma Nwankwo
Head, Private Banking

Evi Kanu
Regional Bank Head

Adewale Mesioye
Regional Bank Head

Adebayo Ogunbiyi
Division Head, FMCG

Chukwudi Egbuna
Regional Bank Head

Report Of The Directors

For The Year Ended 31 December 2016

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

Results

Highlights of the Bank's operating results for the year under review are as follows:

	31 Dec, 2016	31 Dec, 2015
	N'million	N'million
Profit before income tax	11,061	14,024
Income tax expense	(1,327)	(120)
Profit after taxation	**9,734**	**13,904**
Earnings per share		
Basic and Diluted (in Kobo)	34	48

Proposed Dividend

In respect of the 2016 financial year, the Board of Directors recommend a dividend of 14 kobo per Ordinary Share of 50 kobo each amounting to N4,054,680,000 for approval at the Annual General Meeting. If approved, dividend will be paid to Shareholders whose names appear on the Register of Members at the close of business on April 13, 2017. The proposed dividend is subject to Withholding Tax at the appropriate tax rate, which will be deducted before payment.

Legal Form

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

Principal Activities

The principal activity of the Bank continues to be the provision of banking and other financial services to corporate and individual customers from its Headquarters in Lagos and 228 business offices. These services include retail banking, granting of loans and advances, equipment leasing, collection of deposit and money market activities.

Beneficial Ownership

The Bank's shares are held largely by Nigerian citizens and corporations.

Share Capital

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

Range Analysis As At 30/12/2016

Range Analysis				Position As at 31/12/2016	
Range		No. of Holders	Holders%	Units	Units%
1	1000	94,404	23.30	79,949,684	0.28%
1001	5000	173,111	42.72	477,220,601	1.65%
5001	10000	53,215	13.13	437,375,986	1.51%
10001	50000	60,579	14.95	1,450,490,728	5.01%
50001	100000	11,257	2.78	888,964,218	3.07%
100001	500000	9,764	2.41	2,124,403,137	7.33%
500001	1000000	1,394	0.34	1,033,549,043	3.57%
1000001	5000000	1,062	0.26	2,251,246,865	7.77%
5000001	10000000	171	0.04	1,272,605,690	4.39%
10000001	50000000	184	0.05	3,534,087,792	12.20%
50000001	100000000	24	0.01	1,723,691,520	5.95%
100000001	28,962,585,692	56	0.01	13,689,000,428	47.26%
		405,221	**100%**	**28,962,585,692**	**100%**

Substantial Interest In Shares

The Bank's shares are widely held and according to the Register of Members, no single Shareholder held up to 5% of the issued share capital of the Bank during the year.

Directors And Their Interests

Changes On The Board

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

(i) The under-listed Non-Executive Directors, retired from the Board of Directors of the Bank:

- (a) Chief (Dr.) Christopher Ezeh, MFR- retired with effect from October 10, 2016.
- (b) Mr. Kayode Olowoniyi retired with effect from December 31, 2016.
- (c) Ichie (Dr.) Nnaeto Orazulike retired with effect from December 31, 2016.
- (d) Mallam Umar Yahaya retired with effect from December 31, 2016.

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

- (a) Otunba Seni Adetu: The appointment was approved by the Central Bank of Nigeria on April 28, 2016 and will be presented for Shareholders' approval at the 29th Annual General Meeting.
- (b) Mr. Ernest Ebi, MFR, FCIB: The appointment was approved by the Central Bank of Nigeria on November 25, 2016 and will be presented for Shareholders' approval at the 29th Annual General Meeting.

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

(d) Pst. Kings Akuma: The appointment was approved by the Central Bank of Nigeria on November 25, 2016 and will be presented for Shareholders' approval at the 29th Annual General Meeting.

Retirement By Rotation

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

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

Directors And Their Interests

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

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

** Retired effective October 10, 2016; ** Retired on December 31, 2016*
 # Appointed October 20, 2016 and approved by the Central Bank of Nigeria on November 25, 2016
Appointed March 17, 2016 and approved by the Central Bank of Nigeria on April 28, 2016

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

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

Directors' Interests In Contracts

The Directors' interests in related party transactions during the year as disclosed in note 35 to the financial statements and below were disclosed to the Board of Directors in compliance with Section 277 of the Companies and Allied Matters Act of Nigeria. All the transactions are done at arms length.

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

Related Party	Interest in entity	Name of entity	Services to the Bank
Mr. Nnamdi Okonkwo	Related Party	TMS Foods Limited	Lease of ATM space; ocassional pastry supply
Mrs. Chijioke Ugochukwu	Related Party	Branca Waters Limited	Bottled Water Supply
Mrs. Chijioke Ugochukwu	Related Party	Spring Cleaning Limited	Cleaning Services
Mrs. Nneka Onyeali-Ikpe	Related Party	NIL	Lease of Car Park Space
Mrs. Aku Odinkemelu	Related Party	Meko Nigeria Limited	Branch Construction

Disclosure on Directors' Remuneration

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

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

a. Motivate the Directors to promote the right balance between short and long term growth objectives of the Bank while maximizing shareholders' return.

b. Enable the Bank attract and retain Directors with integrity, ability, experience and skills to deliver the Bank's strategy;

c. Promote compliance with global regulatory trends and governance requirements, with emphasis on long-term sustainability;

d. Align individual rewards with the Bank's performance, the interests of shareholders, and a prudent approach to risk management;

e. Ensure that remuneration arrangements are equitable, transparent, well communicated, easily understood, aligned with the interest of shareholders and adequately disclosed.

Executive Directors' Remuneration:

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

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

Executive compensation is therefore tied to specific deliverables and includes fixed and variable pay components. Fixed pay includes basic salary, transport, housing and other allowances.

These are paid monthly, quarterly or annually as appropriate. Variable pay represents pay at risk and is dependent on achievement of pre-set targets.

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

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

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

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

Non-Executive Directors' Remuneration:

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

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

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

Please see the table below for the key elements of Non-Executive Directors' remuneration arrangements.

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

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

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

Events After Reporting Period

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

Property And Equipment

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

Donations And Charitable Contributions

Donations and gifts to charitable organizations during the 2016 financial year amounted to N65,578,432 (December 2015 N92,814,027). There were no donations to political organizations during the year.

The beneficiaries are:

S/N	Benefiary Organisation	Amount
1	Youth Empowerment Programme at Waziri Umaru Federal Polytechnic Birnin-Kebbi, Kebbi State	15,000,000
2	Renovation and Furnishing Of Blocks Of Classrooms At Police Children's School Obalende, Lagos	8,800,000
3	Rebranding Of The Tennis Section Of Apapa Tennis Club, Apapa, Lagos	5,220,000
4	Renovation Of The Kwalli VVF Centre, Kano	4,739,342
5	Renovation Of Students' Hostels And Donation Of School Materials At Edo State IDP Camp	3,000,000
6	Renovation Of Shagari Health Care Centre, Gusau	2,513,116
7	Renovation And Furnishing Of The Children's Ward, Regina Caeli Hospital, Awka	2,371,554
8	Living Fountain Orphanage, Lagos	2,000,000
9	History/Economic Centre, Umar Suleiman College Of Education, Gashua, Yobe State	1,111,420
10	Furniture and Equipment for Vocational Centre, Eti-Osa Community Secondary School, Lagos	728,000
11	The Poorest Of The Poor's Annawim Home, Abuja	700,000
12	The Chosen Child Orphanage And Child Centre	570,000
13	The Captain's Day Golf Tournament Ikoyi Club 1938, Lagos	1,000,000
14	Sebbecly Cancer Care, Lagos	500,000
15	God's Love Tabitha Royal Foundation, Abuja	330,000
16	Modupe Cole Memorial Home, Lagos	300,000
17	The Missionaries Of Charity Treasure Of Love Home	255,000
18	The Poorest Of The Poor's Annawim Home, Abuja	240,000
19	The Down Syndrome Foundation Nigeria, Lagos	200,000
20	The Vigilant Heart Charitable Society	200,000

21	Lady Captain's Cup, Abuja	2,000,000
22	Medical Outreach at Nyak Ajikamai Shendam LGA, Plateau State	1,000,000
23	The Sera's 2016 (10th Anniversary Edition) CSR Awards	2,000,000
24	The 2016 Zik Prize	500,000
25	Access Women Network Walk-A-Thon	300,000
26	Centre For Social Awareness, Advocacy And Ethics Inc., Owerri	500,000
27	2016 World Mental Health Day Symposium	500,000
28	Youth Empowerment Programme: University Of Nigeria, Nsukka, Enugu State	7,500,000
29	Payment Of Medical Bills For Indigent Patients In Jos	600,000
30	Dee Medical Centre	900,000
		65,578,432

Gender Analysis as at December 31, 2016

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

Gender Analysis Of Total Staff As At December 31, 2016		
Gender	Number Of Staff	Percentage Of Total Staff
Female	1443	43%
Male	1915	57%
Total	**3358**	**100%**

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

Gender Analysis Of Executive Management As At December 31, 2016		
Gender	Number	Percentage
Female	3	50%
Male	3	50%
Total	6	100%

Gender Analysis Of Top Management (AGM-GM) As At 31/12/2016			
Grade	Female	Male	Total
General Manager	0	9	9
Deputy General Manager	1	9	10
Assistant General Manager	7	15	22
Total	**8**	**33**	41
Percentage (%)	20%	80%	100%

Gender Analysis Of The Board Of Directors As At 31/12/2016			
Grade	Female	Male	Total
Executive Director	3	1	4
Deputy Managing Director	0	1	1
Managing Director	0	1	1
Non Executive Director	0	8	8
Total	**3**	**11**	**14**
Percentage (%)	21%	79%	100%

Employment Of Disabled Persons

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

Health, Safety And Welfare Of Employees

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

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

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

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

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

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

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

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

There were no workplace related fatalities during the review period.

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

Employee Involvement And Training

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

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

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

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

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

The Bank currently has nine modern learning centres in Lagos, Ibadan, Benin, Port-Harcourt, Owerri, Awka, Enugu, Abuja and Kano with robust plans to build a similar centre in the North East location of Bauchi. A total of 2,476 staff members participated in various training programs in 2016.

Auditors

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

Ezinwa Unuigboje
Company Secretary
FRC/2014/NBA/00000006957
Fidelity Bank Plc
No. 2 Kofo Abayomi Street
Victoria Island
Lagos.

March 29, 2017

Report Of The Statutory Audit Committee

For The Year Ended 31 December 2016

To The Members Of Fidelity Bank Plc

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

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

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

Mr. Chidi Agbapu
Chairman, Statutory Audit Committee

March 29, 2017

Members of the Statutory Audit Committee are:

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

In attendance:
Mrs. Ezinwa Unuigboje - Company Secretary

Corporate Governance Report

For The Year Ended 31 December 2016

Introduction

This Report is designed to update stakeholders on how Fidelity Bank Plc ("Fidelity" or "the Bank") discharged its fiduciary responsibilities in relation to governance as well as its level of compliance with relevant statutory and regulatory requirements during the review period.

The Board of Directors is committed to ensuring sustainable long term success for the Bank and is mindful that best practice in corporate governance is essential for ensuring accountability, fairness and transparency in a company's relationship with all its stakeholders.

The Bank's Shared Values of Customer First, Respect, Excellence, Shared Ambition and Tenacity (CREST) continue to be the guiding principles which we believe are necessary to sustain the growth of the business and our relationship with stakeholders, while keeping faith with our Vision to be "No. 1 in every market we serve and every branded product we offer".

Corporate Governance Framework

Fidelity Bank has a structured corporate governance framework which supports the Board's objective of achieving sustainable value. This is reinforced by the right culture, values and actions at the Board and Management level and throughout the entire organization.

The Board of Directors is the principal driver of corporate governance and has overall oversight responsibility for ensuring that the tenets of good corporate governance are adhered to in the management of the Bank. In the Bank's pursuit to achieve long-term shareholder value, we constantly strive to maintain the highest standards of corporate governance, which are the foundation on which we manage risk and build the trust of all our stakeholders.

The Board continues to comply with the Bank's internal governance policies and the provisions of the Companies and Allied Matters Act (CAMA) Cap C.20 Laws of the Federation of Nigeria, 2004. The Bank's governance framework is also designed to ensure on-going compliance with applicable governance codes: Central Bank of Nigeria's (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ("the CBN Code"), the Securities & Exchange Commission's Code of Corporate Governance ("the SEC Code"), the Post-Listing Requirements as well as the Rules issued from time to time by the Nigerian Stock Exchange (NSE).

The Bank undertakes frequent internal assessment of its compliance with the Codes/Rules and submits periodic compliance reports to the CBN, SEC, NSE and the Nigerian Deposit Insurance Corporation (NDIC).

The Codes and Rules are quite detailed and cover a wide range of issues, including Board and Management, Shareholders, Rights of other Stakeholders, Disclosure Requirements, Risk Management, Organizational Structure, Quality of Board Membership, Board Performance Appraisal, Reporting Relationship, Ethics and Professionalism, Conflict of Interest, Sustainability Issues, Whistle-blowing, Code of Ethics, Complaints Management Processes and the Role of Auditors. These, in addition to the Bank's Memorandum and Articles of Association, Board, Board Committees and Management Committee Charters, collectively constitute the basis of the Bank's corporate governance framework.

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

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

The Board Of Directors

The Board (Size, Structure and Responsibilities):
Total Board size is currently fourteen (14). The Board incorporates both supervisory and management functions which are split between six (6) Executive Directors including the Managing Director/CEO and eight (8) Non-Executive Directors including two (2) Independent Non-Executive Directors.

The Board is responsible for creating and delivering sustainable value to all stakeholders through efficient management of the business. The Board is also responsible for determining the strategic direction of the Bank, which said strategy is implemented through Executive Management, within a framework of rewards, incentives and controls.

Executive Management, led by the MD/CEO, constitute the key management organ of the Bank and is primarily responsible for achieving performance expectations and increasing shareholder value. Executive Management reports regularly to the Board on issues relating to the growth and development of the Bank. The Board plays a major supportive and complementary role in ensuring that the Bank is well managed and that appropriate controls are in place and fully operational.

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

Responsibility for the day-to-day management of the Bank resides with the Managing Director/Chief Executive Officer (MD/CEO), who carries out his functions in accordance with guidelines approved by the Board of Directors. The MD/CEO is ably assisted by the five (5) Executive Directors. In line with best practice and requisite regulations, the roles of the Chairman of the Bank and the MD/CEO are assumed by different individuals to ensure that the right balance of power and authority is maintained.

The effectiveness of the Board is derived from the broad range of skills and competencies of the Directors, who are persons of high integrity and seasoned professionals and are competent, knowledgeable and proficient in their professional career, business and/or vocation.

The Directors bring to the Board their diverse experience in several fields ranging from business, corporate finance, accounting, management, banking operations, risk management, project finance, leasing, law, and treasury management. The diverse professional background of the Directors reflects a balanced mix of skills, experiences and competencies that impacts positively on the Board's activities. No individual dominates the decision making process and the Board operated effectively throughout the year and continues to do so.

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

Matters reserved exclusively for the Board include but are not limited to: approval of credit requests in excess of the approval limit of the Board Credit Committee, approval of the Bank's quarterly, half yearly and full year financial statements, disposal of assets other than in the normal course of the Bank's business, mortgaging or otherwise creating security interest over the assets of the Bank, appointment or removal of key management personnel, strategic planning, succession planning and integrity of the financial statements.

The Board has a comprehensive Remuneration Policy which is designed to address the compensation of both Executive and Non-Executive Directors. The Policy is designed to establish a framework for Directors' remuneration that is consistent with the Bank's scale and scope of operations and is aimed at attracting, motivating and retaining qualified individuals with the talent, skill and experience required to run the Bank effectively. Details of the Policy are contained on pages 38 to 40 of this Annual Report.

The Board meets quarterly and additional meetings are convened as required. The Directors are provided with comprehensive information at each quarterly meeting and are also briefed on business developments between Board meetings. The Board met eleven (11) times during the financial year ended December 31, 2016.

Details of the Directors who served on the Board in 2016 are indicated below:

Name	Designation	Changes During The Year (Appointment/ Retirement)
Mr. Ernest Ebi, MFR, FCIB	Non-Executive Director/ Chairman of the Board of Directors	Appointed October 20, 2016 (CBN approved November 25, 2016)
Chief (Dr.) Christopher I. Ezeh, MFR	Non-Executive Director	Retired October 10, 2016
Mallam Umar Yahaya	Non-Executive Director	Retired December 31, 2016
Ichie (Dr.) Nnaeto Orazulike	Non-Executive Director	Retired December 31, 2016
Mr. Kayode Olowoniyi	Non-Executive Director	Retired December 31, 2016
Mr. Robert Nnana-Kalu	Non-Executive Director	No change
Mr. Alex Ojukwu	Non-Executive Director	No change
Mr. Michael Okeke	Non-Executive Director	No change
Alhaji Bashari Gumel	Independent Director	No change
Pst. Kings Akuma	Non-Executive Director	Appointed October 20, 2016 (CBN approved November 25, 2016)
Chief Charles Umolu	Non-Executive Director	Appointed October 20, 2016 (CBN approved November 25, 2016)
Otunba Seni Adetu	Independent Director	Appointed March 17, 2016 (CBN approved April 28, 2016)
Mr. Nnamdi Okonkwo	Managing Director/CEO	No Change
Mrs. Chijioke Ugochukwu	Executive Director	No change
Mr. Mohammed Balarabe	Executive Director	No change
Mrs. Aku Odinkemelu	Executive Director	No change
Mr. Adeyeye Adepegba	Executive Director	No change
Mrs. Nneka Onyeali-Ikpe	Executive Director	No change

Directors' Appointments, Retirements and Re-elections

Directors' appointments, retirements and re-elections are effected in accordance with the provisions of the Bank's Memorandum and Articles of Association, the Directors' Selection Criteria Policy, the Central Bank's Assessment Criteria for Approved Persons Regime in Nigeria as well as other relevant laws, to ensure a balanced and experienced Board.

The Board Corporate Governance Committee is charged with the responsibility of leading the process for Board appointments and for ascertaining and recommending suitable candidates for the approval of the Board. The process is transparent and may involve external consultants, particularly for executive positions. The importance of achieving the right balance of skills, experience and diversity is also taken into consideration in making Board appointments.

The following retirements and appointments took effect on the Board of your Bank in the 2016 financial year:

S/N	Name	Designation	Date
1	Mr. Ernest Ebi, MFR, FCIB	Non-Executive Director/Chairman of the Board of Directors	Appointed October 20, 2016 (CBN approved November 25, 2016)
2	Chief (Dr.) Christopher I. Ezeh, MFR	Non-Executive Director	Retired effective October 10, 2016
3	Ichie (Dr.) Nnaeto Orazulike	Non-Executive Director	Retired effective December 31, 2016
4	Mr. Kayode Olowoniyi	Non-Executive Director	Retired effective December 31, 2016
5	Mallam Umar Yahaya	Non-Executive Director	Retired effective December 31, 2016
6	Otunba Seni Adetu	Independent Director	Appointed March 17, 2016 (CBN approved April 28, 2016)
7	Pst. Kings Akuma	Non-Executive Director	Appointed October 20, 2016 (CBN approved November 25, 2016)
8	Chief Charles Umolu	Non-Executive Director	Appointed October 20, 2016 (CBN approved November 25, 2016)

Board Induction and Continuous Education:

Given the increasing complexity of banking transactions, the demands of the operating environment and their weighty oversight responsibilities, the Board of Fidelity Bank acknowledges that its ability to effectively discharge its functions can only be enhanced by qualitative training programs. Training of individual Directors and the Board as a whole are important investments for every organization and research has established a strong correlation between qualitative Board training programmes and sound corporate governance practices, growth and profitability.

The Bank has a Directors Training Policy which provides for formal induction programmes for newly appointed Directors and bespoke training programmes for serving Directors. The Directors also participate in Regulator initiated training programmes.

An induction plan is designed for all new Directors and involves both personalized in-house orientation including individual meetings with Executive Management and Senior Executives responsible for the Bank's key business areas, and external training. The induction programme includes an overview of the Bank's operations, risk management, treasury operations, internal audit, compliance, corporate governance framework and Board processes. Board development programmes also involve a combination of executive coaching sessions and annual Board strategy retreats.

New Directors also receive a comprehensive induction pack which includes copies of Board/ Board Committee Charters, annual goals, relevant legislations and calendar of Board activities. The induction and training programmes are robust and designed to equip all Directors to effectively discharge their responsibilities whilst improving overall board effectiveness. The Bank renders periodic returns on training programmes attended by Directors to the Central Bank.

During the period under review, the Directors attended the training courses indicated hereunder:

Training	Facilitator	Date
Company Direction Course 1	Institute of Directors	June 8-9, 2016
Fiduciary Awareness Certification Test & Training	Nigerian Stock Exchange in collaboration with the Convention for Business Integrity	August 30, 2016
Enterprise Risk Training	IBFC Alliance Limited	Sept 29, 2016
Induction/Orientation Training	Fidelity Bank Plc In-house Faculty	Sept 30, 2016
Training on Non-Oil Export Sector - Export Business Growth & Finance Strategies	3T Impex Trade Academy	Oct 21, 2016
Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT)	IBFC Alliance Limited	Oct 21, 2016
Sustainable Banking Principles for Bank Directors	IBFC Alliance Limited	Oct 21, 2016
Essentials of Management	Wharton Executive Education	Nov 11, 2016
Women in Leadership Programme: Expanding Influence and Leading Change	Columbia Business School	Nov 11, 2016
Making Your Organisation Innovative: Leading and Leveraging The Innovation Potential	Cambrigde Judge Business School, University Of Cambridge	Dec 4-9, 2016
Risk Management For Corporate Leaders	Harvard Business School	Dec 9, 2016

Access to independent advice:

In compliance with the Codes and global best practices, the Board ensures that the Directors have access to independent professional advice where they deem same necessary to discharge their responsibilities as Directors. The Bank also provides the Directors with sufficient resources to enable them execute their oversight responsibilities.

Independent consultants engaged during the review period include:

No	Consultant	Brief
1	KPMG Professional Services	Board Appraisal
		Strategy and Management advisory services
		Corporate Governance Survey
2	PricewaterhouseCoopers	Business Process Re-engineering
3	IBFCAlliance Limited	Board Training and Development

The Directors also have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and regulations that relate to the Board are complied with.

Board Performance Appraisal:

The Board of Fidelity, recognizing the need to maintain an energized, proactive and effective Board, adopted a formal Board and Board Committees Evaluation Policy in April 2012. To give effect to the provisions of the Policy and comply with the Codes, the Board engages an independent consultant to conduct an annual appraisal of the Board's performance and highlight any issues that require remedial action.

The appraisal enables the Board to identify future developmental needs, while also benchmarking its performance against global best practices and enhancing board effectiveness.

The appraisal is extensive and covers the Board, Board Committees and individual Directors, focusing on strategy, corporate culture, monitoring, evaluation, performance and stewardship. A governance survey is also ocassionally administered on senior management staff of the Bank and the result of the survey is presented to the Board.

Amongst other indices the annual assessment focuses on the Board's role in the following key areas:

(a) Defining strategy and management of the Board's own activities.
(b) Monitoring Management and evaluating its performance against defined objectives.
(c) Implementing effective internal control systems.
(d) Communicating standards of ethical organizational behaviour by setting the tone at the top.

The independent consultant's report on the Board appraisal is presented to Shareholders at the Annual General Meeting in each year and also submitted to the Central Bank of Nigeria.

Board Meetings:

To ensure its effectiveness throughout the year, the Board develops an Annual Agenda Cycle, Annual Goals and Calendar of Board activities at the beginning of each year. These not only focus the activities of the Board, but also establish benchmarks against which its performance can be evaluated at the end of the year.

While a detailed forward agenda is available, same is periodically updated to reflect contemporary issues that may arise, which may be of interest to the Bank in particular and the finance industry or national/global economies. The Board meets quarterly or as the need arises.

A. Board Committees

The responsibilities of the Board are further accomplished through five (5) Standing Committees which work closely with the Board to achieve the Bank's strategic objectives. The Board Committees are detailed below:

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

To enable the Committees meet their oversight responsibilities, each Committee has a definitive Charter which embodies its guiding principles and sets out its composition, functions, responsibilities and scope of authority. At the beginning of the year, each

Committee develops its Annual Agenda Cycle, Annual Goals and meeting calendar, to focus its activities during the year.

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

1. Board Credit Committee:

This Committee functions as a Standing Committee of the Board with responsibility for Credit Management. The primary purpose of the Committee is to advise the Board on its oversight responsibilities in relation to the Bank's credit exposures and lending practices. The Committee comprises a minimum of four (4) Non-Executive Directors (including an Independent Director) and the MD/CEO and one (1) Executive Director.

Its terms of reference include:

(a) Exercising all Board assigned responsibilities on credit related issues.

(b) Review and recommend credit policy changes to the full Board.

(c) Ensure compliance with regulatory requirements on credits.

(d) Approving credits above the Management's credit approval limits.

(e) Tracking the quality of the Bank's loan portfolio through quarterly review of risk assets.

(f) Receive and consider recommendations from the Management Credit Committee (MCC), Asset & Liability Committee (ALCO), and Operational Risk & Service Measurement Committee on matters relating to Credit Management.

(g) Consider and recommend for full Board approval, any Director, Shareholder and Insider-Related credits.

(h) Consider exceptions to rules or policies and counsel on unusual credit transactions.

The Committee meets monthly or as the need arises.

2. Board Risk Committee:

This Committee functions as a Standing Committee with responsibility for overseeing the risk management activities of the Bank, approving appropriate risk management procedures, and measurement methodologies, as well as identification and management of strategic business risks of the Bank. It consists of a minimum of four (4) Non-Executive Directors one of whom is an Independent Director. Its terms of reference include:

(a) Establishing the Bank's risk appetite;

(b) Ensuring that business profiles and plans are consistent with the Bank's risk appetite;

(c) Establishing and communicating the Bank's risk management framework including responsibilities, authorities and control;

(d) Establishing the process for identifying and analyzing business level risks;

(e) Agreeing and implementing risk measurement and reporting standards and methodologies; ;

(f) Establishing key control processes and practices, including limit, structures, impairment, allowance criteria and reporting requirements;

(g) Monitoring the operation of the controls and adherence to risk direction and limits;

(h) Ensuring that the risk management practices and conditions are appropriate for the business environment.

The Committee meets quarterly or as the need arises. Occasionally, a joint meeting is held between the Board Credit Committee and the Board Risk Committee to review credit risk related issues.

3. Board Audit Committee:

The Committee functions as a Standing Committee of the Board charged with the overall responsibility for internal control over financial reporting, including internal and external audit. The Committee is composed of a minimum of four (4) Non-Executive Directors (including an Independent Director). Its terms of reference include:

(a) Ensuring the integrity of the Bank's financial reporting system.

(b) Ensuring the existence of independent internal and external audit functions.

(c) Ensuring the effectiveness of internal control system, prudence and accountability in significant contracts and compliance with regulatory requirements.

(d) Effectiveness of accounting and operating procedures, and

(e) Ensuring compliance with legal and regulatory requirements.

The Committee meets quarterly or as the need arises.

4. Board Corporate Governance Committee:

The Board Corporate Governance Committee comprises a minimum of four (4) Non-Executive Directors (including an Independent Director). The Managing Director (or an Executive Director nominated by him) and the Executive Director, Shared Services & Products are required to be in attendance at the Committee's meetings which are held quarterly or as the need arises. The Board Corporate Governance Committee ("the Committee") has oversight responsibility for all issues relating to the Bank's Corporate Governance Framework. The Committee's terms of reference include:

(a) Review and make recommendations for improvements to the Bank's Corporate Governance Framework.

(b) Recommend membership criteria for the Board and its Committees.

(c) Review and make recommendations on the Bank's key human capital policies.

(d) Review and make recommendations on Key Performance Indicators for the Managing Director and Executive Directors.

(e) Ensure that a Board evaluation exercise is undertaken annually.

(f) Provide oversight for Directors' orientation and continuing education programmes.

(g) Ensure proper reporting and disclosure of the Bank's corporate governance procedures to stakeholders.

(h) Ensure proper succession planning for the Bank.

The Committee meets quarterly or as the need arises.

5. Board Finance & General Purpose Committee:

The Board Finance & General Purpose Committee has oversight responsibility for issues relating to the Bank's budgetary process, procurements and strategic planning. The Committee is comprised of a minimum of four (4) Non-Executive Directors (including an Independent Director). The Committee's terms of reference include:

(a) Review major expense lines periodically and approve expenditure within the approval limit of the Committee as documented in the financial manual of authorities.

(b) Participate in and lead an annual strategy retreat for the Board and Management.

(c) Review annually, the Bank's financial projections, as well as capital and operating budgets and review on a quarterly basis with Management, the progress of key initiatives, including actual financial results against targets and projections.

(d) Make recommendations to the Board regarding the Bank's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines and the performance of the Bank's investment portfolios.

(e) Ensure a transparent and competitive tendering process on major contracts to guarantee the best value for the Bank.

(f) Review and recommend to the Board for approval, the procurement strategy and policy for the Bank.

(g) Ensure that all major contracts are carried out according to the terms and conditions of the contract agreement.

(h) Other finance matters including recommending for Board approval, the Bank's dividend policy, including amount, nature and timing and other corporate activities.

(i) Recommend a comprehensive framework for delegation of authority on financial matters and ensure compliance with same.

The Committee meets quarterly or as the need arises.

B. Attendance at Board and Board Committee Meetings

Records of the Directors' attendances at meetings in 2016 are provided below:

Directors	Full Board	Board Corporate Governance Committee (BCGC)	Board Audit Committee (BAC)	Board Credit Committee (BCC)	Board Finance And General Purpose Committee (BFGPC)	Board Risk Committee (BRC)	Board Audit & Risk Committee
Total Number Of Meetings	**11**	**6**	**3**	**16**	**5**	**3**	**1**
Mr. Ernest Ebi, MFR, FCIB#	2	NA	NA	NA	NA	NA	NA
Chief (Dr.) Christopher Ezeh MFR*	7	NA	NA	NA	NA	NA	NA
Mallam Umar Yahaya**	10	6	3	15	NA	2	1
Ichie (Dr.) Nnaeto Orazulike**	11	NA	NA	13	5	2	1
Mr. Kayode Olowoniyi**	11	6	3	15	5	NA	NA
Mr. Robert Nnana-Kalu	11	6	3	16	5	3	1
Alhaji Bashari M. Gumel	11	6	3	15	5	3	1
Mr. Michael Okeke	11	6	NA	16	5	NA	NA
Mr. Alex C. Ojukwu	11	NA	NA	15	5	3	1
Pst. Kings Akuma#	1	NYA	NYA	NYA	NYA	NYA	NYA
Otunba Seni Adetu##	5	2	NA	4	2	1	NYA
Chief Charles Umolu#	1	NYA	NYA	NYA	NYA	NYA	NYA
Mr. Nnamdi Okonkwo***	9	NA	NA	9	NA	NA	NA
Mrs. Chijioke Ugochukwu	11	NA	NA	14	NA	NA	NA
Mr. Mohammed Balarabe	10	NA	NA	16	NA	NA	NA
Mrs. Aku P. Odinkemelu	11	NA	NA	13	NA	NA	NA
Mr. Adeyeye Adepegba	11	NA	NA	16	NA	NA	NA
Mrs. Nneka Onyeali-Ikpe	10	NA	NA	15	NA	NA	NA

NA- Not Applicable
NYA- Not Yet Appointed
Appointment approved by the CBN with effect from November 25, 2016
Appointment approved by the CBN with effect from April 28, 2016
* Retired with effect from October 10, 2016
** Retired with effect from December 31, 2016
*** Attendance limited by regulatory engagements

C. Statutory Audit Committee

The Statutory Audit Committee was established in compliance with Section 359 (3) of the Companies & Allied Matters Act, CAP C20 LFN 2004. The Committee has six (6) members and membership is split evenly between three (3) members of the Board and three (3) members nominated annually by Shareholders at the Annual General Meeting. A waiver was obtained from the Financial Reporting Council of Nigeria in connection with the execution of the Statutory Audit Report. The Committee's key responsibilities include:

(a) Review the External Auditor's proposed audit scope and approach.

(b) Monitor the activities and performance of External Auditors.

(c) Review with the External Auditors any difficulties encountered in the course of the audit.

(d) Review results of the half year and annual audits and discuss same with Management and the External Auditors.

(e) Present the report of the Statutory Audit Committee to Shareholders at the Annual General Meeting.

Membership and attendance at the Statutory Audit Committee meetings during the year is as indicated below:

S/N	Name	Designation	1st March 2016	19 April 2016	19 July 2016	18 Oct 2016	Total No. of Meetings
1	Mr. Chidi Agbapu	Chairman/ Shareholder	√	√	√	√	4
2	Dr. Christian Nwinia	Shareholder	√	√	√	√	4
3	Mr. Robert Nnana-kalu	Non-Executive Director	√	A	√	√	3
4	Ichie (Dr.) Nnaeto Orazulike	Non-Executive Director	√	√	√	√	4
5	Chief Frank Onwu	Shareholder	√	√	√	√	4
6	Mallam Umar Yahaya	Non-Executive Director	A	A	√	√	2

KEY: √- Present; A - Apology;

NOTES: The Charter of the Statutory Audit Committee requires that at least two (2) representatives of the Shareholders are present at every meeting.

D. General Meetings

Fidelity Bank recognizes that its shareholders are major stakeholders in the enterprise and that General Meetings are the primary avenue for interaction between the shareholders, Management and the Board. Since shareholders collectively constitute the highest decision making organ in the Company, the Bank complies strictly with regulatory requirements and convenes at least one General Meeting (the Annual General Meeting) each financial year, to give all shareholders the opportunity to participate in governance.

The meetings are convened and conducted in a transparent manner and also attended by representatives of the Central Bank of Nigeria, Securities & Exchange Commission, Nigerian Stock Exchange, Corporate Affairs Commission, Nigeria Deposit Insurance Corporation and various Shareholders' Associations.

The Board takes a keen interest in its responsibility to ensure that material developments (financial and non-financial) are communicated to shareholders timely. The Board is also conscious of regulatory reporting requirements and routinely discloses material information to all stakeholders. To achieve this, the Bank has developed formal structures for information dissemination via direct communication to all interested parties using electronic and print media as well as its website, **www.fidelitybank.ng**

The Bank's Company Secretariat is well equipped to handle enquiries from shareholders in a timely manner. The Company Secretariat also ensures that any concerns expressed by investors, are communicated to Management and the Board as appropriate.

E. Management Committees

In addition to the Board, Board Committees, Statutory Audit Committee and the Shareholders in General Meeting, the Bank's governance objectives are also met through the Management Committees. Each Management Committee has a formal Charter which guides its purpose, composition, responsibilities and similar matters. Fuller details on the operations of the Committees are detailed below.

1. Executive Committee:

The Executive Committee is charged with overseeing the business of the Bank within agreed financial and other limits set by the Board from time to time. This Committee is comprised of the Managing Director and the Executive Directors of the Bank. The Committee meets monthly or as required and has the following key objectives:

(a) Ensure implementation of the Bank's Business Plan and Strategy upon approval of same by the Board;

(b) Review budget presentations for each financial year ahead of presentation to the Board;

(c) Evaluate the Bank's strategy at quarterly intervals and update the Board on same;

(d) Review the Bank's Budget performance at quarterly intervals and update the Board on same at bi-annual intervals;

(e) Review the Bank's Quarterly, Half-Yearly and Full Year financial statements ahead of presentation of same to the Board and the Regulators;

(f) Review and approve proposals for capital expenditure and acquisitions within its approval limit;

(g) Make recommendations to the Board on dividend and/or corporate actions for each financial year; and,

(h) Any other matter as the Board may direct.

2. Asset & Liability Committee:

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

(a) Review the economic outlook and its impact on the Bank's strategy.

(b) Ensure adequate liquidity.

(c) Ensure that interest rate risks are within acceptable parameters.

(d) Maintain and enhance the capital position of the Bank.

(e) Maximize risk adjusted returns to stakeholders over the long term.

3. Management Credit Committee:

The primary purpose of the Committee is to advise the Board of Directors on its oversight responsibilities in relation to the Bank's credit exposures and lending practices. The Committee also provides guidance on development of the Bank's credit and lending objectives. The Committee meets once a week or as necessary and its key responsibilities include the following:

(a) Establishing the Minimum Lending Rate and Prime Lending Rate (PLR).

(b) Recommending Target Market Definition (TMD) and Risk Assets Acceptance Criteria (RAAC).

(c) Pre-approval of Platform Credits (Product Papers).

(d) Recommend Inter-Bank and Discount House Placement Limits.

(e) Review the policies and the methodologies for assessing the Bank's credit risks and recommend appropriate exposure limits.

(f) Approve credit facilities within the Committee's approval limits and recommend for approval as appropriate, credit facilities above its approval limit.

(g) Review and recommend the Bank's loan portfolio limits and classifications.

(h) Review and recommend changes to credit policy guidelines for Board approval.

4. Criticized Assets Committee:

The Criticized Assets Committee is responsible for the review and coverage of the Bank's total risk assets portfolio for quality. It also ensures that approved facilities are operated in accordance with approved terms and conditions and accelerates collection/recovery of non-performing loans. This Committee is comprised of the Managing Director and all the Executive Directors of the Bank and key management personnel including the Chief Risk Officer. The Committee meets monthly or as required and has the following key objectives:

(a) Review of individual credit facilities based on their risk rating and exceptions.

(b) Review of the loan portfolio of Business Divisions/Groups/Units bank-wide.

(c) Review the activities and oversee the effectiveness of the Regional Criticized Assets Committees.

(d) Review of collateral documentation to ensure compliance with approvals.

(e) Approval of portfolio classification/reclassification and level of provisioning.

(f) Approval of loan transfers to any committee or persons for recovery action.

(g) Continuously review and evaluate recovery strategies on each account, and recommend alternative strategies on an account-by-account basis.

(h) Review performance of loan recovery agents, and other third party agents assigned recovery briefs with the objective of delisting non-performers.

(i) Consider and recommend collateral realization on defaulting accounts.

(j) Recommend for EXCO or Board approval, waivers and concessions and propose amounts to be paid as full and final settlement by defaulting borrowers.

(k) Recommend interest suspension for non-performing accounts on a case-by-case basis

5. Management Profitability Review Committee:

The Management Profitability Review Committee meets monthly or as necessary and has the following key objectives:

(a) Review the Bank's monthly performance.

(b) Monitor budget achievement.

(c) Assess efficiency of resource deployment in the Bank.

(d) Review product performance.

(e) Reappraise cost management initiatives.

(f) Develop and implement a framework for measuring performance in the Bank.

(g) Develop Key Performance Indicators (KPI) for business and support units within the Bank.

(h) Determine the basis for rewards and consequence management.

6. Operational Risk & Service Measurement Committee:

The Operational Risk & Service Measurement Committee meets monthly or as necessary and over sees all matters related to operational risk and service delivery in the Bank.

The Committee is charged with the following key responsibilities:

(a) Ensuring full implementation of the risk management framework approved by the Board of Directors.

(b) Monitoring the implementation of policies, processes and procedures for managing operational risk in all of the Bank's material products, activities, processes and systems.

(c) Ensuring that clear roles and responsibilities for the management of operational risk are defined throughout all levels of the Bank, including all Business and Support Units.

(d) Providing support to the Chief Risk Officer to ensure that a culture of compliance is entrenched throughout the Bank.

Notes:

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

Management Committee Meetings are held fortnightly or monthly per the terms of reference of each Committee or as the need arises. The Bank diligently submits its financial reports quarterly, half yearly and annually to the Securities & Exchange Commission and the Nigerian Stock Exchange for publication following approval by the Central Bank of Nigeria.

Governance And Management

Fidelity has adopted various policies which define acceptable standards of behavior in the organization.

These include the following:

(a) Code of Business Conduct and Ethics Policy for Staff;

(b) Directors Code of Conduct Policy;

(c) Insider Trading Policy;

(d) Whistle-blowing Policy; and,

(e) Shareholders Complaints Management Policy.

Code of Business Conduct and Ethics Policy

The Code of Business Conduct and Ethics ("the Code") is an expression of the Bank's core values and represents a framework for guidance in decision-making. The main objectives of the Policy are to:

(a) demonstrate the Bank's commitment to the highest standards of ethics and business conduct; and

(b) govern the Bank's relationship with employees, customers, suppliers, shareholders, competitors, the communities in which it operates and the relationship with each other as employees.

The Code requires all Directors, significant shareholders, officers and employees of the Bank to avoid taking actions or placing themselves in positions that create or could create the appearance of conflict of interest, corruption or of impropriety. The Bank must also protect the privacy of its customers' financial and other personal information. The Code provides basic guidelines of business practice, professional and personal conduct that the Bank expects all employees to adopt and uphold as members of Team Fidelity. Employees are also expected to comply with other policies referred to in the Code, additional policies that apply to their specific job functions, and the spirit and letter of all laws and regulations.

At the beginning of each year and upon resumption, all employees are required to formally disclose that they have no material or any other conflicting interests as well as declare their interest in any account, customer, transaction or person who is a party to a material contract or proposed contract with the Bank.

The Chief Internal Auditor has the primary responsibility of enforcing the Code subject to the supervision of the Ethics Committee and the Board Audit Committee. The execution of disciplinary actions and sanctions for infringement of the Code are guided by the Bank's disciplinary procedure as documented in the Staff Handbook.

Directors' Code of Conduct Policy

At the Board level, the Board of Directors adopted the Directors' Code of Conduct Policy, which sets out the standards that each Director is expected to adhere to. Directors have a duty to oversee the management of the business and affairs of the Bank. In carrying out this duty, Directors are expected to act honestly, in good faith and in the interest of the Bank at all times. All Directors are expected to adhere strictly to the Code and formally declare their interest, if any, in any contract or transaction to which the Bank is a party.

Insider Trading Policy (Dealing in the Company's Securities)

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

(a) Promote compliance with the provisions of the Investments and Securities Act (ISA) 2007, the Securities and Exchange Commission Code of Corporate Governance and the Listing Rules of the Nigerian Stock Exchange;

(b) Ensure that all persons to whom the policy applies (affected persons), who possess material non-public information do not engage in insider trading or tipping.

(c) Ensure that all the Bank's employees and Directors comply with utmost secrecy and confidentiality on all information which they receive as a result of their position within the Bank; and

(d) Protect the Bank and its staff from reputational damage and penalties that may be imposed by regulators as a result of improper identification, disclosure and management of insider trading activities.

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

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

Whistle-blowing Policy

Fidelity Bank Plc requires all Employees, Directors, Vendors and other Stakeholders to conduct themselves with the utmost fidelity and good faith in their dealings with the Bank and its stakeholders at all times. The Bank's Whistle-Blowing Policy and Procedures therefore aim to strengthen its corporate governance and risk management architecture whilst enhancing value for all stakeholders.

To this end, internal and external stakeholders are encouraged to report their concerns about any ostensibly unethical behaviour to enable the Bank investigate and address same appropriately.

The Bank recognizes the need for protection of whistle-blowers and takes all reasonable steps to protect their identity. The Bank also appreciates the importance of utmost confidentiality in these situations and has developed various anonymous channels for reporting unethical behaviour.

Any person desirous of reporting unethical behaviour may do so through any of the following channels:

Ethics hotline: 09099911147
Ethics email: ethicscommittee@fidelitybank.ng

A policy statement on whistle-blowing is available on the Bank's website along with a whistle-blowing form, to ease the reporting process. This can be accessed at:

https://www.fidelitybank.ng/index.php/contact/whistle-blowing-form

The Board and Executive Management are responsible for implementation of the Policy and communication of same to stakeholders. To facilitate implementation of the Policy, the Bank has established an Ethics Committee comprised of five (5) Management staff drawn from key areas of the Bank including Compliance, Legal, Operations and Human Resources.

The Ethics Committee is responsible for receiving and evaluating whistle-blowing reports, deciding the nature of the action to be taken, reviewing the report of any enquiry arising from a whistle-blowing report, providing feedback on the outcome of investigations to the whistle-blower (where the whistle-blower has provided a means of communicating with him/her).

The Ethics Committee also provides updates on whistle-blowing incidents to the Board Audit Committee on a quarterly basis, through the Chief Internal Auditor. In addition, the Chief Compliance Officer renders periodic returns on whistle-blowing incidents to the Central Bank Of Nigeria and Nigeria Deposit Insurance Corporation as appropriate.

Shareholders Complaints Management Policy

Fidelity Bank is committed to ensuring that Shareholders complaints are dealt with in a responsive, efficient and effective manner. To this end, the Bank developed and adopted a Complaints Management Policy in July 2015 and the Company Secretary is vested with the responsibility for implementation of the Policy, resolution of complaints and achievement of outcomes.

The Complaints Management policy involves the process of receiving, addressing, managing and resolving complaints from Shareholders on issues covered by the Investments and Securities Act (ISA), 2007; Rules and Regulations made pursuant to the ISA, Rules and Regulations of the Securities and Exchange Commission (SEC), and the Nigerian Stock Exchange (NSE) on the trading of the Bank's securities and guidelines of recognized Trade Associations.

The objectives of the Policy are as follows:

(a) Ensure compliance with the provisions of the SEC Rules relating to Complaints Management Framework, the Rules and Regulations made pursuant to the ISA, the rules and regulations of Securities Exchanges and guidelines of public companies/recognized trade associations as well as other applicable regulatory requirements.

(b) Handle complaints by Shareholders, Stakeholders, and Customers in relation to Fidelity's shares.

(c) Provide an avenue for Shareholder communication and feedback.

(d) Recognize, promote and protect Shareholders rights, including the right to comment and provide feedback on service.

(e) Provide an efficient, fair and accessible framework for resolving Shareholder complaints and feedback to improve service delivery.

(f) Inform Shareholders on the Shareholder feedback handling processes.

(g) Establish a framework to guide against trade manipulation, accounting frauds, Ponzi schemes and such other complaints as may be determined by the SEC from time to time.

(h) Establish and maintain an electronic complaints register and provide information on a quarterly basis to the NSE in line with regulations.

(i) Protect the Bank from sanctions from regulatory bodies and ensure strict compliance by the responsible parties.

The Nigerian Stock Exchange Corporate Governance Rating System

The Center for Business Integrity (CBI) was formally launched in 1997 to empower businesses against corruption and corrupt practices and its vision and objectives include the following:

(a) To move the society towards visible zero tolerance for corruption;
(b) To provide an alternative to the perceived all-encompassing culture of corruption in Nigeria; and,
(c) To define minimum standards for business integrity in Nigeria (Code of Business Integrity).

The CBI in collaboration with the Nigerian Stock Exchange (NSE) launched the Corporate Governance Rating System (CGRS) on November 3, 2014 and participation is mandatory for all listed companies. Your Bank is participating in the exercise.

The Company Secretary

The Company Secretary plays a key role in ensuring that Board procedures are complied with and that Board members are aware of and provided with guidance as to their duties and responsibilities. The Company Secretary is responsible for the following:

(a) Ensuring that the applicable rules and regulations for the conduct of the affairs of the Board are complied with.

(b) Provision of facilities associated with maintenance of the Board or otherwise required for its efficient operation.

(c) Provide a central source of guidance and advice to the Board on matters of ethics and implementation of the Codes of Corporate Governance, as well as providing administrative support to the Board and Board Committees.

(d) Coordinating the orientation, induction and training of new Directors, and the continuous training of existing Directors.

(e) Assist the Chairman and Managing Director/CEO to formulate an annual Board Plan and administration of other strategic issues at the Board level.

(f) Organize Board/General meetings and properly record and communicate the deliberations/decisions.

(g) Update the Board and or Management on contemporary developments in governance.

The Company Secretary also acts as a liaison between the shareholders, the Bank's Registrars and the Investor Relations Desk and ensures timely communication with shareholders in relation to issuance of shares, calls on shares, replacement of share certificates, managing of shareholding accounts, dividend payment, production and distribution of annual reports amongst others. The Board is responsible for the appointment and disengagement of the Company Secretary.

Governance And Compliance

The Chief Compliance Officer of the Bank is charged with the responsibility of monitoring the Bank's compliance with all applicable legislation including the Code of Corporate Governance issued by the Central Bank of Nigeria. The Chief Compliance Officer and the Company Secretary forward periodic returns on the various governance Codes to the Central Bank, Nigerian Stock Exchange, Securities & Exchange Commission and Nigerian Deposit Insurance Corporation as appropriate.

Corporate Social Responsibility (CSR)

At Fidelity Bank Plc, 'Doing Good' is deeply engraved in the very fabric of our existence. As a Bank, we are very passionate about Corporate Social Responsibility (CSR) which, for us, is the embodiment of our commitment to all stakeholders to make positive social impact. Our CSR initiatives are clearly predicated on a deep-seated understanding that organisations and the societies in which they do business are in a symbiotic relationship. Thus, the Bank seeks to create enduring partnerships for sustainable development whilst adding immense value to the diverse communities in which it operates.

The Community is like a wild farmland - every man chooses the acreage to till. For us at Fidelity, CSR is a platform for brand-building through the creation of goodwill, which is often a direct outcome of our **"good works".**

Our CSR Practice Rests On A Tripod:

- The Environment
- Education
- Health/Social Welfare

This is largely because we believe that giving back to the less-privileged in our host communities is a prerequisite for the overall development of the country. This belief has been the driving force behind our support for various initiatives over the years. As a socially responsible Corporate Citizen, a significant part of the Bank's annual earnings is committed towards supporting structures, initiatives and life-transforming projects.

In doing these, we:

- Strive to reinforce strong, healthy Community Relations by identifying and executing strategic projects in host communities.
- Maintain high standards of integrity in our engagements both with the Government and Community.
- Endeavour to play a leading role by ascertaining and seeking solutions to the problems of society, especially those in our immediate operational environments.

The inspection of the newly renovated and furnished **Children's Ward of Regina Caeli Hospital**, Awka, Anambra State.

Our CSR Tripod

The Environment

The Bank strives to support efforts strategically aimed at identifying and promoting the preservation, protection and beautification of the environment. This is executed on two fronts:

Environmental Beautification:

Here, the Bank works in collaboration with public institutions - States and Local Governments - to create and maintain green parks in chosen locations. The Falomo Roundabout in Lagos State, which is maintained in partnership with the Lagos State Government, is a good example of what the Bank seeks to achieve in this area.

We have successfully executed this across the country - Lagos State (Falomo, Onikan, Milverton, Dopemu, Matori); Rivers State; Enugu; Imo (Mbaise Road); Abia Towers, Umuahia, Abia State; Krika Sama Roundabout, Maiduguri, Borno State; Ibadan, Oyo State; Akwa Ibom State amongst others.

Environmental Protection and Renewal:

The Bank cooperates with advocacy groups like the Nigerian Conservation Foundation (NCF) in its advocacy programme, the Annual "Walk For Nature". We also continually challenge ourselves to undertake green initiatives that assist the environment. In this regard, Fidelity Bank has become the first, and perhaps the only Bank in Nigeria, that dispenses cash with recycled biodegradable cash bags instead of polyethylene bags used by other banks (which is destructive to the ecosystem). The Bank also assents to relevant international Accords and Protocols aimed at promoting sustainability, like the Equator Accord (Equator Principles).

Beautification of **Falomo Round About, Ikoyi, Lagos**

Education

Education is the key to sustainable development for any nation. As a Bank, we recognise this fact and support efforts aimed at encouraging education at all levels. Through the implementation of deliberate and sustainable projects, the Bank remains committed to enhancing the quality and standard of education in the country. We sponsored the Annual Teachers Awards, an event that seeks to recognise and reward outstanding teachers in Nigerian schools.

After a rigorous and credible selection process, the winner receives a mouth-watering cash award. The annual award encourages lecturers in our higher institutions across the country to uphold the ethics of teaching with passion and professionalism. This is one noble venture we intend to carry on. At other levels of education, we have provided a lot of writing materials, chairs and hostel beds for schools. We have also renovated a good number of schools across the country.

We have also empowered the youths through our annual Financial Literacy programme.

Management and Staff of Fidelity Bank at the **commissioning of the renovated and furnished Police Children School, Obalende, Lagos**

Renovated and furnished Classroom Block by **Fidelity Bank Security Officers Bankwide**

Fidelity Bank participates in **financial literacy and public enlightenment campaign (2016)**

Health/Social Welfare

As a highly diversified financial services provider, we support the less-privileged members of the community in their efforts to overcome their disabilities whilst contributing positively to growth and development of society. We strive to achieve this by working with some select groups like the Heart of Gold Hospices, African Cataract Foundation, Sebeccly Cancer Care and Support Centre, etc.

Fidelity Helping Hands Programme (FHHP)

We recognise that the bane of CSR practice in many organisations is to make it a "Head Office Function". To avoid that, we have a structure that ensures that CSR is practised at every level of the Bank. This structure is called the Fidelity Helping Hands Programme (FHHP). The FHHP challenges every location where we do business to identify a project that is relevant to its community and support that project. It also challenges all staff to be good, responsible and supportive members of every community where we operate.

Interactions with staff in various locations of the Bank indicate that most of them are excited about contributing to charity and charitable projects from time to time. We give such staff members and indeed all staff an opportunity by providing FHHP Boxes in all our business outlets where their voluntary contributions for charity/good works are collected.

Through the FHHP, we are building generations of Corporate Leaders who recognise the importance of community service. Today, we have over 300 Volunteer Ambassadors who coordinate FHHP in our Branches under the leadership of the Head, CSR & Sustainability Unit. A lot of projects were credited to this programme in the year under review including the following:

- The renovation of the Kwalli VVF Centre, Kano by our Northwest1 Regional Bank
- The renovation of Shagari Health Care Centre Gusau by Our Northwest 2 Regional Bank
- The renovation and furnishing of Police Children School, Obalende by our Bankwide security operatives
- Furnished and equipped Home Economics/ Vocational Centre Of Etiosa Community Secondary School, Etiosa L.G.A., Lagos executed by our Retail Group
- Payment of medical bills for indigent patients of Our Lady Of Apostle Catholic Hospital in Jos by staff of Jos Branch
- The construction of the History/Economic Centre, Umar Suleiman College of Education, Gashua executed by Yobe Branch
- Provision of food and sanitary items to the Down Syndrome Foundation Nigeria by our D'Galacticos Inductees Class of 2016
- Provision of food and sanitary items to the Anawim Home, Abuja by our Finacle Inductees Class of 2016

Furniture donated to the **Shagari Health Care Centre by staff of North West 2 Region**

Staff of Jos Branch Pays Medical Bills of Indigent Patients of **Our Lady of Apostles Hospital, Jos.**

- Provision of food and sanitary items to the Royal Foundation, Gwandara, Abuja by our D'ambassadors Inductees Class of 2016
- Donation of essential materials to the Missionaries Of Charity's Treasure of Love Home, Alapere, Ketu, Lagos by Our D' Fortknox Inductees Class of 2016
- Renovation and furnishing of the Children's Ward At Regina Caeli Hospital, Awka, Anambra State by staff of Awka Branch
- Children empowerment and donation of essential items to the Chosen Child Orphanage and Child Centre, Olodi, Apapa, Lagos by staff of Apapa Burma Road Branch
- Donation of essential materials to Vigilant Heart Charitable Society, Igbo Efon, Lekki, Lagos by The Legends Inductees of 2016
- Comprehensive health check at Dee Medical Centre, Bukuru, Jos South Local Government Council, sponsored by staff of Jos Branch
- Donation of essential materials to Modupe Cole Orphanage Home, Yaba, Lagos by The Icon Inductees Class of 2016
- Provision of food and sanitary items to the Anawim Home, Abuja courtesy staff of Efab Branch
- The renovation of two additional blocks of classrooms at the Police Children School Obalende, Lagos by the bank

Students learning **Bead making at The Fidelity Youth Empowerment Academy Kebbi State**

Students learning **Fish Farming at The Fidelity Youth Empowerment Academy Kebbi State**

Sewing Class at The Fidelity **Youth Empowerment Academy, University of Nigeria, Nsukka, Enugu State**

Youth Empowerment Programme

This is an undergraduate based skills development project aimed at educating, engaging and empowering undergraduates in Nigerian tertiary institutions and the society at large. This vocational skills training focuses on various areas which includes fashion designing, bead making, fish farming, catering, make-up artistry, welding and carpentry.

The goal is to 'Walk our Talk' in the area of Small Medium Enterprise (SME) while encouraging future Entrepreneurs from our Higher Institutions and communities in Nigeria, who will ultimately become Fidelity Ambassadors in future.

Hence, Fidelity Bank strives to reinforce strong, healthy Community Relations by identifying with host communities in activities that are most relevant to them and also strives to play a leading role by identifying with and seeking solutions to the problems of the society, especially those in our immediate operational environments.

Winston Churchill, former British Prime Minister and arguably one of the greatest statesmen of the 20th century, is known for his popular quote: "responsibility is the price of greatness". No truism better captures the very essence of CSR and Sustainability than the above assertion.

Staff of Fidelity Bank are not left out of the CSR initiatives undertaken by the Bank as they carry out internal CSR in the form of regular health initiatives e.g. **the annual free medical test for staff, FIT2BOND** and **Annual Walk For Nature Campaign**. These initiatives provide every staff the opportunity to exercise, network and bond.

Students learning make-up artistry at the **Fidelity Youth Empowerment Academy, University of Nigeria, Nsukka, Enugu State**

Students learning sewing at the **Fidelity Youth Empowerment Academy Kebbi State**

Team Fidelity participates in the **2016 Nigerian Conservation Foundation Walk for Nature.**

Fidelity Helping Hands Programme (FHHP) In Pictures

- Serving Our Communities
- Finding Purpose Through Service

Fidelity Bank Inductees give Essential Items to Treasure Of Love Home, Ketu, Lagos.

Staff of Jos Branch sponsors comprehensive health check for Bukuru residents at Dee Medical Centre, Jos South LGC

The construction of the History Economic Centre, Umar Suleiman College of Education, Gashua executed by Yobe Branch

Fidelity Bank Inductees Provide Essential Items to Tabitha Royal Foundation, Gwandara, Abuja.

Fidelity Bank Brings Succour To The IDPs In Edo State By Providing Writing Materials And Food Items at the IDP Camp.

Fidelity Inductees present Sanitary and Food Items to the Vigilant Heart Charitable Society, Igbo Efon, Lagos

MD Fidelity Bank Plc, Nnamdi Okonkwo Commisions Two Newly Built Blocks Of Classrooms At The Police Children's School, Obalende, Lagos State.

Fidelity Bank Inductees donate Sanitary and Food Items to Modupe Cole Memorial Child Care and Treatment Home, Yaba, Lagos.

Abuja 2 Region presents essential materials to Anawim Home, Abuja.

The comissioning of the renovated Kwalli VVF Centre, Kano executed by our Northwest 1 Regional Bank

The renovated Kwalli VVF Centre, Kano by the North West 1 Region.

The renovated Shagari Health Care Centre Gusau by Our Northwest 2 Regional Bank

UN GLOBAL COMPACT
WE SUPPORT

Fidelity Bank At The 2016 United Nations Global Compact Leadership Summit

In the last several decades, it has become the norm that companies are expected to play their part on the global stage as responsible corporate citizens. This means engaging in the local communities where they conduct business and operating in a manner that is respectful of the environment. It also means furthering an agenda that promotes equality and advancement of human rights and dignity around the world. As the world's access to critical data and information increases transparency and companies continue to extend their reach across geographic boundaries, it is more important than ever to work together toward a common goal for the future.

So, it is against this backdrop that the Managing Director/Chief Executive Officer of Fidelity Bank Plc, Nnamdi Okonkwo along with more than 1,200 representatives of private and public sector institutions globally attended the 2016 United Nations Global Compact Leadership Summit held in New York, United States. On the occasion, more than 600 business leaders from 75 countries were able to deliberate on strategies and best practices needed to aid the swift implementation of the new Sustainable Development Goals (SDGs). The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

These 17 Goals build on the successes of the Millennium Development Goals (MDGs), while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another. Fidelity Bank, through its laudable CSR initiatives has continued to play critical roles in accomplishing the SDGs.

Beyond this, these new global goals will drive the markets of tomorrow and can unleash a wave of sustainable products, services, and business innovations.

The 2016 Summit, on the other hand sought to connect, co-create, and communicate the opportunities that lie within the newly adopted SDGs for business. The Summit also provided ample opportunity for the creation of new business models that respond responsibly to the needs of society and at the same time are efficiently oriented to the success of operations and the expansion of markets. As a member of UNGC, it has helped us drive our sustainability principles.

Nnamdi Okonkwo (R), Managing Director of Fidelity Bank PLC receiving the **2016 Green Era Award of Excellence on Sustainability in Dubai in November, 2016**

Balarabe Mohammed, Deputy Managing Director of Fidelity Bank PLC receiving the **2016 ESQR's Quality Choice Prize in Berlin in December, 2016**

Fidelity

Creating Success Stories

The Fidelity Youth Empowerment Academy - A CSR Initiative

Because we understand the creative force of the youth, the Fidelity Youth Empowerment scheme was created to help this teeming army of young entrepreneurs reach their full potential.

Every year, over 40 initiatives with an average reach of 300 youths per initiative are executed across the geopolitical zones of the country.

We Are Fidelity, We Keep Our Word.

Contact Us: +234(1)448-5252, +234 8003-433-5489 true.serve@fidelitybank.ng

WAYS TO BANK WITH US

Branch | ATM | Online Banking | Instant Banking | POS | True Serve

Fidelity Bank Plc
RC 103022

FOLLOW US:

www.fidelitybank.ng

Compliance Report

Compliance Management Philosophy and Culture

Fidelity Bank Plc strives to formulate, design, build and sustain a philosophy and culture of compliance in the bank based on best practice. The following philosophy governs the compliance management function in Fidelity Bank Plc:

- There is 'tone-at-the-top'. The Board supported by Management sets the right tone by creating an enabling environment where regulatory compliance thrives and is embedded into the overall corporate and strategic imperatives as well as operations.
- Compliance is a collective responsibility in the bank therefore, every staff member has a role to play.

Regulatory Pressure

With an increasing Anti Money Laundering (AML) Sanctions regime, regulators across jurisdictions are sending a clear message of zero tolerance for Money Laundering and Terrorist Financing infractions, thereby demanding for proactive management of compliance risks.

This has continued to place more pressure on financial institutions, not only to put in place structures to identify, assess and understand the money laundering and terrorist financing risks they face and adopt measures that are commensurate with the said risks but also to ensure that their compliance programs are adequate and robust enough to ensure compliance with all applicable laws and regulations, so as to mitigate all forms of compliance risks.

Despite these increasing and tightening regulatory obligations, the Bank is poised to look inwards with a view to revalidating the compliance risk management processes and procedures to withstand the emerging pressures and is committed to continuously educate its employees, including the Board, on regulatory changes and their attendant implications on the business and our customers.

The Compliance Framework

The bank has a Compliance Division that is bestowed with the responsibility of management of compliance and related regulatory risks. The Division is responsible for promoting compliance with statutory and regulatory requirements and the Anti-Money Laundering (AML), Combating Financing of Terrorism (CFT), Know Your Customer (KYC) and related programmes of the bank. The bank leverages relevant technology to enable it cope with the ever evolving regulatory compliance environment and requirements that ensures that we deliver excellent services to our customers.

The Bank implemented a Compliance Risk Framework in order to strengthen Corporate Governance and achieve associated compliance management expectations. This framework which assists the Bank in the management of regulatory compliance risks includes the following;

- Instituting an independent Compliance Division and appointing a Chief Compliance Officer (CCO) at senior management level and an Executive Compliance Officer at board level (subject to CBN approval) to oversee the compliance function, and report to the Board. The Bank provides sufficient human and material resources to the Compliance Division to ensure its effective management.

- Adequate designation of Compliance Officers in Head Office, regional offices and branches of the Bank.
- Compliance risk profiling of customers, products and services is conducted as part of the compliance function and based on the outcome, a compliance risk grid of high, medium and low risks for customers, products and services is generated, which determines the application of necessary controls and mitigants.
- The Compliance Division works in harmony with the enterprise risk management processes and procedures in analysing rules, regulations and laws in order to ensure that these are incorporated into the bank's processes and procedures in a continuous manner.
- There are well-defined compliance communication processes and feed-back mechanisms for identified compliance risks to ensure effective management of the processes in order to ensure corrective actions are promptly, effectively and efficiently taken.
- The Bank has designed and implemented an effective and robust whistle-blowing framework which encourages concerned persons to report genuine matters confidentially through active and dedicated media.
- Our Code of Business Conduct and Ethics Policy is made available to every staff to read and understand, and they are required to sign an annual attestation to ensure compliance.

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Framework

Fidelity Bank implemented an Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Framework that is constantly reviewed to ensure compliance with the provisions of the Money Laundering (Prohibition) Act 2011 (as amended); the Terrorism (Prevention) (Amendment) Act 2013; the Central Bank of Nigeria AML/CFT Regulations 2013, the Terrorism Prevention Regulations 2013, the Financial Action Task Force (FATF) recommendations and other relevant local and international principles and regulations guiding AML/CFT.

Our AML/CFT framework is designed such that we have adequate systems and processes in place and our people are adequately trained to prevent, promptly detect and report suspicious money laundering and terrorism financing activities.

We have implemented an AML solution (RADAR) that enables us conduct risk rating of our customers both at the point of on-boarding and continuously during the relationship, carry out continuous monitoring of transactions and render all the relevant regulatory and supervisory reports.

We have a properly documented Operations Policy and Procedural Manual (OPPM), Compliance Operations Manual, Internal Control Process Manual, Code of Business Conduct and Ethics Policy and Know Your Customer (KYC) Policy Manual among other documents that guide our AML/CFT activities. These documents cover the following:

- Scope of the AML/CFT framework.
- Board and Management roles and responsibilities.
- Reports to Board and Senior Management.
- Customer Due Diligence(CDD)/Know Your Customer (KYC) and Risk Categorization.
- Transaction Monitoring.
- Basic Statutory Reports.
- Politically Exposed Persons (PEPs).

- Sanctions Compliance Management (Sanctions screening and filtering of sanctions lists/ watchlists).
- Employee training.
- Correspondent Banks.
- Customer records.
- Testing adequacy of the framework through independent review by Internal and External Auditors.
- Cooperation with Regulators and Law Enforcement Agencies.

Board and Management Responsibilities

The Board of Directors has oversight and overall responsibility for managing compliance in the Bank. However, the Board has delegated this function to the Board Audit Committee (BAC).

The BAC provides supporting oversight on the management of compliance within the Bank. The Committee has the responsibility of ensuring the implementation of the approved compliance risk policies, procedures, processes and tool-sets. The Committee receives quarterly AML/CFT reports and reviews same to ensure compliance with all statutory, regulatory and internal procedures of the Bank. The Committee in turn, submits a quarterly report to the full Board on the foregoing to give assurance.

The management of the Bank is committed to the AML/CFT framework, by ensuring the AML/CFT framework is properly documented and approved. It also ensures constant review of the framework to incorporate new laws and guidelines. Management ensures that all resources needed for achievement of the goals set by the AML/CFT framework are provided and clearly states the roles of all employees in Customer Due Diligence, Know Your Customer, and suspicious transactions monitoring. Reporting mechanisms are also outlined with appropriate sanctions for violation.

Reports to Board and Senior Management

The following AML/CFT reports are submitted to the Board and Management:

- Monthly report on AML/CFT and other compliance related issues are submitted to the Bank's Operational Risk & Service Measurement Committee.
- Quarterly AML/CFT report submitted to the Board Audit Committee meeting.
- Routine reports to the Managing Director/Chief Executive and other Executive Committee members on contemporary AML/CFT issues or regulations, Guidelines and Circulars as may be released from time to time.

Customer Due Diligence (CDD)/Know Your Customer (KYC)

Fidelity continually conducts appropriate and detailed due diligence on new and existing relationships by monitoring the operation of all accounts to ensure that their activities comply with the laws and regulations which govern their operation and that no account has been used as a conduit for 'dirty' money. Our AML/CFT/KYC policy stipulates that an effective procedure is put in place to identify customers, decline and promptly report suspicious transactions to regulatory authorities and cooperate with law enforcement agencies. In addition, the policy ensures that:

- Due diligence and KYC requirements are carried out on all new relationships (real and legal persons) before on-boarding them. These include obtaining proof of identity (name), verification of the identity using reliable independent source documents and address visitation using independent accredited third party vendors.

- The Bank does not keep anonymous accounts or banking relationships in obviously fictitious names. Relationships are not maintained with "Shell Banks" or with correspondent foreign financial institutions that permit their accounts to be used by Shell Banks.
- The Bank takes requisite measures as required by law during on-boarding of Designated Non-Financial Businesses and Professionals (DNBP). Beneficial-owners of pooled-accounts held by Designated Non-Financial Businesses and Professionals (DNFBPs) are scrutinized to ensure they are consistent with the provisions of the Money Laundering (Prohibition) Act 2011.

Transaction Monitoring

The Bank does not only establish the identity of its customers, but also monitors account activity to determine the transactions that do not conform with the normal or expected transactions for the customer or the type of account.

The Wolfsberg Group of financial institutions (the "Wolfsberg Group") emphasized the need for appropriate and continuous monitoring of transactions and customers to identify potentially unusual or suspicious activities and transactions, and for reporting such to relevant regulatory authorities. Fidelity Bank Plc continues to carry out online real-time screening or filtering of account opening, transactions processing, and payment instructions, inclusive of wire or funds transfers, prior to their execution in order to ensure funds are not made available in breach of sanctions, embargoes and other prohibitive measures. Apart from proactive screening, the Bank also carries out retroactive searches through the system to identify specific past transactions as well as existing and closed accounts in order to take timely decisions on further investigation and reporting where necessary.

Basic Statutory Reports

The Nigerian Financial Intelligence Unit (NFIU), the regulatory body in charge of collating financial intelligence requires that all financial institutions render routine reports in a specified format to it. In compliance with this requirement and in accordance with the relevant provisions of Sections 2, 6 and 10 of the Money Laundering Act 2011 (as amended), the bank renders the following reports to the NFIU.

- Section 2 of the Act requires all financial Institutions to submit a report of all international transfer of funds and securities exceeding ten thousand dollars ($10,000) or its equivalent in other foreign currencies.
- Section 6 of the Act requires all financial institutions to submit a report on all unusual or suspicious transactions within 48hours of the transactions.
- Section 10 of the Act requires all financial institutions to submit a report of all lodgments or transfer of funds in excess of N5 million for individual customers and N10 million and above for corporate customers.

Politically Exposed Persons (PEPs)

Where the Bank is in a business relationship with a PEP, it is required to conduct **enhanced ongoing monitoring** of that relationship to avoid being used for fraudulent activities, money laundering and financing of terrorism.

Before the account of a Politically Exposed Person (PEP) is opened, senior management approval (Executive Director) is obtained in line with the regulatory requirement. The Bank also maintains a comprehensive list of all PEPs and continuously updates the list on an ongoing basis.

We adopt an appropriate risk based identification of PEPs based on the FATF recommendation that defines a PEP to include current and past political office holders and all those in some form of relationship with them either by virtue of being family members or associates.

Fidelity Bank renders monthly returns on the activities of PEPs to both the Central Bank of Nigeria and the Nigerian Financial Intelligence Unit (NFIU).

Sanctions Compliance Management (Sanctions Screening and filtering of sanctions lists/ watchlists)

Fidelity ensures that all accounts, customers' relationships on-boarding and transactions are filtered through several watch-lists or sanctions lists before they are completed. This is a continuous exercise that ensures that we mitigate against maintaining relationships with blacklisted persons or entities.

Apart from keeping and regularly updating the list of watch listed persons and entities, we also subscribe to the use of international screening systems like The SWIFT sanctions screening for screening inbound and outbound wire transfers and Accuity (by Bankers Almanac) for screening local transactions against all lists including private and public lists provided by recognized third party list providers and PEPs.

Sanction Lists

Fidelity Bank's watchlist includes the following:

- US Treasury Office of Foreign Assets - OFAC-SDN (Specially Designated Nationals) and FSE (Foreign Asset Evaders) - The main sanction list for the U.S. Government.
- International United Nations Consolidated List - The main sanction list issued by the United Nations.
- FATF Black-List/NCCT List - The FATF (Financial Action Task Force) blacklist is also referred to as the list of "Non-Cooperative Countries or Territories" (NCCTs). This is a list of countries which are perceived to be non-cooperative in the global fight against Money Laundering (ML) and Terrorist Financing (TF). The list is modified from time to time by either adding or deleting, based on current status of the countries.
- Her Majesty's Treasury (United Kingdom).
- European Union (EU).
- Canada – Office of Superintendent of Financial Institutions – OSFI-UN.
- Australia Department of Foreign Affairs and Trade DFTA.
- The Ministry of Economy, Finance and Industry (France).
- The Nigerian List.

AML/CFT Training

Fidelity Bank conducts regular and continuous AML/CFT training for staff, management and the Board. Apart from being a regulatory requirement, we also do this to ensure that every member of staff has a good understanding of the AML/CFT and KYC requirements and also understand their roles and responsibilities as well as sanctions/penalties attached to violations and failures to comply.

Our training program is a combination of structured in-plant, classroom and online learning arrangements. We also ensure that new intakes get first-hand information on this during their induction.

The basic elements of the employee training program are expected to include:

- AML regulations and offences.
- The nature of money laundering.
- Money laundering 'red flags' and suspicious transactions, including trade-based money laundering typologies.

- Reporting requirements.
- Customer due diligence.
- Risk-based approach to AML/CFT.
- Record keeping and retention policy.

Correspondent Banks – AML/CFT Due Diligence

Fidelity Bank ensures that it enters into and maintains correspondent banking relationships with institutions that show evidence of robust AML/CFT programs and have implemented policies and procedures that ensures that they have adequately mitigated all their AML/CFT risks.

We regularly administer questionnaires on these institutions to assess the adequacy of their AML/CFT program.

The Bank does not deal with shell companies and also obtains information on the beneficial owner(s) of all transactions.

Customer records

Although the Statutes of Limitation and Money Laundering Prohibition Act 2011 stipulate 6 and 5 years respectively for retention of records, Fidelity Bank keeps and retains customer identification documents, account opening records and business correspondence of all customers and related documents for at least a period of ten (10) years after closure of the account or severance of the relationship with the customer.

Individual financial transaction records are kept for at least ten (10) years after the transaction has taken place.

Testing adequacy of the AML/CFT framework through independent review by Internal and External Auditors

In accordance with the Money Laundering (ML) Act and in line with best practice, the AML/CFT process and function is subjected to a quarterly review by the Internal Audit Department of the Bank. Their report of findings is sent to the Board and Management and the Chief Compliance Officer to ensure action on the report. The objective of the audit is to independently review the adequacy of the framework to mitigate the AML/CFT risks the bank is exposed to.

The AML/CFT framework is also reviewed by both the external auditors of the bank as well as regulators during their routine examination of the bank.

Cooperation with Regulators and Law Enforcement Agencies.

The Bank continues to cooperate with law enforcement agencies and regulators by making records and documents available to aid their investigation at all times. All employees of the bank are required to cooperate fully with regulators and law enforcement agencies and make available required records or documents based on the powers conferred on the agencies by their respective Acts as well as the ML Act 2011.

Foreign Account Tax Compliance Act (FATCA)

The Foreign Account Tax Compliance Act provisions (generally referred to as "FATCA") were included in the Hiring Incentives to Restore Employment ('HIRE") Act, which was passed in March 2010. The objective of FATCA is to facilitate disclosure of assets and income of U.S taxpayers held with foreign financial institutions.

The Act requires a Foreign Financial Institution (FFI) to enter into an agreement with the Inland Revenue Services (IRS) or face a 30% withholding tax on 'withholdable payments'.

Under the agreement, the FFI is required to:

- Obtain information on account holders that is necessary to determine if their accounts are U.S. Accounts.
- Comply with any required due diligence/verification procedures and certify completion of such procedures.
- Report information on U.S. Accounts.
- Deduct and withhold 30% tax on any qualifying U.S. source income to any account holders who do not supply the required information.
- Comply with IRS information requests.

The effective date for FATCA was 1st, July 2014.

Before the effective date, Fidelity Bank registered and entered into an agreement with the IRS as a Participating Foreign Financial Institution in compliance with the requirements of FATCA and was issued a Global Intermediary Identification Number (GIIN).

The Bank immediately put in place mechanisms for collection of requisite information from all new and existing customers in accordance with the requirements of the Act and commenced rendering reports of U.S. Accounts from 2015 as required.

Internal Control System

Fidelity Bank's internal control system encompasses the operating framework, practices, processes, philosophy and culture, code of conduct, disciplinary processes and actions that ensure:

- Business objectives are met.
- Effectiveness and efficiency of operations.
- Safeguard of assets.
- Reliability of financial reporting and compliance with general accounting principles.
- Compliance with applicable laws and regulations.

Our internal control framework is patterned after the Committee of Sponsoring Organization's (COSO) standards. The standard defines internal control as a 'process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives. The Framework provides for three categories of objectives:

Operations Objectives—these pertain to effectiveness and efficiency of operations, including operational and financial performance goals, and safeguarding assets against loss.

Reporting Objectives—These pertain to internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the entity's policies.

Compliance Objectives—these pertain to adherence to laws and regulations to which the entity is subject.

We have adopted the COSO framework for our control practices and also apply the five integrated components identified by the framework as our guide. The components include:

Control Environment

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. Management reinforces expectations at various levels in the organization.

The control environment comprises the integrity and ethical values of the organization; the parameters enabling the board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals; and the rigor around performance measures, incentives, and rewards to drive accountability for performance. The resulting control environment has a pervasive impact on the overall system of internal control.

Our Board and Executive Management sets the right tone from the top and ensures the right messages are passed across. The Board Audit Committee oversees the activities of the control function. During its quarterly meetings, it obtain reports that enables it review and assess the adequacy of the Bank's internal controls. Also, the management Operational Risk and Service Measurement Committee meets monthly to review the adequacy of internal control processes and make recommendations for improvements. They also receive and review reports of the external auditors and regulators on the adequacy of the internal control system.

Risk Assessment

Risk assessment involves a dynamic and interactive process for identifying and assessing risks for the achievement of objectives. Risks to the achievement of these objectives from across the entity are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed.

The Board and Senior Management regularly assess the risks the Bank is exposed to including credit, legal, compliance, liquidity and reputational risks and consider if the existing controls are sufficient to mitigate or reduce identified risks.

Control Activities

Control activities are performed at all levels of the Bank, at various stages within its business processes, and over the technology environment. These are preventive or detective in nature and encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of these control activities. Where segregation of duties is not practical, Management selects and develops alternative control activities.

In Fidelity Bank, staff members in business units and support functions are the first line of defence for the Bank because they assume primary responsibility for ensuring that the controls around their process/products are adequate and consistently applied.

Information and Communication

Information is necessary for the Bank to carry out internal control responsibilities to support the achievement of its objectives.

The Operational Risk and Service Measurement Committee meets monthly to review reports of activities from various control areas, based on which decisions are taken and communicated to all relevant stakeholders. This is a feedback session that ensures information is properly communicated for effectiveness of the internal control processes.

Monitoring Activities

The Bank uses a combination of ongoing evaluation and separate/independent evaluations, to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, are present and functioning.

The Bank deploys Control Officers to conduct on-going and continuous monitoring of processes and products including our information technology infrastructure to ensure that controls are not only adequate but effective and efficient.

Our internal and external auditors also conduct routine reviews of our internal control process for adequacy and submit their report of findings to the Board and management, which helps to improve our processes.

Fraud and Forgeries

The Bank implemented different mitigating measures to reduce/eliminate fraud and forgeries in 2016. These include:

1. Hedging against internal/external fraud with adequate insurance cover for cash in premises/transit and the Fidelity Guarantee insurance.
2. Implementation of 2nd factor authentication for logging into all financial systems to prevent fraudulent or use of stolen identities.
3. A robust disciplinary process that ensures that employees' disciplinary issues are promptly dealt with.
4. Effective Fraud Risk Assessment programme that ensures fraud risks are adequately managed and mitigated including bankwide anti-fraud training and awareness sessions.
5. Implementation of an effective and efficient internal control that ensures minimal losses from fraud and armed robbery.
6. Zero tolerance on fraudsters by ensuring proper follow up with Law Enforcement Agencies for recovery and prosecution to serve as deterrent.
7. Robust and active whistle blowing process that empowers staff to anonymously report suspicious activities and transactions.
8. Annual attestation by all staff members on the Code of Business Conduct and Ethics Policy to ensure adequate understanding and compliance.

Other measures implemented to mitigate the upsurge in e-fraud are:

(i) Implementation of mandatory Personal Identification Number requirements for all POS transactions for debit cards except for hotels and web.

(ii.) Implementation of One Time Password (OTP)/second factor authentication for web transactions.

(iii) Scorebridge electronic transactions fraud solution to build behaviour-based rules and monitor and block suspicious electronic transactions.

(iv) Establishment of 24/7 Electronic-Banking transactions monitoring desks that monitor, and take immediate action on suspicious transaction patterns and also resolve customer complaints.

Customer complaints and feedback

At Fidelity Bank, all relationships are invaluable and the bank considers customers complaints a gift. This is because customer complaints are seen as an opportunity for improved services to a dissatisfied customer who could have walked away to the competition. Customer complaints can arise from people issues, system/process failures, product complexity and other factors, Fidelity Bank therefore appreciates such feedback or complaints from customers and ensures timely resolution and process/product improvement.

Complaints Channels

To ensure a seamless complaint and feedback process, the bank has provided various communication channels for customers. These include:

- Contact through the Bank's website.
- Customer service desks in all the branches nationwide.
- 24-hour contact centre (Trueserve) with feedback through emails, telephone, online chat or SMS.
- Correspondence from customers.

Complaints Handling

We handle all complaints professionally taking due cognizance of the rights of our customers. The overriding target is to ensure that each complaint is resolved to the satisfaction of the customer without infringing the policies of the Bank or any regulation. Effort is made to resolve complaints at first level before escalation. All complaints are logged with tracking numbers and monitored for prompt resolution.

Customer Complaints and Protection Department

The Bank has a full-fledged department whose core mandate is to promptly resolve all customer complaints. The department is headed by a senior management staff and interfaces with the CBN and other regulators on all issues related to customer complaints and consumer protection. The department also renders support services to other departments of the Bank and branches, to ensure speedy resolution of customer complaints.

Complaints tracking and reporting

Customer complaints are carefully tracked, monitored and resolved and also used as a tool for improvement of our processes, products and services.

Independent reviews are conducted to identify the underlying causes of all customers' complaints and the learning points extracted to guard against reoccurrence in future. Updates and customer complaints reports are presented to Executive Management through the Operational Risk and Service Measurement Committee.

Reports on customer complaints are also sent to the Central Bank of Nigeria as required.

A break down of complaints received and resolved by the bank from January 1 to December 31, 2016 are provided in the schedule below:

S/N	Description	Number		Amount Claimed		Amount Refunded	
		2016	2015	2016 (million)	2015 (million)	2016 (million)	2015 (million)
1	Pending Complaints B/F	45	28	876	199	N/A	N/A
2	Received Complaints	865	929	2,204	2,212	N/A	N/A
3	Resolved Complaints	862	912	1,760	1,658	382	124
4	Unresolved complaints escalated to CBN for intervention	0	0	0	0	N/A	N/A
5	Unresolved complaints pending with the Bank C/F	48	45	1,320	876	N/A	N/A

Report Of The Independent Consultant On The Appraisal Of The Board Of Directors Of Fidelity Bank Plc

In compliance with the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ("the CBN Code") and the Securities and Exchange Commission (SEC) Code of Corporate Governance ("the SEC Code"), Fidelity Bank Plc. ("Fidelity Bank" or "the Bank") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2016. The CBN Code mandates an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual director competencies and respective roles in the performance of the Board.

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

Our approach to the appraisal of the Board involved a review of the Bank's key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained during one-on-one interviews with the members of the Board and management. We also reviewed the Bank's Corporate Governance report prepared by the Board and included in the Annual Report for the year ended 31 December 2016, and assessed the level of compliance of the Board with the CBN and SEC Codes.

On the basis of our review, except as noted below, the Bank's corporate governance practices are largely in compliance with the key provisions of the CBN and SEC Codes. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. The key areas identified include the enhancement of the existing process for monitoring and disclosing related party transactions and multiple directorships.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/ICAN/00000000427
12 April, 2017

Statement Of Directors' Responsibilities In Relation To The Preparation Of Financial Statements

For the year ended 31 December 2016

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

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

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

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

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

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

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of the financial performance for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of financial control.

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

Signed on behalf of the Directors by:

Ernest Ebi, MFR, FCIB
Chairman
FRC/2017/CIBN/00000016317
March 29, 2017

Nnamdi J. Okonkwo
Managing Director/Chief Executive Officer
FRC/2013/ICANI/00000006963
March 29, 2017

Independent Auditors' Report To The Members Of Fidelity Bank Plc

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by Section 342 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Corporate Governance Report as required by Code of Corporate Governance issued by Securities and Exchange Commision (SEC) and Audit Committee Report as required by Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

We also provide the Directors with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matter communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therfore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances. We determine that a matter should not be communicated in our report because the adverse consequences of doing so would resonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

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

(iii) As stated in Note 38.1, the Bank contravened certain section of the Bank and Other Financial Institutions Act CAP B3, Laws of the Federation of Nigeria 2004, and CBN Circulars. Related penalties have been paid.

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

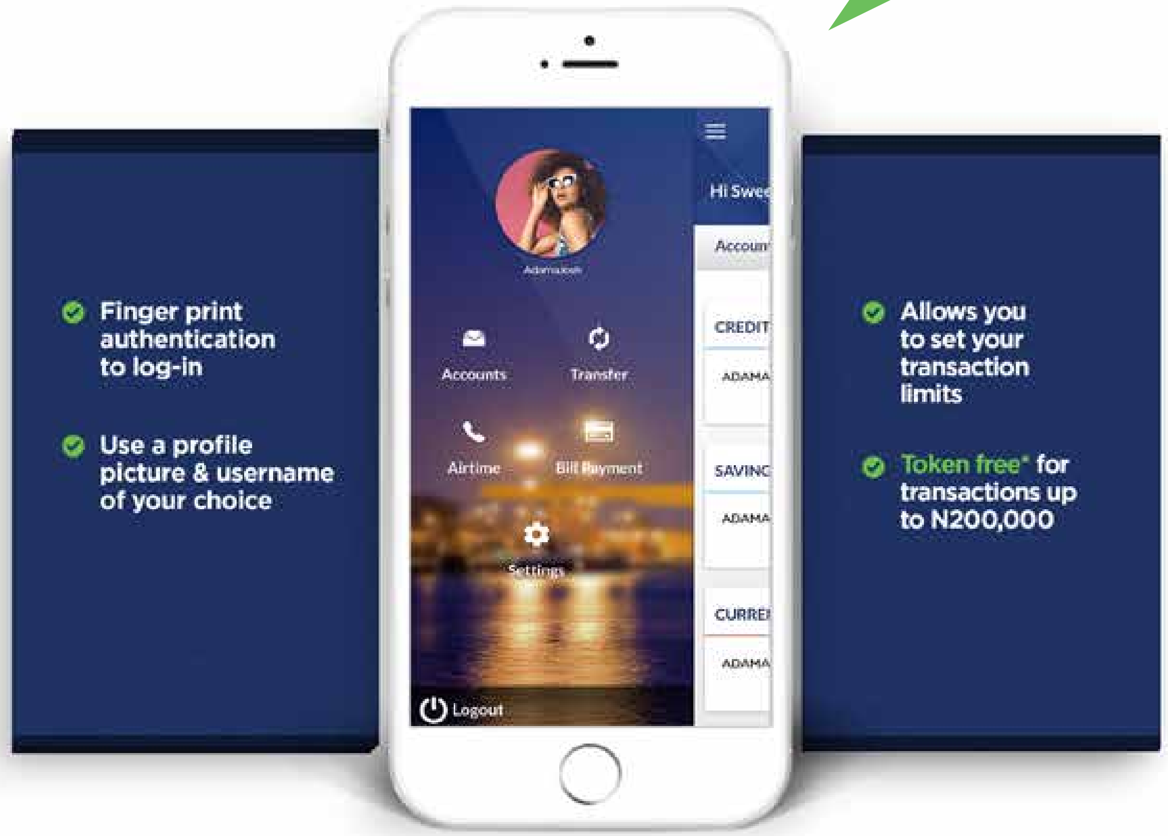
Signed:
Najeeb A. Abdus-salaam, FCA
FRC/2013/ICAN/00000000753
For: PKF Professional Services
Chartered Accountants
Lagos, Nigeria
Date: 29 March 2017

Fidelity

Banking That Suits Your Lifestyle

Download the new and upgraded **Fidelity Online App** for a pleasurable banking experience.

Download Now!
App Store
Google play



New look | Better Experience | Token Free*

We Are Fidelity, We Keep Our Word.

Contact Us: +234(1)448-5252, +234 8003-433-5489 true.serve@fidelitybank.ng

WAYS TO BANK WITH US

Branch | ATM | Online Banking | Instant Banking | POS | True Serve

Fidelity Bank Plc
RC 103022

FOLLOW US:

www.fidelitybank.ng

Financial Statements

Statement Of Profit Or Loss And Other Comprehensive Income For The Year Ended 31 December 2016

	Note	2016 N'million	2015 N'million
Gross Earnings		**152,021**	**146,948**
Interest and similar income	6	123,153	121,158
Interest and similar expense	7	(61,225)	(60,294)
Net interest income		**61,928**	**60,864**
Impairment charge	8	(8,671)	(5,764)
Net interest income after impairment charge		**53,257**	**55,100**
Fee and commission income	9	20,557	17,237
Fee and commission expense	9	(3,238)	(2,411)
Other operating income	10	8,311	8,553
Net losses from financial instruments classified as held for trading	11	(625)	(291)
Personnel expenses	12	(27,231)	(27,125)
Depreciation and amortisation	13	(4,308)	(3,985)
Other operating expenses	14	(35,662)	(33,054)
Profit before income tax		**11,061**	**14,024**
Income tax expense	15	(1,327)	(120)
Profit For The Year		**9,734**	**13,904**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Net gains/(losses) on available-for-sale financial assets*:			
-Unrealised net gains/(losses) arising during the year		(2,308)	5,163
-Net reclassification adjustments for realised net (gains)	16	(906)	(783)
Net other comprehensive income/(losses) to be reclassified to profit or loss in subsequent period		**(3,214)**	**(4,380)**
Items that may not be reclassified subsequently to profit or loss			
Remeasurement (losses)/gains from defined benefit obligations	30	-	(2,667)
Other comprehensive income / (loss) for the year, net of tax		**(3,214)**	**1,713**
Total Comprehensive Income For The Year, Net Of Tax		**6,520**	**15,617**
* Income from these instruments is exempted from tax			
Earnings per share			
Basic and diluted (in kobo)	17	34	48

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

Statement Of Financial Position As At 31 December 2016

	Note	31 Dec 2016 N'million	31 Dec 2015 N'million
ASSETS	**Note**		
Cash and balances with central bank	18	207,061	185,332
Due from banks	20	49,200	79,942
Loans and advances to customers	21	718,401	578,203
Investments:			
• Held for trading (fair value through profit or loss)	22.1	18,098	4,070
• Available for sale	22.2	88,586	116,607
• Held to maturity	22.3	138,134	180,736
Other assets	26	37,510	45,902
Property, Plant and Equipment	23	40,356	39,985
Intangible assets	24	795	945
TOTAL ASSETS		**1,298,141**	**1,231,722**
LIABILITIES			
Deposits from customers	27	792,971	769,636
Current income tax liability	15	1,327	2,332
Other liabilities	28	159,406	124,832
Debts issued and other borrowed funds	29	159,035	141,975
Retirement benefit obligations	30	-	9,431
TOTAL LIABILITIES		**1,112,739**	**1,048,206**
EQUITY			
Share capital	31	14,481	14,481
Share premium	32	101,272	101,272
Retained earnings	32	25,918	8,797
Other equity reserves:			
• Statutory reserve	32	24,476	23,016
• Small scale investment reserve (SSI)	32	764	764
• Non-distributable regulatory reserve (NDR)	32	16,271	33,480
• Available-for-sale (AFS) reserve	32	2,220	5,434
• Remeasurement reserve	32	-	(3,728)
Total equity		**185,402**	**183,516**
TOTAL LIABILITIES AND EQUITY		**1,298,141**	**1,231,722**

The accompanying notes to the financial statements are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 29 March 2017 and signed on its behalf by:

Ernest Ebi

Ernest Ebi
Chairman
FRC/2017/CIBN/00000016317

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

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

For The Year Ended 31 December 2016
Attributable to equity holders

Statement Of Changes In Equity For The Year Ended 31 December 2016

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

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

Statement Of Cash Flows For The Year Ended 31 December 2016

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

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

Notes To The Financial Statements

1. General Information

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

The registered office address of the Bank is at Fidelity Place, 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.

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

2. Summary Of Significant Accounting Policies

2.1 Introduction to summary of significant accounting policies

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

2.1.1 Basis of preparation

Statement of Compliance

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards

("IFRS") as issued by the International Accounting Standards Board ("IASB").

Additional information required by national regulations is included where appropriate.

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

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

The financial statements are presented in Naira, which is the Bank's presentation currency. The figures shown in the financial statements are stated in Naira and they are rounded up to the nearest million.

2.1.2 Significant Accounting Judgements, Estimates And Assumptions

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

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

Estimates And Assumptions

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

Impairment Of Loans And Advances

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

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

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

Fair Value Of Financial Instruments

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

Retirement Benefit Obligation

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

Judgements

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

Determination Of Impairment Of Property, Plant And Equipment, And Intangible Assets

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

Determination Of Collateral Value

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

2.2A Standards Issued But Not Yet Effective

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

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

- ***IFRS 15 - Revenue from Contracts with Customers***

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

- ***IFRS 16 - Lease***

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

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

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

The amendments to IAS 12 clarify the consideration to be made when assessing the recoverability of deferred tax assets (DTA)

The amendment consists of some wording changes to the standards and adds in some examples to clarify that:

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

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

- ***IFRS 9 - Financial instruments***

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

Impact

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

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

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

Key requirements

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Transition

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

Impact

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

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

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

Key requirements

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

Transition

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

Impact

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

• ***IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2.***
Effective for annual periods beginning on or after 1 January 2018.

Key requirements

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions.

The amendments address three main areas:

• The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share- based payments also applies to cash-settled share-based payments.

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

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

Transition

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

Impact

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

• ***Transfers of Investment Property (Amendments to IAS 40)***
Effective for annual periods beginning on or after 1 January 2018.

Key requirements

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

Transition

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

Impact

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

- ***IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration Effective for annual periods beginning on or after 1 January 2018***

Key requirements

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

Transition

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

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

Or

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

Early application of interpretation is permitted and must be disclosed.

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

Impact

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

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

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

Impact

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

- IAS 28 Investments in Associates and Joint Ventures

The amendments clarifies that:

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

- - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

Impact

This amendment does not have an impact on the Bank, because the Bank has no investment in an Associate or a Joint Venture.

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

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

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

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

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

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

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

2.4 Financial assets and liabilities

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

(A) Initial recognition and measurement

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

(B) Subsequent measurement

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

(C) Classification and related measurement

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

(i) Financial assets

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

(a) Financial assets at fair value through profit or loss

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

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

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

(b) Loans and receivables

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

- those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as fair value through profit or loss;
- those that the Bank upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

(c) Held-to-maturity financial assets

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

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

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

(d) Available-for-sale financial assets

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

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

(ii) Financial liabilities

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

(a) Financial liabilities at amortised cost

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

(D) Reclassification of financial assets

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

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

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

(E) Derecognition

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

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

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

2.5 Determination of fair value

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

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

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

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

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

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

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

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

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

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

2.6 Offsetting financial instruments

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

2.7 Renegotiated loans

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

2.8 Repurchase and reverse repurchase agreements

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

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

2.9 Collateral repossessed

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy

2.10 Revenue recognition

Interest income and expense

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

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

interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commission income

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

Income from bonds or guarantees and letters of credit

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

Dividend income

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

2.11 Impairment of financial assets

(i) Assets carried at amortised cost

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

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

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;

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

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

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

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

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

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

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

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

(ii) Available-for-sale financial assets

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

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

2.12 Impairment of non-financial assets

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

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

2.13 Statement of cash flows

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

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

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

2.14 Cash and cash equivalents

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

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

2.15 Leases

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

Leases are divided into finance leases and operating leases.

(a) The Bank is the lessee

(i) Operating lease

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

(ii) Finance lease

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

(b) The Bank is the lessor

(i) Operating lease

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

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

(ii) Finance lease

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

2.16 Property, plant and equipment

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

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repair and maintenance costs are charged to 'Other operating expenses' during the financial period in which they are incurred.

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

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

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

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

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

2.17 Intangible assets

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

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

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

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

2.18 Income taxation

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

(a) Current income tax

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

(b) Deferred tax

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

2.19 Employee benefits

Defined contribution scheme

For defined contribution plans, the Bank pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Bank contributes 10% of basic salary, rent and transport allowances, with the employee contributing a further 8% under the provisions of the Pension Reform Act of 2014. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit scheme

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

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

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

The Bank recognises the following changes in defined benefit obligation under personnel expenses in profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

-Interest expense.

2.20 Provisions

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

2.21 Financial guarantee contracts

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the profit or loss in Credit loss expense. The premium received is recognised in the profit or loss in Net fees and commission income on a straight line basis over the life of the guarantee.

2.22 Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

Dividends for the year that are declared after the date of the Statement of financial position are dealt with in the subsequent events note.

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

2.23 Comparatives

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

2.24 Segment reporting

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

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

The Bank has four reportable segments, as follows:

Retail banking

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

Corporate banking

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

Investment banking

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

Public sector

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

Refer to Note 5 for the segment report.

3. Financial Risk Management And Fair Value Measurement And Disclosure

3.1 Introduction and overview

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

Enterprise Risk Management

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

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

ii) Clearly defined governance structure.

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

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

Risk Management Governance Structure

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

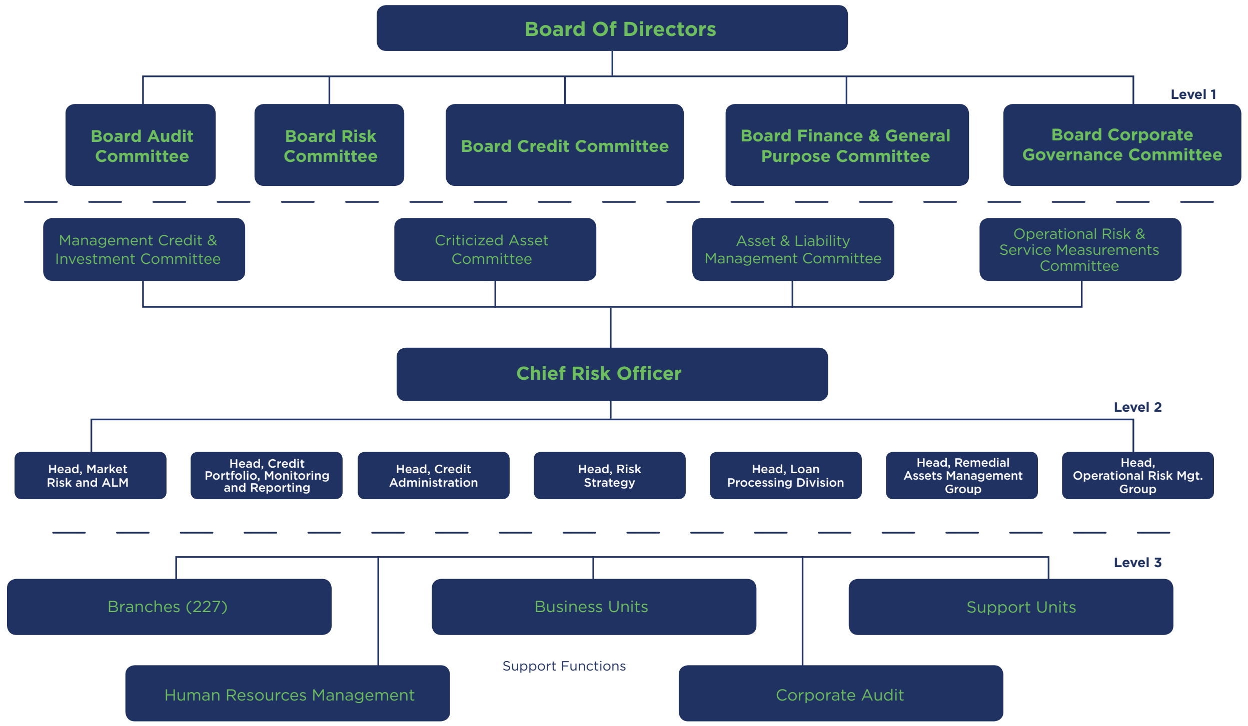
Level 1 - Board/Executive Management oversight is performed by the Board of Directors, Board Audit Committee (BAC), Board Risk Committee (BRC), Board Credit Committee (BCC), Board Finance & General Purpose Committee and Executive Management Committee (EXCO).

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

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

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

The Risk Management Organogram of the Bank is as follows:



Enterprise Risk Philosophy

Fidelity Enterprise Risk Mission

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

Risk Culture

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

Risk Appetite

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

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

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

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

3.2 Credit risk

3.2.1 Management of credit risk

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

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

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

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

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

3.2.2 Credit risk ratings

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

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

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

3.2.3 Credit Limits

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

3.2.4 Monitoring Default Risk

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

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

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

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

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

3.2.6 Credit concentrations

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

	31 Dec 2016				
	Cash and balances with Central Bank	Due from banks	Loans and advances to customers	Investment securities	Other assets
Financial assets with credit risk:	N'million	N'million	N'million	N'million	N'million
Carrying amount	**172,200**	**49,200**	**718,401**	**238,801**	**32,658**
Concentration by sector					
Agriculture, Forestry And Fishing	-	-	9,740	-	-
Arts, Entertainment And Recreation	-	-	370	-	-
Associations, Religious Bodies & Ngos	-	-	925	-	-
Construction	-	-	22,873	-	-
Education & Educational Services	-	-	3,474	-	-

Finance And Insurance	172,200	49,200	6,310	244,818	32,658
General Commerce	-	-	45,378	-	-
Government	-	-	101,007	-	-
Health & Medical Services	-	-	599	-	-
Hospitality	-	-	4,093		-
Information And Communication	-	-	43,566	-	-
Manufacturing	-	-	75,006	-	-
Minning & Quarrying	-	-	4	-	-
Oil And Gas Downstream	-	-	18,591	-	-
Oil And Gas Services	-	-	33,464	-	-
Oil And Gas Upstream	-	-	136,161	-	-
Power	-		87,845	-	-
Professional And Technical Activities	-		330	-	-
Real Estate	-		23,000	-	-
Retail	-		57,560	-	-
Transport And Storage	-		72,822	-	-
Water Supply, Sewage, Waste Mgt.	-		1	-	-
Total gross amount	**172,200**	**49,200**	**743,120**	**244,818**	**32,658**

Concentration by location	N'million	N'million	N'million	N'million	N'million
Abroad	-	49,200	-	-	-
Nigeria:					
North East	-	-	9,495	-	-
North Central	172,200	-	71,462	-	-
North West	-	-	23,354	-	-
South East	-	-	39,642	-	-
South South	-	-	64,127	-	-
South West	-	-	535,040	244,818	32,658
Total gross amount	**172,200**	**49,200**	**743,120**	**244,818**	**32,658**

	31 Dec 2015				
	Cash and balances with Central Bank	Due from banks	Loans and advances to customers	Investment securities	Other assets
Financial assets with credit risk:	N'million	N'million	N'million	N'million	N'million
Carrying amount	**164,997**	**79,942**	**578,203**	**294,170**	**40,144**
Concentration by sector					
Agriculture, Forestry And Fishing	-	-	12,095	-	-
Arts, Entertainment And Recreation	-	-	93	-	-
Associations, Religious Bodies & Ngos	-	-	1,988	-	-
Construction	-	-	18,092	-	-
Education & Educational Services	-	-	3,069	-	-
Finance And Insurance	164,997	79,942	1,198	16,147	40,144
General Commerce	-	-	33,938	-	-
Government	-	-	61,874	278,023	-
Health & Medical Services	-	-	935	-	-
Hospitality	-	-	4,022	-	-
Information And Communication	-	-	49,969	-	-
Manufacturing	-	-	59,293	-	-
Minning & Quarrying	-	-	46	-	-
Oil And Gas Downstream	-	-	22,927	-	-
Oil And Gas Services	-	-	25,959	-	-
Oil And Gas Upstream	-	-	100,386	-	-
Power	-		60,461	-	-
Professional And Technical Activities	-		925	-	-
Real Estate	-		16,994	-	-
Retail	-		68,424	-	-
Transport And Storage	-		56,250	-	-
Water Supply, Sewage, Waste Mgt.	-		41	-	-
Total gross amount	**164,997**	**79,942**	**598,978**	**294,170**	**40,144**

Concentration by location	N'million	N'million	N'million	N'million	N'million
Concentration by location	N'million	N'million	N'million	N'million	N'million
Abroad	-	72,460	-	-	-
Nigeria:					
North East	-	-	55,084	-	-
North Central	164,997	-	11,173	-	-
North West	-	-	25,091	-	-
South East	-	-	20,975	-	-
South South	-	-	54,660	-	-
South West	-	7,482	431,995	294,170	40,144
Total gross amount	**164,997**	**79,942**	**598,978**	**294,170**	**40,144**

3.2.7 Credit quality

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

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

(a) Financial assets neither past due nor impaired

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

		To customers					
	Due from Banks	Overdrafts	Term loans	Finance lease	Other	Total	Other assets
31 December 2016	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Grades:							
1. AAA to AA	49,200	378	6,512	271	-	7,161	-
2. A+ to A-	-	2,031	46,032	747	-	48,810	-
3. BBB+ to BB-	-	11,685	102,193	13,251	-	127,128	-
4. Below BB-	-	3,949	37,018	562	9	41,539	-
5. Unrated	-	22,978	437,653	7,174	1,322	469,127	32,658
	49,200	**41,021**	**629,408**	**22,005**	**1,331**	**693,765**	**32,658**

31 December 2015		N'million	N'million	N'million	N'million	N'million	N'million
Grades:							
1. AAA to AA	79,942	1,244	29,175	437	-	30,856	-
2. A+ to A-	-	4,151	38,648	3,132	-	45,931	-
3. BBB+ to BB-	-	24,882	109,578	6,423	-	140,883	-
4. Below BB-	-	1,445	42,068	1,776	2,343	47,632	-
5. Unrated	-	24,127	272,944	8,995	-	306,066	40,144
	79,942	**55,850**	**492,414**	**20,763**	**2,343**	**571,370**	**40,144**

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

(b) Financial assets individually impaired

	To customers				
	Overdrafts	Term loans	Finance lease	Other	Total
31 December 2016	N'million	N'million	N'million	N'million	N'million
Gross amount					
1. AAA to AA	-	-	-	-	-
2. A+ to A-	123	-	-	-	123
3. BBB+ to BB-	-	736	-	-	736
4. Below BB-	13,454	7,878	5,506	5,506	26,838
5. Unrated	156	5,115	276	276	5,547
	13,733	13,729	5,782	5,782	33,244
Individual impairment	(4,822)	(7,497)	(2,708)	-	(15,027)
Net amount	**8,911**	**6,232**	**3,074**	**5,782**	**18,217**

	To customers				
	Overdrafts	Term loans	Finance lease	Other	Total
31 December 2015	N'million	N'million	N'million	N'million	N'million
Gross amount					
1. AAA to AA		-	-	-	-
2. A+ to A-		-	-	-	-
3. BBB+ to BB-	10,092	1,126	-	-	11,218
4. Below BB-	1,971	909	1,205	-	4,085
5. Unrated	2,677	1,734	681	-	5,092
	14,740	3,769	1,886	-	20,395
Individual impairment	(8,952)	(3,629)	(1,886)	-	(14,467)
Net amount	**5,788**	**140**	**-**	**-**	**5,928**

(c) Financial assets collectively impaired

	To customers			
	Overdrafts	Term loans	Finance lease	Total
31 December 2016	N'million	N'million	N'million	N'million
Gross amount				
1. AAA to AA	-	-	-	-
2. A+ to A-	2	-	-	2
3. BBB+ to BB-	111	415	-	526
4. Below BB-	4,881	774	68	5,723
5. Unrated	1,444	8,204	213	9,861
	6,438	9,392	281	16,111
Collective Impairment	(3,438)	(6,026)	(228)	(9,692)
Net amount	**3,000**	**3,366**	**53**	**6,419**

	To customers			
	Overdrafts	Term loans	Finance lease	Total
31 December 2015	N'million	N'million	N'million	N'million
Gross amount				
1. AAA to AA	18	-	-	18
2. A+ to A-	188	9	46	243
3. BBB+ to BB-	2,551	-	7	2,558
4. Below BB-	751	-	5	756
5. Unrated	3,541	91	6	3,638
	7,049	100	64	7,213
Collective Impairment	(2,120)	(18)	(21)	(2,159)
Net amount	**4,929**	**82**	**43**	**5,054**

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

		Investments in Government Securities				
	Cash & cash equivalents	Treasury bills	Federal Govt bonds	State bonds	Corporate bonds	Other Assets
31 December 2016	N'million	N'million	N'million	N'million	N'million	N'million
AAA to AA	172,200	126,823	79,771	13,299	18,908	32,658
A+ to A-	-	-	-	-	-	-
BBB+ to BB-	-	-	-	-	-	-
Below BB-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	172,200	**126,823**	**79,771**	**13,299**	**18,908**	**32,658**

		Investments in Government Securities				
	Cash & cash equivalents	Treasury bills	Federal Govt bonds	State bonds	Corporate bonds	Other Assets
31 December 2015	N'million	N'million	N'million	N'million	N'million	N'million
AAA to AA	164,997	167,231	95,737	15,055	16,147	40,144
A+ to A-	-	-	-	-	-	-
BBB+ to BB-	-	-	-	-	-	-
Below BB-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	164,997	**167,231**	**95,737**	**15,055**	**16,147**	**40,144**

3.2.8 Description of collateral held

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

Key Collateral Management Policies

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

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

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

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

Where guarantees are used for credit risk mitigation, the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty.

Management of secured credits requires periodic inspections of the collateral to ensure its existence and adequacy for the bank's exposure. These inspections include examination of security agreements to determine enforceability of liens, verification of adequate insurance protection, proper legal registration and adequacy of overall safeguards.

When obligations are secured by marketable securities, predetermined maintenance margins are established and the securities are liquidated if the value falls to this limit except if additional and satisfactory security is provided. In all cases, only valuations done at the instance of the Bank can be considered acceptable for the purposes of credit risk mitigation. The Bank ensures that all properties and chattels pledged as collateral are properly and adequately insured with the Bank's interest duly noted as first loss beneficiary. Only insurance policies obtained from an insurance firm in the Bank's pre-approved list of Insurance Companies are acceptable as eligible collateral.

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

	31 December 2016		31 December 2015	
	Exposure	Collateral Value	Exposure	Collateral Value
	N'million	N'million	N'million	N'million
Secured against real estate	337,214	2,520,484	99,082	302,024
Secured by shares of quoted companies	114	215	269	367
Secured - Others	405,086	749,357	498,087	2,967,665
Unsecured	418	-	1,540	-
Gross loans and advances to customers	**742,831**	**3,270,056**	**598,978**	**3,270,056**

3.3 Liquidity risk

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

3.3.1 Management of liquidity risk

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

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

Short-Term Liquidity

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

Asset Liquidity

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

Funding Diversification

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

Stress Testing

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

3.3.2 Maturity Analysis

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2016	N'million	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank of Nigeria	42,831	30,582	79,619	54,030	-	207,061
Due from banks	49,200	-	-	-	-	49,200
Loans and advances to customers	47,075	62,896	138,919	372,931	96,581	718,401
Investment securities						
- Held for trading	778	4,161	10,319	4,290	550	20,098
- Available for sale	0	9,890	64,714	7,334	8,647	90,586
- Held to maturity	344	14,516	50,640	49,091	25,543	140,134
Other assets	3600	9,752	10,506	12,801	-	36,658
Total financial assets	**143,827**	**131,797**	**354,717**	**467,616**	**133,321**	**1,262,138**
Financial liabilities						
Customer deposits	160,398	114,525	298,165	219,883	-	792,971
Other liabilities	14,422	38,980	20,181	12,024	69,989	155,596
Debt issued and other borrowed funds	-	-	-	124,268	34,767	159,035
Total financial liabilities	**174,820**	**153,505**	**318,346**	**356,174**	**104,757**	**1,107,602**
Gap (assets-liabilities)	**(30,993)**	**(21,708)**	**36,370**	**144,303**	**26,564**	
Cumulative liquidity gap	**(30,993)**	**(52,701)**	**(16,330)**	**127,973**	**154,537**	
Off balance sheet items:						
Performance bonds and guarantees	21,423	36,331	35,479	21,762	54,341	169,337
Letters of credit	20,128	17,368	6,543	-	-	44,039
On-lending facilities	-	-	-	-	-	-
Total	**41,551**	**53,699**	**42,022**	**21,762**	**54,341**	**213,376**

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2015	N'million	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank of Nigeria	185,332	-	-	-	-	185,332
Due from banks	79,942	-	-	-	-	79,942
Loans and advances to customers	27,098	49,942	65,299	233,380	202,484	578,203
Investment securities						
- Held for trading	3,832	-	-	115	123	4,070
- Available for sale	28,441	23,051	29,529	23,438	12,148	116,607
- Held to maturity	32,327	12,718	45,978	54,039	35,674	180,736
Total financial assets	**356,971**	**85,712**	**140,805**	**310,972**	**250,430**	**1,114,890**
Financial liabilities						
Customer deposits	397,556	348,200	23,880	-	-	769,636
Other liabilities	11,710	40,706	8,484	-	75,695	136,595
Debt issued and other borrowed funds	-	-	26,797	59,149	56,029	141,975
Total financial liabilities	**409,266**	**388,906**	**59,161**	**59,149**	**131,724**	**1,048,206**
Gap (assets-liabilities)	**(52,295)**	**(303,194)**	**81,644**	**251,823**	**118,706**	
Cumulative liquidity gap	**(52,295)**	**(355,488)**	**(273,845)**	**(22,021)**	**96,684**	
Off balnce sheet items:						
Performance bonds and guarantees	6,237	14,873	33,541	44,542	34,484	133,677
Letters of credit	982	7,344	7,821	23,123	-	39,270
On-lending facilities	50	-	-	-	-	50
Total	**7,169**	**22,217**	**41,361**	**67,665**	**34,484**	**172,892**

Gap analysis has been done on contratual maturity of assets and liabilities, but historically many maturing asset and liabilities especially deposits get renewed. Behavioural maturity gap will better reflect the bank's liquidity situation but has not been shown here.

3.4 Market Risk

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

3.4.1 Management of market risk

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

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

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

3.4.2 Measurement of Market Risk

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

Value at Risk (VAR)

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

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

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

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

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

	12 months to 31 December 2016			12 months to 31 December 2015		
	Average	High	Low	Average	High	Low
	N'000	N'000	N'000	N'000	N'000	N'000
Foreign exchange risk	2,845	28,706	242	7,967	45,071	767
Interest rate risk	15,064	271,155	5,321	14,333	355,350	2,221
Equity risk	-	-	-	-	-	-
Total VAR	**17,909**	**299,861**	**5,563**	**22,300**	**400,421**	**2,987**

3.4.3 Foreign Exchange Risk

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

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

	31 December 2016				
	USD	GBP	Euro	Naira	Total
Financial assets	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank	16,963	-	-	190,098	207,061
Due from banks	39,547	897	2,645	6,111	49,200
Loans and advances to customers	318,143	530	334	399,106	718,113
Investment securities:					
- Financial assets held for trading	-	-	-	18,098	18,098
- Available for sale	-	-	-	88,586	88,586
- Held to maturity	22,186	-	-	115,948	138,134
Other financial assets	-	-	-	36,002	36,002
	396,839	**1,427**	**2,979**	**853,949**	**1,255,194**
Financial liabilities					
Customer deposits	187,986	2,925	2,878	599,182	792,971
Other liabilities	-	-	-	159,406	159,406
Debt issued and other borrowed funds	130,159	**-**	**-**	28,876	159,035
	318,145	**2,925**	**2,878**	**783,654**	**1,111,412**

Sensitivity Analysis of Foreign Currency Statement of Financial Position			
Currency	USD	GBP	Euro
	N'million	N'million	N'million
Net effect on Statement of Financial Position	78,694	(1,499)	101
Closing Exchange Rate (Naira/ Currency)	305.00	380.36	325.08
1% Currency Depreciation (+)	308.05	384.17	328.33
Net effect of depreciation on Profit or loss	787	(15)	1
1% Currency Appreciation (-)	301.95	376.56	321.83
Net effect of appreciation on Profit or loss	(787)	15	(1)

	31 December 2015				
	USD	GBP	Euro	Naira	Total
Financial assets	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank	3,643	45	180	181,464	185,332
Due from banks	68,668	849	3400	7,025	79,942
Loans and advances to customers	233,009	492	277	344,426	578,203
Investment securities:					
- Financial assets held for trading	-	-	-	4,070	4,070
- Available for sale	-	-	-	116,607	116,607
- Held to maturity	18,408	-	-	162,328	180,736
Other financial assets	-	-	-	40,144	40,144
	323,726	**1,386**	**3,857**	**856,064**	**1,185,034**
Financial liabilities					
Customer deposits	136,623	2,650	1,662	628,701	769,636
Other liabilities	30,881.15	48.76	824.93	93,133	124,888
Debt issued and other borrowed funds	111,003	-	-	30,972	141,975
	278,507	**2,698**	**2,487**	**752,807**	**1,036,499**

Sensitivity Analysis of Foreign Currency Statement of Financial Position			
Currency	USD	GBP	Euro
	N'million	N'million	N'million
Net effect on Statement of Financial Position	45,219	(1,312)	1,370
Closing Exchange Rate (Naira/ Currency)	199.00	295.29	217.57
1% Currency Depreciation (+)	200.99	298.24	219.75
Net effect of depreciation on Profit or loss	452	(13)	14
1% Currency Appreciation (-)	197.01	292.34	215.39
Net effect of appreciation on Profit or loss	(452)	13	(14)

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

3.4.4 Interest Rate Risk

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

	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
31 December 2016	N'million	N'million	N'million	N'million
Financial assets				
Cash and balances with Central Bank of Nigeria	207,061	-	-	207,061
Due from banks	49,200	-	49,200	-
Loans and advances to customers	718,401	292,395	426,006	-
Investment securities				
- Financial assets held for trading	18,098	-	18,098	-
- Available for sale	88,586	-	82,569	6,017
- Held to maturity	138,134	-	138,134	-
Other financial assets	36,002	-	-	36,002
	1,255,482	**292,395**	**714,007**	**249,080**
Financial liabilities				
Customer deposits	792,971		523,476	269,495
Other liabilities	155,736	-	99,703	56,033
Debts issued and other borrowed funds	159,035	38,753	120,282	-
	1,107,742	**38,753**	**743,461**	**325,528**

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

Interest Rate Sensitivity

Total Interest Repricing Gap

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

31 December 2016	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total rate sensitive
Financial assets	N'million	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank of Nigeria	-	-	-	-	-	-
Due from banks	49,200	-	-	-	-	49,200
Loans and advances to customers	110,330	11,823	127,128	371,133	97,987	718,401
Investment securities						
- Available for sale	10,027	12,505	53,105	4,643	2,290	82,570
- Held to maturity	19,196	42,678	7,128	39,417	29,715	138,134
Total assets	**188,753**	**67,006**	**187,360**	**415,193**	**129,992**	**988,305**
Financial liabilities						
Customer deposits	229,159	35,117	17,173	242,027	-	523,476
Debt issued and other borrowed funds	-	-	-	124,298	34,737	159,035
Total liabilities	**229,159**	**35,117**	**17,173**	**366,325**	**34,737**	**682,511**
Net financial assets and liabilities	**(40,407)**	**31,889**	**170,187**	**48,868**	**95,255**	**305,794**
Net financial assets and liabilities excluding Available for sale	**(50,434)**	**19,384**	**117,083**	**44,225**	**92,927**	**223,185**

31 December 2015	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total rate sensitive
Financial assets	N'million	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank of Nigeria	151,139	-	-	-	-	151,139
Due from banks	79,960	-	-	-	-	79,960
Loans and advances to customers	74,288	25,627	37,339	225,043	215,905	578,203
Investment securities						
- Available for sale	28,441	23,051	29,529	23,438	5,003	109,462
- Held to maturity	32,327	12,718	45,978	54,039	35,674	180,736
Total assets	**366,155**	**61,397**	**112,846**	**302,520**	**256,583**	**1,099,500**
Financial liabilities						
Customer deposits	397,556	348,200	23,880	0	-	769,636
Debts issued and other borrowed funds	-	51,854	-	59,149	29,050.16	140,053
Total liabilities	**397,556**	**400,054**	**23,880**	**59,149**	**29,050**	**909,689**
Net financial assets and liabilities	**(31,401)**	**(338,657)**	**88,965**	**243,371**	**200,611**	**189,811**
Net financial assets and liabilities excluding Available for sale	**(59,842)**	**(361,709)**	**59,437**	**219,933**	**195,608**	**80,349**

Interest Rate Sensitivity Analysis On Variable Rates Instruments On Profit

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

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

3.4.5 Equity Price Risk

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

3.5 Fair Value Of Financial Assets And Liabilities

	31 December 2016		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets	N'million	N'million	N'million	N'million
Due from banks	**49,200**	**49,200**	**79,942**	**79,942**
Loans and advances to customers	**641,629**	**638,275**	**510,221**	**506,356**
- Term loans	633,034	631,288	489,195	485,479
Advances under finance lease	25,032	26,987	21,025	20,877
Held for trading	**18,098**	**18,098**	**4,070**	**4,070**
- Treasury bills	17,801	17,801	-	-
- Federal Government bonds	297	297	238	238
- State bonds	-	-	3,832	3,832
- Corporate bonds	-	-	-	-
- Listed equity instruments	-	-	-	-
Available for sale	**88,586**	**88,586**	**115,844**	**115,844**
- Treasury bills	74,599	74,599	71,750	71,750
- Federal Government bonds	29	29	32,186	32,186
- State Government bonds	7,941	7,941	5,428	5,428
-Corporate Bonds		-	-	-
- Equity investments	6,017	6,017	7,243	7,243
Held to maturity investment	**138,134**	**136,370**	**180,736**	**178,535**
- Treasury bills	34,423	34,467	95,481	96,109
- Federal Government bonds	79,445	78,011	63,313	61,163
State Government bonds	5,358	5,353	5,795	6,118
Corporate Bonds	18,908	18,539	16,147	15,145
Financial liabilities				
Deposit from customers	**792,971**	**792,971**	**769,636**	**769,636**
Demand	314,791	314,791	269,495	269,495
Saving	155,109	155,109	119,140	119,140
Term	168,599	168,599	321,947	321,947
Domiciliary	138,670	138,670	54,391	54,391
Others	15,892	15,892	4,663	4,663
Other liabilities				
Debts issued and other borrowed funds	159,035	144,665	141,975	112,629

(b) Financial Instruments Measured At Fair Value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

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

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets	N'million	N'million	N'million	N'million
Assets measured at fair value				
Held for trading				
- Treasury bills	-		-	0
- Federal Government bonds	238		-	238
- Corporate bonds	3,832		-	3,832
- Listed equity instruments	-	-	-	0
Available for sale				
- Treasury bills				0
- Federal Government bonds	71,750		-	71,750
- State Government bonds	32,186		-	32,186
- FMB Zero Coupon Bonds	5,428		-	5,428
-Corporate Bonds	-	-	-	0
- Equity investments	-	4,221	2,259	6,480
Assets for which fair value are disclosed				
Financial assets carried at amortised cost				
Loans and Advances				
- Advances under finance lease	-	465,756	-	465,756
		20,877		20,877
Held to maturity investment				
- Treasury bills		96,109	-	96,109
- Federal Government bonds	-	61,163	-	61,163
- State Government bonds	-	6,118	-	6,118
- Unlisted Equity Securities	-	78,011	-	78,011
Corporate				
Bonds	-	15,145	-	15,145
	113,434	**669,389**	**2,259**	**785,082**
Liabilities for which fair value are disclosed				
Financial Liabilities	N'million	N'million	N'million	N'million
- Debt issued and other borrowed funds	-	112,629	-	112,629
	-	**112,629**	**-**	**112,629**

Reconciliation of Level 3 items	Unlisted equity securities
	N'million
At 1 January 2016	**6,480**
Total Loss	(1,634)
Purchases	**-**
Sales	
Issues	
Settlements	
At 31 December 2016	**4,846**

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

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

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

Description of significant unobservable inputs to valuation:

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

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

(c) Fair Valuation Methods And Assumptions

(i) Cash And Balances With Central Banks

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

(ii) Due From Other Banks

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

(iii) Treasury Bills And Bonds

Treasury bills represent short term instruments issued by the Central banks of the jurisdiction where the Bank operates. The fair value of treasury bills are derived from the quoted yields,while the fair value of bonds are determined with reference to quoted prices in active markets for identical assets. For certain securities market prices cannot be readily obtained especially for illiquid Federal Government Bonds, State Government and Corporate Bonds. The positions was marked-to-model at 31 December 2015 and 2016 based on yields for identical assets.

(iv) Equity Securities

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

(v) Loans And Advances To Customers

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

(vi) Overdraft

The management assessed fair value of Overdrafts approximates their carrying amounts largely due to the short-term maturities of these instruments.

(vii) Other Assets

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

(viii) Deposits From Banks And Due To Customers

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

(ix) Other Liabilities

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

(x) Debt issued and other borrowed funds

The fair value of the Bank's Eurobond issue is derived from quoted market prices in active markets. The fair values of the Bank's interest-bearing borrowings and loans are determined by using the Discounted Cash Flow (DCF) method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

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

3.6 Operational Risk Management

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

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

Governance Structure

Operational Risk Management is an independent risk management function within Fidelity Bank. The Board of Directors has overall oversight of the Bank's Enterprise Risk Management via the Board Risk Committee (BRC). The Board approves all Operational Risk Management policies and framework. The Bank also has an Operational Risk & Service Measurements Committee that is charged with the responsibility of ensuring the implementation of Operational Risk Management policies and framework as approved by the BRC. The Operational Risk Management Group, supervised by the Chief Risk Officer is responsible for the day-to-day operational risk management of the Bank.

Operational Risk Framework

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

Process/Risk Mapping

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

Loss Data Collection

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

Risk and Control Self Assessments (RCSA)

The Bank has adopted the Risk and Control Self-Assessment approach for the identification of key risk events within the respective business units. Senior Management and business experts are required to participate in the self-assessment of key operational risks and controls. Required actions to mitigate identified risks are implemented accordingly.

Key Risk Indicators (KRIs)

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

Business Continuity Management (BCM)

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

4 Capital Management

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

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

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

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

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

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

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

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

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

1 The Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines which was effective on 1 July 2010 is excluded from regulatory capital for the purposes of capital adequacy assessment;

2 Collective impairment on loans and receivables and other financial assets no longer forms part of Tier 2 capital; and

3 Other Comprehensive Income (OCI) Reserves is recognized as part of Tier 2 capital subject to the limits on the Calculation of Regulatory Capital.

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

	2016 N'million	2015 N'million
Tier 1 capital		
Share capital	14,481	14,481
Share premium	101,272	101,272
Retained earnings (less proposed dividend)	25,918	4,163
Statutory reserve	24,476	23,016
Small scale investment reserve	764	764
Tier 1 Deductions - Intangible Assets	(795)	
Total qualifying Tier 1 capital	**166,116**	**143,696**
Regulatory adjustment	19,020	
Adjusted qualifying Tier 1 capital	**147,096**	**143,696**
Tier 2 capital		
Eurobond issue	18,555	24,428
Local Bond	29,042	29,050
Revaluation Reserve	-	1,706
Available-for-sale (AFS) reserve	**2,220**	**-**
Total Tier 2 capital	**49,817**	**55,184**
Qualifying Tier 2 Capital restricted to 33.33% of Tier 1 Capital	**48,983**	**47,851**
Total Tier 1 & Tier 2 Capital	**196,079**	**191,547**
Risk-weighted assets:		
Credit Risk Weighted Assets	914,809	772,107
Market Risk Weighted Assets	62,506	89,766
Operational Risk Weighted Assets	160,943	150,189
Total risk-weighted assets	**1,138,258**	**1,012,062**
Capital Adequacy Ratio (CAR)	**17%**	**19%**
Minimum Capital Adequacy Ratio	**15%**	**15%**

5. Segment Analysis

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

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

Segment result of operations - IFRS 8.23

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

	Retail banking	Corporate banking	Investment banking	Public sector	Combined
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 31 December 2016					
Revenue derived from external customers	64,998	51,111	35,029	883	152,021
Revenues from other segments	-	-	-	-	-
Total	**64,998**	**51,111**	**35,029**	**883**	**152,021**
Interest income	35,129	47,234	39,913	877	123,153
Interest expense	**(22,193)**	**(5,214)**	**(33,668)**	**(150)**	**(61,225)**
Profit before tax	2,730	6,812	1,260	259	11,061
Income tax expense	(328)	(790)	(151)	(58)	(1,327)
Profit for the year	**2,402**	**6,022**	**1,109**	**201**	**9,734**
At 31 December 2016					
Total segment assets	**703,531**	**281,984**	**311,387**	**1,238**	**1,298,141**
Total segment liabilities	**578,545**	**247,893**	**284,982**	**1,227**	**1,112,647**
Other segment information					
Depreciation/Amortization	**(2,821)**	**(1,187)**	**(287)**	**(13)**	**(4,308)**

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

	Retail banking	Corporate banking	Investment banking	Public sector	Combined
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 31 December 2015					
Revenue derived from external customers	37,481	58,352	49,908	790	146,891
Revenues from other segments	-	-	-	-	-
Total	**37,841**	**58,902**	**49,908**	**790**	**146,891**
Interest income	25,337	54,974	40,159	688	121,158
Interest expense	**(31,534)**	**(14,170)**	**(7,005)**	**(7,585)**	**(60,294)**
Profit before tax	3,851	8,921	967	285	14,024
Income tax expense	(330	(720	(8)	(6)	(120)
Profit for the year	**3,851**	**8,925**	**967**	**279**	**13,904**
At 31 December 2015					
Total segment assets	**750,049**	**401,472**	**80,201**		**1,231,722**
Total segment liabilities	**649,195**	**331,099**	**69,417**		**1,048,206**
Other segment information					
Depreciation/Amortization	**(2,476)**	**(1,245)**	**(250)**	**(15)**	**(3,985)**

6. Interest And Similar Income

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

6.1 Interest And Similar Income On Loans And Advances To Customers

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

7. Interest And Similar Expense

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

8. Impairment Charge

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

9. Net Fee And Commission Income

	2016	2015
	N'million	N'million
Commission on E-banking activities	6,661	6,180
Accounts Maintenance Charge	1,737	2,143
Commission on travelers cheques and foreign bills	1,662	1,365
Commission and fees on banking services	924	1,116
Commission and fees on NXP	560	1,006
Credit related fees	987	1,005
ATM charges	2,588	978
Remittance fees	220	685
Letters of credit commissions and fees	852	642
Commission on Fidelity Connect	1,441	408
Commissions on off balance sheet transactions	623	491
Collection fees	590	241
Telex fees	384	273
Cheque issue fees	204	231
Other fees and commissions	1,124	473
Total fees and commissions income	**20,557**	**17,237**
Fee and Commission Expense	(3,238)	(2,411)
Net fee and commission income	**17,319**	**14,826**

10. Other Operating Income

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

11. Net Losses From Financial Instruments Classified As Held For Trading

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

12. Personnel Expenses

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

13. Depreciation and Amortisation

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

14. Other Operating Expenses

	2016	2015
	N'million	N'million
Banking sector resolution cost	6,159	5,935
Marketing, communication & entertainment	9,579	5,845
Deposit insurance premium	3,220	3,332
Contractor compensation	3,428	3,533
Repairs and maintenance	2,563	2,457
Computer expenses	1,565	1,627
Security expenses	1,345	1,295
Training expenses	407	650
Corporate finance expenses	402	606
Litigations and claims	185	545
Bank charges	308	434
Legal expenses	253	432
Consultancy expenses	577	407
Traveling and accommodation	621	531
Telephone expenses	307	251
Postage and courier expenses	97	111
Insurance expenses	348	319
Office expenses	382	395
Cash movement expenses	601	591
Stationery expenses	256	218
Rent and rates	285	315
Directors' emoluments	249	346
Electricity	399	372
Auditors' remuneration	150	150
Loss on disposal of property, plant and equipments	64	57
Other expenses	1,912	2,300
	35,662	**33,054**

15. Taxation

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

(b) Total Income Tax Expense In Profit Or Loss

	2016	2015
	N'million	N'million
Profit before income tax	11,061	14,024
Income tax using the domestic corporation tax rate of 30%	**3,318**	**4,207**
Non-deductible expenses	385	2,181
Tax exempt income	(3,703)	(6,388)
Income Tax expense based on dividend (note 15d)	1,216	1,390
Technology levy (note 15e)	111	140
Prior period under provision	-	545
Reversal of temporary differences	-	(1,410)
	1,327	**120**
The effective income tax rate is 11% for 2016 (2015:1%)		

(c) The Movement In The Current Income Tax Liability Is As Follows:

	2016	2015
At 1 January	2,332	1,719
Tax paid	(2,332)	(917)
Income tax charge	1,327	1,530
At 31 December	**1,327**	**2,332**

(d) Reconciliation Of Effective Tax Rate

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

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

16. Net Reclassification Adjustments For Realised Net (Gains)/ Losses

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

17. Earnings Per Share (EPS)

Basic and Diluted

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

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

18. Cash And Balances With Central Bank

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

Mandatory reserve deposits are not available for use in the Bank's day-to-day operations. Mandatory reserve deposits are non interest-bearing. The mandatory reserve deposits represents a mandatory 22.5% of qualifying Naira deposits (December 2015: 25% of qualifying Naira deposits).

19. Cash And Cash Equivalents

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

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

20. Due From Banks

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

21. Loans And Advances To Customers

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

Reconciliation Of Impairment Allowance On Loans And Advances To Customers:

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

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

21.2 Advances Under Finance Lease May Be Analysed As Follows:

	2016	2015
Gross investment	N'million	N'million
• No later than 1 year	2,910	2,833
• Later than 1 year and no later than 5 years	22,567	20,659
• Later than 5 years	3,988	1,988
	29,465	25,480
Unearned future finance income on finance leases	(1,497)	(2,840)
Net investment	**27,968**	**22,640**
The net investment may be analysed as follows:		
• No later than 1 year	3,256	2,776
• Later than 1 year and no later than 5 years	22,190	19,665
• Later than 5 years	2,522	199
	27,968	**22,640**

21.3 Nature Of Security In Respect Of Loans And Advances:

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

22. Investments

22.1

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

22.2

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

Reconciliation Of Allowance For Impairment

	2016	2015
	N'million	N'million
At beginning of year	408	1,253
Write offs during the year	-	(845)
At the end of the year	-	408

22.2a Unquoted Equity Investments At Cost

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

22.3

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

22.4 Pledged assets

Treasury Bills and Bonds are pledged to the Nigerian Inter Bank Settlement System Company (NIBSS) in respect of the Bank's ongoing participation in the Nigerian settlement system. The Bank pledged Treasury bills, Bonds and cash balance in its capacity as collection bank for government taxes and interswitch electronic card transactions. The Bank also pledged cash balance with Visacard International in respect of electronic card transactions.

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

	2016	2015
	N'million	N'million
Treasury bills- Held To Maturity	18,502	16,400
Federal Government bonds- Available for Sale	9,859	6,400

23. Property, Plant And Equipment

Property, plant and equipment	Land	Buildings	Leasehold improvements	Office equipment	Furniture, fittings & equipment	Computer equipment	Motor vehicles	Work in progress	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cost									
At 1 January 2016	**13,643**	**15,016**	**5,918**	**7,252**	**1,995**	**11,319**	**6,004**	**3,890**	**65,037**
Additions	293	-	1,222	762	123	1,070	421	611	4,502
Reclassifications	321	704	319	-	-	116	-	(1,460)	-
Disposals	(4)	-	-	(80)	(42)	(5)	(353)	-	(484)
At 31 December 2016	**14,253**	**15,720**	**7,459**	**7,934**	**2,076**	**12,500**	**6,072**	**3,041**	**69,055**
Accumulated depreciation									
At 1 January 2016	**-**	**(1,740)**	**(3,882)**	**(5,993)**	**(1,646)**	**(7,460)**	**(4,331)**	**-**	**-25,052**
Charge for the year	-	(379)	(789)	(661)	(132)	(1,344)	(760)	-	(4,015)
Disposals	-	-	-	79	39	5	245	-	368
At 31 December 2016	**-**	**(2,119)**	**(4,671)**	**(6,525)**	**(1,739)**	**(8,799)**	**(4,846)**	**-**	**(28,699)**
Carrying amount at 31 December 2016	**14,253**	**13,601**	**1,460**	**1,409**	**337**	**3,701**	**1,226**	**3,041**	**40,356**
Cost									
At 1 January 2015	**13,367**	**14,698**	**5,633**	**6,891**	**1,802**	**10,915**	**5,499**	**1,021**	**59,826**
Additions	276	-	42	390	215	420	1,147	3,430	5,920
Reclassifications	-	318	243	-	-	-	-	(561)	-
Disposals	-	-	-	(29)	(22)	(16)	(642)	-	(709)
At 31 December 2015	**13,643**	**15,016**	**5,918**	**7,252**	**1,995**	**11,319**	**6,004**	**3,890**	**65,037**
Accumulated depreciation									
At 1 January 2015	**-**	**(1,377)**	**(3,273)**	**(5,415)**	**(1,550)**	**(6,256)**	**(3,997)**	**-**	**(21,868)**
Charge for the year	-	(363)	(609)	(603)	(114)	(1,218)	(778)	-	(3,685)
Disposals	-	-	-	25	18	14	444	-	501
At 31 December 2015	**-**	**(1,740)**	**(3,882)**	**(5,993)**	**(1,646)**	**(7,460)**	**(4,331)**	**-**	**(25,052)**
Carrying amount at 31 December 2015	**13,643**	**13,276**	**2,036**	**1,259**	**349**	**3,859**	**1,673**	**3,890**	**39,985**

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

24. Intangible Assets

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

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

25. Deferred Taxation

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

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

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

25.1 Deferred tax liabilities

	2016	2015
	N'million	N'million
Accelerated tax depreciation	(3,102)	(2,728)
	(3,102)	(2,728)
Deferred tax assets		
Unutilised capitalised allowance	5,552	3,891
Allowances for loan losses	2,907	-
Pension and other post-retirement benefits	1,541	2,829
Tax loss carried forward	16,686	16,480
	26,686	23,200
Unrecognised deferred tax asset	(23,584)	(20,472)
Net	-	**-**

25.2 Movements In Temporary Differences During The Year:

Movements in temporary differences during the year:	1 Jan 2016	Recognised in P&L	Recognised in OCI	31 Dec 2016
Accelerated tax depreciation	(2,728)	(374)	-	2,450
Unutilised capitalised allowance	3,891	1,661	-	-
Allowances for loan losses	-	2,907	-	2,907
Tax loss carry forward	16,480	206	-	16,686
Employee benefits	2,829	(1,288)	-	1,541
Unrecognised Deferred tax asset	(20,472)	(3,112)	-	(23,584)
	-	**-**	**-**	**-**

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

25.3

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

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

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

26. Other Assets

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

26.1

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

Reconciliation Of Allowance For Impairment

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

27. Deposits From Customers

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

28 Other Liabilities

	2016	2015
	N'million	N'million
Customer deposits for letters of credit	-	5,607
Accounts payable	34,837	39,306
Manager's cheque	3,704	2,866
Provisions year end bonus (see note 28.1)	1,001	1,400
CBN bailout fund (see note 28.2)	99,991	66,264
Provisions for litigations and claims (see note 28.3)	545	545
Payable on e-banking transactions	8,929	6,543
Payable to staff in respect of Staff gratuity (see note 28.4 & 30)	5,137	-
Other liabilities/credit balances	5,262	2,301
	159,406	**124,832**

28.1 Movement In Provision For Year End Bonus

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

The provision during the year is entirely current.

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

28.2

CBN Bailout fund represents funds for states in the federation that are having challenges in meeting their domestic obligations including payment of salaries. The loan was routed through the Bank for onward transmission to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum.

28.3 Movement In Provision For Litigations And Claims

	2016	2015
	N'million	N'million
At 1 January	545	89
Arising during the year	185	545
Utilised	-	(89)
At the end of the year	**730**	**545**

The provision during the year is entirely current.

28.4

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

29. Debts Issued And Other Borrowed Funds

	2016	2015
	N'million	N'million
Long term loan from Proparco Paris (see note 29.3)	10,151	7,960
Long term loan from African Development Bank (ADB) (see note 29.4)	21,539	14,925
Long term loan from Citibank International Limited (see note 29.5)	-	24,875
European Investment Bank Luxembourg (see note 29.6)	5,529	4,094
Bond issued (see note 29.7)	92,774	60,380
Local Bond issued (see note 29.8)	29,042	29,741
	159,035	**141,975**

29.1

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

29.2

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

29.3

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

29.4

The amount of N5.529 billion , (2015 : N4.094) represents the amortised cost balance in the facility of $17.83 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repayed quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

29.5

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

29.6

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

30 Retirement Benefit Obligations

The Bank had two unfunded defined benefit plans, namely the staff gratuity scheme and staff retirement scheme. The plans were not regulated by any regulatory framework and were not governed by a Board of Trustees.

The level of benefits provided depended on the members' length of service as defined in the schemes.

On 15 December 2016 the Bank ended the retirement and gratuity schemes and no further provision will be made in respect of both schemes.

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

30a. Gratuity scheme

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

	2016	2015
	N'million	N'million
Present value of unfunded obligations	-	3,494
Liability in the statement of financial position	**-**	**3,494**
The movement in the defined benefit obligation over the year is as follows:		
At beginning of the year	3,494	2,715
Current service cost	-	329
Interest cost	-	388
Benefits paid	(3,375)	(909)
Liability to staff to be net off against loan balance of staff	(1,505)	-
Remeasurement (gains)/ losses:		
- Change in demographic assumptions	-	631
- Change financial assumptions	-	340
Settlement loss	5,010	-
Transfer to Other liabilities	(3,624)	-
At end of the year	**-**	**3,494**

	2016	2015
	N'million	N'million
The amounts recognised in the profit or loss are as follows:		
Current service cost	-	329
Interest cost	-	388
Settlement loss	5,010	-
Total, included in staff costs	**5,010**	**717**

	2016	2015
The principal actuarial assumptions were as follows:		
Average long term discount rate (p.a.)	11.4%	11%
Average long term rate of inflation (p.a.)	10%	10%
Average long term pay increase (p.a.)	5%	5%

Mortality

Pre-retirement: A49/52

Withdrawal and Early Retirement

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

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

30b. Retirement benefit obligation

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

	2016	2015
	N'million	N'million
Present value of unfunded obligations	-	5,937
Liability in the statement of financial position	**-**	**5,937**

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

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

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

The principal actuarial assumptions were as follows:	2016	2015
Discount rate	0%	11.4%
Inflation rate	0%	10%
Future salary increases	0%	5%

Mortality

Pre-retirement: A49/52

Withdrawal and Early Retirement

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

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

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

-The discount rate assumption on the defined benefit obligation by adding and subtracting 1% to the discount rate; and

-The salary increase rate on the defined benefit obligation by adding and subtracting 1% to the salary increase rate.

-The mortality assumption on the defined benefit obligation by increasing and decreasing the age rating by 1 year.

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

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

Mortality improvement rate	Main Result	+1 year	-1 year	Main Result	+1 year	1 year
Defined Benefit Obligation	-	-	-	3,494	9	(7)
Change		-	-		0.2%	(0.2%)

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

Salary increase rate	Main Result	+1% N'million	-1% N'million	Main Result	+1% N'million	-1% N'million
Defined Benefit Obligation	-	-	-	5,937	498	(305)
Change		-	-		9.6%	(8.6%)

Mortality improvement rate	Main Result	+1 year	-1 year	Main Result	+1 year	1 year
Defined Benefit Obligation	-	-	-	5,937	66	71
Change		-	-		0.04%	(0.05%)

The weighted average duration of the retirement benefit obligation at the end of the reporting period 31 December 2016 for Gratuity and Retirement Scheme is 1 year respectively (2015: 6 and 8 years respectively).

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

2016
The Defined Benefit Obligation Report was prepared by PWC

2015
The Defined Benefit Obligation Report was prepared by AlexanderForbes
FRC Number: FRC/2012/0000000000504

31. Share Capital

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

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

32. Other Equity Accounts

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

Share premium

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

Retained earnings

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

Statutory reserve

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

Small scale investment reserve

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

Non-distributable regulatory reserve

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

Available-for-sale reserve

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

Remeasurement reserve

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

33. Cash Flows Generated From Operations

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

34. Contingent Liabilities And Commitments

34.1 Capital Commitments

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

34.2 Confirmed Credits And Other Obligations On Behalf Of Customers

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

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

34.3 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N3.96 billion (2015: N3.80 billion). Based on the estimates of the Bank's legal team and the case facts, the Bank estimates a potential loss of N730 million (2015: 544.72 million) upon conclusion of the cases. A provision for the potential loss of N730 million is shown in note 28.3. On the other hand, the Bank has outstanding claims against various individuals in the sum of N7.63 billion (2015: N9.11 billion) that are yet to be settled.

35. Related Party Transactions With Key Management Personnel

35.1 Deposits/ Interest Expense From Related Parties

Entity Controlled by key Management Personnel	Related party	Deposits at 31 Dec 2016	Interest expense 2016	Deposits at 31 Dec 2015	Interest expense 2015
		N	N	N	N
Geoelis and Co Nig Ltd (HM) (DP)	Insider Related	72,267,963	5,772,152	18,756,906	437
Rosies Textile Mill Ltd	Insider Related	3,382,637	-	1,209,878	76,148
Cy Incorporated Nig Ltd (DSRA)	Insider Related	256	-	68,750	
Equipment Solutions and Logistics Services Limited	Insider Related	51,610	-	780,880	31
Ass. Haulages (Nig) Ltd 2	Insider Related	-	-	12,095	-
The Genesis Restaurant Limited	Insider Related	56,225,216	907	165,632	907
Next International	Insider Related	762,638,131	-	4,298,832,450	448,676,549
Namjid. Com Limited	Insider Related	818,925	30	43,897	9,078
SUB-TOTAL		**895,384,748**	**5,773,088**	**4,319,870,488**	**448,763,150**
Transactions with Key Management Personnel	Insider Related	757,657,588	6,229,930	568,938,643	32,209,490
SUB-TOTAL		**757,657,588**	**6,229,930**	**568,938,643**	**32,209,490**
TOTAL		**1,653,042,336**	**12,033,018**	**4,888,809,131**	**480,972,640**

35.2 Loans and Advances/ Interest Income from Related parties

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

Related party	Key management personnel							
Okonkwo Nnamdi John	Managing Director	224,004,680	6,415,961	130,791,704	-	Term Loan	Performing	Perfected
Chijioke Ugochukwu	Executive Director	100,370,413	3,617,055	30,694	-	Term Loan	Performing	Perfected
Mohammed Balarabe	Executive Director	106,017,326	3,758,219	-	-	Term Loan	Performing	Perfected
Odinkemelu Aku	Executive Director	135,054,067	3,537,973	1,247,973	-	Term Loan	Performing	Perfected
Onyeali - Ikpe Nneka	Executive Director	27,020,000	4,574,144	-	-	Term Loan	Performing	Perfected
Adepegba Adeyeye Olawale	Executive Director	34,976,963	1,216,382	-	-	Term Loan	Performing	Perfected
Umar I Yahaya	Former Non Executive Director	24,028,167	-	435,497	-	Term Loan	Performing	Perfected
Ichie (Dr.) Nnaeto Orazulike	Former Non Executive Director	40,000,000	10,573,413	60,321,176	8,284,932	Term Loan	Performing	Perfected
Kayode Gabriel Olowoniyi	Former Non Executive Director	1,177,695	156,577	2,106,430	-	Overdraft	Performing	Perfected
Chief Nnamdi I. Oji	Former Non Executive Director	2,264,461	273,834	1,038,856	-	Credit Card	Performing	Perfected
Nnana-Kalu Robert	Non Executive Director	3,192,161	1,714	4,065,403	-	Credit Card	Performing	Perfected
Emeka Unachukwu	Chijioke Ugochukwu	299,007	-	-	-	Credit Card	Performing	Perfected
SUB-TOTAL		**718,404,940**	**34,125,273**	**200,037,732**	**8,284,932**			
TOTAL		**44,858,709,453**	**1,737,344,255**	**5,621,672,633**	**581,388,638**			

35.3 Bank Guarantees in favour of Directors

2016

Beneficiary Name	Related Entity	Name Of Related Bank Director/ Related Party	Position In Bank	Amount (N)
Borkir International Company Limited	Dangote Cement Plc	Mr. Ernest Ebi	Director	100,000,000
National Universities Commission	Chief (Dr.) Christopher Ezeh	Chief (Dr.) Christopher Ezeh	Former Director	200,000,000
National Universities Commission	Congregation Of The Holy Spirit (Spiritan University Nneochi)	Ichie (Dr.) Nnaeto Orazulike/Mrs. Aku Odinkemelu	Former Director/ Executive Director	200,000,000
National Universities Commission	Congregation Of The Holy Spirit (Spiritan University Nneochi)	Ichie (Dr.) Nnaeto Orazulike/Mrs. Aku Odinkemelu	Former Director/ Executive Director	200,000,000
Delta Mall Dev Co.	Genesis Deluxe Cinemas	Ichie (Dr.) Nnaeto Orazulike	Former Director	36,780
Ceddi Corporation Ltd	Genesis Deluxe Cinemas	Ichie (Dr.) Nnaeto Orazulike	Former Director	54,320
Bank Of Industry	Genesis Deluxe Cinemas	Ichie (Dr.) Nnaeto Orazulike	Former Director	250,000,000
Flour Mills Of Nig. Plc	The Genesis Restaurant Limited	Ichie (Dr.) Nnaeto Orazulike	Former Director	25,000,000
Honeywell Flour Mills Plc	The Genesis Restaurant Limited	Ichie (Dr.) Nnaeto Orazulike	Former Director	25,000,000
Crown Flour Mills Ltd	The Genesis Restaurant Limited	Ichie (Dr.) Nnaeto Orazulike	Former Director	50,000,000
Bank Of Industry	Tower Aluminium Nigeria Plc	Otunba Seni Adetu	Director	2,981,487,000
United International Pic (South Africa)	Genesis Deluxe Cinemas	Ichie (Dr.) Nnaeto Orazulike	Former Director	34,160,000
				4,065,738,100

2015

Beneficiary Name	Related Entity	Name Of Related Bank Director	Position In Bank	Amount (N)
National Universities Commission	Chief (Dr.) Christopher Ezeh	Chief (Dr.) Christopher Ezeh	Former Director	200,000,000
National Universities Commission	Congregation Of The Holy Spirit (Spiritan University Nneochi)	Ichie (Dr.) Nnaeto Orazulike/Mrs. Aku Odinkemelu	Former Director/ Executive Director	200,000,000
Bank Of Industry	Genesis Deluxe Cinemas	Ichie (Dr.) Nnaeto Orazulike	Former Director	250,000,000
				650,000,000

35.4 Key management compensation

	2016	2015
	N'million	N'million
Salaries and other short-term employee benefits (Executive directors only)	273	346
Pension cost	10	14
Post-employment benefits paid- Gratuity	85	114
Post-employment benefits paid- Retirement	296	398
Other employment benefits paid	376	504
	1,040	**1,376**

36. Employees

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

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

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

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

37. Directors' emoluments

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

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

Fees and other emoluments disclosed above include amounts paid to:		
Chairman	18	15
Highest Paid Director	102	94

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

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

38. Compliance With Banking Regulations

38.1

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

	Fine/Penalties 2016	Fine/Penalties 2015
Nature Of Contravention	(N'000)	(N'000)
Penalty payment on CBN FINA returns	475	28,000
Penalty for discrepancy of information on Ethelbert	-	4,000
Penalty on AML/CFT	-	4,000
Penalty for failure to meet TSA deadline	-	4,000
Penalty for hiring a blacklisted person	-	2,000
Penalty for CBN/NDIC risk based supervisory report	-	2,000
Penalty on late rendition of daily returns	-	450
Penalty for late rendition of mobil payment	-	50
CBN-Commencing branch operations without approval	12,000	-
Penalty for International Money Transfer issues	60,000	-
Penalty in respect of dismissed staff template	4,000	-
Penalty on FOREX-related issues	8,000	-
Penalty in respect of NOTAP issues	150	-
Penalty for contravening Policy Circulars	12,000	-
Penalty on Risk Assessment Report issues	4,000	-
Penalty for Operation of Surrogate Account	74,000	-
Penalty for Late Publication of 2016 Audited Account	700	-
	175,325	**44,500**

38.2

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

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

38.3 Whistle Blowing policy

The Bank complied with the CBN circular FPR/DIR/GEN/01/004 Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing Policy in Nigeria for the year ended 31 December 2016.

39. Gender Diversity

2016	WOMEN		MEN		TOTAL
	Number	%	Number	%	
Board Members	3	21%	11	79%	14
Management staff (AGM & Above)	11	23%	36	77%	47
Total	**14**		**47**		**61**

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

40. Statement Of Prudential Adjustments

Transfer to regulatory risk reserve

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

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

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

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

41. Maturity Analysis Of Assets And Liabilities

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

As at 31 December 2016	Maturing within 12 months	Maturing after 12 months	Total
ASSETS	N'million	N'million	N'million
Cash and balances with central bank	207,061	-	207,061
Due from banks	49,200	-	49,200
Loans and advances to customers	246,889	471,512	718,401
Investments:			-
• Held for trading (fair value through profit or loss)	13,258	4,840	18,098
• Available for sale	72,605	15,981	88,586
• Held to maturity	67,500	70,634	138,134
Other assets	13,653	23,857	37,510
Property, Plant and equipment	-	40,356	40,356
Intangible assets	27	768	795
TOTAL ASSETS	**670,193**	**627,948**	**1,298,141**

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

As at 31 December 2015

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

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

42. Events After Reporting Period

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

Statement Of Value Added For The Year Ended December 2016

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

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

Five-Year Financial Summary

Financial Position	2016	2015	2014	2013	2012
As at 31 December	N'million	N'million	N'million	N'million	N'million
Assets:					
Cash and balances with Central Bank	207,061	185,332	258,131	207,834	117,291
Due from other banks	49,200	79,942	68,735	80,875	98,000
Loans and advances to customers	718,401	578,203	541,686	426,076	345,500
Investments:					
Held for trading (Fair value through P or L)	18,098	4,070	83,363	254,909	201,806
Available for sale	88,586	116,607	90,864	21,041	21,835
Held to maturity	138,134	180,736	69,526	45,104	76,258
Property, plant and equipment	40,356	39,985	37,958	37,470	35,358
Intangible assets	795	945	506	-	470
Other assets	37,510	45,902	36,256	7,908	17,842
	1,298,141	**1,231,722**	**1,187,025**	**1,081,217**	**914,360**
Financed by:					
Liabilities					
Customer deposits	792,971	769,636	820,034	806,320	716,749
Current income tax payable	1,327	2,332	1,719	1,307	2,275
Deferred income tax liabilities	-	-	1,410	1,955	1,955
Other liabilities	159,406	124,832	66,230	30,286	26,354
Debts issued and other borrowed funds	159,035	141,975	117,541	70,328	-
Retirement benefit obligations	-	9,431	6,980	7,566	5,572
Equity					
Share capital	14,481	14,481	14,481	14,481	14,481
Share premium	101,272	101,272	101,272	101,272	101,272
Statutory reserve	24,476	23,016	20,930	18,861	17,703
Retained earnings	25,918	8,797	11,721	9,118	7,916
Small scale industries reserve	764	764	764	764	764
Non-distributable regulatory reserve	16,271	33,480	23,950	18,884	19,608
AFS/Remeasurement reserve	2,220	1,706	(7)	75	-289
	1,298,141	**1,231,722**	**1,187,025**	**1,081,217**	**914,360**

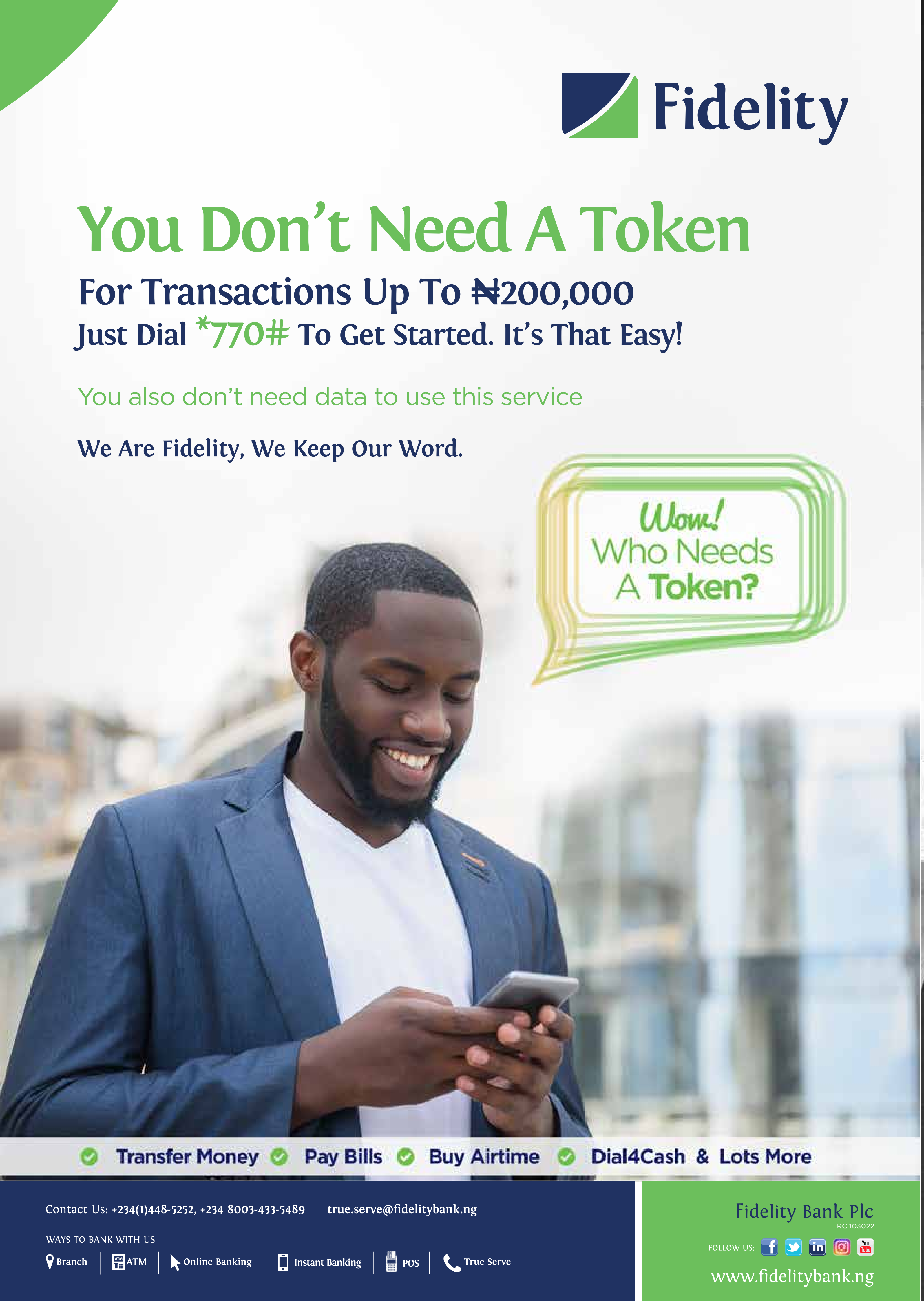
Financial Summary - Contd.

Statement of Profit or loss and Other Comprehensive Income For the year ended 31 December	2016	2015	2014	2013	2012
	N'million	N'million	N'million	N'million	N'million
Operating income Net interest income	61,928	60,864	48,826	30,812	36,810
Impairment charge for credit losses	(8,671)	(5,764)	(4,306)	(8,140)	(4,610)
Net interest income after impairment charge for credit losses	53,257	55,100	44,520	22,672	32,200
Commission and other operating income	28,868	25,442	28,094	40,661	39,100
Other operating expenses	(71,064)	(66,518)	(57,099)	(54,305)	(50,708)
Operating profit	**11,061**	**14,024**	**15,515**	**9,028**	**20,592**
Profit from sale of subsidiary	-	-	-	-	757
Profit before income tax	**11,061**	**14,024**	**15,515**	**9,028**	**21,349**
Income tax expense	(1,327)	(120)	(1,719)	(1,307)	(3,425)
Profit after taxation	**9,734**	**13,904**	**13,796**	**7,721**	**17,924**
Other comprehensive income	(3,214)	1,713	(82)	363	1,757
Total comprehensive income for the year	**6,520**	**15,617**	**12,416**	**8,084**	**19,681**
Per share data in kobo:					
Earnings per share (basic & diluted)	**34k**	**48k**	**48k**	**27k**	**62k**
Net assets per share	**640k**	**636k**	**598k**	**564k**	**557k**

Note:

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

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


Fidelity
You Don't Need A Token
For Transactions Up To ₦200,000
Just Dial *770# To Get Started. It's That Easy!
You also don't need data to use this service
We Are Fidelity, We Keep Our Word.
Wow! Who Needs A Token?
Transfer Money
Pay Bills
Buy Airtime
Dial4Cash & Lots More
Contact Us: +234(1)448-5252, +234 8003-433-5489
true.serve@fidelitybank.ng
WAYS TO BANK WITH US
Branch | ATM | Online Banking | Instant Banking | POS | True Serve
Fidelity Bank Plc
RC 103022
FOLLOW US:
www.fidelitybank.ng

20th ANNIVERSARY
Fidelity
Private Banking
Wealth Management That Preserves Legacies
Financial Advisory • Wealth Management • Custodian Services • Luxury Lifestyle
For 20 years, our team of thorough-bred experts have helped you create, manage and preserve your wealth for the next generation. Today, as we celebrate two decades of exclusive banking, we reiterate our commitment to giving you only the best in class financial and lifestyle solutions.
privatebanking.fidelitybank.ng
Inclined To Serve You Naturally
Membership by Invitation

Stakeholders Engagement

Introduction

The Board and Management of Fidelity Bank Plc recognises that effective shareholder engagement and dialogue can and often leads to improved corporate policies, more sustainable business practices, and greater transparency and responsibility. The Bank is therefore open to change especially if same has the potential to enhance the sustainability of our business by minimizing risk and protecting shareholder value.

Share Capital Structure

The Bank's Authorised Share Capital as at December 31, 2016 was N16,000,000,000.00 (Sixteen Billion Naira), divided into 32,000,000,000 (Thirty-two Billion) ordinary shares with a nominal value of 50 kobo each and the shares are quoted on the Nigerian Stock Exchange.

Paid up share capital currently stands at N14,481,292,846 divided into 28,962,585,692 shares. The Bank's shares are held by Nigerian citizens and corporations. The Bank currently has about 400,000 shareholders.

Relations with Shareholders

The Bank is committed to building and maintaining constructive and long-lasting relationships with shareholders and other stakeholders through regular meetings, forums and targeted group engagements. The Board recognizes the importance of a dual-way communication channel with the Bank's shareholders. The general meeting which is the primary avenue for interaction between the shareholders, Management and the Board, is utilized effectively for this purpose.

The Board ensures that all shareholders are treated fairly, given equal access to information about the Bank as well as notices of shareholders' meetings. General meetings are conducted in an open manner allowing for free discussions on all issues on the agenda. The Board also ensures that the venue of the general meeting is accessible and that shareholders are not disenfranchised from attending the meeting on account of choice of venue.

As a result, the Bank's Annual General Meetings are well attended and shareholders who are unable to attend are encouraged to use the proxy cards sent with the Notice of Meeting. Proceedings at general meetings are monitored by the representatives of the Central Bank of Nigeria, Securities and Exchange Commission and Nigerian Stock Exchange, amongst others.

Fidelity believes that the key to positive engagement is for the Board and the stakeholders, including shareholders, customers and analysts, to interact in a way that is mutually beneficial, promotes constructive dialogue and ensures that legitimate concerns are raised and addressed. Thus apart from the statutory general meetings, other engagement forums offer an opportunity for shareholders and other stakeholders to deliberate and seek understanding of the Bank's financial results and strategic direction.

These consultations enable the Board and Management of the Bank to appreciate the perspectives of shareholders concerning the Bank's overall financial performance and future plans. Feedback from shareholder engagements assist in guiding the implementation of the Bank's corporate objectives. Furthermore, the quarterly, half-yearly and annual financial results are published in widely read national newspapers as well as on the Bank's website.

Protection of Shareholders' Rights

The Board ensures that shareholders' rights are protected. In particular, the right to attend and vote at general meetings are effectively maintained without restrictions. All shareholders are treated equally regardless of size of shareholding or status. The Board also ensures that the Bank promptly renders to shareholders, documentary evidence of their ownership interests in the Bank such as share certificates, dividend warrants and related instruments including secure electronic remittances (e-dividend and Central Securities Clearing System {CSCS} transfers).

Investor Relations Desk

The Bank has a robust Investor Relations Team that, in liaison with the Company Secretary, engages individual Shareholders, Institutional Investors, Fund Managers and Analysts. The Team, on a regular basis, publishes information on the Bank's strategic direction and provides in-depth analysis of published financial results and performance targets of the Bank through several channels including:

- Investors/Analysts Conference Calls
- One-on-One Meetings with Investors/Analysts
- Press Releases
- Financial Results Presentations
- Investor Conferences
- Non-deal Roadshows
- Newspaper Publications
- Investor Relations Portal on the Bank's website
- Annual Report and Accounts

The Team has an annual programme of meetings with institutional investors. Management participates actively in these meetings and the Bank is able to develop an understanding of issues that are of concern to investors.

Fidelity continues to raise the level of its activities to enhance information disclosure with focus on disclosure of business and financial information and creating opportunities for dialogue, while taking into consideration the needs and expectations of our shareholders, investors and all stakeholders.

Investor Presentations which are prepared on a bi-annual basis are published on the Investors Section of the Bank's website. The Section also hosts Frequently Asked Questions (FAQs) to enable stakeholders obtain answers to critical questions.

Interested stakeholders may contact our Investor Relations Team on:
Telephone: +234 1 2700 530; 2700 531; 2700 532
Email: **info.investorrelations@fidelitybank.ng**
Website: **www.fidelitybank.ng**

Share Capital History

YEAR	Authorized (Additional) N	Authorized (Cumulative) N	Issued and Fully Paid (Additional) N	Issued and Fully Paid (Cumulative) N	Consideration
1988	3,000,000	3,000,000	1,865,000	1,865,000	Cash
1989	9,000,000	12,000,000	5,822,000	7,687,000	Bonus/Cash
1989	-	12,000,000	-	7,687,000	-
1990	3,000,000	15,000,000	1,153,050	8,840,050	Bonus/Cash
1991	25,000,000	40,000,000	4,959,950	13,800,000	Bonus/Cash
1992	20,000,000	60,000,000	13,800,000	27,600,000	Cash
1993	40,000,000	100,000,000	12,703,000	40,303,000	Bonus/Cash
1994	50,000,000	150,000,000	51,830,000	92,133,000	Bonus/Cash
1995	-	150,000,000	21,737,000	113,870,000	Bonus
1997	650,000,000	800,000,000	272,247,000	386,117,000	Bonus/Cash
1998	-	800,000,000	151,472,000	537,589,000	Bonus/Cash
2000	700,000,000	1,500,000,000	6,458,920	544,047,920	Cash
2001	-	1,500,000,000		544,047,920	
2001	500,000,000	2,000,000,000	272,023,960	816,071,880	Bonus
2002	-	2,000,000,000	36,501,911	852,573,791	Cash
2003	-	2,000,000,000	336,602,981	1,189,176,772	Cash
2004		2,000,000,000	344,554,220	1,533,730,992	Bonus/Cash
2004	4,000,000,000	6,000,000,000	519,088,134	2,052,819,126	Bonus
2005	2,000,000,000	8,000,000,000	2,222,101,272	4,274,920,398	Cash
2005	2,000,000,000	10,000,000,000	3,956,922,658	8,231,843,056	Merger/Cash
2007	2,500,000,000	12,500,000,000	249,449,790	8,481,292,846	Rights
2007	3,500,000,000	16,000,000,000	6,000,000,000	14,481,292,846	Public Offer

Unclaimed Dividend Report

Payt. No	Amount Of Dividend Declared N	Total Div. Paid (July - Dec. 2016) N	Total Div. Paid Up To June, 2016 (Accum.) N	Total Div. Paid Up To December, 2016 N	Date Of Payment	Unclaimed Dividend N	Total Amount Returned To Coy After 15 Months
1	1,629,904,972.14	541,974.68	1,548,342,110.89	1,548,884,085.57	12/20/2006	5,920,202.08	75,100,684.49
2	2,372,523,026.54	974,583.44	2,224,620,148.62	2,225,594,732.06	12/17/2007	7,934,328.70	138,993,965.78
3	7,819,898,220.00	1,670,347.40	7,565,397,277.99	7,567,067,625.39	11/13/2008	13,809,101.76	239,021,492.85
4	1,303,865,866.04	838,627.79	1,214,599,701.68	1,215,438,329.47	1/4/2010	5,146,744.94	83,280,791.63
5	651,932,933.02	728,449.83	572,948,551.64	573,677,001.47	8/13/2010	2,731,346.49	75,524,585.06
6	3,649,285,797.30	361,216.76	3,509,909,040.06	3,510,270,256.82	4/29/2011	781,153.58	138,234,386.90
7	3,649,285,796.40	381,865.46	3,518,189,232.94	3,518,571,098.40	5/9/2012	1,467,457.24	129,247,240.76
8	5,492,037,855.15	808,682.54	5,295,844,199.20	5,296,652,881.74	5/21/2013	5,115,106.45	190,269,866.96
9	3,661,087,989.94	3,789,660.46	3,284,549,769.38	3,288,339,429.84	5/2/2014	11,826,718.89	360,921,841.21
10	4,722,504,209.50	245,423,207.03	4,055,985,358.23	4,301,408,565.26	5/7/2015	41,665,250.33	379,430,393.91
	4,197,866,869.25	279,109,638.76	3,321,757,515.06	3,600,867,153.82	5/5/2016	596,999,715.43	NIL
						693,397,125.89	**1,810,025,249.56**

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

Recommendations And Explanatory Notes Relating To The Business To Be Conducted At The 29Th Annual General Meeting On 4Th May, 2017

Resolution 1

To receive the Audited Financial Statements for the year ended December 31, 2016, and the Reports of the Directors, Joint Auditors and Audit Committee thereon.

Rationale:

Section 345(1) of the Companies and Allied Matters Act, L.F.N. 2004 (CAMA) requires the Directors to lay before the Shareholders in General Meeting each year, the Company's Financial Statements which have been prepared by them in compliance with Section 334 of CAMA.

The Financial Statements include the Balance Sheet, Profit & Loss Account, Statement of Accounting Policies, Five Year Financial Summary, Report of the Directors as well as the Reports of the Independent Auditors and Audit Committee.

The Financial Statements are to be prepared in compliance with specific regulatory requirements and accounting standards issued from time to time by the Nigerian Accounting Standards Board and should present a true and fair view of the Company's business undertaking during the period under review.

The Directors Report contains important information on the financial performance of the Company, the amount (if any) recommended for payment as Dividend, details of the persons who held office as Directors during the year and the Directors interest (direct or indirect) in the shares of the Company, amongst others.

The Chairman will therefore lay the Audited Financial Statements of the Company for the year ended December 31, 2016 before the Members at the Annual General Meeting.

During the meeting, representatives of the independent Joint External Auditors, the Board appraisal consultants and the Audit Committee will also read their respective Reports and recommendations to Shareholders, as these form part of the Financial Statements.

Request:

Shareholders are requested to receive the Financial Statements and accompanying Reports as laid before them at the Annual General Meeting.

Resolution 2

To declare a Dividend of 14 kobo per ordinary share.

Rationale:

The Directors recommend payment of a dividend of 14 kobo per ordinary share entitled thereto for the year ended December 31, 2016.

Section 379 of CAMA stipulates that the General Meeting has the power to approve or decrease the amount of dividend recommended by the Directors, but not to increase the said sum.

If approval of the recommended dividend is obtained at the Annual General Meeting, dividend warrants will be posted on May 4, 2016 to Shareholders whose names are recorded in the Company's Register of Members at the close of business on April 13, 2016, while Shareholders who have mandated their dividend to their bank accounts will be credited on the same date.

Request:

Shareholders are requested to vote in favour of the Resolution to declare a dividend of 14 Kobo per ordinary share, to enable the Directors pay the recommended dividend.

Resolution 3

To approve the appointment of Otunba Seni Adetu, Mr. Ernest Ebi, MFR, FCIB, Chief Charles C. Umolu and Pst. Kings C. Akuma as Non-Executive Directors.

Rationale:

Since the last Annual General Meeting, four (4) Non-Executive Directors (Chief (Dr.) Christopher I. Ezeh MFR, Mallam Umar Yahaya, Ichie (Dr) Nnaeto Orazulike and Mr. Kayode Olowoniyi), retired from the Board of Directors of the Bank, having completed their tenures.

Consequently, the Board, pursuant to the powers vested on it by Article 98(2) of the Articles of Association of the Company, filled the vacancies occasioned by the retirements by appointing the following persons as Non-Executive Directors:

(a) Otunba Seni Adetu was appointed as an Independent Non-Executive Director on March 17, 2016. His appointment was approved by the Central Bank of Nigeria on April 28, 2016.

(b) Mr. Ernest Ebi, MFR, FCIB, was appointed as a Non-Executive Director on October 20, 2016. His appointment was approved by the Central Bank of Nigeria on November 25, 2016.

(c) Chief Charles C. Umolu was appointed as a Non-Executive Director on October 20, 2016. His appointment was approved by the Central Bank of Nigeria on November 25, 2016.

(d) Pst. Kings C. Akuma was appointed as a Non-Executive Director on October 20, 2016. His appointment was approved by the Central Bank of Nigeria on November 25, 2016.

The new Non-Executive Directors bring to the Board their robust experience garnered from different professional backgrounds.

As required by the Articles of Association, their appointments will be presented for Shareholders approval at the Annual General Meeting.

Their profiles are detailed below and also available on the Bank's website at **www.fidelitybank.ng**.

Profile of Otunba Seni Adetu- Independent Non-Executive Director

Seni Adetu brings over 30 years of quality private sector experience garnered at the highest levels with John Holt Plc, Coca-Cola International and Diageo/Guinness Plc in different countries within and outside Africa to the Board. He holds a B.Sc in Chemical Engineering and Masters in Business Administration (with specialization in Marketing), both from the University of Lagos.

He was at various times MD of Coca-Cola English West Africa based in Ghana and became the first African MD/CEO and Executive Vice Chairman of Guinness Ghana Plc; Group MD/CEO Diageo East Africa based in Kenya and until December 2014, was the MD/CEO of Guinness Nigeria Plc and Executive Chairman Diageo Brands Nigeria.

He has considerable expertise in commercial, financial and governance best practices. A great marketer renowned for championing innovation in the fast moving consumer goods (FMCG) sector, he was named runner-up Forbes/CNBC Business Leader/CEO of the Year 2012 in East Africa.

Adetu is the Founder/Group CEO of First Primus W.A. Limited, an upscale integrated marketing communications company. He is also the Founder and Group CEO of Algorithm Media Limited, a media specialist communications agency in Nigeria and affiliate of GroupM, one of the largest media networks in the world. He is a leadership coach and facilitates on the Chief Executive Program of the Lagos Business School.

Profile of Mr. Ernest Ebi MFR, FCIB: Non-Executive Director

Ernest Ebi, was a former Deputy Governor, Policy and Corporate Services at Central Bank of Nigeria (CBN) for 10 years. Prior to joining the CBN, he was Deputy Managing Director/Chief Operating Officer of Diamond Bank Plc, and former Managing Director/Chief Executive Officer of New Nigeria Bank Plc. He served as an Executive Director with African Continental Bank and also held executive management positions in International Merchant Bank, Nigeria.

He obtained a Bachelor of Business Administration degree in Marketing and a Masters of Business Administration from Howard University, Washington DC. He is a recipient of the National Award, MFR, and a Fellow of the Chartered Institute of Bankers of Nigeria. He has participated in Management Development Courses locally and overseas in the areas of Strategic Planning, Financial Management and Risk Management amongst others at IMD Switzerland, Harvard and Oxford-Said Business School.

He started his career as an Accounts Technician with the National Association of Counties, Washington DC and subsequently worked at the Federal Savings & Loans Association Washington DC where he served as the Assistant Vice-President Community Federal Savings & loans Association.

He was the Chairman of Deputies of the Group of Twenty-four Countries (G24 countries) and was Director of Afromedia PLC until July 28, 2015. He is a member of the Governing Board of Venture Garden Nigeria and has been an Independent Non-Executive Director at Dangote Cement Plc since January 30, 2014. He supports Worldvision and is also involved in various other humanitarian causes, especially in fundraising to promote its programs across the nation.

Profile of Chief Charles C. Umolu: Non-Executive Director

Charles C. Umolu, is the Managing Consultant Corimol Consulting Limited. He has over 18 years cognate experience in banking. He trained as a banker with Morgan Guaranty Trust Company of New York, United States of America. He obtained a B.Sc degree in Economics and a Masters in Business Administration from the University of Ife.

He was the Managing Director/CEO of Comet Merchant Bank Limited (1995-1997) a position he held until he resigned to establish Corimol Consulting Limited. He has served on the board of various organizations as Executive Director and Non-Executive Director. He currently serves on the board of Profound Securities Limited – a subsidiary of the Nigerian Social Insurance Trust Fund (NSITF).

Profile of Pst. Kings C. Akuma: Non-Executive Director

Kings C. Akuma currently heads the Non Oil and Gas business of ALCON Nigeria Limited, a major player in the oil, gas and power sector. Prior to joining ALCON he was the Managing Director of Hammakopp Consortium Limited (an affiliate of Nestoil Group Plc.). He holds a B.Sc degree in Accounting from the University of Nigeria, Nsukka and a Masters in Business Administration from the University of Lagos.

He is a fellow of the Chartered Institute of Taxation of Nigeria and is regarded by his peers and contemporaries as a thoroughbred strategic change management specialist with core competence in organisational structure and financial due diligence review.

Kings also coordinated comprehensive financial due diligence on several Banks with over three decades of in-depth understanding of banking/finance operations, consulting, manufacturing, due diligence and forensic accounting.

Request:

Shareholders are requested to vote in favour of the resolution for approval of the appointment of Otunba Seni Adetu, Mr. Ernest Ebi, Chief Charles C. Umolu and Pst. Kings C. Akuma.

Resolution 4

Re-election of Mr. Alex C. Ojukwu and Mr. Michael E. Okeke as Non-Executive Directors

Rationale:

In accordance with Section 259 of CAMA and Article 95(1) of the Company's Articles of Association, one-third of the Non-Executive Directors for the time being (or the number closest to it) are required to retire from office at each Annual General Meeting and if eligible, offer themselves for re-election at the same meeting.

The Directors to retire by rotation every year are those who have served longest in office since their last election.

To give effect to the foregoing provisions, Mr. Alex Ojukwu and Mr. Michael E. Okeke shall retire by rotation at the Annual General Meeting and being eligible, have offered themselves for re-election.

The Board confirms that a formal evaluation was conducted to assess the performance of the retiring Non-Executive Directors.

The profiles of the Non-Executive Directors standing for re-election are detailed below and also available on the Bank's website at www.fidelitybank.ng.

Profile of Mr. Alex C. Ojukwu: Non-Executive Director

Alex C. Ojukwu has over 27 years' experience in diverse fields including Banking Services, Controls & Audit, Marketing, Power, Mining, Steel, Risk and Manufacturing.

He joined Fidelity Bank Plc as a Non-Executive Director on October 23, 2014. He holds a Bachelor's degree in Finance from Ogun State University and a Masters in Business Administration from Federal University of Technology, Akure.

He is a Fellow of the Chartered Institute of Bankers (FCIB), an alumnus of the Lagos Business School and a Member of the Institute of Risk Management. He is currently the Managing Director of Afro Asia Automobile & Plastics Limited. He was at some time, the Executive Director, Risk Management, Western Goldfields Group Limited.

Alex Ojukwu is the Managing Partner of Damos Practice – Risk Management Consultants, which he founded after leaving the services of Bank PHB Plc (now Keystone Bank Limited) as Assistant Vice President in charge of Remedial Assets Management.

Profile of Mr. Michael E. Okeke: Non-Executive Director

Michael E. Okeke holds a B.Sc degree in Estate Management, Post Graduate Diploma in Political Science from the University of Nigeria, Enugu Campus and a Masters in Business Administration from the Metropolitan School of Business & Management, United Kingdom.

He is a fellow of the Chartered Institute of Loan & Risk Management of Nigeria, and a Member of the Nigerian Institute of Estate Surveyors & Valuers (NIESV).

A proficient Estate Surveyor & Valuer with professional specialization in property valuation, project finance, procurements, syndicated asset management, valuation of aviation and navigation installations including aircraft, ships and vessels. He is currently the Managing Partner of Sun Oriala & Co, an estate management firm. He joined the Board of Fidelity Bank Plc. on October 23, 2014.

Request:

Given their experience, background and contributions thus far, the Board believes that the retiring Directors will continue to add value to the Company and requests that Shareholders vote in favour of the Resolution for their re-election.

Resolution 5

To authorize the Directors to fix the remuneration of the Joint External Auditors.

Rationale:

The Joint External Auditors, PKF Professional Services and Ernst & Young have indicated their willingness to continue in office as the Bank's Auditors in accordance with Section 357 (2) of CAMA.

The Audit Committee has also, in furtherance of Section 359(6)(e) CAMA, recommended the re-appointment of the External Auditors for the 2017 financial year.

Section 361(1) CAMA provides that the remuneration of the Auditors should be fixed by the Company in General Meeting or in such manner as the Company in General Meeting may determine.

A resolution will be proposed at the Annual General Meeting to authorize the Directors to determine the remuneration of the Auditors for the period of the appointment.

In this regard, the Directors will be guided by the provisions of Section 359(6) (e) of CAMA which authorizes the Audit Committee to make recommendations to the Board on the appointment, removal and remuneration of the external auditors of the Company.

Request:

Shareholders are requested to approve the resolution authorizing the Directors to fix the remuneration of the Auditors for the financial year ending 31 December 2017.

Resolution 6

To elect members of the Audit Committee.

Rationale:

By virtue of Section 359 of CAMA, all public limited companies are mandated to establish Audit Committees. The Act also requires that the Committee should be comprised of a maximum of six (6) members, three Shareholders representatives and three Directors.

Section 359(5) CAMA specifically provides that a Shareholder may nominate another Shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

The responsibilities of the Audit Committee (which is required to present its Report to Shareholders at each Annual General Meeting), include the following:

(a) Ascertain whether the Company's accounting and reporting policies are in accordance with legal requirements.
(b) Review the scope of the audit requirements.
(c) Review the findings on the Management Letter.
(d) Review the effectiveness of the Company's system of accounting and internal control.

(e) Make recommendations to the Board on the appointment, removal and remuneration of the External Auditors.
(f) Authorise the Internal Auditor to carry out investigations into any activities of the Company which may be of interest to the Committee.

Shareholders are requested to vote at the Meeting, to elect three members on the Audit Committee.

The nominees would be presented to the meeting and voting on this resolution conducted strictly by a show of hands in compliance with the provisions of Section 225(3) CAMA or electronically.

Request:

Shareholders are requested to vote on this resolution to elect three (3) representatives to the Audit Committee for the 2017 financial year.

Communications Policy

The Bank has a formal Communications Policy which complies with the Laws, Rules and Regulations guiding the Nigerian Banking Industry as well as the Codes of Corporate Governance issued by its primary and other Regulators. These include the Banks and Other Financial Institutions Act (BOFIA), 2004 Companies and Allied Matters Act (CAMA), 2004 and the Codes of Corporate Governance issued by the Central Bank of Nigeria and the Securities and Exchange Commission. Attention is also drawn to the following:

(a) Efficiency: The Bank uses modern communication technologies in a timely manner to convey its messages to target groups, while building synergies and strategic alliances across multi- media platforms.

(b) Cultural Awareness: The Bank operates in a multi-cultural environment and recognises the need to be sensitive to the cultural peculiarities of its operating environment.

(c) Feedback: The Bank actively and regularly seeks feedback on its image and communication activities not only from the media and target groups but also the general public.

Information Dissemination

The Bank's Brand and Communications Division oversees the implementation of the Communications Policy as well as the process of dissemination of information from the Bank. The Chief Human Resources Officer is responsible for ensuring that a copy of the Policy is available to each Fidelity Bank employee via the Bank's intranet while the Chief Internal Auditor ensures compliance.

Fidelity

Fidelity Bank Plc

Proxy Form

Twenty-Ninth Annual General Meeting to be held on Thursday, May 4, 2017 by 11.00 a.m at the Shell Hall, Muson Center, 8/9 Marina, Onikan, Lagos .

I/We ______________________ of ______________________ being

a Shareholder(s) of Fidelity Bank Plc. hereby appoint ______________________ or failing him Mr. Ernest Ebi MFR, FCIB or failing him, Mr. Nnamdi Okonkwo as my/our Proxy to act and vote for me/us on my/our behalf at the 29th Annual General Meeting to be held on the 4th day of May, 2017 and at any adjournment thereof.

Dated this ________ day of ______________ 2017.

Shareholder's Signature ______________________

I/We desire this proxy to be used in favour of/or against the resolution as indicated alongside (strike out whichever is not required).	No	Ordinary Business	For	Against
	1.	To receive the Audited Financial Statement for the year ended December 31, 2016 and the Reports of the Directors, Joint Auditors and Audit Committee thereon		
	2.	To declare a Dividend.		
	3.	To elect Otunba Seni Adetu, Mr. Ernest Ebi MFR, FCIB, Chief Charles Umolu and Pst. Kings Akuma who were appointed as Non-Executive Directors since the last Annual General Meeting.		
	4.	To re-elect Mr. Alex C. Ojukwu and Mr. Michael E. Okeke as Non-Executive Directors		
	5.	To authorize the Directors to fix the remuneration of the Joint Auditors.		
	6.	To elect members of the Audit Committee.		

Please indicate with an "X" in the appropriate column, how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his discretion.

Signature Of Person Attending ______________________

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

Note:

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

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

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

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

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

Fidelity

Fidelity Bank Plc

Admission Card

Twenty-Ninth Annual General Meeting to be held on Thursday, May 4, 2017 by 11.00 a.m at the Shell Hall, Muson Center, 8/9 Marina, Onikan, Lagos .

Please admit ______________________________ to the 29th Annual General Meeting of Fidelity Bank Plc.

Name of Shareholder: ______________________________

Account Number: | | | | | | | | | | |

Number of Shares Held: ______________________________

Signature of person attending______________________________

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

Fidelity Bank Plc RC103022

Fidelity

Fidelity Bank Plc

Admission Card

Twenty-Ninth Annual General Meeting to be held on Thursday, May 4, 2017 by 11.00 a.m at the Shell Hall, Muson Center, 8/9 Marina, Onikan, Lagos .

Please admit ______________________________ to the 29th Annual General Meeting of Fidelity Bank Plc.

Name of Shareholder: ______________________________

Account Number: | | | | | | | | | | |

Number of Shares Held: ______________________________

Signature of person attending______________________________

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

Fidelity Bank Plc RC103022

Fidelity

Change Of Address/Shareholder's Data Update Form

Instructions: Please fill the form and return to the address below

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

Request For Change Of Address

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

(I) Fidelity Bank Plc

Shareholder's Account Number (If Known)

Shareholder's Account Information

Last Name

Other Names

Previous Address

City

State

Present/New Address

City

State

Mobile Telephone

Email Address

Shareholder's Signature/Thumb Print

Joint/Corporate Shareholder(s) Signature & Company Seal

NOTES

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

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

Affix A Recent Passport Photograph (individual)

Fidelity

Mandate For E-Dividend Payment

I/We hereby request that from now on, all Dividend Warrant(s) due to me/us from my/our holdings in Fidelity Bank Plc should be paid directly to my/our Bank below:

Date (DD/MM/YY)

D	D	M	M	Y	Y	Y	Y

Item

(1) Fidelity Bank Plc

Shareholder's Account Number (If Known)

(2)*Surname/Company's Name (whichever is applicable)

(2.2) *Other Names

(2.3)* City

State

(2.4) Email Address

(2.5) Mobile (GSM) Phone Number

(3)*Bank Name

(3.1)*Branch Address

(3.2)*Bank Account Number (10 Digit NUBAN Number)

(3.3)*Bank Sort Code (very Important)

(4)*

Shareholder's Signature/Thumb Print

Joint/Corporate Shareholder(s) /Company Signatures

Company Seal/Incorporation Number (Corporate Shareholder)

(5)*

Authorised Signatures and Stamp of Banker

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

NOTES

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

Affix A Recent Passport Photograph (individual)

Fidelity

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

Unclaimed/Stale Dividend Warrant

I/We declare that I/we am/are the registered holder(s) of Fidelity Bank Plc shares. Till date, I/we am/are yet to receive my/our Dividend warrant(s) payments no(s) .... (please specify). In view of this, I/we request and authorise you to cancel the original dividend warrant(s) and issue a replacement dividend warrant(s).

Item

Shareholder's Account Number (If known)

Date (DD/MM/YY)

D	D	M	M	Y	Y	Y	Y

(1) *Surname/Company's Name (whichever is applicable)

(1.1) *Other Names

(1.2) Address

(1.3) *Email Address

(1.4) *Mobile (GSM) Phone Number

(2) *Bank Name And Branch

(2.1) *Bank Account Number (10 digit NUBAN number)

Branch Sort Code

(3) I/We hereby authorise that the re-issued/re-validated dividend(s) be paid into my/our current account as indicated above.

(3.1) I/We hereby indemnify the company and registrar against all losses, actions, proceedings, demands, costs and expenses whatsoever which may be made, incurred or brought against them by reason of compliance with this request.

(4) Shareholder's Signature/Thumb Print

Joint/Corporate Shareholder(s) /Company Signatures

Company Seal/Incorporation Number (Corporate Shareholder)

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

NOTES

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

Fidelity

For E-Bonus Shares

To:
The Registrar,
First Registrars & Investor Services Limited,
2, Abebe Village Road, Iganmu,
P. M. B. 12692 Lagos, Nigeria,

Authority To Credit CSCS A/C With Bonus Shares

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

1. Shareholder's Surname/Company's Name (Whichever is applicable)

Other Names

(First Name) (Other Names)

2. Shareholder's Account Number (If Known)
(As it appears on either your dividend warrant stub or share certificate)

3. Shareholder's CSCS Clearing House Number

4. Shareholder's Stockbroker

5. Shareholder's Mobile Telephone Number

6. Shareholder's E-mail Address:

Signature** (Individual Shareholder)	**Signature**** (Joint/Corporate Shareholders)	**Company Seal**

Dated this ______ day of ____________ 20 ____

NOTES

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

www.fidelitybank.ng