# FIDELITY BANK PLC
Lagos, Nigeria

ANNUAL REPORT

AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

**FIDELITY BANK PLC**

**THE REPORT OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

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# FIDELITY BANK PLC

## CORPORATE INFORMATION

| | |
|---|---|
| Registered Office: | Fidelity Place<br>1 Fidelity Close<br>Off Kofo Abayomi Street<br>Victoria Island<br>Lagos |
| Joint Auditors: | Ernst & Young<br>2A Bayo Kuku Road<br>Ikoyi<br>Lagos |
| | PKF Professional Services<br>PKF House<br>205A Ikorodu Road<br>Obanikoro<br>Lagos |
| Company Secretary: | Chijioke Ugochukwu<br>2 Kofo Abayomi Street<br>Victoria Island<br>Lagos |

**FIDELITY BANK PLC**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

The Directors are pleased to submit their report on the affairs of Fidelity Bank Plc ("the Bank'') and its subsidiaries (together called "the Group"), together with the financial statements and auditors' report for the year ended December 31, 2012.

| | GROUP | |
|---|---|---|
| | **2012** | **2011** |
| 1. **RESULTS** | **₦'Million** | **₦'Million** |
| Profit before income tax | 21,625 | 161 |
| Income tax expense | (3,425) | 2,423 |
| | --------- | -------- |
| Profit after taxation | 18,200 | 2,584 |
| | ===== | ===== |

## 2. LEGAL FORM

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

## 3. PRINCIPAL BUSINESS ACTIVITIES

The principal activity of the Bank continues to be the provision of Banking and other financial services to corporate and individual customers from its Headquarters in Lagos and 198 branches. These services include retail Banking, granting of loans and advances, equipment leasing and other related services.
In line with the new Banking model of the Central Bank of Nigeria, the Bank applied for a commercial Banking license and hence disposed off all its non core Banking subsidiaries at the start of 2012 financial year.

## 4. BENEFICIAL OWNERSHIP

The Bank is owned 100% by Nigerian Citizens and Corporations

## 5. SHARE CAPITAL

The range of shareholding as at December 31, 2012 is as follows:

| *Range* | | | *No. of Holders* | *Holders%* | *Holders Cum* | *Units* | *Units %* | *Units Cum.* |
|---|---|---|---|---|---|---|---|---|
| 1 | - | 1,000 | 95,237 | 22.26% | 95,237 | 81,021,765 | 0.28% | 81,021,765 |
| 1001 | - | 5,000 | 179,625 | 41.98% | 274,862 | 497,940,084 | 1.72% | 578,961,849 |
| 5001 | - | 10,000 | 57,320 | 13.40% | 332,182 | 472,794,599 | 1.63% | 1,051,756,448 |
| 10001 | - | 50,000 | 68,431 | 15.99% | 400,613 | 1,647,674,005 | 5.69% | 2,699,430,453 |
| 50001 | - | 100,000 | 13,051 | 3.05% | 413,664 | 1,036,015,182 | 3.58% | 3,735,445,635 |
| 100001 | - | 500,000 | 11,099 | 2.59% | 424,763 | 2,438,697,905 | 8.42% | 6,174,143,540 |
| 500001 | - | 1,000,000 | 1,506 | 0.35% | 426,629 | 117,730,238 | 3.86% | 7,291,873,778 |
| 1000001 | - | 5,000,000 | 1,195 | 0.28% | 427,464 | 2,608,426,197 | 9.00% | 9,900,299,975 |
| 5000001 | - | 50,000,001 | 339 | 0.08% | 427,803 | 4,765,628,462 | 16.45% | 14,665,928,437 |
| 50000001 | - | 100,000,000 | 27 | 0.01% | 427,830 | 1,841,450,110 | 6.36% | 16,507,378,547 |
| 100000001 | - | 500,000,000 | 26 | 0.01% | 427,856 | 5,262,857,497 | 18.16% | 21,770,236,044 |
| 500,000,001 | - | 28,974,797,023 | 7 | 0.00% | 427,863 | 7,204,560,979 | 24.86% | 28,974,797,023 |
| *GRAND TOTAL* | | | 427,863 | 100% | | 28,974,797,023 | 100% | |

The share holding range above was the same as 2011.

Substantial interest in shares:

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

## 6. DIRECTORS AND THEIR INTEREST

Directors' shareholding:

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

| | | | 31 December 2012 | | | 31 December 2011 |
|---|---|---|---|---|---|---|
| NAME OF DIRECTOR | DIRECT | INDIRECT | TOTAL | DIRECT | INDIRECT | TOTAL |
| Chief Christopher I. Ezeh | 108,419,411 | NIL | 108,419,411 | 45,650,083 | NIL | 45,650,083 |
| Mallam Umar Yahaya | 1,689,572 | NIL | 1,689,572 | 1,689,672 | NIL | 1,073,575 |
| Mr Nnamdi Oji (i) | 1,347,085 | 83,277,680 | 84,624,765 | 1,347,085 | 83,277,680 | 84,624,765 |
| Mrs Bessie N. Ejeckam(iii) | 3,378,775 | 135,265,409 | 138,644,185 | 3,378,775 | 135,265,409 | 138,644,185 |
| Dim Elias E. Nwosu(ii) | NIL | 653,704,655 | 653,704,655 | NIL | 653,704,655 | 653,704,655 |
| Arc. Augustine W. U. Okam ( v) | 343,208,645 | NIL | 343,208,645 | 343,208,645 | NIL | 343,208,645 |
| Ichie Nnaeto Orazulike (iv) | 2,065,300 | 3,330,600 | 5,395,900 | 2,065,300 | 3,330,600 | 5,395,900 |
| Mr Kayode Olowoniyi | 50,000 | NIL | 50,000 | 50,000 | NIL | 50,000 |
| Mr Stanley Lawson | NIL | NIL | NIL | NIL | NIL | NIL |
| Alhaji Bashari Gumel | 101,666 | NIL | 101,666 | 101,666 | NIL | 101,666 |
| Mr Reginald Ihejiahi | 124,121,210 | NIL | 124,121,210 | 87,617,709 | NIL | 87,617,709 |
| Mr Robert Nnana-Kalu | 70,006 | NIL | 70,006 | NIL | NIL | NIL |
| Mr Ik. Mbagwu | 4,782,606 | NIL | 4,782,606 | 4,782,606 | NIL | 4,782,606 |
| Mrs Onome Olaolu | 2,200,106 | NIL | 2,200,106 | 2,200,106 | NIL | 2,200,106 |
| Mr. John Obi | 51,515 | NIL | 51,515 | 51,515 | NIL | 51,515 |
| Mrs. Chijioke Ugochukwu | 2,665,249 | NIL | 2,665,249 | 2,665,249 | NIL | 2,665,249 |
| Mr. Mohammed Balarabe | NIL | NIL | NIL | NIL | NIL | NIL |
| Mr. Nnamdi Okonkwo | NIL | NIL | NIL | NIL | NIL | NIL |

I. Mr. Nnamdi Oji has indirect shareholding amounting to 83,277,680 shares through Rosies Textile Mills Limited (, 8,250,666), Rosies Garments Factory (Nigeria) Limited (75,027,014)
II. Dim Elias Nwosu has indirect shareholding amounting to 653,704,655 shares through Beverly Trust Limited.
III. Mrs. Bessie Ejeckam has indirect shareholding amounting to 135,265,409 shares through Felink Investment & Property Limited.
IV. Ichie Nnaeto Orazulike has indirect shareholding amounting to 3,330,600 shares through Genesis Trading Company Limited (1,665,300) and Orazulike Trading Company Limited (1,665,300).
V. Arc. A. W. U. Okam retired from the Board of Directors on July 26, 2012.

**7. POST REPORTING DATE EVENTS**

The Bank is in the process of raising capital through the issuance of Eurobond to offshore investors with the aim of expanding the Bank's operations.

**8. PROPERTY AND EQUIPMENT**

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

**9. EMPLOYMENT & EMPLOYEES**

Employment of disabled persons

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

Health, Safety and Welfare of Employees

The Bank accords high priority to the health, safety and welfare of its employees both in an outside their place of work. In furtherance of this, the Bank has a group life insurance policy and group personal accident policy to adequately insure and protect its employees

In addition, the Bank subscribes to a group health insurance scheme that provides a wide range of qualitative medical services to all staff. Through this scheme, members of staff have access to a fully integrated health care delivery system, with primary, secondary and tertiary health care services.

**FIDELITY BANK PLC**

**REPORT OF THE DIRECTORS - Continued**

Employee involvement and training

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

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

## 10. AUDITORS

The Joint Auditors, Messrs Ernst & Young and Messrs 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 LFN 2004. A resolution would be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

**FIDELITY BANK PLC**

**STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

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

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

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

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

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

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

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

Signed on behalf of the Directors by:

| | |
|---|---|
| -------------------------- | ---------------------- |
| Director | Director |

......... April 2013

ERNST & YOUNG

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PKF

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## INDEPENDENT JOINT AUDITORS' REPORT TO THE MEMBERS OF FIDELITY BANK PLC

### Report on the financial statements

We have audited the accompanying consolidated financial statements of Fidelity Bank Plc, which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated 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 relevant Central Bank of Nigeria circulars and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

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

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

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

### Opinion

PKF

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial pos Bank Plc as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria, the Financial Reporting Council Act No.6, 2011 and relevant Central Bank of Nigeria circulars and guidelines.

## INDEPENDENT JOINT AUDITORS' REPORT TO THE MEMBERS OF

## FIDELITY BANK PLC - Continued

### Report on Other Legal and Regulatory Requirements

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

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

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

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

**Report on Compliance with Banking Regulations**

I. We confirm that our examination of the loans and advances was carried out in accordance with the prudential guidelines for licensed Banks by the Central Bank of Nigeria

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

III. ATM consumer complaints are disclosed in note 38b of the consolidated financial statements in compliance with Central Bank of Nigeria circular PDR/DIR/CIR/01/20

**Contravention**

As stated in Note 38a, the bank contravened certain sections of the Banks and Other Financial Institutions Act CAP B3, Laws of the Federation of Nigeria 2004 and related penalty amounted to ₦5.025 million during the financial year ended 31 December 2012.

| | |
|---|---|
| **Lagos, Nigeria** | **Lagos, Nigeria** |
| **..............March 2013** | **.........March 2013** |
| **FRC /2012/ICAN/00000000155** | **FRC/2013/ICAN/00000001780** |

**FIDELITY BANK PLC**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
| Interest and similar income | 6 | 78,996 | 49,534 | 78,996 | 49,527 |
| Interest and similar expense | 7 | (42,186) | (18,979) | (42,186) | (19,008) |
| Net interest income | | 36,810 | 30,555 | 36,810 | 30,519 |
| Impairment charge for credit losses | 8 | (4,610) | (16,726) | (4,610) | (16,236) |
| Net interest income after impairment charge for credit losses | | 32,200 | 13,829 | 32,200 | 14,283 |
| Net fee and commission income | 9 | 21,421 | 10,248 | 21,421 | 9,783 |
| Net gains / (losses) from financial instruments classified as held for trading | 10 | 3,034 | 5,659 | 3,034 | 5,988 |
| Net gains/(losses) on investment securities | 11 | (1,041) | (237) | (1,041) | 66 |
| Other operating income | 12 | 15,944 | 8,098 | 15,686 | 7,744 |
| Other operating expenses | 13 | (50,715) | (37,436) | (50,708) | (36,390) |
| Operating profit | | 20,843 | 161 | 20,592 | 1,474 |
| Profit from sale Subsidiary net of tax | 27 | 782 | - | 757 | - |
| Profit before income tax from operation | | 21,625 | 161 | 21,349 | 1474 |
| Income tax expense | 14 | (3,425) | 2,423 | (3,425) | 2,437 |
| PROFIT FOR THE YEAR | | 18,200 | 2,584 | 17,924 | 3,911 |
| Profit attributable to: | | | | | |
| Equity holders of the Bank | | 18,200 | 2,842 | 17,924 | 3,911 |
| Non-controlling interests | | - | (258) | - | |
| | | 18,200 | 2,584 | 17,924 | 3,911 |
| Earnings per share for profit attributable to owners of the parent | | | | | |
| Basic (kobo) | 15 | 63 | 9 | 62 | 14 |

**FIDELITY BANK PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
| | Note | | | | |
| **PROFIT FOR THE YEAR** | | **18,200** | **2,584** | **17,924** | **3,911** |
| Other comprehensive income: | | | | | |
| Net gains/(losses) on Available-for-sale financial assets | | (67) | (1,137) | (67) | (1,137) |
| | | === | ===== | === | ===== |
| - Unrealised net gains/(losses) arising during the year | | (67) | (1,071) | (67) | (1,071) |
| - Net reclassification adjustments for realised net gains/(losses) | | - | (66) | - | (66) |
| | | ===== | === | ==== | === |
| Assets Actuarial gains/(losses) | 30 | 1,824 | 401 | 1,824 | 401 |
| | | ---------- | ------------- | ---------- | -------- |
| Other comprehensive income for the year, net of tax | | 1,757 | (736) | 1,757 | (736) |
| | | ----------- | ------------ | ----------- | --------- |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 19,957 | 1,848 | 19,681 | 3,175 |
| | | ====== | ====== | ====== | ===== |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Bank | | 19,957 | 2,106 | 19,681 | 3,175 |
| Non-controlling interests | | - | (258) | - | - |
| | | ------------ | ---------- | ----------- | --------- |
| | | 19,957 | 1,848 | 19,681 | 3,175 |
| | | ====== | ===== | ====== | ===== |

**FIDELITY BANK PLC**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2012**

| | | GROUP & BANK | GROUP | | BANK | |
|---|---|---|---|---|---|---|
| | | 31 December | 31 December | 1 January | 31 December | 1 January |
| | | 2012 | 2011 | 2011 | 2011 | 2011 |
| | | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| **ASSETS** | **Note** | | | | | |
| Cash and balances with central Bank | 16 | 117,291 | 82,271 | 25,505 | 82,271 | 25,505 |
| Loans and advances to Banks | 18.1 | 98,000 | 98,951 | 148,923 | 98,411 | 148,401 |
| Loans and advances to customers | 18.2 | 345,500 | 279,211 | 206,320 | 280,421 | 207,491 |
| Investments : | | | | | | |
| Held for trading | 19 | 201,806 | 23,227 | 12,217 | 20,620 | 7,660 |
| Available for sale | 19 | 21,835 | 128,224 | 38,092 | 131,849 | 38,007 |
| Held for maturity | 19 | 76,258 | 75,622 | 27,761 | 75,622 | 27,761 |
| Interest in subsidiary | 20 | - | | - | - | 2,173 |
| Investment property | 21 | - | 343 | 343 | 343 | 343 |
| Property and equipment | 22 | 35,358 | 32,824 | 31,857 | 32,811 | 31,601 |
| Intangible assets | 23 | 470 | 349 | 271 | 349 | 253 |
| Deferred tax asset | 24 | - | 83 | - | - | - |
| Other assets | 25 | 17,842 | 11,982 | 9,218 | 11,842 | 8,358 |
| Assets classified as held for sale | 26 | - | 4,807 | - | 3,193 | - |
| | | ------------- | ------------- | ------------- | ------------- | ------------ |
| **TOTAL ASSETS** | | **914,360** | **737,894** | **500,507** | **737,732** | **497,553** |
| | | ======= | ====== | ======= | ====== | ====== |

**FIDELITY BANK PLC**

**STATEMENT OF FINANCIAL POSITION - Continued**

**AS AT 31 DECEMBER 2012**

| | | GROUP & BANK | GROUP | | BANK | |
|---|---|---|---|---|---|---|
| | | 31 December 2012 | 31 December 2011 | 1 January 2011 | 31 December 2011 | 1 January 2011 |
| | | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| | Note | | | | | |
| **LIABILITIES** | | | | | | |
| Deposits from customers | 28 | 716,749 | 563,666 | 328,590 | 564,390 | 329,200 |
| Current income tax liability | 14 | 2,275 | 2,614 | 1,570 | 2,613 | 1,515 |
| Deferred tax liabilities | 24 | 1,955 | - | 5,170 | 617 | 5,835 |
| Other liabilities | 29 | 26,354 | 16,724 | 10,242 | 16,535 | 7,714 |
| Liabilities included in assets classified as held for sale | 27 | - | 1,212 | - | - | - |
| Retirement benefit obligations | 30 | 5,572 | 7,605 | 6,437 | 7,605 | 6,437 |
| TOTAL LIABILITIES | | 752,905 | 591,821 | 352,009 | 591,760 | 350,701 |
| EQUITY | | | | | | |
| Share capital | 31 | 14,481 | 14,481 | 14,481 | 14,481 | 14,481 |
| Share premium | 32 | 101,272 | 101,272 | 101,272 | 101,272 | 101,272 |
| Retained earnings | 32 | 6,193 | 1,302 | (117) | (4,829) | (3,760) |
| Other reserves | | | | | | |
| -Statutory reserve | 32 | 17,703 | 12,244 | 10,455 | 12,244 | 10,455 |
| -SSI Reserve | 32 | 764 | 764 | 764 | 764 | 764 |
| -Contingency reserve | 32 | 1,723 | 1,795 | 1,902 | 1,867 | 1,867 |
| -Non-distributable reserve | 32 | 19,608 | 13,916 | 17,827 | 20,395 | 20,858 |
| -Revaluation reserve | 32 | (289) | (222) | 915 | (222) | 915 |
| | | 161,455 | 145,552 | 147,499 | 145,972 | 146,852 |
| Non-controlling interest | | - | 521 | 999 | - | - |
| Total equity | | 161,455 | 146,073 | 148,498 | 145,972 | 146,852 |
| TOTAL EQUITY & LIABILITIES | | 914,360 | 737,894 | 500,507 | 737,732 | 497,853 |

The financial statements were approved by the Board of directors on 25 March 2013 and signed on its behalf by :

--------------------------------------
Chief Christopher I. Ezeh
Chairman

--------------------------------------
Victor Abejegah
Chief Finance Officer

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Reginald Ihejiahi
MD/ CEO

**FIDELITY BANK PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-GROUP**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Attributable to equity holders of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital ₦'Million | Share Premium ₦'Million | Retained earnings ₦'Million | Statutory reserve ₦'Million | SSI reserve ₦'Million | Contingency reserve ₦'Million | NDR ₦'Million | Revaluation reserve ₦'Million | Total ₦'Million | Non-controlling interest ₦'Million | Total equity ₦'Million |
| **Balance at 1 January 2011** | 14,481 | 101,272 | (117) | 10,455 | 764 | 1,902 | 17,827 | 915 | 147,499 | 999 | 148,498 |
| Profit | - | - | 2,844 | - | - | - | - | - | 2,844 | (258) | 2,585 |
| Actuarial gain | - | - | 401 | - | - | - | - | - | 401 | - | 401 |
| Net gain /(loss) on available for sale financial assets net of tax | - | - | - | - | - | - | - | (1,137) | (1,137) | - | (1,137) |
| **Total comprehensive income** | - | - | 3,244 | - | - | - | - | (1,137) | 2,017 | (258) | 1,849 |
| Dividends | - | - | (4,055) | - | - | - | - | - | (4,055) | - | (4,055) |
| Transfer from retained earnings | - | - | 2,123 | 1,788 | - | - | (3,911) | - | - | - | - |
| Arising during the year | - | - | 107 | - | - | (107) | - | - | - | (218) | (218) |
| **At 31 December 2011** | 14,481 | 101,272 | 1,302 | 12,244 | 764 | 1,795 | 13,916 | (222) | 145,552 | 521 | 146,073 |

**FIDELITY BANK PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - Continued**
**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Attributable to equity holders of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital ₦'Million | Share premium ₦'Million | Retained earnings ₦'Million | Statutory reserve ₦'Million | SSI reserve ₦'Million | Contingency reserve ₦'Million | NDR ₦'Million | Revaluation reserve ₦'Million | Total ₦'Million | Non-controlling interest ₦'Million | Total equity ₦'Million |
| Profit | - | - | 18,200 | - | - | - | - | - | 18,200 | - | 18,200 |
| Net gains/(losses) on Available-for-sale financial assets | - | - | - | - | - | - | - | (67) | (67)<br>- | - | (67)<br>- |
| Actuarial gain | - | - | **1,824** | - | - | - | - | - | **1,824** | - | 1,824 |
| | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- | --------- | ----------- | ------ |
| **Total comprehensive income** | - | - | 20,024 | - | - | - | - | (67) | 19,957 | - | 19,957 |
| | ===== | ====== | ===== | ====== | ====== | ====== | ====== | ====== | ===== | ===== | ==== |
| Dividends | - | - | (4,055) | - | - | - | - | - | (4,055) | - | (4,055) |
| Transfer from retained earnings | - | - | 861 | - | - | (73) | (788) | - | - | - | - |
| Transfer between reserves | - | - | (11,939) | 5,460 | - | | 6,479 | - | - | - | - |
| Arising during the year | - | - | - | - | - | | - | - | - | - | - |
| Changes in ownership interests in subsidiaries | - | - | - | - | - | - | - | - | - | (522) | (522) |
| | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- | --------- | ----------- | ----------- |
| **At 31 December 2012** | 14,481 | 101,272 | 6,193 | 17,703 | 764 | 1,723 | 19,608 | (289) | 161,455 | - | 161,455 |
| | ====== | ====== | ===== | ===== | ===== | ===== | ==== | ==== | ==== | ===== | ====== |

**FIDELITY BANK PLC**

**STATEMENT OF CHANGES IN EQUITY-BANK**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Share capital ₦'Million | Share premium ₦'Million | Retained earnings ₦'Million | Statutory reserve ₦'Million | SSI reserve ₦'Million | Contingency reserve ₦'Million | NDR ₦'Million | Revaluation reserve ₦'Million | Total equity ₦'Million |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2011** | 14,481 | 101,272 | (3761) | 10,455 | 764 | 1,867 | 20,858 | 915 | 146,852 |
| | | | | | | | | | - |
| Profit | - | - | 3,911 | - | - | - | - | - | 3,911 |
| Actuarial gains/(losses) | - | - | 401 | - | - | - | - | - | 401 |
| Net gain / (loss) on available for sale financial assets net of tax | - | - | - | - | - | - | - | (1,137) | (1,137) |
| **Total comprehensive income** | - | - | 4,312 | - | - | - | - | (1,137) | 3,175 |
| Dividends | - | - | (4,055) | - | - | - | - | - | (4,055) |
| Transfer to/from retained earnings | - | - | 1,325 | 1,788 | - | - | (463) | - | - |
| **At 31 December 2011** | 14,481 | 101,272 | (4,829) | 12,244 | 764 | 1,867 | 20,395 | (222) | 145,972 |
| Profit | - | - | 17,924 | - | - | - | - | - | 17,924 |
| Actuarial gains/(losses) | - | - | 1,824 | - | - | - | - | - | 1,824 |
| Net gain / (loss) on available for sale financial assets net of tax | - | - | - | - | - | - | - | (67) | (67) |
| Total comprehensive income | - | - | 19,748 | - | - | - | | (67) | 19,681 |
| Arising during the year | - | - | - | - | - | (144) | - | - | (144) |
| Dividends | - | - | (4,055) | - | - | - | - | - | (4,055) |
| Transfer to/from retained earning | - | - | (4,193) | 5,459 | - | - | (788) | - | - |
| **At 31 December 2012** | 14,481 | 101,272 | 6,193 | 17,703 | 764 | 1,723 | 19,607 | (289) | 161,455 |

FIDELITY BANK PLC

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Note | GROUP 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | BANK 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|---|---|---|
| **Operating Activities** | | | | | |
| Profit before tax | | 21,625 | 161 | 21,349 | 1,474 |
| Adjustment for: | | | | | |
| Change in operating assets | 33 | (148,258) | (227,158) | (151,391) | (231,068) |
| Change in operating liabilities | 33 | 162,297 | 238,600 | 161,145 | 241,058 |
| Other non-cash items included in profit after tax | | 11,388 | 11,611 | 16,492 | 12,172 |
| Net loss from investing activities | | (1,993) | (5,149) | (1,993) | (5,781) |
| Income tax paid | | (2,424) | (1,739) | (2,424) | (1,683) |
| Net cash flows from operating activities | | 42,638 | 16,053 | 43,177 | 15,899 |
| **Investing activities**: | | | | | |
| Proceeds from sale Subsidiaries | | 749 | | 749 | |
| Purchase of property and equipment | | (5,121) | (4,991) | (5,121) | (4,935) |
| Proceeds from sale of property and equipment | | 48 | 142 | 48 | 118 |
| Purchase of intangible assets | | (189) | (355) | (189) | (251) |
| Net cash flows used in investing activities | | (4,513) | (5,204) | (4,513) | (5,068) |
| **Financing activities** | | | | | |
| Dividend Paid | | (4,055) | (4,055) | (4,055) | (4,055) |
| Net cash flows used in Financing activities | | (4,055) | (4,055) | (4,055) | (4,055) |
| Increase in cash and cash equivalents | | 34,070 | 6,794 | 34,609 | 6,776 |
| Cash and cash equivalents at start of year | | 181,222 | 174,428 | 180,682 | 173,906 |
| Cash and cash equivalents at end of year | 17 | 215,292 | 181,222 | 215,292 | 180,682 |
| Operational cashflow from interest and dividend | | | | | |
| Interest received | | 78,996 | 49,534 | 78,996 | 49,527 |
| Interest paid | | 42,186 | 18,979 | 42,186 | 19,008 |
| Dividend received | | 933 | 1,001 | 933 | 930 |

**FIDELITY BANK PLC**

**STATEMENT OF PRUDENTIAL ADJUSTMENTS**

## TRANSFER TO REGULATORY RESERVE

The Regulatory Body CBN/NDIC stipulates that provisions recognized in the profit or loss account Shall be determined based on the requirements of IFRS. The IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserve should be treated as follows:

(i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to a non-distributable regulatory reserve.

(ii) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve account to the general reserve to the extent of the non-distributable reserve previously recognized.

| **Transfer to regulatory reserve** | **December 2012 N'Million** | **December 2011 N'Million** | **January 2011 N'Million** |
|---|---|---|---|
| Prudential provision | 19,224 | 17,396 | 51,265 |
| Less: write off on fully provisioned accounts | - | - | - |
| Total Prudential provision | 19,224, | 17,396 | 51,265 |
| IFRS provision | | | |
| Specific impairment | 7,605 | 10,295 | 23,784 |
| Portfolio impairment | 5,778 | 3,518, | 5,480 |
| Provision for other asset | 3,903 | 1,125 | 2,227 |
| Provision for investment | 2,726 | 3,060 | 1,947 |
| Other provision | - | - | - |
| | 20,012 | 21,307 | 33,438 |
| Difference in the impairments figures (A - B) | (788) | (3,911) | 17,827 |
| Transfer to/(from) Regulatory Risk reserve | (788) | (3,911)) | 17,827 |
| Transfer to retained earnings | 6,479 | - | - |
| Closing Balance | 19,607 | 13,916 | 17,827 |

**FIDELITY BANK PLC**

**STATEMENT OF PRUDENTIAL ADJUSTMENTS-CONTINUED**

BANK

| Transfer to regulatory reserve | December 2012<br>₦'Million | December 2011<br>₦'Million | January 2011<br>₦'Million |
|---|---|---|---|
| Prudential provision | 19,224 | 17,375 | 51,537 |
| Less: write off on fully provisioned accounts | - | - | - |
| | --------- | --------- | --------- |
| Total Prudential provision | 19,224, | 17,375 | 51,537 |
| | --------- | --------- | --------- |
| IFRS provision | | | |
| Specific impairment | 7,605 | 10,295 | 21,267 |
| Portfolio impairment | 5,778 | 3,518 | 5,480 |
| Provision for other asset | 3,903 | 1,125 | 1,984 |
| provision for investment | 2,726, | 3,060 | 1,947 |
| other provision | | | |
| | --------- | --------- | --------- |
| | 20,012, | 17,998 | 30,678 |
| | --------- | --------- | --------- |
| Difference in the impairments figures (A - B) | (788) | (463) | 20,858 |
| Transfer to/(from) Regulatory Risk reserve | (788) | (463) | 20,858 |
| | -------- | -------- | --------- |
| **Closing Balance** | **19,607** | **20,395** | **20,858** |
| | -------- | -------- | -------- |

## 1. General information

These financial statements are the separate financial statements of Fidelity Bank Plc (the "Bank"), a company incorporated in Nigeria on 19 November 1987 and the consolidated financial statements of the Bank (hereinafter collectively referred to as "the Group".

The principal activity of the Bank is the provision of Banking and other financial services to corporate and individual customers. Fidelity Bank provides a full range of financial services including investment, commercial and retail Banking, securities dealing, custodian and insurance services.

The consolidated financial statements for the year ended 31 December 2012 were authorised for issue in accordance with resolution of the Directors on 25 March 2013.

## 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.

### 2.2 Basis of preparation

These financial statements are the separate and consolidated financial statements of the Bank, and its subsidiaries (together, "the Group").

The Group's consolidated financial statements for the year 2012 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. These are the first financial statements of the Group prepared in accordance with IFRS and IFRS 1, First-time Adoption of IFRS ("IFRS 1") has been applied. Refer to note 41 for an explanation of the Group's transition to IFRS, including the applicable exceptions and exemptions under IFRS 1.

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

The consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except where indicated in the accounting policies below.
The consolidated financial statements are presented in Naira, which is the Group's presentation currency. The figures shown in the consolidated financial statements are stated in Naira millions.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group'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 consolidated financial statements are disclosed in Notes 18, and 30. The assumptions includes determining the estimated recoverable cash flows for impairment calculations and actuarial assumptions in determining employee benefit.

*(a) Standards, amendments and interpretations effective for the financial year beginning 1 January 2012*

The following standards, amendments and interpretations became effective in 2012:

- Amendment to IAS 12: Income taxes - Deferred tax (effective for periods beginning on or after 1 January 2012)
  This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value, namely the inclusion of a rebuttable presumption that investment property measured at fair value is recovered entirely by sale.

- Amendment to IFRS 7: Financial instruments: Disclosures - Transfers of financial assets (effective for periods beginning on or after 1 July 2011)
  This amendment expands the disclosure in respect of transfers of financial assets with the aim of improving users' understanding of the risk exposures relating to such transfers and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- Amendment to IFRS 1: First time adoption - Fixed dates and hyperinflation (effective for periods beginning on or after 1 July 2011)
  The first amendment replaces references to a fixed date of '1 January 2004' with the date of transition to IFRSs', thus eliminating the need for companies adopting IFRS for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation.

The above amendments have no impact on the accounting policies, financial position or performance of the Group.

*(b) Standards, amendments and interpretations issued but not yet effective for the 31 December 2012 year end*

Management is in the process of assessing the impact of the guidance set out below on the Group and the timing of its adoption by the Group.

- Amendment to IAS 19: Employee benefits (effective for periods beginning on or after 1 January 2013) This amendment eliminates the corridor approach and calculates funding costs on a net funding basis as well as clarifies the distinction between short-term and other long term benefits.

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

- Amendment to IAS 1: Financial statements presentation - Other comprehensive income (effective for periods beginning on or after 1 July 2012)
  The main change resulting from this amendment is a requirement for entities to group items presented in Other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IFRS 9: Financial instruments: Classification and measurement (effective for periods beginning on or after 1 January 2015)

  IFRS 9 addresses the recognition, derecognition, classification and measurement of financial assets and financial liabilities. In respect of financial assets, IFRS 9 replaces
  the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The classification and measurement of financial liabilities have remained as per IAS 39 with the exception of financial liabilities designated at fair value through profit or loss where the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income.

- IFRS 10: Consolidated financial statements (effective for periods beginning on or after 1 January 2013)
  This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11: Joint arrangements (effective for periods beginning on or after 1 January 2013)
  This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has right to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12: Disclosures of interests in other entities (effective for periods beginning on or after 1 January 2013)
  This standard includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

- IFRS 13: Fair value measurement (effective for periods beginning on or after 1 January 2013)
  This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.The following guidance is not expected to have a material impact on the Group's financial statements:



- IAS 27 (revised 2011): Separate financial statements (effective for periods beginning on or after 1 January 2013)

- IAS 28 (revised 2011): Associates and joint ventures (effective for periods beginning on or after 1 January 2013)

- IFRIC 20: Stripping costs in the production phase of a surface mine (effective for periods beginning on or after 1 January 2013)

- IFRS 1: First-time Adoption of International Financial Reporting Standards (effective for periods beginning on or after 1 January 2013)

- IFRS 7: Disclosure- offsetting financial assets and financial liabilities. Provides additional disclosures (similar to US GAAP requirements) (effective for period beginning on or before 1 January 2013).

*(c) Improvements to IFRS –issued May 2012*

- IFRS 1: Application of IFRS 1 where an entity has previously applied IFRS and treatment of borrowing cost capitalised under previous GAAP. (effective 1 January 2013)
- IAS 1: Clarification of the requirements for comparative information (effective 1 January 2013)

- IAS 16: Clarification of servicing equipments (effective 1 January 2013)
- IAS 32: Tax effect of distribution to holders of equity instruments aligned with IAS 12. (effective 1 January 2013)
- IAS 34: Clarification of interim financial reporting and segment information for total assets and liabilities. (effective 1 January 2013)

None of the above guidance has been early-adopted by the Group.

## 2.3 Consolidation

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

*(a) Subsidiaries*

Subsidiaries are companies in which the Group directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also



eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

- *Special purpose entities:*

Even if there is no shareholder relationship, special purpose entities (SPEs) are consolidated in accordance with SIC-12, if the Group controls them from an economic

perspective. When assessing whether the Group controls a SPE in addition to the criteria in IAS 27 it evaluates a range of factors, including whether:
(a) the activities of the SPE are being conducted on the Group's behalf according to its specific business needs so that the Group obtains the benefits from the SPE's operations;
(b) the Group has the decision-making power to obtain the majority of the benefits of the activities of the SPE, or the Group has delegated these decision-making power by setting up an 'autopilot' mechanism, or (c) the Group has the rights to obtain the majority of the benefits of the activities of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or (d) the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain the benefits from its activities.

Whenever there is a change in the substance of the relationship between the Group and the SPE, the Group performs a re-assessment of consolidation. Indicators for a re-assessment of consolidation are especially changes in ownership of the SPE, changes in contractual arrangements and changes in the financing structure.

- *Business combinations:*

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3 a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference in recognised in profit or loss. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment. They are written down if required.



For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by (a) accounting for financial assets and liabilities at their fair value at the acquisition date as measured in accordance with IAS 39; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

In the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost.

*(b) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the consolidated profit or loss; its share of post-acquisition movements is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Intra group losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used.

Dilution gains and losses in associates are recognised in the consolidated in profit or loss.
Equity accounting for investments in associates seizes once there is loss of significant influence.
In the separate financial statement of the Bank, investment in associate are accounted for at cost

## 2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

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

(b) *Transactions and balances*

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

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

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

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses for each income statement item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- and all resulting exchange differences are recognised in other comprehensive income.

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

On the disposal of a foreign operation, the Group recognises in profit or loss the cumulative amount of exchange differences relating to that foreign operation. When a subsidiary that includes a foreign operation is partially disposed of or sold, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In the case of any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of exchange differences recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the reporting date.

## 2.5 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 consolidated statement of financial position and measured in accordance with their assigned category.

*A) Initial recognition and measurement*

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

Financial instruments are recognised or derecognised on the date that the financial instrument is delivered to or by the Group (settlement date accounting).

The Group does not currently apply hedge accounting.

*B) Subsequent measurement*

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

*C) Classification and related measurement*

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

*i) Financial assets*

The Group 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 Group as fair value through profit or loss upon initial recognition (the so-called "fair value option"). At the reporting dates covered by these financial statements, financial assets at fair value through profit or loss comprise financial assets classified as held for trading only. Management did not apply the fair value option to any financial assets existing at these dates.

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

Financial instruments included in this category are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in 'Net gains / (losses) from financial instruments at fair value' in the Income Statement. 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 Group 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 Group upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest income' in the income Statement. Refer to accounting policy 2.8 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 Group's management has the positive intention and ability to hold to maturity, other than:

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

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

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*d) Available-for-sale financial assets*

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

Available-for-sale financial assets are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in 'Interest income', with dividend income included in 'Other operating income'. When available-for-sale financial assets are sold or impaired where the impairment is pro-longed and below the original cost, 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 Group only has financial liabilities at amortised cost.

*a) Financial liabilities at amortised cost*

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

*D) Reclassification of financial assets*

The Group 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 Group 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 Group 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.

*E) Determination of fair value*

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

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

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

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

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

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

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

*F) Derecognition*

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

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.

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

## 2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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 Revenue recognition

**Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in the Income Statement 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.

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When calculating the effective interest rate, the Group 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 Group 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 Income Statement in 'Other income' when the entity's right to receive payment is established.

### 2.8 Impairment of financial assets
The Group 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 Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of Bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Downgrading below investment grade level;
- Significant financial difficulty of the issuer or obligor;

- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter Bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- Observable data indicating that there is an measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group 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 Group 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 Group'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 groups 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 groups 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 group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group 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 for credit losses'.

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

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

**2.10 Statement of cash flows**

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

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

The cash flows from investing and financing activities are determined by using the direct method. The Group'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.

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**2.11 Cash and cash equivalents**

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

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

**2.12 Leases**

Leases are divided into finance leases and operating leases.

*(a) A group company is the lessee*

*(i) Operating lease*

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

*(ii) Finance lease*

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

*(b) A group company is the lessor*

*(i) Operating lease*

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

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

*(ii) Finance lease*

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

### 2.13 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment allowance. Depreciation and impairment losses are included in the consolidated profit or loss in the year in which they arise. Investments in land are not depreciated. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

### 2.14 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the Group is stated at historical cost less depreciation. 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'Other operating expenses' during the financial period in which they are incurred.

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

- Leasehold buildings: Depreciated over the lease period
- Leasehold improvements: Over the unexpired lease term
- Motor vehicles: 4 years
- Furniture and fittings: 4 years
- Computer equipment: 3 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.

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Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is derecognised.

### 2.15 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 Group, 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.
An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is derecognised

### 2.16 Non-current assets classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell.

The Group presents discontinued operations in a separate line in the consolidated Income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:

(a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale (for example, certain private equity investments).

Net profit from discontinued operations includes the net total of operating profit or loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the consolidated income statement.

**2.17 Income taxation**

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

*(a) Current income tax*

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

*(b) Deferred income tax*

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

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

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

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

**2.18 Employee benefits**

**Defined contribution scheme**

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Group contributes 7.5% of basic salary, rent and transport allowances, with the employee contributing a further 7.5%.

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The Group has no further payment obligations once the contributions have been paid.

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 payment is available

**Defined benefit scheme**

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

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

**Gratuity scheme**

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

The liability recognised in the consolidated statement of financial position in respect of defined gratuity scheme is the present value of the gratuity obligation at the date of the consolidated statement of financial position less the fair value of any plan asset, together with adjustments for unrecognised actuarial gains or losses and past service costs. The gratuity obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the gratuity 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 gratuity is de recognition upon the discharge of the obligation by the Bank to a qualifying staff.

## 2.19 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group 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 Group recognises no provisions for future operating losses.

## 2.20 Financial guarantee contracts

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

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



## 2.21 Share capital

(a) *Share issue costs*

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

(b) *Dividends on ordinary shares*

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

Dividends for the year that are declared after the date of the Statement of financial position are dealt with in the subsequent events note.

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

(c) *Treasury shares*

Where the Company or other members of the Group purchase the Bank's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

## 2.22 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.

**2.23 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 Group has determined the Executive Committee as its chief operating decision maker.

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

**2.24 Fiduciary activities**

The Group acts as trustees and in other fiduciary capacities through Fidelity Pension Managers Limited and Fidelity Securities Limited that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.



## 3. Financial risk management

### 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.

### 3.2 Credit risk

### 3.2.1 Management of credit risk

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

We measure and manage credit risk following the principles below:

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

| **Approval Authority** | **Rating Category Based Approval Limits** | | | |
|---|---|---|---|---|
| | **AAA** | **AA** | **A** | **BBB to CCC** |
| Full Board | Exposure above N3 billion | Exposure above N2 billion | Exposure above N1 billion | Exposure above N500 million |

| | | | | |
|---|---|---|---|---|
| Board Credit Committee | Exposure between N1 billion and N3 billion | Exposure between N500 million and N2 billion | Exposure between N350 million and N1 billion | Exposure between N250 million and N500 million |
| Management Credit and Investment Committee | Exposure below N1 billion | Exposure below N500 million | Exposure below N300 million | Exposure below N250 million |



- We assign credit approval authorities to individuals according to their qualifications, experience, training and quality of previous credit decisions. These are also reviewed periodically.
- We measure and consolidate all our credit exposures to each obligor on a global basis. Our definition of an "obligor" include a group of individual borrowers that are linked to one another by any of a number of criteria we have established, including capital ownership, voting rights, demonstrable control, other indication of group affiliation; or are jointly and severally liable for all or significant portions of the credit we have extended.

- Our respective business units are required to implement credit policies and procedures while processing credit approvals including those granted by Management and Board Committees.
- Each business unit is responsible for the quality, performance and collection of its credit portfolio including those approved by the Management and Board Committees.
- Our Credit Inspection and Credit Administration departments regularly undertake independent audit and credit quality reviews of credit portfolios held by business units.

### 3.2.2 Credit risk ratings

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

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

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

### 3.2.3 Credit Limits

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

### 3.2.4 Monitoring Default Risk

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

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

The Group's maximum exposure to credit risk at 31 December 2012 and 31 December 2011 respectively, is represented by the net carrying amounts of the financial assets set out in these financial statements.

### 3.2.6 Credit concentrations

The Group monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2012, 31 December 2011 and 1 January 2011 respectively, is set out below:

| | 31 Dec 2012 | | 31 Dec 2011 | | 1 Jan 2011 | |
|---|---|---|---|---|---|---|
| **Loans and advances:** | To Banks | To Customers | To Banks | To Customers | To Banks | To Customers |
| | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| **Carrying amount** | 98,000 | 345,500 | 98,951 | 279,211 | 148,923 | 206,320 |
| **Concentration by sector** | | | | | | |
| Agriculture | - | 13,050 | - | 5,169 | - | 1,294 |
| Oil and gas | - | 47,100 | - | 23,962 | - | 17,990 |
| Capital markets | - | 80 | - | 7,227 | - | 4,831 |
| Consumer credit | - | 32,680 | - | 70,389 | - | 37,618 |
| Manufacturing | - | 42,330 | - | 44,124 | - | 32,660 |
| Mining and Quarrying | - | - | - | 3,754 | - | 75 |
| Mortgage | - | 1,250 | - | 5,112 | - | 4,055 |
| Real estate and construction | - | 7,750 | - | 9,815 | - | 8,242 |
| Construction | - | 21,162 | - | 19,969 | - | 17,390 |
| Finance and insurance | 98,000 | 1,310 | 98,951 | 7,028 | 148,923 | 2,417 |
| Government | - | 46,269 | - | 9,618 | - | 6,042 |
| Power | - | 6,050 | - | 6,570 | - | 9,075 |
| Other public utilities | - | 200 | - | 4,606 | - | 28 |
| Transportation | - | 19,040 | - | 15,980 | - | 9,229 |
| Communication | - | 66,540 | - | 39,685 | - | 44,798 |
| Education | - | 3,610 | - | 4,409 | - | 691 |
| Other | - | 79,022 | - | 1,383 | - | 9,885 |
| | **98,000** | **345,500** | **98,951** | 279,211 | 148,923 | 206,320 |
| **Concentration by location** | | | | | | |
| Nigeria: | | | | | | |
| North East | - | 12,580 | - | - | - | 630 |
| North Central | - | 24,030 | - | 8,100 | - | 6,380 |
| North West | - | 30,000 | - | 1,200 | - | 810 |
| South East | - | 12,290 | - | 3,200 | - | 4,870 |
| South South | - | 12,760 | - | 8,550 | - | 6,570 |
| South West | 98,000 | 253,840 | **98,951** | 258,161 | 148,923 | 187,060 |
| | **98,000** | **345,500** | **98,951** | 279,211 | 148,923 | 206,320 |

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### 3.2.7 Credit quality

**31 Dec 2012** **31 Dec 2011** **1 Jan 2011**

| | Loans and Advances to Bank | Loans and Advances to customers | Loans and advances to Banks | Loans and Advances to customer | Loans and advances to Banks | Loans and advances to customers |
|---|---|---|---|---|---|---|
| | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| Neither past due nor impaired | 98,000 | 345,056 | 98,951 | 272,760 | 148,923 | 173,077 |
| Past due but not impaired | - | - | - | - | - | - |
| Past due and collectively impaired | - | 2,464 | - | 1,453 | - | 10,698 |
| Individually impaired | - | 11,365 | - | 19,819 | - | 49,292 |
| | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- |
| **Gross** | 98,000 | **358,884** | 98,951 | 293,723 | 148,923 | 235,584 |
| Impairment allowance | | | | | | |
| Collective Impairment | - | (500) | - | (32) | - | (312) |
| Incurred but not reported | | (5,728) | - | (3,486) | | (5,168) |
| Specific impairment | - | (7,605) | - | (10,094) | - | (23,784) |
| | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- |
| **Net** | **98,000** | **345,500** | 98,951 | **279,211** | 148,923 | **206,320** |
| | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- |

Included in financial assets which are neither past due nor impaired, are financial assets with a carrying amount of ₦213.4M whose terms have been renegotiated. If it were not for the renegotiation of terms, such assets would have been past due or impaired.

**(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 Group.

| | To customers | | | | |
|---|---|---|---|---|---|
| | **Overdrafts** | **Term loans** | **Finance lease** | **Other** | **Total** |
| **31 December 2012** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| **Grades:** | | | | | |
| 1. AAA to AA | 1,288 | 13,471 | 17,435 | - | 32,193 |
| 2. A+ to A- | 7,533 | 40,070 | 14,800 | 1,050 | 63,453 |
| 3. BBB+ to BB- | 41,766 | 112,056 | 20,007 | - | 173,829 |
| 4. Below BB- | 1,179 | 2,539 | 234 | - | 3,952 |
| 5. Unrated | 5,465 | 39,201 | 20,779 | 6,185 | 72,011 |
| | **57,231** | **207,334** | **73,254** | **7,235** | **345,055** |
| **31 December 2011** | | | | | |
| **Grades:** | | | | | |
| 1. AAA to AA | 216 | 25,945 | 1,000 | - | 27,161 |
| 2. A+ to A- | 7,365 | 35,061 | 9,458 | 2,278 | 54,162 |
| 3. BBB+ to BB- | 50,093 | 89,258 | 10,182 | - | 149,533 |
| 4. Below BB- | 2,284 | 4,507 | 301 | - | 7,092 |
| 5. Unrated | 14,231 | 17,407 | 1,482 | 1,693 | 34,813 |
| | **74,189** | **172,177** | **22,423** | **3,971** | **272,760** |
| **1 January 2011** | | | | | |
| **Grades:** | | | | | |
| 1. AAA to AA | 133 | 14,129 | 1,020 | - | 15,282 |
| 2. A+ to A- | 1,669 | 3,695 | 20,024 | 2,560 | 27,948 |
| 3. BBB+ to BB- | 22,504 | 31,838 | 8,693 | - | 63,035 |
| 4. Below BB- | 5,249 | 10,489 | 1,011 | - | 16,749 |
| 5. Unrated | 15,855 | 25,415 | 8,548 | 1,416 | 51,234 |
| | **45,410** | **85,566** | **39,296** | **3,976** | **174,248** |

The credit quality of cash and cash equivalents, short-term investments and investments in government securities that were neither past due nor impaired can be assessed by reference to the Group's internal rating agency at 31 December 2012; 31 December 2011 and 1 Jan 2011:

| | | | Investments in Government Securities | | | |
|---|---|---|---|---|---|---|
| | Cash & cash equivalents | Treasury bills | Federal Govt bonds | State bonds | AMCON bonds | Crusader bond |
| **31 December 2012** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| AAA to AA | 117,291 | 197,238 | 32,565 | 17,191 | 42,556 | - |
| A+ to A- | - | - | - | - | - | - |
| BBB+ to BB- | - | - | - | - | - | - |
| Below BB- | - | - | - | - | - | - |
| Unrated | - | - | - | - | - | 291 |
| | **117,291** | **197,238** | **32,565** | **17,191** | **42,556** | **291** |
| **31 December 2011** | | | | | | |
| AAA to AA | 82,271 | 141,877 | 32,244 | 8,668 | 37,730 | - |
| A+ to A- | - | - | - | - | - | - |
| BBB+ to BB- | - | - | - | - | - | - |
| Below BB- | - | - | - | - | - | - |
| Unrated | - | - | - | - | - | 287 |
| | 82,271 | 141,877 | 32,244 | 8,668 | 37,730 | 287 |
| **1 January 2011** | | | | | | |
| AAA to AA | 25,505 | 31,267 | 30,264 | 3,680 | 682 | - |
| A+ to A- | - | - | - | - | - | - |
| BBB+ to BB- | - | - | - | - | - | - |
| Below BB- | - | - | - | - | - | - |
| Unrated | - | - | - | - | - | 283 |
| | 25,505 | 31,267 | 30,264 | 3,680 | 682 | 283 |

The credit risk associated with other financial assets that were neither past due nor impaired are considered to be low at all 31 December 2012, 31 December 2011 and 1 January 2011.

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

| | To customers | | | | |
|---|---|---|---|---|---|
| | Overdrafts | Term loans | Finance lease | Other | Total |
| **31 December 2012** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| AAA to AA | - | - | - | - | - |
| A+ to A- | 140 | - | - | - | 140 |
| BBB+ to BB- | 1,001 | 711 | - | - | 1,711 |
| Below BB- | 119 | - | - | - | 119 |
| Unrated | 468 | 7 | 18 | - | 494 |
| | 1,728 | 718 | 18 | - | 2,464 |
| **31 December 2011** | | | | | |
| AAA to AA | - | - | - | - | - |
| A+ to A- | | | | | |
| BBB+ to BB- | 690 | - | - | - | 690 |
| Below BB- | 330 | - | - | - | 330 |
| Unrated | 423 | - | 10 | - | 433 |
| | 1,443 | - | 10 | - | 1,453 |
| **1 January 2011** | | | | | |
| AAA to AA | - | - | - | - | - |
| A+ to A- | 137 | - | - | - | 137 |
| BBB+ to BB- | 177 | - | - | - | 177 |
| Below BB- | 83 | - | - | - | 83 |
| Unrated | 10,005 | 205 | 91 | | 10,301 |
| | 10,402 | 205 | 91 | - | 10,698 |

**(c) Financial assets individually impaired**

| | Overdrafts | Term loans | Finance lease | Other | Total |
|---|---|---|---|---|---|
| **31 December 2012** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| Gross amount | | | | | |
| 1. AAA to AA | 107 | - | - | - | 107 |
| 2. A+ to A- | 1,005 | - | - | - | 1,005 |
| 3. BBB+ to BB- | - | - | - | - | - |
| 4. Below BB- | 9,990 | 765 | 610 | - | 11,365 |
| 5. Unrated | - | - | - | - | - |
| | 11,103 | 765 | 610 | - | 12,748 |
| Specific impairment | (6,757) | (376) | (472) | - | (7,605) |
| Net amount | 4,346 | 389 | 138 | - | 4,873 |
| **31 December 2011** | | | | | |
| Gross amount | | | | | |
| 1. AAA to AA | - | - | - | - | - |
| 2. A+ to A- | - | 9,926 | - | - | 9,926 |
| 3. BBB+ to BB- | - | 2,205 | - | - | 2,205 |
| 4. Below BB- | - | 7,212 | - | - | 7,212 |
| 5. Unrated | -- | 141 | - | - | 141 |
| | - | 19,484 | - | - | 19,484 |
| Specific impairment | - | (10,993) | - | - | (10,993) |
| Net amount | - | 8,491 | - | - | 8,491 |
| **1 January 2011** | | | | | |
| Gross amount | | | | | |
| 1. AAA to AA | - | - | - | - | - |
| 2. A+ to A- | 5,276 | 1,780 | - | - | 7,056 |
| 3. BBB+ to BB- | 1,128 | - | - | - | 1,128 |
| 4. Below BB- | 4,020 | - | - | - | 4,020 |
| 5. Unrated | 19,939 | 17,149 | - | - | 37,088 |
| | 30,363 | 18,929 | - | - | 49,292 |
| Specific impairment | (16,369) | (7,145) | - | - | (23,784) |
| Net amount | 16,241 | 11,784 | - | - | 28,025 |

### 3.2.8 Description of collateral held

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

**Key Collateral Management Policies**

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

We report collateral values in accordance with the Group'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 Group 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 Group ensures that the borrower has proven record of sound financial condition and ability to repay the loan from internal sources in the ordinary course of business. In addition, we ensure that total outstanding borrowings of the obligor do not exceed 70% of estimated asset value.

We believe that the requirement for collateral is not a substitute for the ability to pay, which is a primary consideration in our lending decisions. Although the Group will usually collaterise its credit exposure to a customer, such an obligor is expected to repayment the loan in the ordinary course of business without forcing the Group 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 Group 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.

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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 Group can be considered acceptable for the purposes of credit risk mitigation. The Group ensures that all properties and chattels pledged as collateral are properly and adequately insured with the Group's interest duly noted as first loss beneficiary. Only insurance policies obtained from an insurance firm in the Group's pre-approved list of Insurance Companies are acceptable as eligible collateral.

The following table indicates the Group's credit exposures by class and value collaterals (refer to key collateral management policy above):

| | 31 December 2012 | | 31 December 2011 | | 1 January 2010 | |
|---|---|---|---|---|---|---|
| | Exposure | Collateral Value | Exposure | Collateral Value | Exposure | Collateral Value |
| | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| Secured against real estate | 41,689 | 225,733 | 21,179 | 496,674 | 19,672 | 318,922 |
| Secured by shares of quoted companies | 550 | 1,341 | 1,318 | 2,643 | 2,319 | 5,712 |
| Otherwise secured | 306,909 | 2,162,760 | 265,724 | 2,742,144 | 211,386 | 991,130 |
| Unsecured | 9,736 | - | 5,502 | 254 | 2,207 | - |
| Gross loans and advances to customers | 358,884 | 2,389,834 | 293,723 | 3,241,715 | 235,584 | 1,315,764 |

## 3.3 Liquidity risk

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

### 3.3.1 Management of liquidity risk

Liquidity management safeguards the ability of the Group to meet all payment obligations when they come due. Our liquidity risk management framework has been an important factor in maintaining adequate liquidity and a healthy funding profile during the year. Our corporate treasury is responsible for liquidity risk management. Our liquidity risk management framework is designed to identify measure and manage our liquidity risk position at all times. Underlying Assets and Liabilities Management policies and procedures are reviewed and approved regularly by the Assets and Liability Management Committee (ALCO).



Our liquidity risk management approach starts at the intra-day level by managing the daily payments, forecasting cash flows, settlement clearing and Central Bank Account relationships. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory. Finally, the strategic perspective comprises the determination of maturity profile and gaps that may exist between all assets and liabilities on our statement of financial position.

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

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

**Funding Diversification**

Diversification of our funding profile in terms of investor types, regions, products and instruments is an important element of our liquidity risk management framework. Our core funding resources are retail, commercial and corporate customer deposits and our long-term tier 1 capital funds.

### 3.3.2 Maturity analysis

The table below analyses financial liabilities of the Group into relevant maturity groupings based on the remaining period at statement of financial position to the contractual maturity date. Transactions in discounted instruments of more than 1 year are very insignificant.
The table includes both principal and interest cash flows.

| 31 December 2012 | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| | ₦'Million | ₦'Million | ₦'Million | ₦'Million | | ₦'Million |
| **Financial liabilities** | | | | | | |
| Customer deposits | 420,047 | 219,694 | 76,930 | 78 | | 716,749 |
| Other liabilities | 2,176 | 4,597 | 19,581 | - | | 26,354 |
| | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| **Total financial liabilities** | **422,222** | **224,291** | **96,511** | **78** | **-** | **743,103** |
| | ====== | ===== | ===== | ===== | ===== | ====== |

| 31 December 2011 | Up to 1 month ₦'Million | 1-3 months ₦'Million | 3-12 months ₦'Million | 1-5 years ₦'Million | Over 5 years ₦'Million | Total ₦'Million |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Customer deposits | 319,530 | 187,573 | 57,223 | 64 | - | 563,666 |
| Other liabilities | 2,024 | 6,149 | 8,362 | 189 | - | 16,724 |
| **Total financial liabilities** | **321,554** | **193,722** | **65,585** | **253** | **-** | **580,390** |

| 1 January 2011 | Up to 1 month ₦'Million | 1-3 months ₦'Million | 3-12 months ₦'Million | 1-5 years ₦'Million | Over 5 years ₦'Million | Total ₦'Million |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Customer deposits | 171,200 | 126,086 | 31,300 | 4 | - | 328,590 |
| Other liabilities | 1,326 | 2,610 | 3,778 | 2,528 | - | 10,242 |
| **Total financial liabilities** | **173,136** | **128,696** | **35,078** | **2,532** | **-** | **338,832** |

## 3.4 Market risk

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

### 3.4.1 Management of market risk

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

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

Our ALM / Market Risk Group assists the Board Risk Committee (BRC) and the Assets and Liability Management Committee (ALCO) in setting risk limits. Established risk limits monitored on a daily basis by our Market Risk Group include intraday, currency, open position, dealers, deposit placement, stop loss and management action trigger limits. Daily positions of our trading book are marked-to-market to enable the Bank obtain an accurate view of its trading portfolio exposure. Financial market prices used in the mark-to-market exercise are independently verified to the financial markets by the Market Risk Group.

### 3.4.2 Foreign exchange risk

The Group 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 Group's exposure to foreign currency exchange risk at 31 December 2012, 31 December 2011 and 1 January 2011:

| | 31 December 2012 | | | | | |
|---|---|---|---|---|---|---|
| | **USD** | **GBP** | **Euro** | **Other** | **Naira** | **Total** |
| **Financial assets** | Million | Million | Million | Million | Million | Million |
| Cash and balances with Central Bank | 5,408 | 532 | 1,845 | | 109,506 | 117,291 |
| Loans and advances to Banks | 81,431 | 1,498 | 3,965 | - | 11,106 | 98,000 |
| Loans and advances to customers | 4,607 | - | - | - | 340,893 | 345,500 |
| Investment securities | | | | | | - |
| - Financial assets held for trading | 2,440 | - | - | - | 199,366 | 201,806 |
| - Available for sale | | | | | 21,832 | 21,832 |
| - Loan and receivable | | | | | | - |
| - Held to maturity | | | | | 76,258 | 76,258 |
| Other assets | | | | | 2,646 | 2,045 |
| | 92,886 | 2,030 | 5,810 | - | 761,607 | 862,732 |
| **Financial liabilities** | | | | | | |
| Customer deposits | 91,631 | 1,540 | 1,466 | | 622,113 | 716,749 |
| Other liabilities | | | | | 26,354 | 26,354 |
| | 91,631 | 1,540 | 1,466 | - | 648,467 | 743,103 |

| | 31 December 2011 | | | | | |
|---|---|---|---|---|---|---|
| | USD | GBP | Euro | Other | Naira | Total |
| **Financial assets** | Million | Million | Million | Million | Million | Million |
| Cash and balances with Central Bank | 12,713 | 706 | 4,462 | - | 64,390 | 82,271 |
| Loans and advances to Banks | 66,784 | 428 | 1,050 | 14 | 31,240 | 98,951 |
| Loans and advances to customers | 28,336 | - | - | - | 250,875 | 279,211 |
| Investment securities | | | | | | |
| - Financial assets held for trading | - | - | - | - | 23,227 | 23,227 |
| - Available for sale | - | - | - | - | 128,224 | 128,224 |
| - Loan and receivable | - | - | - | - | - | - |
| - Held to maturity | - | - | - | - | 75,622 | 75,622 |
| Other assets | - | - | - | - | 2,418 | 2,418 |
| | 107,269 | 1,134 | 5,512 | 14 | 575,966 | 692,924 |
| **Financial liabilities** | | | | | | |
| Customer deposits | 48,827 | 1,151 | 1,182 | 2 | 512,504 | 563,666 |
| Other liabilities | | | | | 16,724 | 16,724 |
| | 48,827 | 1,151 | 1,182 | 2 | 529,229 | 580,390 |

| | 1 January 2011 | | | | | |
|---|---|---|---|---|---|---|
| | USD | GBP | Euro | Other | Naira | Total |
| **Financial assets** | Million | Million | Million | Million | Million | Million |
| Cash and balances with Central Bank | 5,448 | 152 | 624 | 1 | 19,280 | 25,505 |
| Loans and advances to Banks | - | - | - | - | 148,923 | 148,923 |
| Loans and advances to customers | - | - | - | - | 206,320 | 206,320 |
| Investment securities | | | | | | |
| - Financial assets held for trading | - | - | - | - | 12,217 | 12,217 |
| - Available for sale | - | - | - | - | 38,092 | 38,092 |
| - Held to maturity | - | - | - | - | 27,761 | 27,761 |
| Other assets | - | - | - | - | 828 | 828 |
| | 5,448 | 152 | 624 | 1 | 453,431 | 459,656 |
| **Financial liabilities** | | | | | | |
| Customer deposits | 32,365 | 673 | 482 | 25 | 294,435 | 328,590 |
| Other liabilities | - | - | - | - | 10,242 | 10,242 |
| | 32,365 | 673 | 482 | 25 | 304,676 | 338,831 |

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

### 3.4.3 Interest rate risk

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

| 31 December 2012 | Carrying amount ₦'Million | Variable interest ₦'Million | Fixed interest ₦'Million | Non interest-bearing ₦'Million |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and balances with Central Bank of Nigeria | 117,291 | - | 117,291 | - |
| Loans and advances to Banks | 98,000 | - | 98,000 | - |
| Loans and advances to customers | 345,500 | 4,607 | 343,893 | - |
| Investment securities | | | | |
| - Financial assets held for trading | 201,806 | - | 201,806 | - |
| - Available for sale | 21,832 | - | 21,832 | - |
| - Loan and receivable | | | | |
| - Held to maturity | 76,258 | - | 76,258 | - |
| Other assets | 2,646 | - | - | 2,646 |
| | 863,335 | 4,607 | 856,080 | 2,646 |
| **Financial liabilities** | | | | |
| Customer deposits | 716,949 | - | 716,949 | - |
| Other liabilities | 26,354 | - | 26,354 | - |
| | 743,103 | - | 743,103 | - |

| 31 December 2011 | Carrying amount ₦'Million | Variable interest ₦'Million | Fixed interest ₦'Million | Non interest-Bearing ₦'Million |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and balances with Central Bank of Nigeria | 82,271 | - | 82,271 | - |
| Loans and advances to Banks | 98,951 | - | 98,951 | - |
| Loans and advances to customers | 279,211 | 6,149 | 273,062 | - |
| Investment securities | | | | |
| - Financial assets held for trading | 23,227 | - | 20,593 | 2,634 |
| - Available for sale | 128,224 | - | 120,748 | 7,476 |
| - Held to maturity | 75,622 | - | 75,622 | - |
| Other assets | 2,418 | - | - | 2,418 |
| | 689,925 | 6,149 | 671,248 | 12,528 |

| Financial liabilities | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
|---|---|---|---|---|
| Customer deposits | 563,666 | - | 563,666 | - |
| Other liabilities | 16,724 | - | - | 16,724 |
| | ---------- | ---------- | ---------- | ---------- |
| | 580,390 | - | 563,666 | 16,724 |
| | ====== | ==== | ===== | ====== |

| 1 January 2011 | Carrying amount | Variable interest | Fixed interest | Non interest-bearing |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and balances with Central Bank of Nigeria | 25,505 | - | 25,505 | - |
| Loans and advances to Banks | 148,923 | - | 148,923 | - |
| Loans and advances to customers | 206,320 | 2,610 | 203,710 | - |
| Investment securities | | | | |
| - Financial assets held for trading | 12,217 | - | 8,246 | 3,971 |
| - Available for sale | 38,082 | - | 30,793 | 7,299 |
| - Held to maturity | 27,761 | - | 27,761 | - |
| Other assets | 838 | - | - | 838 |
| | ---------- | ---------- | ---------- | ---------- |
| | 459,656 | 2,610 | 444,926 | 12,108 |
| | ====== | ===== | ====== | ===== |
| **Financial liabilities** | | | | |
| Customer deposits | 328,590 | - | 328,590 | - |
| Other liabilities | 10,242 | - | - | 10,242 |
| | ---------- | ---------- | ---------- | ---------- |
| | 338,832 | - | 328,590 | 10,242 |
| | ====== | ==== | ====== | ===== |

**Total interest re pricing gap**

The re pricing gap details each time the interest rates are expected to change.

- For a fixed rate instrument its on maturity
- For variable rates linked to prime, its the date prime is next expected to change unless the instrument is expected to mature sooner
- For non-interest bearing items it is not included in the table.

| 31 December 2012 | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years | Total rate sensitive |
|---|---|---|---|---|---|---|
| **Financial assets** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| Cash and balances with Central Bank of Nigeria | 117,291 | - | - | - | - | 117,291 |
| Loans and advances to Banks | 98,000 | - | - | - | - | 98,000 |
| Loans and advances to customers | 46,385 | 62,087 | 26,605 | 210,424 | - | 345,500 |
| Investment securities | | | | | | |
| - Financial assets held for trading | 91,989 | 49,340 | 56,822 | 3,258 | 397 | 201,806 |
| - Available for sale | - | - | 1,951 | 12,530 | - | 21,832 |
| - Loan and receivable | | | | | | |
| - Held to maturity | 6,607 | | 1,881 | 58,467 | 9,304 | 76,258 |
| **Total assets** | **360,271** | **111,427** | **87,258** | **292,029** | **9,701** | **860,686** |
| **Financial liabilities** | | | | | | |
| Customer deposits | 639,741 | 72,491 | 4,439 | 78 | | 716,749 |
| **Total liabilities** | **639,741** | **72,491** | **4,439** | **78** | **-** | **716,749** |

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| 31 December 2011 | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years | Total rate sensitive |
|---|---|---|---|---|---|---|
| **Financial assets** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |

| | | | | | | |
|---|---|---|---|---|---|---|
| Cash and balances with Central Bank of Nigeria | 82,271 | - | - | - | - | 82,271 |
| Loans and advances to Banks | 98,951 | - | - | - | - | 98,951 |
| Loans and advances to customers | 84,781 | 33,329 | 14,169 | 146,933 | - | 279,211 |
| Investment securities | | | | | | |
| - Financial assets held for trading | 12,196 | 6,122 | 4,661 | 97 | 151 | 23,227 |
| - Available for sale | 18,600 | 19,189 | 87,007 | 1,927 | 1,501 | 128,224 |
| - Held to maturity | 216 | - | - | 62,181 | 13,225 | 75,622 |
| | --------- | ------- | -------- | ------ | ------ | ---------- |
| **Total assets** | 297,016 | 58,639 | 105,837 | 211,138 | 14,877 | 687,506 |
| | ====== | ===== | ===== | ===== | ===== | ====== |
| **Financial liabilities** | | | | | | |
| Customer deposits | 506,379 | 55,018 | 2,205 | 64 | - | 563,666 |
| | ------- | ------ | ------ | --- | --- | ---------- |
| **Total liabilities** | 506,379 | **55,018** | **2,205** | **64** | | 563,666 |
| | ====== | ===== | ==== | === | | ====== |

| **1 January 2011** | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | More than 5 years | Total rate sensitive |
|---|---|---|---|---|---|---|
| **Financial assets** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| Cash and balances with Central Bank of Nigeria | 25,505 | - | - | - | - | 25,505 |
| Loans and advances to Banks | 148,923 | - | - | - | - | 148,923 |
| Loans and advances to customers | 33,329 | 11,890 | 14,169 | 146,933 | - | 206,320 |
| Investment securities | | | | | | |
| - Financial assets held for trading | 12,217 | - | - | - | - | 12,217 |
| - Available for sale | 25,988 | 3,800 | 4,876 | 1,927 | 1,501 | 38,092 |
| - Held to maturity | 358 | 200 | 1,265 | 12,713 | 13,225 | 27,761 |
| | --------- | ------- | -------- | ------ | ------ | ---------- |
| **Total assets** | 224,880 | 37,329 | 20.310 | 161,753 | 14,726 | 458,817 |
| | ====== | ===== | ===== | ===== | ===== | ====== |
| **Financial liabilities** | | | | | | |
| Customer deposits | 297,942 | 22,134 | 8,654 | 560 | - | 328,590 |
| | ------- | ------ | ------ | --- | --- | ---------- |
| **Total liabilities** | 297,942 | 22,134 | 8,654 | 560 | - | 328,590 |
| | ====== | ===== | ==== | === | === | ====== |



### 3.4.4 Equity and commodity price risk

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

As at 31 December 2012, the market value of quoted securities held by the Group is N28 million (31 December 2011: N2,634 billion) of which all is a trading portfolio. Equity investments in NIGFUND as at 31 December 2011 worth N2.601 billion was sold in 2012, leaving a position of N33 million. The Group considers movement in the All share index of the NSE for the period to be of no material consequence on the financial statements in respect of these investments

The Group holds a number of investments in unquoted securities with a market value of N7.351 billion (31December 2011: N7.476 billion) of which investments in MTN Nigeria Ltd and African Finance Corporation are the significant holdings. These investments were valued at N6.059 billion (cost N5.096 billion) and N835 million (cost N638 million) respectively as at 31 December 2012. AFC is a private sector led investment Bank and development finance institution which has the Central Bank as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. The AFC operates a US dollar denominated balance sheet and provides finance in this currency. As at 31 December 2011 the corporation had a balance sheet size of $1.2 billion. This information for 2012 was not available at the time of this report.

MTN Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. The Group does not deal in commodities and is therefore not exposed to any commodity price risk.



## 3.5 Fair value of financial assets and liabilities

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

| | 31 December 2012 | | 31 December 2011 | | 1 January 2011 | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| <u>Financial assets</u> | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| **Cash and balances with Central Banks** | **117,291** | **117,291** | **82,271** | **82,271** | **25,505** | **25,505** |
| Cash | 35,007 | 35,007 | 39,640 | 39,640 | 21,128 | 21,128 |
| Balances with central Banks other than mandatory reserve deposits | 13,587 | 13,587 | 8,342 | 8,342 | 1,528 | 1,528 |
| Mandatory reserve deposits with central Banks | 68,697 | 68,697 | 34,289 | 34,289 | 2,849 | 2,849 |
| **Loans and advances to Banks** | **98,000** | **98,000** | **98,951** | **98,951** | **148,923** | **148,923** |

| | | | | | | |
|---|---|---|---|---|---|---|
| - Current balances with local Banks | 779 | 779 | 1,239 | 1,239 | 8,171 | 8,171 |
| - Current balances with foreign Banks | 81,665 | 81,665 | 67,712 | 67,712 | 52,752 | 52,752 |
| - Placements with other Banks and discount houses | 15,557 | 15,557 | 30,000 | 30,000 | 88,000 | 88,000 |
| **Loans and advances to customers** | **345,500** | **345,500** | **280,421** | **270,641** | **207,491** | **189,870** |
| - Overdrafts | 58,127 | 58,127 | 68,151 | 68,151 | 66,066 | 66,066 |
| - Term loans | 204,634 | 205,696 | 180,967 | 172,069 | 97,081 | 80,801 |
| - Advances under finance lease | 70,506 | 65,897 | 26,120 | 25,238 | 39,719 | 38,378 |
| - Other loans | 7,233 | **7,233** | 5,183 | 5,183 | 4,625 | 4,625 |
| **Other assets** | **2,646** | **2,646** | **2,418** | **2,418** | **838** | **838** |
| | ====== | ===== | ======= | ===== | ===== | ==== |

| | 31 December 2012 Carrying value | Fair value | 31 December 2011 Carrying value | Fair value | 1 January 2011 Carrying value | Fair value |
|---|---|---|---|---|---|---|
| | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| **Investments** | **299,897** | **299,897** | **227,074** | **227,074** | **78,070** | **78,070** |
| Held for trading | **201,806** | **201,806** | 23,227 | 23,227 | 12,217 | 12,217 |
| Available for sale | 21,832 | 21,832 | 128,224 | 128,224 | 38,092 | 38,092 |
| Held to maturity | 76,258 | 76,258 | 75,622 | 75,622 | 27,761 | 27,761 |
| **Financial liabilities** | | | | | | |
| **Deposits from customers** | **716,749** | **716,749** | **563,666** | **563,666** | **328,590** | **328,590** |
| Demand | 363,339 | 367,733 | 289,783 | 289,783 | 162,612 | 162,612 |
| Saving | 67,129 | 67,129 | 56,702 | 56,702 | 39,862 | 39,862 |
| Term | 187,252 | 187,252 | 162,718 | 162,718 | 90,723 | 90,723 |
| Domiciliary | 94,096 | 97,096 | 51,162 | 51,162 | 33,544 | 33,544 |
| Others | 4,934 | 4,934 | 3,301 | 3,301 | 1,849 | 1,849 |
| | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- |
| **Other liabilities** | **23,354** | **23,354** | **16,724** | **16,724** | **10,242** | **10,242** |
| | ====== | ===== | ====== | ===== | ====== | ===== |

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

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Group'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 Group considers relevant and observable market prices in its valuations where possible.

| 31 December 2012 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| <u>Financial assets</u> | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| **Investments** | | | | |
| Financial assets held for trading | | | | |
| - Listed Debt Securities | 198,123 | - | 3,655 | 201,778 |
| - Listed Equity Securities | 28 | - | - | 28 |
| Available for sale | - | | - | - |
| - Listed Debt Securities | 6,116 | - | - | 6,116 |
| Unlisted Debt Securities | - | - | 8,656 | 8,656 |
| - Unlisted Equity Securities | | - | 7,060 | 7,060 |
| | 204,267 | - | 19,371 | 223,638 |

| 31 December 2011 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| <u>Financial assets</u> | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| **Investments** | | | | |
| Financial assets held for trading | | | | |
| - Listed Debt Securities | 20,631 | - | 234 | 20,595 |
| - Listed Equity Securities | 2,634 | - | - | 2,634 |
| Available for sale | | | | |
| - Listed Debt Securities | 124,303 | - | - | 124,303 |
| - Unlisted Equity Securities | - | - | 3,919 | 3,919 |
| | 147,290 | - | 4,153 | 151,451 |

| 1 January 2011 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| <u>Financial assets</u> | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| **Investments** | | | | |
| Financial assets held for trading | | | | |
| - Listed Debt Securities | 7,627 | - | - | 7,627 |
| - Listed Equity Securities | 4,590 | - | - | 4,590 |
| Available for sale | | | | |
| - Listed Debt Securities | 30,510 | - | - | 30,510 |
| - Unlisted Equity Securities | - | - | 7,582 | 7,582 |
| | 45,727 | - | 7,582 | 50,309 |

**Sensitivity analysis of Level 3 items**

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

| | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|
| | Favourable changes | Unfavourable changes | Favourable changes | Unfavourable changes |
| **Financial asset** | 1 | (1) | 1 | (1) |
| **Financial asset** | 1 | (1) | 1 | (1) |
| **Financial asset** | 1 | (1) | 1 | (1) |
| **Financial liability** | 1 | (1) | 1 | (1) |

The above favourable and unfavourable changes are calculated independently from each other. Correlations and diversification effects are not taken into account.

**(c) Fair valuation methods and assumptions**

**(i) Cash and balances with central Bank**
Cash and balances with central Bank represent cash held with central Banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

**(ii) Loans and advances to Banks**
Loans and advances to Banks represents balances with local and correspondence Banks, inter-Bank placements and items in the course of collection. The fair value of the current account balances, floating placements and overnight deposits are their carrying amounts.

**(iii) Treasury bills and bonds**
Treasury bills represent short term instruments issued by the Central Banks of the jurisdiction where the Group operates. The fair value of treasury bills and bonds at fair value are determined with reference to quoted prices (unadjusted) in active markets for identical assets. Valued using market prices of individual securities at the reporting date. For certain securities market prices cannot be readily obtained especially for illiquid State Government or Corporate Bonds. The positions were marked-to-model at 31 December 2011 and 2012 based on yields for identical assets.

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

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

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

**(vi) Other assets**

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

**(vii) Deposits from Banks and 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.

**4. Capital management**

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

a. To comply with the capital requirements set by the regulators of the Banking markets where the entities within the Group operate;
b. To safeguard the Group'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 Group's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes. The required information is filed with the CBN on a monthly basis. Auditors to the Group are also required to render an annual certificate to the Nigerian Deposit Insurance Corporation (NDIC) that includes the computed capital adequacy ratio of the Group.

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

The Group's regulatory capital as managed by its Financial Control and Treasury Units is made up of tier one capital as follows:

Tier 1 capital: share capital, retained earnings, reserves created by appropriations of retained earnings and capital reserve arising on consolidation. Investments in unconsolidated subsidiaries and associates are deducted from Tier 1 capital to arrive at the regulatory capital.

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

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

| | GROUP | | | BANK | | |
|---|---|---|---|---|---|---|
| | 31 December 2012 | 31 December 2011 | 1 January 2011 | 31 December 2012 | 31 December 2011 | 1 January 2011 |
| **Tier 1 capital** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| Share capital | 14,481 | 14,481 | 14,481 | 14,481 | 14,481 | 14,481 |
| Share premium | 101,272 | 101,272 | 101,272 | 101,272 | 101,272 | 101,272 |
| Retained earnings | 6,193 | 1,302 | (117) | 6,193 | (4,829) | (3,761) |
| Statutory reserve | 17,703 | 12,244 | 10,455 | 17,703 | 12,244 | 10,456 |
| SSI reserve | 764 | 764 | 764 | 764 | 764 | 764 |
| Contingency reserve | 1,723 | 1795 | 1,902 | 1,723 | 1,867 | 1,867 |
| Non-distributable reserve | 19,608 | 13,916 | 17,827 | 19,607 | 20,395 | 20,858 |
| Less: Intangible assets | | | | | | |
| **Total qualifying Tier 1 capital** | **161,744** | **145,773** | **146,548** | **161,744** | **146,194** | **145,937** |
| | | | | | | |
| **Tier 2 capital** | | | | | | |
| Revaluation reserve - investment securities | (289) | (222) | 915 | (289) | (222) | 915 |
| Non controlling interest | - | 522 | 999 | - | - | - |
| **Total qualifying Tier 2 capital** | **(289)** | **300** | **1,914** | **289** | **(222)** | **915** |



| | | | | | | |
|---|---|---|---|---|---|---|
| Risk-weighted assets: | | **146,073** | **148,498** | **161,455** | **145,972** | **146,852** |

| | | | | | | |
|---|---|---|---|---|---|---|
| | **161,455** | | | | | |
| On-statement of financial position | 904,337 | 727,896 | 487,555 | 904,337 | 727,896 | 487,555 |
| Off-statement of financial position | 132,223 | 118,335 | 80,590 | 132,223 | 118,335 | 80,590 |
| **Total risk-weighted assets** | **561,325** | **430,361** | **303,773** | **561,325** | **430,361** | **566,145** |
| **Risk weighted Capital Adequacy Ratio (CAR)** | **29%** | **24%** | **49%** | **29%** | **34%** | **48%** |

## 5. SEGMENT ANALYSIS

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's Managing Director (the chief operating decision maker). In 2012, Management prepared its financial records in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board . This standard is what the Group's Managing Director reviews in assessing performance, allocating resources and making investment decisions. The following summary describes each of the Group's reportable segments.

**Retail Banking**

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

**Corporate Banking**

The Corporate Banking segment offers a comprehensive range of commercial and corporate Banking services to the corporate business customers including other medium and large business customers. This segment covers 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, departments and other agencies.

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

**Segment result of operations - IFRS 8.23**

The segment information provided to the Group Managing Director for the reportable segments for the year ended 31 December 2012 is as follows:

| | Retail Banking | Corporate Banking | Investment Banking | Public Sector | Elimination | Consolidated (IFRS) |
|---|---|---|---|---|---|---|
| | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| 31 Dec. 2012 | | | | | | |
| Segment revenue | 28,758 | 38,858 | 51,567 | 214 | - | 119,396 |
| Revenue for other segments | - | - | - | - | - | - |
| Total | 28,758 | 38,858 | 51,567 | 214 | - | 119,396 |
| Operating profit | 2,231 | 5,791 | 12,307 | 514 | - | 20,843 |
| Income tax expense | (371) | (963) | (2,005) | (86) | | (3,425) |
| Profit for the year | 1,860 | 4,828 | 10,302 | 429 | - | (17,418) |
| 31 Dec. 2012 | | | | | | |
| Total segment assets | 89,110 | 230,998 | 593,237 | 1,015 | - | 914,360 |
| Total segments liabilities | 579,060 | 74,964 | 54,382 | 44,498 | - | 752,905 |
| Other segment information | | | | | | |
| Depreciation & Amortisation | 3,323 | 162 | 29 | 42 | - | 3,556 |

| | Retail Banking | Corporate Banking | Investment Banking | Public Sector | Elimination | Consolidated (IFRS) |
|---|---|---|---|---|---|---|
| | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| 31 Dec. 2011 | | | | | | |
| Segment revenue | 36,701 | 22,200 | 10,175 | 4,463 | - | 73,539 |
| Revenue for other segments | - | - | - | - | - | - |
| Total | 36,701 | 22,200 | 10,275 | 4,463 | - | 73,359 |
| Operating profit | 67 | 53 | 38 | 4 | - | 162 |
| Income tax expense | 1,536 | 599 | 197 | 90 | - | 2,423 |
| Profit for the year | 1,603 | 652 | 236 | 94 | - | 2,585 |
| 31 Dec. 2012 | | | | | | |
| Total segment assets | 105,872 | 274,451 | 356,365 | 1,206 | - | 737,894 |
| Total segments liabilities | 477,473 | 61,813 | 15,843 | 36,691 | - | 591,820 |
| Other segment information | | | | | | |
| Depreciation & Amortisation | 2,827 | 136 | 24 | 36 | - | 3,033 |

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

**Explanation of reportable segment revenues, profit and loss, assets and liabilities**
Revenues:

Segment revenue includes interest income, fee and commission income, gross premium income, commission earned, claims recovered, income from investments, and other income as determined under IFRS. It is also referred to as gross earnings under Nigerian GAAP.

Segment profit/(loss):

Segment performance is based on segment profit/(loss) after tax, as included in the internal management reports under the IFRS Some of the key differences include:

- Credit-related fees are recognised in profit or loss at the time of occurrence under Nigerian GAAP, while under IFRS, credit related fees are recognised as part of the effective interest rate over the period of the contract;

- Allowances for loan loss under Nigerian GAAP is determined based on Central Bank of Nigeria's Prudential Guidelines, while an incurred loss model is used to determine impairment loss under IFRS;

- Interest income on impaired assets is not recognised under Nigerian GAAP. Under IFRS, interest income on impaired loans is recognised at the rate used to discount cash flows for impairment purposes; and

- Investments in treasury bills and bonds held for trading purposes are not measured at fair value under Nigerian GAAP. IFRS requires financial assets held for trading purposes to be measured at fair value through profit or loss.

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|
| Total profit (loss) after taxation | 18,200 | 2,584 |
| | -------- | -------- |
| Consolidated profit/(loss)after tax under IFRS | 18,200 | 2,584 |
| | ===== | ==== |



Segment assets

Segment assets include specifically identifiable assets as included in the internal management reports under Nigerian GAAP, but exclude certain shared assets. Consolidated assets reported under Nigerian GAAP differ from IFRS in certain respects, as explained more fully in note 41. Some of the key differences include:
- Allowances for loan loss under Nigerian GAAP is determined based on Central Bank of Nigeria's Prudential Guidelines, while an incurred loss model is used to determine impairment loss under IFRS;

- Under Nigerian GAAP, unearned interest received in advance is recognised as a separate liability, resulting in the gross disclosure of the underlying asset. The effect of applying the effective interest method under IFRS results in a reclassification of other liabilities to treasury bills and loans and advances to customers; and
- Investments in treasury bills, bonds and equity securities held for trading purposes are not measured at fair value under Nigerian GAAP. IFRS requires financial assets held for trading purposes, and financial assets at fair value through other comprehensive income, to be measured at fair value in the consolidated statements of financial position.

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|
| Total consolidated assets from reportable segments | 914,360 | 737,894 |
| | ------------ | ------------- |
| Consolidated assets under IFRS | 914,360 | 737,894 |
| | ====== | ======= |

Segment liabilities

Segment liabilities include specifically identifiable liabilities as included in the internal management reports under IFRS, but exclude certain shared liabilities.

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|
| Total consolidated liabilities from reportable segment | 752,905 | 591,820 |
| | ----------- | ------------- |
| Consolidated liabilities under IFRS | 752,905 | 591,820 |
| | ======= | ======= |

Geographical information

The Group only operates in Nigeria.

Major Customer

The Group does not have a single external customer that accounts for more than 10% of the Group's revenues.

6. Interest and similar income

| | Group | | Bank | |
|---|---|---|---|---|
| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
| Treasury bills and other investment securities | 27,263 | 5,197 | 27,263 | 8,886 |
| Placements and short term funds | 1,664 | 7,093 | 1,664 | 7,093 |
| Loans and advances to customers | 38,698 | 34,097 | 38,698 | 30,448 |
| Advances under finance leases | 11,371 | 3,146 | 11,372 | 3,100 |
| | 78,996 | 49,534 | 78,996 | 49,527 |

Interest income earned in Nigeria
Interest income of Naira 1,824 (2011: Naira 4,353) on loans and advances to customers includes interest income on impaired financial assets, recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

7. Interest and similar expense

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|---|---|
| Inter-Bank takings | 533 | 757 | 533 | 757 |
| Current accounts | 1,235 | 1,093 | 1,235 | 1,093 |
| Savings account | 748 | 731 | 748 | 731 |
| Term deposits | 39,670 | 16,398 | 39,670 | 16,427 |
| | 42,186 | 18,979 | 42,186 | 19,008 |

8. Impairment charge for credit losses

| | | | | |
|---|---|---|---|---|
| Loans and advances to customers (refer note 18.2) | (4,610) | (16,726) | (4,610) | (16,236) |
| Increase in impairment | (4,610) | (21,317) | (4,610) | (20,552) |
| Recoveries on previously written-off amounts | - | 4,429 | - | 4,316 |
| Reversal of impairment | - | 162 | - | - |
| | (4,610) | (16,726) | (4,610) | (16,236) |

9. Net fee and commission income

| | | | | |
|---|---|---|---|---|
| Credit related fees | 1,717 | 204 | 1,717 | - |
| Remittance fees | 78 | 147 | 78 | 147 |
| Commissions on Turnover | 4,357 | 2,763 | 4,357 | 2,763 |
| Commissions on off-balance sheet transactions | 312 | 70 | 312 | 70 |
| Letters of credit commissions and fees | 441 | 495 | 441 | 495 |
| Facility management fee | | 13 | | - |
| Commission on TC's and foreign bills | 4,133 | 3,224 | 4,133 | 3,224 |
| Other fees and commissions | 10,407 | 3,375 | 10,407 | 3,127 |
| Fee and commission income | 21,443 | 10,291 | 21,443 | 9,826 |
| Other fees paid | (22) | (43) | (22) | (43) |
| Fee and commission expense | (22) | (43) | (22) | (43) |
| Net fee and commission income | 21,421 | 10,248 | 21,421 | 9,783 |

10. Net gains / (losses) from financial Instruments classified as held for trading

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 31 December 2012 | 31 December 2011 | 31 December 2012 | 31 December 2011 |
| Net gains / (losses) arising on: | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| Bonds | 299 | 1,370 | 299 | 1,370 |
| Treasury bills | 2,735 | 4,618 | 2,735 | 4,618 |
| Equities | - | (329) | - | - |
| | 3,034 | 5,659 | 3,034 | 5,988 |

11. **Net gains / (losses) on investment securities**

| | | | | |
|---|---|---|---|---|
| Equities | (1,041) | (1,442) | (1,041) | (1,140) |
| Treasury bills | - | 1,205 | - | 1,205 |
| | (1,041) | (237) | (1,041) | 66 |

12. **Other operating income**

| | | | | |
|---|---|---|---|---|
| Foreign exchange gains / (losses) | 14,230 | 6,814 | 14,230 | 6,814 |
| Dividend income | 933 | 1,001 | 933 | 930 |
| Profit on disposal of investment property | 13 | - | 13 | - |
| Other income | 758 | 283 | 610 | - |
| | 15,944 | 8,098 | 15,686 | 7,744 |

13. **Other operating expenses**

| | | | | |
|---|---|---|---|---|
| Personnel expenses | 22,649 | 17,290 | 22,649 | 17,010 |
| Depreciation | 3,408 | 3,033 | 3,408 | 3,014 |
| Amortisation | 148 | 165 | 148 | 155 |
| Auditors' remuneration | 113 | 84 | 113 | 75 |
| Directors' emoluments | 282 | 207 | 282 | 197 |
| Loss on sale of property, plant and equipment | - | 72 | - | 72 |
| Deposit insurance premium | 3,316 | 1,727 | 3,316 | 1,727 |
| Computer expenses | 1,274 | 1,065 | 1,274 | 1,065 |
| Contractor compensation | 2,741 | 1,579 | 2,741 | 1,579 |
| Infrastructure | 10 | - | 10 | - |
| Marketing, Communication & Entertainment | 2,174 | 1,248 | 2,174 | 1,244 |
| Electricity | 201 | 757 | 201 | 751 |
| Repairs and maintenance | 1,750 | 694 | 1,750 | 683 |
| Security expenses | 829 | 848 | 829 | 843 |
| Cash movement expenses | 331 | 317 | 331 | 317 |
| Impairment loss on other assets | 2,778 | - | 2,778 | - |
| Banking sector resolution cost | 2,230 | 2,440 | 2,230 | 1,440 |
| Other expenses | 6,481 | 6,910 | 6,474 | 6,217 |
| | 50,715 | 37,436 | 50,708 | 36,390 |

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
| 13. | Other operating expenses – continued | | | | |
| | Personnel expenses | | | | |
| | Wages and salaries | 21,780 | 14,623 | 21,780 | 14,346 |
| | Pension costs: | - | - | - | - |
| | - Defined contribution plans | 435 | 664 | 435 | 661 |
| | - Defined benefit plans (Note 31) | 434 | 2,003 | 434 | 2,003 |
| | | 22,649 | 17,290 | 22,649 | 17,010 |
| 14. | Taxation | | | | |
| | Current taxes on income for the reporting period | 1,825 | 2,461 | 1,825 | 2,418 |
| | Education tax | 19 | 285 | 19 | 282 |
| | Technology levy | 22 | 83 | 22 | 81 |
| | Capital Gain Tax | 209 | - | 209 | - |
| | Current taxes referring to previous periods | 12 | - | 12 | - |
| | Total current tax | 2,087 | 2,829 | 2,087 | 2,781 |
| | Deferred tax | | | | |
| | Origination and reversal of temporary differences | 1,338 | (5,252) | 1,338 | (5,218) |
| | Total deferred tax | 1,338 | (5,252) | 1,338 | (5,218) |
| | Income tax expense | 3,425 | (2,423) | 3,425 | (2,437) |
| | **Reconciliation of effective tax rate** | | | | |
| | **Profit before income tax** | **21,625** | **161** | **21,349** | **1,474** |
| | Income tax using the domestic corporation tax rate | 6,340 | 14 | 6,340 | 360 |
| | Effect of tax rates in foreign jurisdictions | | - | | |
| | Non-deductible expenses | 4,480 | 620 | 4,480 | 685 |
| | Education tax levy | 19 | 285 | 19 | 282 |
| | Tax exempt income | (9,172) | (3,427) | (9,172) | (3,485) |
| | Technology levy | 22 | 83 | 22 | 81 |
| | Capital Gain Tax | 209 | - | 209 | - |
| | Tax loss effect | 1,539 | - | 1,539 | - |
| | (Over) / under provided in prior years | (12) | - | (12) | - |
| | Total income tax expense in income statement | 3,425 | (2,423) | 3,425 | (2,437) |

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

The movement in the current income tax liability is as follows:

GROUP BANK

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|---|---|
| At 1 January | 2,660 | 1,570 | 2,613 | 1,515 |
| Tax paid | (2,425) | (1,739) | (2,425) | (1,683) |
| Tax effect of translation | (47) | - | - | - |
| Prior year over provision | 12 | | 12 | |
| Income tax charge | 2,075 | 2,829 | 2,075 | 2,781 |
| At 31 December | 2,275 | 2,660 | 2,275 | 2,613 |
| Current tax liability reclassified to non-current assets held for sale | - | (46) | - | - |
| | 2,275 | 2,614 | 2,275 | 2,613 |

## 15 Earnings per share

### (a) Basic

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

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
| Profit/(loss) attributable to equity holders of the Company | 18,200 | 2,585 | 17,924 | 3,911 |
| Weighted average number of ordinary shares in issue (in millions) | 28,963 | 28,963 | 28,963 | 28,963 |
| Basic earnings per share (expressed in Kobo per share) | 63 | 9 | 62 | 14 |

## 16 Cash and balances with Central Bank

**GROUP AND BANK**

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Cash | 35,007 | 39,640 | 21,128 |
| Balances with Central Bank other than mandatory reserve deposits | 13,577 | 8,342 | 1,528 |
| Included in cash and cash equivalents | 48,584 | 47,982 | 22,656 |
| Mandatory reserve deposits with Central Bank | 68,697 | 34,289 | 2,849 |
| | 117,291 | 82,271 | 25,505 |

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

## 17 Cash and cash equivalents

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

| GROUP | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Cash and balances with Central Bank | 117,291 | 82,271 | 25,505 |
| Loans and advances to Banks | 98,000 | 98,951 | 148,923 |
| | 215,292 | 181,222 | 174,428 |

| BANK | | | |
|---|---|---|---|
| Cash and balances with central Bank | 117,291 | 82,271 | 25,505 |
| Loans and advances to Banks | 98,000 | 98,411 | 148,401 |
| | 215,292 | 180,682 | 173,906 |

## 18 Loans and advances

GROUP

18.1 Loans and advances to Banks

| | | | |
|---|---|---|---|
| Current balances with local Banks | 779 | 1,239 | 8,171 |
| Current balances with foreign Banks | 81,665 | 67,712 | 52,752 |
| Placements with other Banks and discount houses | 15,557 | 30,000 | 88,000 |
| Carrying amount | 98,000 | 98,951 | 148,923 |

Included in balances with Banks outside Nigeria is the amount of ₦ 4.6 billion for the Group (₦ 2011: 6.1 billion; 2010: ₦ 2.61 billion) which represents the Naira value of foreign currency Bank balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities.

| 18.2 | Loans and advances to customers | Gross amount | Specific impairment | Collective impairment | Total impairment | Carrying amount |
|---|---|---|---|---|---|---|
| | **31 December 2012 (₦'Million)** | | | | | |
| | Overdrafts | 66,517 | (6,757) | (1,633) | (8,391) | 58,127 |
| | Term loans | 213,960 | (376) | (3,949) | (4,325) | 209,634 |
| | Advances under finance lease | 71,172 | (472) | (194) | (666) | 70,506 |
| | Other loans | 1,050 | - | (2) | (2) | 1,049 |
| | Interest receivables | 6,185 | - | - | - | 6,185 |
| | | 358,884 | (7,605) | (5,778) | (13,383) | 345,500 |
| | **31 December 2011 (₦'Million)** | | | | | |
| | Overdrafts | 75,409 | | | - | 75,409 |
| | Term loans | 189,842 | (13,302) | (3,518) | (16,820) | 173,022 |
| | Advances under finance lease | 26,120 | - | | - | 26,120 |
| | Other loans | 2,278 | - | | - | 2,278 |
| | Interest receivables | 2,905 | - | - | - | 2,905 |
| | | 296,554 | (13,302) | (3,518) | (16,820) | 279,734 |
| | Loans and advances reclassified to Non-current assets held for sale | (2,831) | 2,309 | - | (522) | (522) |
| | | 293,723 | (10,993) | (3,518) | (17,342) | 279,211 |
| | **1 January 2011 (₦'Million)** | | | | | |
| | Overdrafts | 81,175 | - | - | - | 81,175 |
| | Term loans | 110,065 | (23,784) | (5,480) | (29,264) | 80,801 |
| | Advances under finance lease | 39,719 | - | - | - | 39,719 |
| | Other loans | 3,361 | - | - | - | 3,361 |
| | Interest receivables | 1,264 | - | - | - | 1,264 |
| | | 235,584 | - 23,784 | - 5,480 | - 29,264 | 206,320 |

Certain non-performing loan and advances amounting to (N5.25Billion) (2011: N61.224Billion) were taken over by the Asset Management Corporation of Nigeria in consideration for cash amounting to (N2.23Billion) (2011: guaranteed bonds of N42.758billion).

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

| | Overdrafts (₦'Million) | Term loans (₦'Million) | Finance lease (₦'Million) | Other (₦'Million) | Total (₦'Million) |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **Balance at 1 January 2012** | | | | | |
| Specific impairment | - | 13,302 | - | - | 13,302 |
| Collective impairment | - | 3,518 | - | - | 3,518 |
| | - | 16,820 | - | - | 16,820 |
| Additional provision | | | | | |
| Specific impairment | 6,767 | 3,752 | 472 | - | 10,991 |
| Collective impairment | 1,633 | 433 | 194 | - | 2,260 |
| Loans written off during the year as uncollectible (Sold to AMCON) | - | (3,024) | - | - | (3,024) |
| Amounts recovered during the year | - | (2,016) | - | - | (2,016) |
| Elimination due to disposal of subsidiary | - | (3,601) | - | - | (3,601) |
| Total charged to income statement | 8,400 | (,456) | 666 | - | 4,610 |
| Unwind of discount allowance | - | (8,047) | - | - | (8,047) |
| Specific impairment | 6,767 | 366 | 472 | - | 7,605 |
| Collective impairment | 1,633 | 3,951 | 194 | - | 5,778 |
| **Balance at 31 December 2012** | 8,400 | 4,317 | 666 | - | 13,383 |
| Specific impairment | - | 23,784 | - | - | 23,784 |
| Collective impairment | - | 5,480 | - | - | 5,480 |
| | - | 29,264 | - | - | 29,264 |
| Additional provision: | | | | | |
| Specific impairment | - | 68,365 | - | - | 68,365 |
| Collective impairment | - | (1,962) | - | - | (1,962) |
| Amounts written off/Eliminated on loans sold to AMCON | - | (41,881) | - | - | (41,881) |
| Amounts recovered during the year | - | (7,796) | - | - | (7,796)) |
| Total charged to income statement | - | 16,726 | - | - | 16,726 |
| Eliminated against retained earnings | - | (29,170) | - | - | (29,170) |
| Specific impairment | - | 13,302 | - | - | 13,302 |
| Collective impairment | - | 3,518 | - | - | 3,518 |
| **Balance at 31 December 2011** | - | 16,820 | - | - | 16,820 |

18.3 Advances under finance lease are analysed as follows:

| | 31 December 2012 | 31 December 2011 | 1 January 2011 |
|---|---|---|---|
| Gross investment (₦'Million) | | | |
| - No later than 1 year | 4,053 | 375 | 362 |
| - Later than 1 year and no later than 5 years | 80,301 | 26,269 | 40,230 |
| - Later than 5 years | 2,040 | - | - |
| | ----------- | ----------- | ----------- |
| | 86,394 | 26,644 | 40,592 |
| Unearned future finance income on finance leases | (15,519) | (524) | (873) |
| | ----------- | ----------- | ----------- |
| Net investment | 70,875 | 26,120 | 39,719 |
| The net investment may be analysed as follows: | | | |
| - No later than 1 year | 3,834 | 375 | 362 |
| - Later than 1 year and no later than 5 years | 66,099 | 25,745 | 39,357 |
| - Later than 5 years | 942 | - | - |
| | ----------- | ----------- | ----------- |
| | 70,875 | 26,120 | 39,719 |
| | ===== | ===== | ===== |

18.4 Nature of security in respect of loans and advances:

| | | | |
|---|---|---|---|
| Secured against real estate | 41,689 | 18,426 | 19,240 |
| Secured by shares of quoted companies | 550 | 1,318 | 2,319 |
| Otherwise secured | 236,034 | 242,353 | 176,689 |
| Advances under finance lease | 70,875 | 26,120 | 39,719 |
| Unsecured | 9,736 | 40 | 2,228 |
| | ----------- | ----------- | ----------- |
| | 358,884 | 288,257 | 240,195 |
| | ====== | ====== | ==== |

BANK

18.1 Loans and advances to Banks

| | | | |
|---|---|---|---|
| Current balances with local Banks | 779 | 699 | 7,649 |
| Current balances with foreign Banks | 81,665 | 67,712 | 52,752 |
| Placements with other Banks and discount houses | 15,557 | 30,000 | 88,000 |
| | ----------- | ----------- | ----------- |
| | 98,000 | 98,411 | 148,401 |
| | ===== | ===== | ====== |

Included in balances with Banks outside Nigeria is the amount of ₦4.6 billion for the Group (2011: ₦ 6.1 billion; 2010: ₦ 2.61 billion) which represents the Naira value of foreign currency Bank balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities. The amount is not available for the day to day operations of the Bank.

| | 31 December 2012 | 31 December 2011 | 01 January 2011 |
|---|---|---|---|
| Current | 98,000 | 98,411 | 148,401 |
| Non-current | ----------- | ----------- | ------------- |
| Total (₦'Million) | 98,000 | 98,411 | 148,401 |
| | ===== | ====== | ====== |

| 18.2 | **Loans and advances to customers** | Gross amount | Specific impairment | Collective impairment | Total impairment | Carrying amount |
|---|---|---|---|---|---|---|
| | **31 December 2012 ()** | | | | | |
| | Overdrafts | 66,517 | (6,757) | (1,633) | (8,391) | 58,127 |
| | Term loans | 213,960 | (376) | (3,949) | (4,325) | 209,634 |
| | Advances under finance lease | 71,172 | (472) | (194) | (666) | 70,506 |
| | Other Loans | 1,050 | - | (2) | (2) | 1,049 |
| | Interest Receivables | 6,185 | - | - | - | 6,185 |
| | | ----------- | ----------- | ----------- | ----------- | ----------- |
| | | 358,884 | (7,605) | (5,778) | (13,383) | 345,500 |
| | | ====== | =====- | ===== | ======- | ====== |
| | **31 December 2011 (₦'Million)** | | | | | |
| | Overdrafts | 76,618 | (8,467) | | (8,467) | 68,151 |
| | Term loans | 186,313 | (1,828) | (3,518) | (5,346) | 180,967 |
| | Advances under finance lease | 26,120 | - | | - | 26,120 |
| | Other Loans | 2,278 | - | | - | 2,278 |
| | Interest Receivables | 2,905 | - | - | - | 2,905 |
| | | ----------- | ----------- | ----------- | ----------- | ----------- |
| | | 294,234 | (10,295) | (3,518) | (13,813) | 280,421 |
| | | ====== | ===== | ===== | ===== | ====== |
| | **1 January 2011 (₦'Million)** | | | | | |
| | Overdrafts | 81,175 | (15,109) | | (15,109) | 66,066 |
| | Term loans | 108,719 | (6,158) | (5,480) | (11,638) | 97,081 |
| | Advances under finance lease | 39,719 | - | - | - | 39,719 |
| | Other Loans | 3,361 | - | | - | 3,361 |
| | Interest Receivable | 1,264 | | | | 1,264 |
| | | ----------- | ----------- | ----------- | ----------- | ----------- |
| | | | | | - | |
| | | 234,238 | - 21,267 | - 5,480 | 26,747 | 207,491 |
| | | =====- | ====== | ===== | ===== | ===== |

Certain non-performing loan and advances amounting to N61.224billion were taken over by the Asset Management Corporation of Nigeria in consideration for guaranteed bonds of N42.758billion.

**Reconciliation of impairment allowance**

| | Loans and advances to customers | | | | |
|---|---|---|---|---|---|
| **Balance at 1 January 2012** | **Overdrafts** | **Term loans** | **Finance lease** | **Other** | **Total** |
| | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| Specific impairment | 15,109 | (4,814) | - | - | 10,295 |
| Collective impairment | - | 3,518 | - | - | 3,518 |
| | 15,109 | (1,296) | - | - | 13,813 |
| Additional provision | | | | | |
| Specific impairment | 6,767 | 3,752 | 472 | - | 10,991 |
| Collective impairment | 1,166 | 433 | 194 | - | 2,260 |
| Eliminated on loans sold to AMCON | - | (3,024) | - | - | (3,024) |
| Amounts recovered during the year | - | (5,617) | - | - | (5,617) |
| Total charged to income statement | 8,400 | (4,456) | 666 | - | 4,610 |
| Unwind of discount allowance | - | (5,040) | - | - | (5,040) |
| Specific impairment | 21,876 | (14,743) | 472 | - | 7,607 |
| Collective impairment | 1,633 | 3,951 | 194 | - | 5,776 |
| **Balance at 31 December 2012** | 23,509 | (10,792) | 666 | | 13,383 |
| **Balance at 1 January 2011** | **Overdrafts** | **Term loans** | **Finance lease** | **Other** | **Total** |
| Specific impairment | 15,109 | 6,158 | - | - | 21,267 |
| Collective impairment | | 5,480 | | | 5,480 |
| | 15,109 | 11,638 | - | - | 26,747 |
| Additional provision: | | | | | |
| Specific impairment | | 67,875 | | | 67,875 |
| Collective impairment | - | (1,962) | - | - | (1962) |
| Eliminated on loans sold to AMCON | - | (41,881) | - | - | (41,881) |
| Amounts recovered during the year | - | (7,796) | - | - | (7,796) |
| Total charged to income statement | - | 16,326 | - | - | 16,326 |
| Eliminated against retained earnings | - | (29,170) | - | - | (29,170) |
| Specific impairment | 15,109 | (4,814) | - | - | 10,295 |
| Collective impairment | - | 3,518 | - | - | 3,518 |
| **Balance at 31 December 2011** | 15,109 | (1,296) | - | - | 13,813 |

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

**18.3** Advances under finance lease are analysed as follows:

| | 31 December 2012 | 31 December 2011 | 01 January 2011 |
|---|---|---|---|
| Gross investment | ₦'Million | ₦'Million | ₦'Million |
| - No later than 1 year | 4,053 | 375 | 362 |
| - Later than 1 year and no later than 5 years | 86,394 | 26,269 | 40,230 |
| - Later than 5 years | 2,040 | - | - |
| | 80,301 | 26,644 | 40,592 |
| Unearned future finance income on finance leases | (15,519) | (524) | (873) |
| Net investment | 70,875 | 26,120 | 39,719 |
| The net investment are analysed as follows: | | | |
| - No later than 1 year | 3,834 | 375 | 362 |
| - Later than 1 year and no later than 5 years | 66,099 | 25,745 | 39,357 |
| - Later than 5 years | 942 | - | - |
| | 70,875 | 26,120 | 39,719 |

18.4 Nature of security in respect of loans and advances:

| | 31 December 2012 | 31 December 2011 | 01 January 2011 |
|---|---|---|---|
| Secured against real estate | 41,689 | 21,179 | 19,672 |
| Secured by shares of quoted companies | 550 | 1,318 | 2,319 |
| Otherwise secured | 236,034 | 263,405 | 214,651 |
| Advances under finance lease | 70,875 | 40 | 2,228 |
| Unsecured | 9,736 | 36 | 2,207 |
| Gross loans and advances to customers | 358,884 | 285,938 | 238,849 |

The Bank is not permitted to sell or re pledge the collateral in the absence of default by the owner of the collateral.

## 19. Investments

| GROUP | Note | 31 December 2012 | 31 December 2011 | 1 January 2011 |
|---|---|---|---|---|
| Debt securities | | ₦'Million | ₦'Million | ₦'Million |
| Fair value through profit and loss | | | | |
| Treasury bills - At fair value through profit and loss | | 198,123 | 20,361 | 4,392 |
| Federal Government bonds - At fair value through profit and loss | | 3,655 | 232 | 3,235 |
| Listed equity investments - At fair value through profit and loss | 28 | 2,634 | 4,590 | |
| | | 201,806 | 23,227 | 12,217 |
| Available for sale | | | | |
| Treasury bills - Available-for-sale (At fair value) | | 1,897 | 121,515 | 26,880 |
| Federal Government bonds - Available-for-sale (At fair value) | | 3,929 | 2,788 | 3,630 |
| State bonds - Available-for-sale (At fair value) | | 8,657 | - | - |
| Crusader Insurance Convertible Debenture – Loan and receivable (At amortised cost) | | 292 | 287 | 283 |
| Unlisted equity investments - Available-for-sale (At fair value)-gross | | 9,786 | 6,996 | 9,246 |
| Less -impairment loss | | (2,726) | (3,362) | (1,947) |
| | | 21,835 | 128,224 | 38,092 |
| Held to maturity | | | | |
| Lagos State Government bonds - Held-to-maturity (At amortised cost) | | 3,643 | 3,668 | 3,680 |
| Ekiti State Government bonds - Held-to-maturity (At amortised cost) | | 4,782 | 5,000 | - |
| Federal Government bonds - Held-to-maturity (At amortised cost) | | 25,277 | 29,224 | 23,399 |
| AMCON - Held-to-maturity (At amortised cost) | | 42,556 | 37,730 | 682 |
| | | 76,258 | 75,622 | 27,761 |
| Total investments | | 299,899 | 227,074 | 78,070 |

The maturity dates of these various Federal Government of Nigeria Bonds and State Government of Nigeria Bond bonds range from December 2011 to July 2030 with interest rates ranging from 4% to 15%.

AMCON Bond relates to bond consideration given to the Bank in respect of takeover of certain margin related loan balances amounting to N63.3billion taken over by the Asset Management Corporation of Nigeria (AMCON) on 31 December 2011 at a discount in accordance with the provisions of AMCON Act.

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

| BANK | 31 December 2012 | 31 December 2011 | 01 January 2011 |
|---|---|---|---|
| Investments | ₦'Million | ₦'Million | ₦'Million |
| Fair value through profit and loss | | | |
| Treasury bills - At fair value through profit and loss | 198,123 | 20,361 | 4,392 |
| Federal Government bonds - At fair value through profit and loss | 3,655 | 226 | 3,235 |
| Listed equity investments - At fair value through profit and loss | 28 | 33 | 33 |
| | 201,806 | 20,620 | 7,660 |
| Available for sale | | | |
| Federal Government bonds - Available-for-sale (At fair value)3,929 | 2,788 | 3,630 | |
| Treasury bills - Available-for-sale (At fair value) | 1,897 | 121,515 | 26,875 |
| Crusader Insurance Convertible Debenture – Loan and receivable (At amortised cost) | 292 | 287 | 283 |
| State bonds - Available-for-sale (At fair value) | 8,657 | - | - |
| Unlisted equity investments - Available-for-sale (At fair value) | 9,786 | 10,319 | 9,166 |
| Less : Impairment loss | (2,726) | (3,060) | (1,947) |
| | 21,835 | 131,849 | 38,007 |
| Held to maturity | | | |
| Lagos State Government bonds - Held-to-maturity (At amortised cost) | 3,643 | 3,668 | 3,680 |
| Ekiti State Government bonds - Held-to-maturity (At amortised cost) | 4,782 | 5,000 | - |
| Federal Government bonds - Held-to-maturity (At amortised cost) | 25,277 | 29,224 | 23,399 |
| AMCON - Held-to-maturity (At amortised cost) | 42,556 | 37,730 | 682 |
| | 76,258 | 75,622 | 27,761 |
| Total investments | 299,899 | 228,091 | 73,428 |

The maturity dates of these various Federal Government of Nigeria Bonds and State Government of Nigeria Bond bonds range from December 2011 to July 2030 with interest rates ranging from 4% to 15%.

AMCON Bond relates to bond consideration given to the Bank in respect of takeover of certain margin related loan balances amounting to N63.3billion taken over by the Asset Management Corporation of Nigeria on 31 December 2011 at a discount in accordance with the provisions of AMCON Act.

Reconciliation of impairment allowance for investments

| GROUP | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|
| Opening Balance | 3,362 | 1,947 |
| Charge for the year | 1,041 | 1,442 |
| written off | (302) | (27) |
| Write back | (1,375) | - |
| | ----------- | ----------- |
| | 2,726 | 3,362 |
| | ===== | ==== |
| BANK | | |
| Opening Balance | 3,060 | 1,947 |
| Charge for the year | 1,041 | 1,140 |
| written off | 0 | (27) |
| Write back | (1,375) | - |
| | ----------- | ----------- |
| | 2,726 | 3,060 |
| | ===== | ===== |

**19.1 Pledged assets**

Treasury Bills are pledged to the Nigerian Inter Bank Settlement System Company (NIBSS) in respect of the Bank's ongoing participation in the Nigerian settlement system.

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

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Treasury bills | 11.6 | 14.7 | 4.37 |
| | ----------- | ----------- | ------- |

**20. Interest in material subsidiary**

| BANK | | | |
|---|---|---|---|
| Investment in Nigeria International Growth Fund (at cost) - | 1,897 | 1,897 | |
| Less: Impairment | - | (619) | (619) |
| | ----------- | ----------- | ----------- |
| | - | 1,278 | 1,278 |
| | ----------- | ----------- | ----------- |
| Investment in Fidelity Securities (at cost) | - | 2,303 | 1,203 |
| Less: Impairment | - | (601) | (601) |
| | ----------- | ----------- | ---------- |
| | | 1,702 | 602 |
| | ----------- | ----------- | --------- |
| Investment in Fidelity Pension Managers (at cost) | - | 427 | 427 |
| Less Impairment | | (214) | (214) |
| | ----------- | ---------- | ---------- |
| | | 213 | 213 |
| | ----------- | --------- | ---------- |

**FIDELITY BANK PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued**

| | 31 December 2012 | 31 December 2011 | 1 January 2011 |
|---|---|---|---|

| | ₦'Million | ₦'Million | ₦'Million |
|---|---|---|---|
| | - | 3,193 | 2,173 |
| Reclassified to non-current assets held for sale | | 3,193 | - |
| Total | - | - | 2,173 |

## 21. Investment properties

| | ₦'Million | ₦'Million | ₦'Million |
|---|---|---|---|
| GROUP | | | |
| Cost | 343 | 343 | 343 |
| Accumulated depreciation | - | - | - |
| Carrying value at 1 January | 343 | 343 | 343 |
| Disposal | (343) | | - |
| Carrying value at 31 December | - | 343 | 343 |
| BANK | | | |
| Cost | 343 | 343 | 343 |
| Accumulated depreciation | - | - | - |
| Carrying value at 1 January | 343 | 343 | 343 |
| Disposal | (343) | - | - |
| Carrying value at 31 December | - | 343 | 343 |

Investment properties represent investment in land. No rental income was generated and no direct operating expenses were incurred. The fair value of the investment properties based on expert valuation report was N525 (31 December 2011 N525-, 1 January 2011 N456)

## 22. Property and equipment

| GROUP | Land & buildings ₦'Million | Leasehold improvement ₦'Million | Office equipment ₦'Million | Furniture, fittings & equipment ₦'Million | Computer Equipment ₦'Million | Motor vehicles ₦'Million | Work in progress ₦'Million | Total ₦'Million |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2012 | 16,153 | 1,441 | 5,357 | 1,525 | 6,037 | 4,120 | 11,108 | 45,741 |
| Additions | 352 | 668 | 613 | 67 | 403 | 968 | 2,102 | 5,174 |
| Reclassifications | 745 | 999 | 68 | 26 | 159 | 7 | (1,343) | 662 |
| Disposals | (1) | - | (90) | (11) | (10) | (378) | (30) | (520) |
| At 31 December 2012 | 17,250 | 3,108 | 5,948 | 1,608 | 6,590 | 4,717 | 11,837 | 51,057 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2012 | (412) | (1,589) | (3,387) | (1,013) | (3,919) | (2,656) | - | (12,976) |
| Charge for the year | (297) | (511) | (822) | (208) | (886) | (728) | - | (3,452) |
| Reclassifications | - | - | - | | 306 | | | 306 |
| Disposals | 1 | - | 87 | 11 | 10 | 315 | - | 423 |
| At 31 December 2012 | (708) | (2,100) | (4,122) | (1,210) | (4,489) | (3,069) | - | (15,699) |
| **Net book amount** | | | | | | | | |
| **At 31 December 2012** | **16,541** | **1,007** | **1,825** | **398** | **2,100** | **1,649** | **11,837** | **35,358** |

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

| | Land & buildings | Leasehold improvement | Office equipment | Furniture, fittings & equipment | Computer Equipment | Motor vehicles | Work in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
| At 1 January 2011 | 14,635 | 1,128 | 4,832 | 1,463 | 5,506 | 3,462 | 11,219 | 42,244 |
| Additions | 493 | 207 | 635 | 122 | 428 | 800 | 1,837 | 4,522 |
| Reclassifications | 1,282 | 106 | 48 | 4 | 144 | 2 | (1,586) | - |
| Disposals | 8 | - | (64) | (22) | (13) | (305) | (362) | (758) |
| At 31 December 2011 | 16,418 | 1,441 | 5,451 | 1,567 | 6,064 | 3,959 | 11,108 | 46,008 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2011 | (1,035) | (576) | (2,363) | (873) | (3,206) | (2,335) | - | (10,388) |
| Charge for the year | (291) | (247) | (739) | (198) | (861) | (698) | - | (3,034) |
| Reclassifications | 6 | (6) | 1 | | (1) | | - | - |
| Disposals | 89 | 49 | (343) | 25 | 123 | 294 | - | 237 |
| At 31 December 2011 | (1,231) | (780) | (3,444) | (1,046) | (3,944) | (2,739) | - | (13,184) |
| **Net book amount** | | | | | | | | |
| **31 December 2011** | **15,187** | **661** | **2,007** | **521** | **2,120** | **1,465** | **11,108** | **32,824** |
| **Reclassified to non-current assets held for sale** | 206 | - | 35 | 3 | - | 1 | - | 245 |
| | **14,981** | **661** | **1,972** | **518** | **2,120** | **1,464** | **11,108** | **32,579** |

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



**22. Property and equipment**

| BANK | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2012 | 16,153 | 1,441 | 5,357 | 1,525 | 6,037 | 4,120 | 11,108 | 45,741 |
| Additions | 352 | 668 | 613 | 67 | 403 | 968 | 2,102 | 5,174 |
| Reclassifications | 745 | 999 | 68 | 26 | 159 | 7 | (1,343) | 662 |
| Disposals | (1) | - | (90) | (11) | (10) | (378) | (30) | (520) |
| At 31 December 2012 | 17,250 | 3,108 | 5,948 | 1,608 | 6,590 | 4,717 | 11,837 | 51,057 |
| | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2012 | (412) | (1,589) | (3,387) | (1,013) | (3,919) | (2,656) | - | (12,976) |
| Charge for the year | (297) | (511) | (822) | (208) | (886) | (728) | - | (3,452) |
| Reclassifications | 0 | (0) | - | | 306 | | | 306 |
| Disposals | 1 | 0 | 87 | 11 | 10 | 315 | - | 423 |
| At 31 December 2012 | (708) | (2,100) | (4,122) | (1,210) | (4,489) | (3,069) | - | (15,699) |
| | | | | | | | | |
| **Net book amount** | | | | | | | | |
| **At 31 December 2012** | **16,541** | **1,007** | **1,825** | **398** | **2,100** | **1,649** | **11,837** | **35,358** |

**FIDELITY BANK PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued**

**Property and equipment (continue)**

| **Cost** | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million | ₦'Million |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2011 | 14,423 | 1,128 | 4,706 | 1,404 | 5,504 | 3,369 | 11,219 | 41,752 |
| Additions | 447 | 208 | 604 | 122 | 679 | 1,038 | 1,837 | 4,935 |
| Reclassifications | 1,282 | 106 | 48 | 4 | (107) | 2 | (1,586) | (251) |
| Disposals | 1 | (1) | (1) | (5) | (38) | (289) | (362) | (695) |
| At 31 December 2011 | 16,153 | 1,441 | 5,357 | 1,525 | 6,037 | 4,120 | 11,108 | 45,741 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2011 | (1,003) | (576) | (2,294) | (841) | (3,198) | (2,240) | - | (10,152) |
| Charge for the year | (279) | (248) | (724) | (190) | (892) | (681) | - | (3,014) |
| Reclassifications | 6 | (6) | 1 | - | 36 | | - | 37 |
| Disposals | 102 | 50 | (371) | 18 | 134 | 265 | - | 198 |
| At 31 December 2011 | (1,174) | (780) | (3,388) | (1,013) | (3,919) | (2,656) | - | (12,930) |
| **Net book amount** | | | | | | | | |
| **At 31 December 2011** | **14,979** | **661** | **1,969** | **512** | **2,118** | **1,464** | **11,108** | **32,811** |

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

## 23. Intangible assets

| | Group Computer software | Bank Computer software |
|---|---|---|
| **At 1 January 2012 (₦'Million)** | | |
| Cost | 1,276 | 1,276 |
| Accumulated amortisation and impairment | (927) | (927) |
| | --------- | ----------- |
| **Net book amount** | 349 | 349 |
| | ===== | ===== |
| **Year ended 31 December 2012 (₦'Million)** | | |
| Opening net book amount | 349 | 349 |
| Additions | 269 | 269 |
| Amortisation charge | (148) | (148) |
| | --------- | ----------- |
| **Closing net book amount** | 470 | 470 |
| | ===== | ===== |
| **At 31 December 2012 (₦'Million)** | | |
| Cost | 1,545 | 1,545 |
| Accumulated amortisation and impairment | (1,075) | (1,075) |
| | --------- | ----------- |
| **Net book amount** | 470 | 470 |
| | ===== | ===== |
| **At 1 January 2011 (₦'Million)** | | |
| Cost | 1,043 | 1,025 |
| Accumulated amortisation and impairment | (772) | (772) |
| | --------- | ----------- |
| **Net book amount** | 271 | 253 |
| | ===== | ===== |
| **Year ended 31 December 2011 (₦'Million)** | | |
| Opening net book amount | 271 | 253 |
| Additions | 251 | 251 |
| Amortisation charge | (165) | (155) |
| | --------- | ----------- |
| **Closing net book amount** | 357 | 349 |
| | ===== | ===== |
| **At 31 December 2011 (₦'Million)** | | |
| Cost | 1,294 | 1,276 |
| Accumulated amortisation and impairment | (937) | (927) |
| | --------- | ----------- |
| **Net book amount** | 357 | 349 |
| | ===== | ===== |
| **Intangible assets classified as non-current assets held for sale** | (8) | - |
| | --- | ---- |
| | 349 | 349 |
| | === | == |

The amortisation chare for the period is included in Other operating expenses in the Income Statement.

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

## 24 Deferred tax

**GROUP**

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

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30 % (2011: 30 %; 2010: 30%).

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

| Deferred tax liabilities | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Accelerated tax depreciation | (3,680) | (3,660) | (2,948) |
| Allowances for loan losses | (51) | - | - |
| | (3,731) | (3,660) | (7,101) |
| Deferred tax assets | | | |
| Pension and other post-retirement benefits | 1,776 | 2,281 | 1,931 |
| Allowances for loan losses | - | 1,461 | - |
| | 1,776 | 3,743 | 1,931 |
| Net | (1,955) | 83 | (5,170) |
| Deferred tax assets | | | |
| - Deferred tax asset to be recovered after more than 12 months | 1,776 | 3,043 | 1,931 |
| - Deferred tax asset to be recovered within 12 months | - | - | - |
| Deferred tax liabilities | | | |
| - Deferred tax liability to be recovered after more than 12 months | (4,128) | (3,660) | (7,101) |
| - Deferred tax liability to be recovered within 12 months | - | - | - |

| **Movements in temporary differences during the year:** | **1 Jan 2012** | **Recognised in P&L** | **Recognised OCI** | **31 Dec 2012** |
|---|---|---|---|---|
| **Opening balance as at 1 January 2012 (₦'Million )** | | | | |
| (Accelerated tax depreciation) | (3,660) | (468) | - | (4,128) |
| Other assets | - | 5 | - | 5 |
| Allowances for loan losses | 1,462 | (813) | - | 648 |
| Tax loss carry forward | - | 443 | - | 443 |
| Pension & other post retirement benefits | 2,281 | (505) | - | 1,776 |
| | 83 | (1,338) | - | (1,256) |

## 24. Deferred tax - continued

| Movements in temporary differences during the year: Opening balance as at 1 January 2011 (₦'Million) | 1 Jan 2011 | Recognised in P&L | Recognised OCI | 31 Dec 2011 |
|---|---|---|---|---|
| | | | | - |
| Accelerated tax depreciation | (2,948) | (712) | - | (3,660) |
| Pension and other post-retirement benefits | 1,931 | 350 | - | 2,281 |
| Allowances for loan losses | (4,153) | 5,615 | | 1,461 |
| | --------- | ------- | --- | ---- |
| | (5,170) | 5,252 | - | 83 |
| | ==== | === | === | == |

**BANK**

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

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30 % (2011: 30 %; 2010: 30%).

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

**Deferred tax liabilities**

| | | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|---|
| Accelerated tax depreciation | | (4,128) | (3,660) | (2,948) |
| Allowances for loan losses | | (51) | - | (4,818) |
| | | (4,179) | (3,660) | (7,766) |
| Deferred tax assets | | | | |
| Pension and other post-retirement benefits | | 1,776 | 2,281 | 1,931 |
| Allowances for loan losses | | - | 762 | - |
| Others | | 448 | - | - |
| | | 2,224 | 3,043 | 1,931 |
| | | --------- | -------- | -------- |
| Net | | (1,955) | (617) | (5,835) |
| | | ===== | ==== | ===== |
| Deferred tax assets | | | | |
| - Deferred tax asset to be recovered after more than 12 months | | 2,224 | 3,043 | 1,931 |
| - Deferred tax asset to be recovered within 12 months | - | - | - | |
| Deferred tax liabilities | | | | |
| - Deferred tax liability to be recovered after more than 12 months | | (4,179) | (3,660) | (7,766) |
| - Deferred tax liability to be recovered within 12 months | - | - | - | |

## 24 Deferred tax - continued

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

| Movements in temporary differences during the year: | 1 Jan 2011 | Recognised in P&L | Recognised OCI | 31 Dec 2011 |
|---|---|---|---|---|
| Accelerated tax depreciation | (2,948) | (712) | - | (3,660) |
| Pension and other post-retirement benefits | 1,931 | 350 | - | 2,281 |
| Allowances for loan losses | (4,818) | 5,580 | | 762 |
| | (5,835) | 5,217 | - | (617) |

## 25 Other assets

| GROUP | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Financial assets | | | |
| Sundry receivables | 4,422 | 3,136 | 2,032 |
| Others | 2,128 | 407 | 1,033 |
| | 6,550 | 3,543 | 3,065 |
| Less specific allowances for impairment | (3,903) | (1,125) | (2,227) |
| | 2,646 | 2,418 | 838 |
| Non financial assets: | | | |
| Prepayments | 15,196 | 9,564 | 8,380 |
| | 17,842 | 11,982 | 9,218 |
| Current | 17,842 | 11,982 | 9,218 |
| Non-current | - | - | - |

| Reconciliation of impairment account | 31 December 2012 | 31 December 2011 |
|---|---|---|
| | ₦'Million | ₦'Million |
| At start of year | 1,125 | 2,227 |
| Increase in impairment | 2,778 | - |
| Amounts written off | - | (1,102) |
| | --------- | ---------- |
| At end of year | 3,903 | 1,125 |
| | ==== | ===== |

| BANK | 31 December 2012 | 31 December 2011 | 1 January 2011 |
|---|---|---|---|
| Financial assets | ₦'Million | ₦'Million | ₦'Million |
| Sundry receivables | 4,422 | 2,845 | 1,360 |
| Others | 2,128 | 730 | 1,030 |
| | --------- | --------- | ---------- |
| | 6,550 | 3,575 | 2,390 |
| Less specific allowances for impairment | (3,903) | (1,125) | (1,984) |
| | --------- | ---------- | ---------- |
| | 2,646 | 2,450 | 406 |
| Non financial assets | | | |
| Prepayments | 15,196 | 9,392 | 7,952 |
| | ----------- | --------- | --------- |
| | 17,842 | 11,842 | 8,358 |
| | ===== | ===== | ===== |
| Current | 17,842 | 11,842 | 8,358 |
| Non-current | - | - | - |
| | ==== | ==== | ===== |

Other financial asset represents receivables from AMCON in respect of loan disposed off and other Banking related transactions with third parties

| Reconciliation of impairment account | 31 December 2012 | 31 December 2011 |
|---|---|---|
| | ₦'Million | ₦'Million |
| At start of year | 1,125 | 1,984 |
| Increase in impairment | 2,778 | - |
| Amounts written off | (859) | - |
| | --------- | ---------- |
| At end of year | 3,903 | 1,125 |
| | ===== | ===== |

## 26 Assets classified as held for sale

### GROUP

The assets and liabilities related to Fidelity Securities, Fidelity Pension Management and NIGFUND have been presented as held for sale following the approval of the board on November 2011 in line with the CBN directives on the new Banking model which requires Banks to dispose off non core Banking subsidiaries. The subsidiaries where subsequently dispose off on January 01, 2012.

| | 31 December |
|---|---|
| Assets of disposal group classified as held for sale | ₦'Million |
| Cash and short term deposit | 497 |
| Loans and advances to customers | 522 |
| Investment securities | 3,516 |
| Intangible assets | 8 |
| Property, plant and equipment | 245 |
| Other assets | 18 |
| | --------- |
| Total assets of disposal group | 4,807 |
| | ==== |
| Liabilities of disposal group classified as held for sale | |
| Income tax payable | 46 |
| Other liabilities | 1,166 |
| | ------- |
| Total liabilities of disposal group | 1,212 |
| | --------- |
| Net assets of disposal group | 3,595 |
| | ==== |

BANK

| | 2011 |
|---|---|
| Non-current assets held for sale | ₦'Million |
| Investment in Fidelity Securities | 1,702 |
| Investment in Fidelity Pension Managers | 213 |
| Nigfund | 1,278 |
| | ---------- |
| | 3,193 |
| | ===== |

## 27 Profit/(Loss) from sale of subsidiaries

### GROUP

**31 December 2012 (₦'Million)**

| | Assets | Liabilities | Net Assets | Proceeds from disposal | Gain/(loss) |
|---|---|---|---|---|---|
| Fidelity Securities | 2,419 | 1,015 | 1,404 | 1,500 | 96 |
| Fidelity Pension Managers | 142 | 9 | 133 | 350 | 217 |
| NIGFUND | 2,246 | 189 | 2,057 | 2,101 | 44 |
| **Total** | 4,807 | 1,212 | 3,594 | 2,450 | 260 |
| **Non controlling interest** | | | | | 522 |
| | | | | | 782 |
| **Taxation** | | | | | (235) |
| **Profit attributable to group** | | | | | 547 |

### BANK

**31 December 2012 (₦'Million)**

| **Non-current assets held for sale** | Cost of Investment less impairments | Proceeds from Disposal | Profit/(Loss) |
|---|---|---|---|
| Investment in Fidelity Securities | 1,702 | 1,500 | (202) |
| Investment in Fidelity Pension Managers | 213 | 350 | 137 |
| Nig Fund | 1,278 | 2,100 | 822 |
| | 3,193 | 3,950 | 757 |

## 28. Deposits from customers

| GROUP | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Demand | 363,339 | 289,783 | 162,612 |
| Savings | 67,129 | 56,702 | 39,862 |
| Term | 187,252 | 162,718 | 90,723 |
| Domiciliary | 94,096 | 51,162 | 33,544 |
| Others | 4,934 | 3,301 | 1,849 |
| | 716,749 | 563,666 | 328,590 |
| Current | 716,671 | 563,601 | 328,586 |
| Non-current | 78 | 65 | 4 |
| | 716,749 | 563,666 | 328,590 |

| BANK | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Demand | 363,339 | 289,987 | 163,222 |
| Savings | 67,129 | 56,702 | 39,862 |
| Term | 187,252 | 163,238 | 90,723 |
| Domiciliary | 94,096 | 51,162 | 33,544 |
| Others | 4,934 | 3,301 | 1,849 |
| | 716,749 | 564,390 | 329,200 |
| Current | 716,671 | 564,325 | 329,196 |
| Non-current | 78 | 65 | 4 |
| | 716,749 | 564,390 | 329,200 |

## 29. Other liabilities

| GROUP | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Customer deposits for letters of credit | 4,597 | 6,149 | 2,610 |
| Interest payable | - | | |
| Accounts payable | 15,411 | 7,854 | 5,693 |
| Manager's cheque | 2,244 | 2,024 | 1,326 |
| Defined contribution plan | - | 116 | |
| Other liabilities | 4,103 | 1,559 | 497 |
| | 26,354 | 17,701 | 10,242 |
| Reclassified as non-current liability held for sale | - | (977) | - |
| | 26,354 | 16,724 | 10,242 |

| BANK | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Customer deposits for letters of credit | 4,597 | 6,149 | 2,610 |
| Accounts payable | 15,411 | 6,907 | 3,310 |
| Manager's cheque | 2,244 | 2,024 | 1,326 |
| Defined contribution plan | - | 115 | 116 |
| Provisions | 4,103 | 1,340 | 352 |
| | 26,354 | 16,535 | 7,714 |

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

## 30 Retirement benefit obligations

| GROUP AND BANK | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Consolidated statement of financial position asset/(liability) for: | | | |
| Staff Gratuity Plan | 1,751 | 1,487 | 1,292 |
| Retirement Benefit Scheme | 3,821 | 6,117 | 5,145 |
| | 5,572 | 7,605 | 6,437 |

| Income statement charge for: | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|
| Staff Gratuity Plan | 435 | 369 |
| Retirement Benefit Scheme | 434 | 1,634 |
| | 870 | 2,003 |

## 30 Retirement benefit obligations - continued

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|
| Actuarial gains/(losses) are recognised in the statement of other comprehensive income. | | |
| Staff Gratuity Plan | (276) | (156) |
| Retirement Benefit Scheme | 2,100 | 558 |
| | ---------- | --------- |
| | 1,824 | 401 |
| | ===== | ===== |

(a) Gratuity scheme

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

| | 31 December **2012** ₦'Million | 31 December **2011** ₦'Million | 1 January **2011** ₦'Million |
|---|---|---|---|
| Present value of funded obligations | - | - | - |
| Fair value of plan assets | - | - | - |
| Deficit of funded plans | - | - | - |
| Present value of unfunded obligations | 1,751 | 1,487 | 1,292 |
| Unrecognised past service cost | - | - | - |
| | ---------- | --------- | -------- |
| Liability in the balance sheet | 1,751 | 1,487 | 1,292 |
| | ===== | ===== | ==== |

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

| | ₦'Million | ₦'Million |
|---|---|---|
| At beginning of the period | 1,487 | 1,292 |
| Current service cost | 211 | 191 |
| Interest cost | 224 | 178 |
| Employee contributions | | - |
| Actuarial losses/(gains) | 276 | 156 |
| Past service cost | - | |
| Benefits paid | (447) | (330) |
| Settlements | - | |
| | ---------- | --------- |
| At end of the period | 1,751 | 1,487 |
| | ===== | ===== |

The amounts recognised in the income statement are as follows:

| | | |
|---|---|---|
| Current service cost | 211 | 191 |
| Interest cost | 224 | 178 |
| Expected return on plan assets | - | - |
| Past service cost | - | - |
| | ---------- | --------- |
| Total, included in staff costs | 435 | 369 |
| | ===== | ===== |

**Retirement benefit obligations - continued**

The principal actuarial assumptions were as follows:

| | | |
|---|---|---|
| Average long term discount rate (p.a.) | 12% | 14% |
| Average long term rate of inflation (p.a.) | 10% | 12% |
| Average long term pay increase (p.a.) | 5% | 10% |

Mortality

Pre-retirement: A49/52

Withdrawal and Early Retirement

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

| 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|
| Age group | Annual rate of Withdrawal/Retirement | Age group | Annual rate of Withdrawal/Retirement |
| 20-24 | 10% | 20-24 | 10% |
| 25-29 | 10% | 25-29 | 10% |
| 30-34 | 8% | 30-34 | 8% |
| 34-38 | 4% | 34-38 | 4% |
| 39-42 | 3% | 39-42 | 3% |
| 43-49 | 1% | 43-49 | 1% |
| 50-51 | 5% | 50-51 | 5% |
| 52-53 | 10% | 52-53 | 10% |
| 54 | 15% | 54 | 15% |
| 55+ | 100% | 55+ | 100% |

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

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Present value of funded obligations | - | - | - |
| Fair value of plan assets | - | - | - |
| Deficit of funded plans | - | - | - |
| Present value of unfunded obligations | 3,821 | 6,117 | 5,145 |
| Unrecognised past service cost | - | - | - |
| | --------- | ---------- | --------- |
| Liability in the statement of financial position | 3,821 | 6,117 | 5,145 |
| | ===== | ===== | ===== |



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

| | ₦'Million | 31 December 2012 ₦'Million | 31 December 2011 |
|---|---|---|---|
| At beginning of the year | | 6,117 | 5,145 |
| Current service cost | | 1,017 | 908 |
| Interest cost | | 996 | 726 |
| Employee contributions | | - | - |
| Actuarial losses/(gains) | | (2,100) | (558) |
| Past service cost | | (1,579) | - |
| Benefits paid | | (631) | (104) |
| Settlements | | - | - |
| At end of the year | | 3,821 | 6,117 |

The amounts recognised in the income statement are as follows:

| | | |
|---|---|---|
| Current service cost | 1,017 | 908 |
| Interest cost | 996 | 726 |
| Expected return on plan assets | - | - |
| Past service cost | (1,579) | - |
| Total, included in staff costs | 434 | 1,634 |

The principal actuarial assumptions were as follows:

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

Mortality
Pre-retirement: A49/52

Withdrawal and Early Retirement

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

| 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|
| **Age group** | **Annual rate of Withdrawal/Retirement** | **Age group** | **Annual rate of Withdrawal/Retirement** |
| 20-24 | 10% | 20-24 | 10% |
| 25-29 | 10% | 25-29 | 10% |
| 30-34 | 8% | 30-34 | 8% |
| 34-38 | 4% | 34-38 | 4% |
| 39-42 | 3% | 39-42 | 3% |
| 43-49 | 1% | 43-49 | 1% |
| 50-51 | 5% | 50-51 | 5% |
| 52-53 | 10% | 52-53 | 10% |
| 54 | 15% | 54 | 15% |
| 55+ | 100% | 55+ | 100% |

## 31. Share capital

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Authorised | | | |
| 32 billion ordinary shares of 50k each (2011: 32 billion) | 16,000 | 16,000 | 16,000 |
| | ===== | ====== | ====== |
| Issued and fully paid | | | |
| 28,963 million ordinary shares of 50k each (2011: 28,963 million) | 14,481 | 14,481 | 14,481 |
| | ===== | ====== | ====== |

| Movements during the period: | Number of shares million | Ordinary shares |
|---|---|---|
| Balance at 1 January 2011 | 28,963 | 14,482 |
| Capitalised during the period | - | - |
| Issue of new shares | - | - |
| At 31 December 2011 | 28,963 | 14,482 |
| Capitalised during the period | | - |
| Issue of new shares | | - |
| | ----------- | ----------- |
| At 31 December 2012 | 28,963 | 14,482 |
| | ====== | ====== |

None of the ordinary shares are held by any entity in the Group or by associates of the Group.

## 32. Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

**Share premium**

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

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

**Statutory reserve**
Undistributable earnings required to be kept by the nations central Bank in accordance with national law.

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

**Contingency reserve**
Appropriation of retained earnings for unspecified future events.

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

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

## 33. Additional cash flow information

### Change in operating assets

| | Group | | Bank | |
|---|---|---|---|---|
| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
| Loans and advances to customers | (66,289) | (72,891) | (65,080) | (72,930) |
| Investments in Securities | - | - | - | (43) |
| Held for maturity | (178,579) | (44,487) | (181,186) | (47,861) |
| Available for sale | 106,392 | (93,793) | 104,793 | (93,798) |
| Held for trading | (636) | (12,967) | (636) | (12,960) |
| Investment property | (3,282) | (1) | (3,282) | - |
| Other assets | (5,860) | (3,019) | (6,000) | (3,476) |
| | **(148,258)** | **(227,158)** | **(151,391)** | **(231,068)** |

### Change in operating liabilities

| | Group 31 December 2012 ₦'Million | Group 31 December 2011 ₦'Million | Bank 31 December 2012 ₦'Million | Bank 31 December 2011 ₦'Million |
|---|---|---|---|---|
| Deposits from customers | 153,083 | 235,076 | 152,359 | 235,190 |
| Retirement benefit obligations | (2,033) | 1,167 | (2,033) | 1,167 |
| Current income tax liability | (339) | 1,044 | (338) | 1,098 |
| Deferred income tax liability | 1,955 | (5,170) | 1,338 | (5,217) |
| Other liabilities | 9,630 | 6,482 | 9,819 | 8,820 |
| | **162,297** | **238,600** | **161,145** | **241,058** |

## 34 Contingent liabilities and commitments

### 34.1 Capital commitments

At the reporting date, the Bank had capital commitments amounting to N252 (2011: N203 million; 1 Jan 2011: N606 million).

### 34.2 Confirmed credits and other obligations on behalf of customers

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

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Performance bonds and guarantees | 103,152 | 93,760 | 53,631 |
| Letters of credit | 29,044 | 24,420 | 19,574 |
| On-lending facilities | 27 | 155 | 7,385 |
| | 132,223 | 118,335 | 80,590 |

### 34.3 Litigation

As at reporting date, the Bank has several claims against it by parties seeking legal compensation in the sum of N726.1M (2011: N1.074B). Based on the estimates of our legal team and the case facts, the Bank estimates a potential loss of N6.5M (2011: nil) upon conclusion of the cases. On the other hand, the Bank has outstanding claims against various individuals in the sum of N627.2M (2011: N9.4B) that are yet to be settled

## 35 Related party transactions

The parent company of the Group is Fidelity Bank plc. The Group is wholly owned by Nigerian citizens.

| The subsidiary companies included in the Group comprise the following: | Ownership interest (%) | | |
|---|---|---|---|
| | 31 Dec 2012 | 31 Dec 2011 | 1 Jan 2011 |
| Fidelity Securities Ltd | - | 85 | 54 |
| Fidelity Pension Managers Ltd | - | 61 | 61 |
| Nigeria International Growth Fund | - | 68 | 68 |

Key management personnel is defined as the Group's executive and non-executive directors, including close members of their family and any entity over which they exercise control. Close members are those family members who may be expected to influence, or be influenced by that individual in their dealing with the Group.

A number of Banking transactions are entered into with directors, key management personnel and their related concerns in the normal course of business. These include the granting of loans and advances and receipt of deposits.

The volumes of related-party transactions, outstanding balances at the year-end, and relating expense and income for the year are as follows:

The Directors declare that none of the loans written off during the year ended 31 December, 2012 were insider related

## 35.1a Loans and advances to related parties

| Year ended 31 December 2012 | Key management Personnel ₦'Million | Subsidiaries ₦'Million | Related Entities ₦'Million | |
|---|---|---|---|---|
| Loans and advances to customers | | | | |
| Loans outstanding at 1 January | 431 | - | 1,314 | |
| Loans issued during the year | 515 | - | 679 | |
| Loan repayments during the year | 274 | - | 207 | |
| Loans outstanding at 31 December | 671 | - | 1,786 | |
| | | - | | |
| Interest income earned | 17 | - | 210 | |
| Bad or doubtful debts due from related parties expense | | | - | - |
| | | | | |
| Year ended 31 December 2011 | | | | |
| Loans and advances to customers | | | | |
| Loans outstanding at 1 January | 276 | 930 | 399 | |
| Loans issued during the year | 199 | 1,650 | 941 | |
| Loan repayments during the year | 45 | 1,940 | 26 | |
| Loans outstanding at 31 December | 431 | 640 | 1,314 | |
| Interest income earned | 15 | 281 | 103 | |

Bad or doubtful debts due from related parties expense

The loans issued to directors and other key management personnel during the year of 2012 are repayable monthly over an agreed tenure and have interest rates of 3.5% (2011: 3.5%). The loans advanced to the directors during the year are collateralized by shares in listed companies.

The loans and advances given to associates and related entities companies are all secured and carry fixed interest rates and are payable on demand.

Related entities are entities which the Bank directors have significant interest in.

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

### 35.1b Loans and advances to related parties

| Related Party | Relationship | AMOUNT OUTSTANDING 2012 | AMOUNT OUTSTANDING 2011 | AMOUNT OUTSTANDING 2010 | FACILITY TYPE | STATUS | SECURITIES STATUS |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| ASSOCIATED HAULAGES (NIGERIA) LIMITED | Related Entity | 46,024,794 | 46,196,836 | 21,405,079 | Term Loan/Overdraft | Performing | Lien on trucks and Personal Guarantee |
| CY INCORPORATED NIG LTD | Related Entity | 240,544,047 | 67,666,675 | 27,685,856 | Finance Lease/Overdraft | Performing | Legal ownership of financed vehicles, Personal Guarantee of MD/CEO. Domiciliation of contract proceeds |
| ROSIES TEXTILES MILL LTD | Related Entity | 59,588,050 | 82,091,553 | 65,775,903 | Overdraft | Performing | Personal Guarantee and Statement of Networth of Chairman/MD - Perfected |
| GEOELIS AND CO NIG LTD | Related Entity | 187,040,103 | 218,075,597 | 214,620,019 | Overdraft | Performing | Lien on Shipping Documents consigned to the ord. Perfected |
| EQUIPMENT SOLUTIONS AND LOGISTICS SERVICES LIMITED | Related Entity | 379,098,747 | 437,770,075 | 66,848,182 | Finance Lease/Overdraft | Performing | Legal ownership of vehicles, Personal Guarantee, Tripatile Domiciliation agreement |
| THE GENESIS RESTAURANT LIMITED | Related Entity | 1,132,781,390 | 721,856,143 | 106,130,054 | Term Loan/Overdraft | Performing | Mortgage debenture over all fixed and floating assets of Genesis, Tripartite legal mortgage among stanchions Nig. Ltd Genesis Restaurant. |
| | | --------------------- | ----------------------- | -------------------- | | | |
| **TOTAL** | | **2,045,077,130** | **1,573,656,879** | **502,465,092** | | | |
| | | =========== | ============ | ========== | | | |

FIDELITY BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

35.1b Loans and advances to related parties - continued

| Related Party | Relationship | AMOUNT OUTSTANDING 2012 | AMOUNT OUTSTANDING 2011 | AMOUNT OUTSTANDING 2010 | FACILITY TYPE | STATUS | SECURITIES STATUS |
|---|---|---|---|---|---|---|---|
| FIDELITY SECURITIES LIMITED | Subsidiary | - | 1,435,510,920 | 2,563,990,838 | Overdraft | Performing | Negative pledge of Fidelity Securities Limited. Perfected |
| FINCONNECKT COLLECTION A/C | Subsidiary | - | 212,250,808 | 179,482,740 | Overdraft | Lost | Legal ownership of vehicles, Personal Guarantee, Tripatile Domiciliation agreement . Perfected |
| | | | ------------------ | ------------------------ | | | |
| **TOTAL** | | **-** | **1,647,761,728** | **2,743,473,578** | | | |
| | | | | | | | |
| REGINALD U.IHEJIAHI | Key Personnel | 150,691,719 | 227,724,817 | 243,907,478 | Term Loan | Performing | Lien on shares, salaries and allowances. Perfected |
| OBI OKECHUKWU JOHN | Key Personnel | 81,331,202 | 69,718,393 | 26,843,354 | Term Loan | Performing | Perfected |
| IK MBAGWU | Key Personnel | 102,076,946 | 139,298,432 | - | Term Loan | Performing | Perfected |
| UCHE AUGUSTINE OKAM | Key Personnel | 796,680 | 1,079,015 | - | Term Loan | Performing | Perfected |
| OLAOLU ONOME JOY | Key Personnel | 155,638,525 | 140,780,737 | 40,310,498 | Term Loan | Performing | Perfected |
| | | | | | | | |
| OKONKWO NNAMDI JOHN | Key Personnel | 58,406,611 | - | - | Term Loan | Performing | Perfected |
| CHIJIOKE UGOCHUKWU | Key Personnel | 67,194,365 | - | - | Term Loan | Performing | Perfected |
| UMAR I YAHAYA | Key Personnel | 46,570,935 | - | - | Term Loan | Performing | Perfected |
| MOHAMMED BALARABE | Key Personnel | 8,216,146 | - | - | Term Loan | Performing | Perfected |
| | | -------------------- | -------------------- | -------------------- | | | |
| **TOTAL** | | **670,923,129** | **578,601,393** | **311,061,330** | | | |
| | | ========== | ========== | ========== | | | |

| 35.2a Deposits from related parties | Key management Personnel ₦'Million | Subsidiaries ₦'Million | Related Entities ₦'Million |
|---|---|---|---|
| Year ended 31 December 2012 | | | |
| Due to customers | | | |
| Deposits at 1 January | 140.68 | - | 4.72 |
| Deposits received during the year | 527.02 | - | 135.73 |
| Deposits repaid during the year | 145.77 | - | - |
| Deposits at 31 December | 521.94 | - | 140.45 |
| Interest expenses on deposits | 2.16 | - | 0.07 |
| Year ended 31 December 2011 | | | |
| Due to customers | | | |
| Deposits at 1 January | 68.26 | 4.61 | 3.23 |
| Deposits received during the year | 72.00 | 198.66 | 15.25 |
| Deposits repaid during the year | 14.03 | 0.04 | 13.75 |
| Deposits at 31 December | 126.23 | 203.23 | 4.72 |
| Interest expenses on deposits | 2 | - | - |

### 35.2b Related parties

| RELATED PARTY | RELATIONSHIP | DEPOSITS @ AT 31DEC2012 | DEPOSITS @ AT 31DEC2011 | DEPOSITS @ AT 31DEC2010 |
|---|---|---|---|---|
| GEOELIS AND CO NIG LTD (HM) (DP) | Related Entity | 14,019,156 | 6,995,908 | 93,519 |
| ROSIES TEXTILE MILL LTD. | Related Entity | 3,976,288 | 129,105 | 2,511,006 |
| CY INCORPORATED NIG LTD(DSRA) | Related Entity | 11,243 | 10,981 | 4,165 |
| EQUIPMENT SOLUTIONS AND LOGISTICS SERVICES LIMITED | Related Entity | 82,101 | 6,281,712 | 2,879 |
| ASS. HAULAGES (NIG) LTD 2 | Related Entity | 188,721 | 2,301,739 | 613,737 |
| THE GENESIS RESTAURANT LIMITED | Related Entity | 50,791 | (10,997,260) | - |
| | | ------------- | ------------- | ------------- |
| **TOTAL** | | **18,328,300** | **4,722,185** | **3,225,307** |
| | | ======= | ======= | ======= |
| FIDELITY PENSION MANAGERS LIMITED | Subsidiary | 133 | 135 | 120 |
| FINCONNEKT NIG LTD | Subsidiary | 70,512 | 4,246,039 | - |
| FIDELITY SECURITIES LTD | Subsidiary | 140,613,347 | 3,878,999 | 4,614,847 |
| | | ------------- | ------------- | ------------- |
| **TOTAL** | | **140,683,992** | **8,125,173** | **4,614,967** |
| | | ======= | ======= | ======= |
| UNIFIED PAYMENT SERVICES LTD. | Associate | 749,868,519 | 17,299,023 | 19,849,237 |
| | | ------------- | ------------- | ------------- |
| **TOTAL** | | **749,868,519** | **17,299,023** | **19,849,237** |
| | | ======= | ======= | ======= |

**35.2b Related parties - continued**

| RELATED PARTY | RELATIONSHIP | DEPOSITS @ AT 31DEC2012 | DEPOSITS @ AT 31DEC2011 | DEPOSITS @ AT 31DEC2010 |
|---|---|---|---|---|
| DIM ELIAS E NWOSU | Key management Personnel | 319,949,410 | 55,199,157 | 40,613,383 |
| MR. KAYODE OLOWONIYI | Key management Personnel | 57,548 | 1,114,025 | 64,725 |
| LAWSON STANLEY INYE | Key management Personnel | 18,314,218 | 15,896,577 | 9,606,938 |
| OKONKWO NNAMDI JOHN | Key management Personnel | 11,728,572 | - | - |
| MOHAMMED BALARABE | Key management Personnel | 24,818,864 | - | - |
| UCHE AUGUSTINE OKAM | Key management Personnel | 34,180 | 32,321 | 468 |
| MRS B. .N. EJECKAM | Key management Personnel | 3,135,613 | 7,202,017 | 2,638,728 |
| IK MBAGWU | Key management Personnel | 33,697,146 | 18,969,071 | 1,917,554 |
| ONOME OLAOLU | Key management Personnel | 6,367,354 | 2,151,511 | (10,753,527) |
| REGINALD U.IHEJIAHI | Key management Personnel | 2,729,634 | 2,044,906 | 10,045,588 |
| NNAMDI I. OJI | Key management Personnel | 159,723 | 16,048,596 | 97,595 |
| BASHARI M.GUMEL | Key management Personnel | 43,983,059 | 10,885,623 | 5,785,014 |
| CHIJIOKE UGOCHUKWU | Key management Personnel | 7,657,619 | 532,354 | 3,578,194 |
| OBI OKECHUKWU JOHN | Key management Personnel | 18,435,408 | 1,472,262 | 124,977 |
| UMAR I YAHAYA | Key management Personnel | 30,868,246 | 9,135,572 | 4,540,984 |
| **TOTAL** | | **521,936,593** | **140,683,992** | **68,260,621** |

35.3 Other transactions with related parties

| | | | |
|---|---|---|---|
| Year ended 31 December 2012 | | | |
| Fee and commission income | - | - | 18 |
| Guarantees issued by the Group | - | - | - |
| | | | |
| Year ended 31 December 2011 | | | |
| Fee and commission income | - | 11 | 16 |
| Guarantees issued by the Group | - | - | - |

The above guarantees are issued by the Bank in the normal course of business.

The above deposits carry fixed interest rates and are repayable on maturity on agreed terms.

| **35.4** Key management compensation | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million |
|---|---|---|
| Salaries and other short-term employee benefits (includes executive directors only) | 330 | 155 |
| Post-employment benefits | - | - |
| Other long term benefits | - | - |
| Termination benefits | - | - |
| | ------- | ------ |
| | 330 | 155 |
| | === | === |

## 36. Employees

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

| | Number 31 Dec 2012 | Number 31 Dec 2011 | Number 1 Jan 2011 |
|---|---|---|---|
| Executive directors | 7 | 5 | 5 |
| Management | 534 | 404 | 413 |
| Non-management | 2,956 | 2,912 | 3,397 |
| | ---------- | --------- | --------- |
| | 3,498 | 3,321 | 3,815 |
| | ===== | ==== | ==== |
| | 646 | 1,391 | 2,114 |
| N300,000 - N2,000,000 | 1,097 | 541 | 261 |
| N2,000,001 - N2,800,000 | 310 | 253 | 238 |
| N2,800,001 - N3,500,000 | 634 | 588 | 536 |
| N3,500,001 - N6,500,000 | 272 | 413 | 250 |
| N6,500,001 - N7,800,000 | 336 | 128 | 231 |
| N7,800,001 - N10,000,000 | 196 | 190 | 180 |
| N10,000,001 and above | 3,491 | 3,504 | 3,810 |

-

## 37. Directors' emoluments

Remuneration paid to the Bank's directors (excluding certain allowances) was:

| | 31 December 2012 ₦'Million | 31 December 2011 ₦'Million | 1 January 2011 ₦'Million |
|---|---|---|---|
| Fees and sitting allowances | 27 | 30 | 32 |
| Executive compensation | 162 | 116 | 138 |
| Other director expenses | 92 | 61 | 52 |
| | ------- | ------- | ------- |
| | 281 | 207 | 222 |
| | === | ==== | ==== |

Fees and other emoluments disclosed above include amounts paid to:

| | | | |
|---|---|---|---|
| Chairman | 9.5 | 6 | 6 |
| | === | ==== | ==== |
| Highest paid director | 68 | 31 | 31 |
| | === | ==== | ==== |

| | 31 Dec 2012 | 31 Dec 2011 | 1 Jan 2011 |
|---|---|---|---|
| Below N1,000,000 | - | - | - |
| N1,000,000 - N2,000,000 | - | 21 | 21 |
| N2,000,001 - N3,000,000 | - | - | - |
| N5,500,001 - and above | 18 | - | - |
| | ------- | ------- | ------- |
| | 18 | 21 | 21 |
| | === | ==== | ==== |

**38. Compliance with Banking regulation**

38a. The Directors are of the opinion that the financial statement of the Group compliance with the Bank and other Financial Institutions Act, CAP B3 LFN 2004 and all relevant CBN circulars, However, The following contraventions were made by the bank, which attracted penalties during the year.

| | | ₦ |
|---|---|---|
| 1. | Examiners Pension Fraud Investigation | 2 million |
| 2. | Non-compliance with scope of banking activities | 2 million |
| 3. | Anti Money Laundering Act of 2011 September 28, 2012 | 1 million |
| 4. | Failure to render 1 day's daily return | 25 thousand |

**38b** In line with circular FDR/DIR/CIR/GEN/01/020, the returns on customers' complaint for the year ended 31 December 2012 is as set below

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Number of complaints received | 118 | 40 |
| Number of complaints resolved | 86 | 22 |
| Number of complaints unresolved | 23 | 13 |
| Number of complaints not resolved but referred to CBN for intervention | 9 | 5 |
| | ₦'Million | ₦'Million |
| Total disputed amount | N4,330 | N2,436 |
| | ===== | ===== |

**39. Gender Diversity**

| | WOMEN | MEN | TOTAL | | |
|---|---|---|---|---|---|
| | Number | % | Number | % | |
| **Board Members** | **3** | **18** | **14** | **82** | **17** |
| **Management staff (AGM & Above)** | **9** | **17** | **44** | **83** | **53** |
| | ---- | ---- | ---- | ---- | ---- |
| **Total** | **12** | **17** | **59** | **83** | **70** |
| | == | == | == | == | == |

**40. Events after statement of financial position date**

As part of its business expansion drive, the Bank is in the process of concluding arrangement to raise additional capital through the issuance of Eurobonds to offshore investors

**41. Transition to IFRS**

**Explanation of transition to IFRS**

As stated in note 2.2, these are the Group's first financial statements prepared in accordance with IFRS. The Group has applied IFRS 1 in preparing these consolidated financial statements and the accounting policies set out in note 2 have been applied in preparing the financial statements for the period ended 31 December 2012, the comparative information presented in these financial statements for the period ended 31 December 2011, and in the preparation of an opening IFRS balance sheet at 1 January 2011 (the date of the Group's transition to IFRS).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with Statements of Accounting Standards issued by the Nigerian Accounting Standards Board ("Nigerian GAAP"). An explanation of how the transition from Nigerian GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.



The most significant IFRS impact for the Group resulted from the implementation of IAS 39 Financial Instruments: Recognition and Measurement, which requires financial assets to be measured at fair value or at amortised cost (using the effective interest method) if certain criteria are met, and which requires the impairment of financial assets only in cases where there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (referred to as an "incurred loss" model).

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by the Group are summarised below.

**Exceptions from full retrospective application - followed by the Group**

The Group applied the following mandatory exceptions from retrospective application:

*Estimates exception*
Estimates under IFRS at 1 January 2011 should be consistent with estimates made for the same date under Nigerian GAAP, unless there is evidence that those estimates were in error.

*Derecognition of financial assets and liabilities exception*
Financial assets and liabilities derecognised before transition date are not re-recognised under IFRS.

*Hedge accounting exception*
This exception requires the Group to apply hedge accounting only if the hedge relationship meets all the hedge accounting criteria under IAS 39. The Group has not applied hedge accounting under IFRS.

*Non-controlling interests exception*
From 1 January 2011 total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) from 1 January 2011. The guidance contained in IFRS on accounting for the loss of control of a subsidiary is applied prospectively from 1 January 2011.

The Group applied the following optional exemptions from retrospective application:

*Business combinations*
Fidelity Bank has elected to apply the exemption for previous business combinations. As a result of this election the previous Nigerian GAAP numbers were carried forward. No additional assets were recognised.

*Investments in subsidiaries, associates and joint ventures*
Fidelity Bank has elected to apply the exemption to retain its current Nigerian GAAP numbers as the deemed cost of its investments in subsidiaries, joint ventures and associates in the company stand alone financial statements.

**Reconciliation of profit for the year**

| | | GROUP | | |
|---|---|---|---|---|
| | | For the year ending 31 December 2011 | | |
| | **Note** | **N-GAAP** | **Adjustments** | **IFRS** |
| | | ₦'Million | ₦'Million | ₦'Million |
| Interest income | (c, (e), (f), (n) | 49,688 | (155) | 49,534 |
| Interest expense | | (18,979) | - | (18,979) |
| **Net interest income** | | **30,709** | **(155)** | **30,555** |
| | | | | - |
| Impairment charge for credit losses | (g) | (3,892) | (12,834) | (16,726) |
| **Net interest income after impairment charge for credit losses** | | **26,817** | **(12,989)** | **13,829** |
| Net fee and commission income | (e) | 12,489 | (2,241) | 10,248 |
| Net gains / (losses) from financial instruments at fair value | (e) | - | 5,659 | 5,659 |
| Net gains / (losses) from investment securities | | - | (237) | (237) |
| Net gain on loans taken over by AMCON | (e) | - | - | |
| Foreign exchange income | (e) | 6,814 | (6,814) | - |
| Investment income | (e) | 582 | (582) | - |
| Other operating income | (e) | 1,480 | 6,618 | 8,098 |
| Other operating expenses | (n), (p) | (38,878) | (1,443) | (37,436) |
| **Operating profit** | | **9,304** | **(9,143)** | **161** |
| | | | | - |
| **Profit before tax** | | **9,304** | **(9,143)** | **161** |
| Income tax expense | | (2,310) | 4,733 | 2,423 |
| **PROFIT FOR THE YEAR** | | **6,994** | **(4,409)** | **2,584** |
| **Profit attributable to:** | | | | |
| | | | | - |
| Owners of the parent | | 6,944 - | (4,151) | 2,842 |
| Non-controlling interests | | (258) | - | (258) |
| | | **6,736** | (4,241) | **2,584** |

| | | | | |
|---|---|---|---|---|
| **Other comprehensive income:** | | ₦'Million | ₦'Million | ₦'Million |
| Net gains/(losses) on Available-for-sale financial assets | (d) | - | (1,137) | (1,137) |
| | | ==== | ===== | ====== |
| - Unrealised net gains/(losses) arising during the period | | - | (1,071) | (1,071) |
| - Net reclassification adjustments for realised net gains/(losses) | | - | (66) | (66) |
| Tax effect of revaluation of equity financial assets | | | | |
| Actuarial gains/(losses) | (p) | - | 401 | 401 |
| Tax effect of other comprehensive income of associates | | | | |
| | | ---------- | ------------ | ------------ |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **6,994** | **(5,145)** | **1,848** |
| | | ====- | ====== | ===== |

**Reconciliation of equity for the year**

**Notes to the reconciliation of equity and profit**

Under Nigerian GAAP investment securities are categorised into short term or long term investments. Short term investments are carried at the lower of cost and market value (quoted bid prices). Long term investments are carried at cost less impairment. Under IFRS all financial assets and financial liabilities are classified into specific categories. The need to classify financial instruments into specific categories arises from the mixed measurement model in IAS 39, under which some financial instruments are carried at amortised cost whilst others are carried at fair value. Consequently, a particular financial instrument's classification that is carried out at initial recognition drives the subsequent accounting treatment. IAS 39 prescribes four categories for financial assets and two categories for financial liabilities.

**(a)** Advances under finance leases and Treasury bills are reported separately in the balance sheet of the Bank under Nigerian GAAP. Given the size of these two portfolios, management has reclassified the total balance of N 26,120 billion from Advances under finance leases to Loans and advances to customers as at 31 December 2010 (1 Jan 2011: N 39,719 billion) and the total balance of N 149,986 billion from Treasury bills to Investment securities as at 31 December 2011 (1 Jan 2011: N 31,664 billion).

The same reclassification adjustment was made for Group and Bank level.

**(b)** IFRS requires financial assets carried at amortised cost to be measured using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effect of applying the effective interest method is unearned discount and premiums and accrued interest form part of the carrying value of the instrument. Under Nigerian GAAP the Bank recognised accrued interest and unearned premium and discount as a separate asset or liability, resulting in the gross disclosure of the underlying asset. The unearned discount and premium is amortised to profit or loss on a straigt-line method. The effect of applying the effective interest method resulted in the following reclassifications and adjustments.

Reclassification of unearned premium (other assets) to form part of the carrying value of the instrument. The carrying value of the instrument was increased with:

| | 31 Dec 2011<br>₦'Million | 1 Jan 2011<br>₦'Million |
|---|---|---|
| Bonds | 1,485 | 1,762 |
| | 1,485 | 1,762 |

Reclassification of unearned discount (other liabilities) to form part of the carrying value of the instrument. The carrying value of the instrument was reduced by:

| | 31 Dec 2011<br>₦'Million | 1 Jan 2011<br>₦'Million |
|---|---|---|
| Treasury bills | 7,535 | 392 |
| Bonds | 5,097 | 779 |
| | ----------- | -------- |
| | 12,632 | 1,172 |
| | ===== | ==== |

Reclassification of accrued interest (other assets) to form part of the carrying value of the instrument. The carrying value of the instrument was increased with:

| | 31 Dec 2011<br>₦'Million | 1 Jan 2011<br>₦'Million |
|---|---|---|
| Bonds | 501 | 493 |
| | === | ==== |

The same adjustments were made for Group.

**(c)** Under Nigerian GAAP, interest income on debt securities are recognised on an accrual basis for all interest bearing instruments. The effect is that interest income is recognised in accordance with the contractual terms. The application of the effective interest method under IFRS results in interest income recognised at the effective interest rate, which is different from the contractual rate. The result is that the amortised cost under Nigerian GAAP differs from the amortised cost under IFRS. The effect of adjusting for the difference in amortised cost resulted in an increase in investment in bonds N 437 million as at 31 December 2011 (1 Jan 2011: N 438 million).

**(d)** IFRS requires financial assets classified as at Fair value through profit or loss and Available-for-sale to be measured at fair value. For financial assets classified as at Fair value through profit or loss, gains and losses are recognised in profit or loss. For financial assets classified as Available-for-sale, gains and losses are recognised in other comprehensive income. In applying the IFRS the following were effected in the Bank:

| | | 31 Dec 2011<br>₦'Million | 1 Jan 2011<br>₦'Million |
|---|---|---|---|
| Increase / (decrease) in fair values of equity securities | 1,160 | 1,100 | |
| Increase / (decrease) in fair values of debt securities | (640) | 89 | |
| (Increase) / decrease in revaluation reserve<br>(other comprehensive income) | | (520) | (915) |
| | | --------- | -------- |
| (Increase) / decrease in retained earnings (profit or loss) | - | (274) | |
| | | ===== | ==== |

The effect was the same for Group.

**(e)** Under Nigerian GAAP, the Bank provided extensive detail on the face of the statement of comprehensive income. As part of the transition to IFRS similar items have been aggregated with further details provided in the notes for the period ending 31 December 2011. Foreign exchange income of N 6,814 million have been reclassified to other income and investment income of N 520 million have been reclassified to Net gains/(losses) on investment securities. The same adjustments were made for Group.

In addition, IFRS requires net gains/(losses) on the different categories of financial assets to be disclosed separately. Under Nigerian GAAP the Bank classified certain gains and losses as part of interest and similar income. For the period ending 31 December 2011 an amount of N 6,415 billion was reclassified from interest and similar income to net gain/(losses) from financial assets classified as held for trading. This resulted in a decrease in interest and similar income. Similarly was an amount of N 66 million reclassified from net and similar income to ner gains/(losses) on investment securities. This resulted in a decrease in interest and similar income. The same adjustments were made for Group.

During the 2011 year, AMCON took over certain loans from the Bank. This resulted in the recognision of a gain of N 1,2 billion under Nigerian GAAP. Due to the fact that the allowance for loan losses changed under IFRS, the net carrying value of the loans taken over by AMCON changed under IFRS. This resulted in the recognistion of a loss of N 9,2 billion on loans taken over by AMCON under IFRS.

Under Nigerian GAAP, the Bank presented all fee income earned on loans and advances as fee and commission income. Under IFRS certain fee income that forms an integral part of the effective interest rate and should be presented as part of interest income. This resulted in an amount of N 3,685 being reclassified from fee income to interest income for the period ending 31 December 2011. The same adjustment was made for Group.

**(f)** Under Nigerian GAAP, the Bank suspends interest on impaired loans. The effect is that interest income is not recognised to profit or loss on impaired loans. Under IFRS, interest on impaired loans is not suspended by recognised to profit or loss. For the period ended 31 December 2011 interest on impaired loans and advances of N 4,353 billion (1 Jan 2011: N 14,101 billion) suspended under Nigerian GAAP was recognised to profit or loss under IFRS. The impact on Group was for the period ended 31 December 2011 interest on impaired loans and advances of N 4,493 billion (1 Jan 2011: N 14,659 billion) suspended under Nigerian GAAP was recognised to profit or loss under IFRS.

**FIDELITY BANK PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued**

**(g)** The Bank reported in its Nigerian GAAP financial statements for the year ending 31 December 2011 that it wrote off loans and advances to customers with a gross value amounting to N 11,782 billion. The substance of this transaction was that the loans were written off during the 2010 year. The reason why the write off was only accounted for in the 2011 year is because approval had to be obtained from the Central Bank of Nigeria. As part of the conversion to IFRS, the Bank decided to correct for this delay in processing by accounting for the write-off as at 31 December 2010. The effect of this correction is presented below:

| | As previously stated as at 31 | Restated as at 31 December |
|---|---|---|

| | December 2010 N-GAAP ₦'Million | Amount of restatement ₦'Million | 2010 N-GAAP ₦'Million |
|---|---|---|---|
| Loans and advances to customers (Gross) | 245,403 | (11,782) | 233,621 |
| Allowance for loan losses | (25,257) | 2,083 | (23,174) |
| Interest in suspense | (22,033) | 2,400 | (19,633) |
| | ------------- | ---------- | ------------ |
| Loans and advances to customers (Net) | 198,113 | (7,299) | 190,814 |
| | ------------- | ---------- | ------------ |
| Retained earnings | (5,606) | 7,299 | 1,693 |
| | ====== | ===== | ==== |

| | As previously stated as at 31 December 2011 N-GAAP ₦'Million | Amount of restatement ₦'Million | Restated as at 31 December 2011 N-GAAP ₦'Million |
|---|---|---|---|
| Loans and advances to customers (Gross) | 292,354 | - | 292,354 |
| Allowance for loan losses | (7,700) | (134) | (7,834) |
| Interest in suspense | (3,574) | (5,532) | (9,106) |
| | ------------- | ---------- | ------------ |
| Loans and advances to customers (Net) | 281,080 | (5,666) | 275,414 |
| | ------------- | ---------- | ------------ |
| Profit before tax | (8,221) | (1,633) | (9,854) |
| | ---------- | -------- | --------- |
| Retained earnings - balance as at 1 January 2011 | (5,606) | 7,299 | 1,693 |
| | ===== | ===== | ===== |

***These adjustments do not have any impact on deferred tax***

Under Nigerian GAAP, the Bank measured loans and advances at cost net of impairment losses. A specific provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This provision is made for each account that is not performing in accordance with the terms of the related facility. A general reserve of at least 1% was made for all performing accounts to recognise losses in respect of risks inherent in any credit portfolio. Under IFRS an impairment loss can only be recognised if there is objective evidence that a loss has occurred after the initial recognition but before the reporting date.
The difference in the measurement basis of impairment loss assessment between IFRS and Nigerian GAAP decreased the Bank's balance of Loans and advances to customers by N 2,539 billion as at 31 December 2011 and increased the Bank's balance of loans and advances to customers by N 10,673 billion as at 1 January 2011. The impact on Group was to decrease the balance of loans and advances to customers by N 4,871 billion as at 31 December 2011 and decrease the balance of loans and advances to customers by N 4,871 billion as at 1 January 2011.



**(h)** Under Nigerian GAAP certain investments were not consolidated due to differing business types and for being special purpose vehicles. Under IFRS these investments would be consolidated. In the Bank stand alone and consolidated Nigerian GAAP financial statements an investment in Nigeria International Growth Fund was classified an investment security and carried at cost less provision for diminution in value. Under IFRS, it was assessed that the Bank controls Nigeria International Growth Fund and it must therefore be treated as an investment in subsidiary under IFRS. Under IFRS, in the Bank stand alone financial statements the investment in subsidiary should be carried at cost less impairment, whereas in the consolidated financial statements the investment should be consolidated. In the Bank stand alone financial statements this resulted in an amount of N 1,278 billion (Cost: N 1,897 billion; Impairment: N 619 million) being reclassified from investment securities to investment in subsidiary as at 31 December 2011 1 Jan 2011: N 1,278 billion (Cost: N 1,897 billion; Impairment: N 619 million). The impact on the consolidated financial statements is presented below.

| The impact of consolidation was as follows: | 31 Dec 2011 ₦'Million | 1 Jan 2011 ₦'Million |
|---|---|---|
| Increase in loans and advances to Banks | 540 | 524 |
| Increase in investment securities | (758) | (119) |
| Increase in other assets | 18 | 5 |
| Increase in investment property | 549 | 549 |

| | | |
|---|---|---|
| (Increase) in other liabilities | (189) | (111) |
| (Increase) in non-controlling interest | (655) | (874) |
| (Increase) / decrease in retained earnings | 27 | 27 |
| (increase) / decrease in profit or loss | 467 | - |

**(i)** The Bank classifies computer software as part of Property, plant and equipment under Nigerian GAAP. Under IFRS, computer software would generally be recognised as an intangible asset unless it can be considered to be an integral part of property, plant and equipment. As a result, the Bank reclassified its computer software as a separate intangible asset under IFRS. The effect of this adjustment was to decrease Property, plant and equipment and increase Intangible assets by N 214 million at 31 December 2011 (1 Jan 2011: N 76 million).

The same adjustment was made for the Group.

**(j)** The Bank assesses the lease in respect of land and building in its entirety. Under IFRS, components of a lease of land and building (in accordance with IAS 17), is to be evaluated separately for the purpose of the lease classification. The portion of the lease relating to the land and the portion relating to the building should be separately evaluated and classified as either operating or finance in nature. Generally, leasehold land is classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Currently these leasehold land is treated as a finance lease. As a result, the Bank reassessed its leases of land and buildings and concluded certain leasehold land should rather be classified as operating leases. The upfront rental payments should therefore be treated as a prepayment and not an item of Property, plant and equipment. The Prepayment is released to P&L in the form of rental payments over the term of the lease period. The effect of this adjustment was to decrease Property, plant and equipment and increase Prepayments by N 965 million at 31 December 2011 (1 Jan 2011: N 638 million).

The same adjustment was made for the Group.

**(k)** Under Nigerian GAAP, the Bank classified an investment in Mayfair as an investment security. This relates to an investment in real estate which is held to earn rentals or for capital appreciation or both. Under IFRS, the investment in Mayfair meets the definition of an investment property. This resulted in an amount of N 343 million being reclassified from investment securities to investment property as at 31 December 2011 (1 Jan 2011: N 343 million).

The same adjustment was made for the Group.

**(l)** Under IFRS, if the carrying value of non-current assets (or disposal group) will be recovered principally through a sale transaction rather than through continuing use, provided that certain criteria have been met, such assets must be reclassified and presented separately as non-current assets held for sale. Nigerian GAAP have no such requirements. On a consolidated level, certain investments in subsidiaries to the amount of N1,351 met the criteria as held-for-sale at 31 December 2011 and was reclassified as such.

| | 31 Dec 2011 |
|---|---:|
| Assets of disposal group classified as held for sale | ₦'Million |
| Loans and advances to customers | 522 |
| Investment securities | 3,516 |
| Intangible assets | 18 |
| Property and equipment | 245 |
| Total assets of disposal group | 4,301 |
| | |
| Liabilities of disposal group classified as held for sale | |
| | |
| Income tax payable | 46 |
| Other liabilities | 1,166 |
| Total liabilities of disposal group | 1,212 |
| Net assets of disposal group | 3,030 |

In the Bank stand alone financial statements, the carrying value of the same investment in subsidiaries to the amount of N 1,915 were reclassified as held-for-sale at 31 December 2011.

| | 31 Dec 2011 |
|---|---:|
| | ₦'Million |
| Non-current assets held for sale | |
| Investment in Fidelity Securities | 1,488 |
| Investment in Fidelity Pension Managers | 427 |
| | 1,915 |

**(m)** The Bank provides low interest rate loans to employees. These loans are recorded at amortised cost based on the contractual terms under Nigerian GAAP. Under IFRS these loans would need to be fair valued on initial recognition. Any difference between the fair value and the contractual value is included in other assets as a prepaid expense and amortised over the expected repayment period of the loan. The effects are as follows:

| | | 31 Dec 2011<br>₦'Million | 1 Jan 2011<br>₦'Million |
|---|---|---|---|
| Increase / (decrease) in loans and advances to customers | (1,025) | (648) | |
| Increase / (decrease) in other assets | | 1,415 | 957 |
| (Increase) / decrease in retained earnings | | (309) | (309) |
| (Increase) / decrease in profit or loss | | (81) | - |

The same adjustment was made for the Group.

**(n)** The Bank operates two defined benefit plans, namely a gratuity and a retirement benefit scheme. Under Nigerian GAAP, no specific valuation method has been adopted to measure the retirement benefit liability. All gains and losses arising as a result of changes in the liability are recognised in profit or loss. Under IFRS, an actuarial valuation is performed on an annual basis on the projected unit credit method to measure the retirement benefit liability. Actuarial gains and losses are recognised in other comprehensive income, whereas all other gains and losses are recognised in profit or loss. The effect of this adjustment are as follows:

| | | 31 Dec 2011<br>₦'Million | 1 Jan 2011<br>₦'Million |
|---|---|---|---|
| (Increase) / decrease in retirement benefit obligations [A] | (1,079) | (3,686) | |
| (Increase) / decrease in retained earnings | | 3,686 | 3,686 |
| (Increase) / decrease in other comprehensive income | (401) | - | |
| (Increase) / decrease in profit or loss | | (2,206) | - |

[A] The Bank did not recognise a retirement benefit obligation for its retirement benefit scheme under Nigerian GAAP. Under IFRS, an obligation was raised for the full liability.

The same adjustment was made for the Group.

**(o)** The Bank permits employees to carry their leave forward for utilisation in the first quarter of the following year. The leave is thus an accumulated balance. Under Nigerian GAAP, no accrual is raised for leave accumulated. Under IFRS, an entity shall measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. This resulted in an amount of N 609 million raised as a leave pay accrual as at 31 December 2011 (1 Jan 2011: N 368 million).

The same adjustment was made for the Group.

| | 31 Dec 2011 | 1 Jan 2011 |
|---|---|---|
| | ₦'Million | ₦'Million |
| Impairment of loans and advances | (5) | 5,511 |
| Retirement benefit obligation | (1,149) | (1,931) |
| | -------- | ----- |
| At end of the year | (1,154) | 3,580 |
| | ==== | ===== |

**(p)** The adjustments to effect the Bank's transition to IFRS increased/(decreased) the deferred tax liability as follows based on a tax rate of 30 per cent at 31 December 2011 (1 Jan 2011: 30%):

| | 31 Dec 2011 | 1 Jan 2011 |
|---|---|---|
| | ₦'Million | ₦'Million |
| Impairment of loans and advances | 695 | 6,176 |
| Retirement benefit obligation | (1,149) | (1,931) |
| | -------- | ------ |
| At end of the year | (454) | 4,245 |
| | ==== | ===== |

The adjustments to effect the Group's transition to IFRS increased/(decreased) the deferred tax liability as follows based on a tax rate of 30 per cent at 31 December 2011 (1 Jan 2011: 30%):

**(q) Explanation of material adjustments to the consolidated cash flow statements**

Under IFRS, only call deposits and other short-term investments that are readily convertible to a known amount of cash and subject to insignificant risks of changes in value due to the short maturities thereof (three months or less from the date of acquisition) are classified as cash and cash equivalents. Under Nigerian GAAP, all treasury bills are classified as cash and cash equivalents. Under IFRS, only treasury bills with a maturity of three months or less are classified as cash and cash equivalents in the consolidated cash flow statements under IFRS.

Under Nigerian GAAP, the Group classifies cash flows relating from the acquisition or sale (and redemption) of investment securities as investing cash flows. Under IFRS, the cash flows from trading are considered part of the principal revenue producing activities of the Group, and are therefore classified as operating cash flows. Cash flows associated with non trading debt and equity securities at fair value continue to be classified as investing activities.

**i. Changes in operating assets**

In NGAAP, we classified treasury bills, bonds and equity investments as short term investments which was included in cash & cash equivalents balance as at year end, however in the IFRS presentation they were treated as part of operating assets due to the maturity in excess of three months, thus treated under changes in operating assets

**ii. Changes in operating liabilities**

In NGAAP, the unearned interest on treasury bills, bonds and commercial papers are classified as liabilities which are included in Changes in operating liabilities. IFRS However requires the interest portion to be treated as part of the principal/investment in line with IAS 39, thus, this conversion has been considered as part of changes in operating assets

| Group | - | 31 December 2011 | | | 1 January 2011 | | |
|---|---|---|---|---|---|---|---|
| **ASSETS** | **Note** | **N-GAAP restated** | **Adjustments** | **IFRS** | **N-GAAP restated** | **Adjustments** | **IFRS** |
| Cash and balances with central banks | | 82,271 | - | 82,271 | 25,505 | - | 25,505 |
| Treasury bills | (a) | 149,986 | (149,986) | - | 31,664 | (31,664) | - |
| Loans and advances to banks | (h) | 98,398 | 553 | 98,951 | 148,388 | 535 | 148,923 |
| Loans and advances to customers | (a),(b), (f), (g), (l), (m), | 251,237 | 27,974 | 279,211 | 150,211 | 56,109 | 206,320 |
| Advances under finance leases | (a) | 25,822 | (25,822) | - | 39,598 | (39,598) | - |
| Insurance receivables | | 73 | (73) | - | 24 | (24) | - |
| Investment securities | (a), (b), (c, (d), (h), (l), | 91,375 | 135,996 | 227,074 | 43,785 | 34,284 | 78,070 |
| Other assets | (b), (h), (j), (m) | 9,021 | 2,961 | 11,982 | 7,623 | 1,595 | 9,218 |
| Investment Property | (k) | - | 343 | 343 | | 343 | 343 |
| Property and equipment | (i), (j), (l) | 34,302 | (1,478) | 32,824 | 33,571 | (1,714) | 31,857 |
| Intangible assets | (i), (l) | 67 | 282 | 349 | 195 | 76 | 271 |
| Deferred tax asset | | - | 83 | 83 | | | - |
| Assets classified as held for sale | (l) | - | 4,807 | 4,807 | | | - |
| | | ------------- | ------------- | ------------- | ------------- | ------------- | ------------- |
| **Total assets** | | **735,276** | **(4,361)** | **737,894** | **474,318** | **19,943** | **500,507** |
| | | ======= | ======= | ======= | ======= | ======= | ======= |

**FIDELITY BANK PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued**

| **Group – Continued** | | **31 December 2011** | | | **1 January 2011** | | |
|---|---|---|---|---|---|---|---|
| **ASSETS** | **Note** | **N-GAAP restated** | **Adjustments** | **IFRS** | **N-GAAP restated** | **Adjustments** | **IFRS** |
| **LIABILITIES** | | | | | | | |
| Deposits from customers | b | 560,365 | 3,301 | 563,666 | 326,741 | 1,849 | 328,590 |
| Current income tax liabilities | (l) | 2,660 | (46) | 2,614 | 1,570 | - | 1,570 |
| Other liabilities | (b), (h), (l) | 32,721 | (15,997) | 16,724 | 12,667 | (2,425) | 10,242 |
| Deferred income tax liability | | 1,072 | (1,072) | - | 1,592 | 3,578 | 5,170 |
| Retirement Benefit obligations | (n) | 6,641 | 964 | 7,605 | 2,867 | 3,570 | 6,437 |
| Liabilities included in assets classified as held for sale | (l) | - | 1,212 | 1,212 | - | - | - |
| | | ------------- | ------------- | ------------- | ------------- | ------------- | ------------- |
| **Total liabilities** | | **603,459** | **(11,638)** | **591,820** | **345,437** | **6,572** | **352,009** |
| | | ======= | ======= | ======= | ======= | ======= | ======= |
| **EQUITY** | | | | | | | |
| Share capital | | 14,481 | - | 14,481 | 14,481 | - | 14,481 |
| Share premium | | 101,272 | - | 101,272 | 101,272 | - | 101,272 |
| Retained earnings | | 1,137 | 165 | 1,302 | (120) | 3 | (117) |
| Other reserves | | | - | - | | - | - |
| Statutory reserve | | 12,244 | (1) | 12,243 | 10,455 | - | 10,455 |
| SMEEIS reserve | | 764 | - | 764 | 764 | - | 764 |
| Contingency reserve | | 1,795 | - | 1,795 | 1,902 | - | 1,902 |
| Non-distributable reserve | | - | 13,916 | 13,916 | - | 17,827 | 17,827 |
| Revaluation reserve | (d) | - | (222) | (222) | - | 915 | 915 |
| Non-controlling interest | | 123 | 399 | 522 | 127 | 872 | 999 |
| | | ------------- | ------------- | ------------- | ------------- | ------------- | ------------- |
| **Total equity** | | **131,816** | **14,257** | **146,073** | **128,881** | **19,617** | **148,498** |
| | | ======= | ======= | ======= | ======= | ======= | ======= |
| **Total equity and liabilities** | | **735,275** | **2,619** | **737,894** | **474,318** | **26,189** | **500,506** |
| | | ======= | ======= | ======= | ======= | ======= | ======= |

| | | 31 December 2011 | | | 1 January 2011 | | |
|---|---|---|---|---|---|---|---|
| **Bank** | **Note** | **N-GAAP restated** | **Adjustments** | **IFRS** | **N-GAAP restated** | **Adjustments** | **IFRS** |
| **ASSETS** | | | | | | | |
| Cash and balances with central banks | | 82,271 | - | 82,271 | 25,505 | - | 25,505 |
| Treasury bills | (a) | 149,986 | (149,986) | - | 31,659 | (31,659) | - |
| Loans and advances to banks | (h) | 98,399 | 12 | 98,411 | 148,389 | 12 | 148,401 |
| Loans and advances to customers | (a),(b), (f), (g), (l), (m), | 249,592 | 30,829 | 280,421 | 151,216 | 56,275 | 207,491 |
| Advances under finance leases | (a) | 25,822 | (25,822) | - | 39,598 | (39,598) | - |
| Insurance receivables | | 73 | (73) | - | 24 | (24) | - |
| Investment securities | (a), (b), (c, (d), (h), (l), | 89,776 | 138,315 | 228,091 | 41,006 | 32,422 | 73,428 |
| Investment in subsidiaries | | 1,915 | (1,915) | - | 815 | 1,358 | 2,173 |
| Other assets | (b), (h), (j), (m) | 9,183 | 2,659 | 11,842 | 7,315 | 1,043 | 8,358 |
| Investment Property | (k) | | 343 | 343 | - | 343 | 343 |
| Property and equipment | (i), (j), (l) | 34,043 | (1,232) | 32,811 | 33,295 | (1,694) | 31,601 |
| Intangible assets | (i), (l) | 59 | 290 | 349 | 179 | 74 | 253 |
| Deferred tax asset | | | - | - | - | - | - |
| Assets classified as held for sale | (l) | | 3,193 | 3,193 | - | - | - |
| | | -------------- | -------------- | -------------- | -------------- | -------------- | -------------- |
| **Total assets** | | 733,843 | 3,889 | 737,732 | 470,722 | 26,831 | 497,553 |
| | | ======= | ======= | ======= | ======= | ======= | ======= |
| **LIABILITIES** | | | | | | | |
| Deposits from customers | (b), (i), (q), (m) | 561,089 | 3,301 | 564,390 | 327,351 | 1,849 | 329,200 |
| Current income tax liabilities | (l) | 2,613 | - | 2,613 | 1,515 | - | 1,515 |
| Other liabilities | (b), (h), (l) | 31,744 | (15,209) | 16,535 | 10,251 | (2,537) | 7,714 |
| Deferred income tax liability | | 1,071 | (454) | 617 | 1,590 | 4,245 | 5,835 |
| Retirement Benefit obligations | (n) | 6,641 | 964 | 7,605 | 2,867 | 3,570 | 6,437 |
| Liabilities classified as held for sale | (l) | | - | - | | - | - |
| | | -------------- | -------------- | -------------- | -------------- | -------------- | -------------- |
| **Total liabilities** | | 603,158 | - 11,398 | 591,760 | 343,574 | 7,127 | 350,701 |
| | | ======= | ======= | ======= | ======= | ======= | ======= |

| | | 31 December 2011 | | | 1 January 2011 | | |
|---|---|---|---|---|---|---|---|
| **Bank – continued** | **Note** | **N-GAAP restated** | **Adjustments** | **IFRS** | **N-GAAP restated** | **Adjustments** | **IFRS** |
| | | | | | | | |
| **EQUITY** | | | | | | | |
| Share capital | | 14,481 | - | 14,481 | 14,481 | - | 14,481 |
| Share premium | | 101,272 | - | 101,272 | 101,272 | - | 101,272 |
| Retained earnings | | 56 | (4,885) | (4,829) | (1,692) | (2,069) | (3,761) |
| Other reserves | | | - | - | | - | - |
| Statutory reserve | | 12,244 | - | 12,244 | 10,456 | - | 10,456 |
| SMEEIS reserve | | 764 | - | 764 | 764 | - | 764 |
| Contingency reserve | | 1,867 | - | 1,867 | 1,867 | - | 1,867 |
| Non-distributable reserve | | | 20,395 | 20,395 | - | 20,858 | 20,858 |
| Revaluation reserve | (d) | | (222) | (222) | - | 915 | 915 |
| | | ------------- | ------------- | ------------- | ------------- | ------------- | ------------- |
| **Total equity** | | 130,684 | 15,288 | 145,972 | 127,148 | 19,704 | 146,852 |
| | | ======= | ======= | ======= | ======= | ======= | ======= |
| **Total equity and liabilities** | | 733,842 | 3,889 | 737,732 | 470,722 | 26,831 | 497,553 |
| | | ======= | ======= | ======= | ======= | ======= | ======= |

| GROUP | | 31 December 2011 | | |
|---|---|---|---|---|
| | Notes | N-GAAP restated | Adjustment | IFRS |
| **Operating Activities** | | | | |
| Change in operating assets | **q(i)** | (50,915) | 176,243 | (227,158) |
| Change in operating liabilities | **q(ii)** | 254,307 | 15,707 | 238,600 |
| | | | | |
| **Investing activities** | | | | |
| Purchase of short term investments | **q(i)** | (96) | (96) | |
| Purchase of long term investments | **q(i)** | (51,994) | (51,994) | |
| Disposal of short term investments | **q(i)** | 1,171 | 1,171 | |
| Redemption/Disposal of investments | **q(i)** | 2,996 | 2,996 | |
| | | | | |
| **Financing activities** | | | | |
| Dividends Paid | | (4,055) | - | (4,055) |
| | | | | |
| Increase in cash and cash equivalents | **q(i)** | 145,413 | | 6,794 |
| | | | | |
| Cash and cash equivalents at start of year | **q(i)** | 205,557 | | 174,428 |
| | | | | |
| Cash and cash equivalents at end of year | **q(i)** | 350,970 | | 181,222 |

| BANK | | 31 December 2011 | | |
|---|---|---|---|---|
| | Notes | NGAAP | | IFRS |
| **Operating Activities** | | | | |
| Change in operating assets | **q(i)** | (50,653) | 180,415 | (231,068.00) |
| Change in operating liabilities | **q(ii)** | 255,887 | 14,829 | 241,058.00 |
| | | | | |
| **Investing activities** | | | | |
| Purchase of short term investments | **q(i)** | (51,994.00) | (51,994) | |
| Redemption/Disposal of Investments | **q(i)** | 2,996.00 | 2,996 | |
| | | | | |
| **Financing activities** | | | | |
| Dividends Paid | | (4,055.00) | - | (4,055.00) |
| | | | | |
| **Increase in cash and cash equivalents** | **q(i)** | 125,103.00 | 118,327 | 6,775.68 |
| | | | - | |
| **Cash and cash equivalents at start of year** | **q(i)** | 205,553.00 | 31,647 | 173,906.00 |
| | | | - | |
| | | | - | |
| **Cash and cash equivalents at end of year** | **q(i)** | 330,656.00 | 149,974 | 180,682.00 |

**FIDELITY BANK PLC**

**STATEMENT OF VALUE ADDED - Group**
**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | 31 December 2012 N'million | % | 31 December 2011 N'million | % |
|---|---|---|---|---|
| Interest and similar income | 78,996 | | 49,534 | |
| Interest and similar expense | (42,186) | | (18,979) | |
| | ----------- | | ----------- | |
| | 36,810 | | 30,555 | |
| Administrative overheads - Local | 20,809 | | 11,917 | |
| - Foreign | (1,124) | | (1,041) | |
| | ----------- | | ----------- | |
| Value added | 56,494 | 100 | 41,430 | 100 |
| | ===== | | ===== | |
| Distribution | | | | |
| Employees | | | | |
| Salaries and benefits | 22,649 | 40 | 17,290 | 42 |
| Government | | | | |
| - Taxation | 2,065 | 4 | 2,746 | 7 |
| - IT levy | 22 | 0 | 83 | 0 |
| - Dividend paid during the year | 4,055 | 7 | 4,055 | 10 |
| The future | | | | |
| - Deferred taxation | 1,338 | 2 | (5,252) | (13) |
| - Asset replacement (depreciation) | 3,556 | 6 | 3,198 | 8 |
| - Asset replacement (provision for losses) | 4,610 | 8 | 16,726 | 40 |
| - Expansion (transfers to reserves) | 18,200 | 32 | 2,585 | 6 |
| | ----------- | ----- | ----------- | ------ |
| | 56,494 | 100 | 41,430 | 100 |
| | ===== | === | ===== | === |

FIDELITY BANK PLC

## STATEMENT OF VALUE ADDED -Bank
## FOR THE YEAR ENDED 31 DECEMBER 2011

| | 31 December 2012 N'million | % | 31 December 2011 N'million | % |
|---|---|---|---|---|
| Interest and similar income | 78,996 | | 49,527 | |
| Interest and similar expense | (42,186) | | (19,008) | |
| | ----------- | | ----------- | |
| | 36,810 | | 30,519 | |
| Administrative overheads - Local | 20,468 | | 12,403 | |
| - Foreign | (1,060) | | (977) | |
| | ----------- | | ----------- | |
| Value added | 56,218 | 100 | 41,945 | 100 |
| | ===== | | ===== | |
| Distribution | | | | |
| Employees | | | | |
| Salaries and benefits | 22,649 | 40 | 17,010 | 41 |
| Government | | | | |
| - Taxation | 2,065 | 4 | 2,700 | 6 |
| - IT levy | 22 | 0 | 81 | 0 |
| The future | | | | |
| - Dividend paid during the year | 4,055 | 7 | 4,055 | 10 |
| - Deferred taxation | 1,338 | 2 | (5,218) | (12) |
| - Asset replacement (depreciation) | 3,556 | 6 | 3,170 | 8 |
| - Asset replacement (provision for losses) | 4,610 | 8 | 16,236 | 39 |
| - Expansion (transfers to reserves) | 17,924 | 32 | 3,911 | 9 |
| | ----------- | ----- | ----------- | ------ |
| | 56,218 | 100 | 41,945 | 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

## FIDELITY BANK PLC

## FINANCIAL SUMMARY – GROUP

| | IFRS | | | NGAAP | |
|---|---|---|---|---|---|
| | 31 December 2012 | 31 December 2011 | 1 January 2011 | 31 December 2009 | 30 June 2008 |
| | N'million | N'million | N'million | N'million | N'million |
| **FINANCIAL POSITION** | | | | | |
| **Assets:** | | | | | |
| Cash and balances with central banks | 117,291 | 82,271 | 25,505 | 23,721 | 24,895 |
| Treasury bills and other eligible bills | - | - | - | 164,092 | 161,066 |
| Loans and advances to banks | 98,000 | 98,951 | 148,923 | 28,434 | 45,662 |
| Loans and advances to customers | 345,500 | 279,211 | 206,320 | 175,398 | 230,371 |
| **Investments:** | | | | | |
| Held for trading(Fair value through profit and loss) | 201,806 | 23,227 | 12,217 | - | - |
| Available for sale | 21,835 | 128,224 | 38,092 | - | - |
| Held to maturity | 76,258 | 75,622 | 27,761 | - | - |
| Insurance receivables | - | - | - | 61 | 195 |
| Investment securities | - | - | - | 11,018 | 11,257 |
| Investment property | - | 343 | 343 | - | - |
| Property and equipment | 35,358 | 32,824 | 31,857 | 24,645 | 23,534 |
| Intangible assets | 470 | 349 | 271 | 320 | 384 |
| Deferred tax asset | - | 83 | - | - | - |
| Other assets | 17,842 | 11,982 | 9,218 | 7,977 | 8,903 |
| Assets classified as held for sale | - | 4,807 | - | - | - |
| | **914,360** | **737,894** | **500,507** | **435,666** | **506,267** |
| **Financed by:** | | | | | |
| Share capital | 14,481 | 14,481 | 14,481 | 14,481 | 14,481 |
| Share premium account | 101,272 | 101,272 | 101,272 | 101,272 | 101,272 |
| Statutory reserves | 17,703 | 12,244 | 10,455 | 8,707 | 8,283 |
| Retained earnings | 6,193 | 1,302 | (117) | 3,552 | 2,752 |
| Small scale industries reserve | 764 | 764 | 764 | 764 | 764 |
| Contingent reserve | 1,723 | 1,795 | 1,902 | 1,915 | 1,867 |
| Non-distributable reserve | 19,608 | 13,916 | 17,827 | - | - |
| Revaluation reserve | (289) | (222) | 915 | - | - |
| Non-controlling interest | - | 522 | 999 | (99) | 287 |
| Deposits from customers | 716,749 | 563,666 | 328,590 | 288,096 | 355,770 |
| Current income tax liability | 2,275 | 2,614 | 1,570 | 1,565 | 2,551 |
| Deferred income tax liability | 1,955 | - | 5,170 | 3 | 336 |
| Other liabilities | 26,354 | 16,724 | 10,242 | 14,112 | 17,615 |
| Liabilities included in assets classified as held for sale | - | 1,212 | - | - | - |
| Retirement benefit obligations | 5,572 | 7,605 | 6,437 | 1,298 | 289 |
| | **914,360** | **737,894** | **500,507** | **435,666** | **506,267** |

## FIDELITY BANK PLC

## FINANCIAL SUMMARY – GROUP - Continued

| | IFRS | | NGAAP | | |
|---|---|---|---|---|---|
| | 31 December 2012 N'million | 31 December 2011 N'million | 31 December 2010 N'million | 31 December 2009 N'million | 30 June 2008 N'million |
| **INCOME STATEMENT** | | | | | |
| **Operating income** | - | - | 42,077 | 22,088 | 54,256 |
| **Net interest income** | **36,810** | **30,555** | **-** | **-** | **-** |
| Impairment charge for credit losses | (4,610) | (16,726) | (3,569) | (3,876) | (23,477) |
| | ------------ | ------------ | ------------ | ------------ | ------------ |
| **Net interest income after impairment charge for credit losses** | **32,200** | **13,829** | **38,508** | **18,212** | **30,779** |
| Commission and other operating income | 39,357 | 23,768 | - | - | - |
| Other operating expenses | (50,714) | (37,436) | (29,857) | (16,158) | (26,964) |
| | ------------ | ------------ | ------------ | ------------ | ------------ |
| **Operating profit** | **20,843** | **161** | **8,651** | **2,054** | **3,815** |
| Profit / (loss) from sale Subsidiary | 782 | - | - | - | - |
| | ------------ | ------------ | ------------ | ------------ | ------------ |
| **Profit before income tax** | **21,625** | **161** | **8,651** | **2,054** | **3,815** |
| Taxation | (3,425) | 2,423 | (2,543) | (497) | (2,385) |
| | ------------ | ------------ | ------------ | ------------ | ------------ |
| **Profit after taxation** | **18,200** | **2,585** | **6,108** | **1,557** | **1,430** |
| Non-controlling interest | - | (258) | (132) | 191 | 403 |
| | ------------ | ------------ | ------------ | ------------ | ------------ |
| **PROFIT FOR THE YEAR** | **18,200** | **2,327** | **5,976** | **1,748** | **1,833** |
| | ====== | ====== | ====== | ====== | ====== |
| **COMPREHENSIVE STATEMENT** | | | | | |
| Other comprehensive income | 1,757 | (479) | - | - | - |
| | ------------ | ------------ | ------------ | ------------ | ------------ |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **19,957** | **1,848** | **5,976** | **1,748** | **1,833** |
| | ====== | ====== | ====== | ====== | ====== |
| **Per share data:** | | | | | |
| Earnings per share (basic) | 69 | 5 | 21 | 6 | 6 |
| | ====== | ====== | ====== | ====== | ====== |
| Net assets per share | 2,350 | 1,849 | 470 | 451 | 448 |
| | ====== | ====== | ====== | ====== | ====== |

**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 BANK PLC

FINANCIAL SUMMARY - BANK

| | IFRS | | | NGAAP | |
|---|---|---|---|---|---|
| | 31 December | 31 December | 1 January | 31 December | 30 June |
| | 2012 | 2011 | 2011 | 2009 | 2008 |
| | N'million | N'million | N'million | N'million | N'million |
| **FINANCIAL POSITION** | | | | | |
| **Assets:** | | | | | |
| Cash and balances with central banks | 117,291 | 82,271 | 25,505 | 23,720 | 24,894 |
| Treasury bills and other eligible bills | - | - | - | 24,953 | 161,066 |
| Loans and advances to banks | 98,000 | 98,411 | 148,401 | 136,018 | 45,380 |
| Loans and advances to customers | 345,500 | 280,421 | 207,491 | 176,398 | 230,561 |
| **Investments:** | | | | | |
| Held for trading(Fair value through profit and loss) | 201,806 | 20,620 | 7,660 | - | - |
| Available for sale | 21,835 | 131,849 | 38,007 | - | - |
| Held to maturity | 76,258 | 75,622 | 27,761 | - | - |
| Interest in subsidiary | - | - | 2,173 | - | - |
| Insurance receivables | - | - | - | 61 | 195 |
| Investment securities | - | - | - | 40,349 | 8,952 |
| Investment property | - | 343 | 343 | - | - |
| Property and equipment | 35,358 | 32,811 | 31,601 | 24,335 | 23,173 |
| Intangible assets | 470 | 349 | 253 | 296 | 354 |
| Deferred tax asset | - | - | - | - | - |
| Other assets | 17,842 | 11,842 | 8,358 | 7,923 | 9,590 |
| Assets classified as held for sale | - | 3,193 | - | - | - |
| | ----------- | ----------- | ----------- | ----------- | ----------- |
| | **914,360** | **737,732** | **497,553** | **434,053** | **504,165** |
| | ====== | ====== | ====== | ====== | ====== |
| **Financed by:** | | | | | |
| Share capital | 14,481 | 14,481 | 14,481 | 14,481 | 14,481 |
| Share premium account | 101,272 | 101,272 | 101,272 | 101,272 | 101,272 |
| Statutory reserves | 17,703 | 12,244 | 10,456 | 2,249 | 2,707 |
| Retained earnings | 6,193 | (4,829) | (3,761) | 8,707 | 8,283 |
| Small scale industries reserve | 764 | 764 | 764 | 764 | 764 |
| Contingent reserve | 1,723 | 1,867 | 1,867 | 1,867 | 1,867 |
| Non-distributable reserve | 19,608 | 20,395 | 20,858 | - | - |
| Revaluation reserve | (289) | (222) | 915 | - | - |
| Deposits from customers | 716,749 | 564,390 | 329,200 | 288,808 | 356,137 |
| Current income tax liability | 2,275 | 2,613 | 1,515 | 1,491 | 2,488 |
| Deferred income tax liability | 1,955 | 617 | 5,835 | - | 336 |
| Other liabilities | 26,354 | 16,535 | 7,714 | 13,115 | 15,542 |
| Liabilities included in assets classified as held for sale | - | - | - | - | - |
| Retirement benefit obligations | 5,572 | 7,605 | 6,437 | 1,299 | 288 |
| | ----------- | ----------- | ----------- | ----------- | ----------- |
| | **914,360** | **737,732** | **497,553** | **434,053** | **504,165** |
| | ====== | ====== | ====== | ====== | ====== |

**FIDELITY BANK PLC**

**FINANCIAL SUMMARY – BANK - Continued**

| | IFRS | | NGAAP | | |
|---|---|---|---|---|---|
| | 31 December 2012 N'million | 31 December 2011 N'million | 1 January 2011 N'million | 31 December 2009 N'million | 30 June 2008 N'million |
| **INCOME STATEMENT** | | | | | |
| **Operating income** | - | - | 41,445 | 21,226 | 50,924 |
| **Net interest income** | **36,810** | **30,519** | - | - | - |
| Impairment charge for credit losses | (4,610) | (16,236) | (3,885) | (3,525) | (20,341) |
| **Net interest income after impairment charge for credit losses** | **32,200** | **14,283** | **37,560** | **17,701** | **30,583** |
| Commission and other operating income | 39,100 | - | - | - | - |
| Other operating expenses | (50,708) | (36,360) | (29,235) | (15,821) | (26,014) |
| | ----------- | ----------- | ----------- | ----------- | ----------- |
| **Operating profit** | **20,592** | **1,474** | **8,325** | **1,880** | **4,569** |
| Profit / (loss) from sale Subsidiary | 757 | - | - | - | - |
| | ----------- | ----------- | ----------- | ----------- | ----------- |
| **Profit before income tax** | **21,349** | **1,474** | **8,325** | **1,880** | **4,569** |
| Taxation | (3,425) | 2,437 | (2,497) | (466) | (2,271) |
| | ----------- | ----------- | ----------- | ----------- | ----------- |
| **Profit after taxation** | **17,924** | **3,911** | **5,828** | **1,414** | **2,298** |
| | ====== | ====== | ====== | ====== | ====== |
| **COMPREHENSIVE STATEMENT** | | | | | |
| Other comprehensive income | 1,757 | (736) | - | - | - |
| | ----------- | ----------- | ----------- | ----------- | ----------- |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **19,681** | **3,175** | **5,828** | **1,414** | **2,298** |
| | ====== | ====== | ====== | ====== | ====== |
| **Per share data:** | | | | | |
| Earnings per share (basic) | 68 | 55 | 20 | 5 | 8 |
| | ====== | ====== | ====== | ====== | ====== |
| Net assets per share | 2,350 | 1,854 | 464 | 447 | 447 |
| | ====== | ====== | ====== | ====== | ====== |

**Note:**

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

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