



FIDELITY BANK PLC

RC NUMBER:103022

INCORPORATED AS A PUBLIC LIMITED LIABILITY COMPANY IN THE FEDERAL REPUBLIC OF NIGERIA

₦100,000,000,000 BOND ISSUANCE PROGRAMME SHELF PROSPECTUS

INVESTMENT IN THE BONDS IS STRICTLY FOR ELIGIBLE INSTITUTIONAL INVESTORS AND HIGH NETWORTH INDIVIDUALS AS DEFINED IN THE RULES AND REGULATIONS OF THE SECURITIES & EXCHANGE COMMISSION 2013 (AS AMENDED).

This Shelf Prospectus and the bonds that it offers have been delivered, approved and registered by the Securities & Exchange Commission (the "SEC" or the "Commission"). It is a civil wrong and criminal offence under the Investments and Securities Act No. 29 of 2007 (the "Act" or "ISA") to issue a prospectus which contains false or misleading information. The clearance and registration of this Shelf Prospectus and the bonds which it offers does not relieve the parties from any liability arising under the Act for false and misleading statements contained herein or for any omission of a material fact. Investors are advised to note that liability for false or misleading statements or acts made in connection with this Shelf Prospectus is provided in sections 85 and 86 of the ISA.

This Shelf Prospectus has been issued in compliance with the ISA, the Rules and Regulations of the Commission and the listing requirements of FMDQ Securities Exchange ("FMDQ") and The Nigerian Stock Exchange (the "NSE") and contains particulars which are compliant with the requirements of the Commission for the purpose of giving information with regard to the ₦100,000,000,000 (one hundred billion Naira) Fidelity Bank PLC Bond Issuance Programme ("the Programme").

Under this Programme, Fidelity Bank PLC ("Fidelity Bank", the "Bank" or the "Issuer"), may from time to time issue bonds, as more fully described herein (the "Bonds"), in separate series, in amounts, at prices, and on terms to be set out in any accompanying Pricing Supplement.

The maximum aggregate nominal amount of all Bonds or any other type of securities issued from time to time and outstanding under this Programme shall not exceed ₦100,000,000,000 (one hundred billion Naira) over the three years (or such extended period that the Commission may approve) that this Shelf Prospectus, including any amendments thereto, remains valid for.

This Shelf Prospectus is to be read and construed in conjunction with any supplement thereto and all documents which are incorporated herein, by reference and, in relation to any Series or Tranche (as defined herein) of Bonds, together with the Applicable Pricing Supplement. This Shelf Prospectus shall be read and construed on the basis that such documents are incorporated herein and form part of this Shelf Prospectus.

The registration of this Shelf Prospectus and any Pricing Supplement thereafter does not in any way whatsoever suggest that the Commission endorses or recommends the securities or assumes responsibility for the correctness of any statement made or opinions or reports expressed therein. No Bonds or any other security will be allotted or issued on the basis of this Shelf Prospectus read together with a Pricing Supplement later than three (3) years (or such extended period that the Commission may approve) from the date of its issue or such other time frame prescribed by the Commission following its issue.

This Shelf Prospectus has been seen and approved by the Board of Directors (the "Board") of Fidelity Bank PLC and they jointly and individually accept full responsibility for the accuracy of all information provided in this document.

ISSUING HOUSES / BOOK RUNNERS



RENAISSANCE SECURITIES (NIGERIA) LIMITED

RC: 685973



STANBIC IBTC CAPITAL LIMITED

RC: 1031358

THIS SHELF PROSPECTUS IS DATED 4 MAY 2020

This Shelf Prospectus will be available on the following websites through the 3- year Validity Period

www.fidelitybank.ng; www.sec.gov.ng

TABLE OF CONTENTS

IMPORTANT NOTICE	3
ISSUE OF PRICING SUPPLEMENTS	5
GLOSSARY OF DEFINED TERMS	6
PARTIES TO THE PROGRAMME	10
INCORPORATION OF DOCUMENTS BY REFERENCE	13
DECLARATION BY THE ISSUER	14
THE PROGRAMME	15
EXTRACT FROM THE BOARD RESOLUTION OF THE PROGRAMME	16
SUMMARY OF THE PROGRAMME	17
INFORMATION RELATING TO THIS SHELF PROSPECTUS	20
TERMS AND CONDITIONS OF THE PROGRAMME	21
TAX CONSIDERATIONS	33
RISK FACTORS	34
OVERVIEW OF NIGERIA AND ITS ECONOMY	38
OVERVIEW OF THE NIGERIAN BANKING INDUSTRY	51
DESCRIPTION OF FIDELITY BANK PLC	60
EXTRACT FROM THE ISSUER'S RATING REPORT	71
CONFIRMATION OF GOING CONCERN STATUS	72
EXTRACT FROM THE REPORTING ACCOUNTANTS REPORT	75
STATUTORY AND GENERAL INFORMATION	80

IMPORTANT NOTICE

This Shelf Prospectus has been prepared in connection with the ₦100,000,000,000 (one hundred billion Naira) bond issuance programme by Fidelity Bank PLC for the purpose of giving information to prospective investors with regard to the Issuer and the Bonds described herein.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Shelf Prospectus or any other information supplied in connection with the Programme and, if given or made, such information must not be relied upon as having been authorised by Fidelity Bank PLC or any of the parties to the Programme.

Neither this Shelf Prospectus nor any other information supplied in connection with the Programme: (a) is intended to provide the basis of any credit or other evaluation, or (b) should be considered as a recommendation by either the Bank or any of the parties to the Programme that any recipient of this Shelf Prospectus or any other information supplied in connection with the Programme should purchase any Bonds. Each investor that intends to purchase any Bonds should make its own independent investigation regarding the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Shelf Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer or any of the parties to the Programme to any person to subscribe for or to purchase any Bonds.

The distribution of this Shelf Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. Persons who come into possession of this Shelf Prospectus or any Bonds must inform themselves about and observe any such restrictions.

1. Presentation of Information

The information set forth herein has been obtained from official sources that are believed to be reliable, but is not guaranteed as to its accuracy, reliability or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Shelf Prospectus nor any issue made hereunder or any future use of this Shelf Prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof.

All financial and other information presented or incorporated by reference in this Shelf Prospectus have been provided by the Bank from its records, except for information expressly attributed to other sources. The presentation of certain information, including tables of receipts and other revenues, is intended to show recent historic financial information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Bank. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

A wide variety of other information concerning the Bank, including financial information, are available from the Bank's website – www.fidelitybank.ng - and other authorised publicly available company publications.

2. Financial Information

Unless otherwise indicated, the financial information regarding the Issuer indicated in this Shelf Prospectus has been derived from the Reporting Accountant's Report on the Bank's audited financial statements for the years ended 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019. The Bank's audited financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act Chapter C20 Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act No. 6 of 2011, and are presented in Naira, the reporting currency of the Bank.

3. Rounding

Certain numerical figures included in this Shelf Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown in totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

4. Forward-Looking Statements

Certain statements included herein and in any Pricing Supplement may constitute forward-looking statements that involve a number of risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “would be”, “seeks”, “approximately” or “anticipates” or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Bank’s intentions, beliefs or current expectations concerning, amongst other things, its operating results, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Bank’s actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Shelf Prospectus. In addition, even if the Bank’s results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Shelf Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from the Bank’s expectations are contained in cautionary statements in this Shelf Prospectus and include, among other things, the following:

- overall political, economic and business conditions in Nigeria;
- changes in government regulations;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- economic and political conditions in international markets, including governmental changes;
- the demand for the Bank’s products and services;
- competitive factors in the industries in which the Bank and its customers operate;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- other national emergencies; and
- the timing, impact and other uncertainties of future actions.

The sections of this Shelf Prospectus entitled “**Risk Factors**”, “**Description of Fidelity Bank PLC**” and “**Statutory and General Information**” contain a more detailed discussion of the factors that could affect the Bank’s future performance and the industry in which it operates. Considering these risks, uncertainties and assumptions, the forward-looking events described in this Shelf Prospectus may not occur.

The Bank does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Shelf Prospectus.

ISSUE OF PRICING SUPPLEMENTS

Following the publication of this Shelf Prospectus, a Pricing Supplement will be prepared by the Issuer and Issuing Houses for the approval of the SEC in accordance with the SEC Rules and Regulations for each series of Bonds issued under the Programme.

Statements contained in any such Pricing Supplement, shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Shelf Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Shelf Prospectus.

The Bank declares, to the best of its knowledge and honest belief, that no material facts have been omitted from nor is there any material misstatement in this Shelf Prospectus, which would make any statement contained herein misleading or untrue. They shall, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Shelf Prospectus which is capable of affecting the assessment of the Bonds, prepare a Pricing Supplement to this Shelf Prospectus or publish a new Shelf Prospectus for use in connection with any subsequent issue of Bonds.

GLOSSARY OF DEFINED TERMS

Except where expressed otherwise, the following definitions apply throughout this document.

"Applicable Supplement" or "Pricing Supplement"	The document(s) to be issued pursuant to this Shelf Prospectus, which shall provide final terms and conditions of a specific Series or Tranche of Bonds under the Programme.
"Allotment Date"	The date on which the Bonds are allotted to investors following the approval of the allotment proposal by SEC.
"Board" or "Directors"	The members of the board of directors of the Bank, who as at the date of this document are those persons whose names are set out on page 10 of this Shelf Prospectus.
"BOFIA"	The Banks and Other Financial Institutions Act (Chapter B3) LFN 2004.
"Bonds"	Any securities, which include bonds, promissory notes, certificates, debentures and other obligations authorised to be issued under the Programme by the Issuer in accordance with the terms of this Shelf Prospectus and any subsequent Pricing Supplement with the aggregate Principal Amount of ₦100,000,000,000 (one hundred billion Naira).
"Bondholder" or "Holder"	In relation to any Tranche of the Bonds, the several persons for the time being, whose names are shown in the records of the Depository and/or entered in the Register of Bondholders as holders of the Bonds and shall include the legal and personal representatives or successors of the Bondholders.
"Business Day"	Any day except Saturdays, Sundays and public holidays declared by the Federal Government on which commercial banks are open for business in Nigeria.
"CAMA"	The Companies and Allied Matters Act (Chapter C20) LFN 2004.
"CBN"	The Central Bank of Nigeria.
"CITA"	The Companies Income Tax Act (Chapter C21) LFN 2004 (as amended by the Companies Income Tax (Amendment Act No. 11 of 2007 and the Finance Act).
"CITA Order"	The Companies Income Tax (Exemption of Bonds and Short-Term Government Securities) Order 2011 made pursuant to the CITA.
"Coupon"	The interest paid on the Bond periodically, expressed as a percentage of the face value.
"Coupon Commencement Date"	The Issue Date for any particular Series of Bonds, or such other date as may be specified in the Applicable Pricing Supplement, from which interest on the Bonds begins to accrue to Bondholders as specified in the applicable Pricing Supplement.
"Coupon Payment Date"	The date on which a coupon falls due for payment to the Bondholders, as specified in the Applicable Pricing Supplement.
"Coupon Period"	The period from (and including) a Coupon Payment Date (or the Coupon Commencement Date) to (but excluding) the next Coupon Payment Date.
"Coupon Rate"	The applicable rate of the Coupon stated on Bonds when it is issued, expressed as a percentage of the Face Value of the Bond, as specified in the Applicable Pricing Supplement.

"Depository"	The Central Securities and Clearing System PLC, or the FMDQ Depository Limited, or any other clearing system operated by a SEC licensed depository.
"DMO"	Debt Management Office.
"Face Value"	The par value of a Bond.
"Federal Government" or "FGN"	The Federal Government of Nigeria.
"Finance Act"	The Finance Act, 2019
"FIRS"	The Federal Inland Revenue Service.
"Fixed Rate Bonds"	The Bonds in respect of which interest is to be calculated and paid on a fixed rate basis.
"Floating Rate Bonds"	The Bonds in respect of which interest is to be calculated and paid on a floating rate basis or in accordance with a variable benchmark as specified in the Applicable Pricing Supplement.
"FMDQ"	FMDQ Securities Exchange PLC. being a SEC licensed securities exchange.
"GDP"	Gross Domestic Product.
"High Net Worth Individual"	As defined in the SEC Rules and Regulations.
"IFRS"	The International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time).
"ISA or "the Act""	The Investments and Securities Act, No 29, 2007.
"Issuer" or "Fidelity Bank" or the "Bank"	Fidelity Bank PLC.
"Issue Date"	The date on which the relevant Series of the Bonds are issued, as specified in the Applicable Pricing Supplement.
"Issue Price"	The price of issue of the Bonds under the relevant Series as specified in the Applicable Pricing Supplement.
"Issuing Houses"	Renaissance Securities Nigeria Limited and Stanbic IBTC Capital Limited and any other issuing house appointed from time to time by the Issuer for a specific Series or Tranche of Bonds.
"LFN 2004"	The Laws of the Federation of Nigeria.
"Maturity Date"	The final redemption date as specified in each Applicable Pricing Supplement on which the Redemption Amount is due to be paid.
"MLA"	Money Laundering (Prohibition) Act 2011.
"Naira", "NGN" or "₦"	The Naira, the lawful currency of Nigeria.
"NBS"	National Bureau of Statistics.
"Nigeria"	The Federal Republic of Nigeria and "Nigerian" shall be construed accordingly.
"PFAs"	Pension Fund Administrators.

"PITA"	The Personal Income Tax Act (Chapter P8) LFN 2004 (as amended by the Personal Income Tax (Amendment Act) 2011 and the Finance Act).
"Professional Parties"	The Professionals engaged by the Issuer to facilitate the registration and issuance of the Bonds.
"Programme"	The Bond Issuance Programme described in this Shelf Prospectus pursuant to which the Issuer may issue several separate Series or Tranches of Bonds from time to time with varying maturities and variable rates of interest, provided however that the aggregate value does not exceed ₦100,000,000,000 (one hundred billion Naira).
"Programme Trust Deed"	The deed entered into by the Issuer and the Trustee dated on or about the date of this Shelf Prospectus which sets out the rights, duties and obligations of the Issuer and the Trustees in respect of the Transaction.
"Principal Amount"	The nominal amount of each debt security, as specified in the Applicable Pricing Supplement.
"Qualified Institutional Investor"	A purchaser of securities that is financially sophisticated. These include banks, fund managers, PFAs, insurance companies, investment/unit trusts, multilateral and bilateral institutions, registered and/or verifiable private equity funds, registered and/or verifiable hedge funds, market makers, staff schemes, trustees/custodians, stock broking firms and any other category as the Commission may determine as stipulated by Rule 321 of The SEC Rules and Regulations.
"Rating Agency"	Global Credit Ratings Co (GCR) Limited.
"Redemption Amount"	The aggregate principal amount outstanding in respect of the Bonds on the Maturity Date.
"Register"	The register kept at the specified office of the Registrar into which shall be entered the names and addresses of each Bondholder and the particulars, transfers and redemption of the Bonds held by each Bondholder.
"Registrar"	First Registrars & Investor Services Limited.
"Related Party"	Any corporate entity, which is the Bank's subsidiary or holding company or a subsidiary of the holding company.
"Reporting Accountant"	PricewaterhouseCoopers Nigeria (PwC)
"SEC Rules and Regulations" or "SEC Rules"	The Rules and Regulations of SEC 2013 (as amended from time to time), issued by the SEC pursuant to the ISA.
"SEC" or the "Commission"	The Nigerian Securities and Exchange Commission.
"Series"	A Tranche of Bonds together with any further Tranche or Tranches of Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects except for their respective Issue Dates and/or Issue Prices.
"Settlement Date"	The date by which the buyer must pay for the Bonds delivered by the Issuer and shall be the same date as the Allotment Date.
"Shelf Prospectus"	The document issued in accordance with the Rules and Regulations of the Commission, which details the aggregate size and broad terms and conditions of the Programme.

"Supplemental Trust Deed" or "Series Trust Deed"	A deed supplementing or modifying the provisions of the Programme Trust Deed entered into by the Issuer and the Trustee(s) and empowering the Trustee(s) in relation to a particular Series or Tranche of Bonds.
"Terms and Conditions"	The terms and conditions of the Bonds as set out in this Shelf Prospectus and the Programme and Series Trust Deeds.
"the NSE"	The Nigerian Stock Exchange.
"Tranche"	In relation to any particular Series, all Bonds which are identical in all respects (including as to listing) (save for Issue Price and Maturity Date).
"Trustee"	FBNQuest Trustees Limited.
"Trustees Act"	Trustee Investments Act (Chapter T22) LFN 2004.
"Validity Period"	A period not exceeding three (3) years (or such extended period as approved by the Commission) from the date of issue of this Shelf Prospectus unless otherwise renewed by the Commission.
"VAT"	Value Added Tax as provided for under the VAT Act.
"VAT Act"	The Value Added Tax Act (Chapter V1) LFN 2004 (as amended by the Value Added Tax (Amendment) Act No 12 of 2007) and the Finance Act 2019.
"VAT Order"	The Value Added Tax (Exemption of the proceeds of the disposal of Government and corporate securities) Order 2011.

PARTIES TO THE PROGRAMME

Issuer	
Fidelity Bank PLC 2 Kofo Abayomi Street Victoria Island Lagos Website: www.fidelitybank.ng Email: info@fidelitybank.ng Telephone: +234 1 448 5252	
Board of Directors & Company Secretary of the Issuer	
Ernest C Ebi – Chairman 2 Kofo Abayomi Street, Victoria-Island, Lagos	Nnamdi Okonkwo – Chief Executive Officer 2 Kofo Abayomi Street, Victoria-Island, Lagos
Nneka Onyeali-Ikpe – Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos	Aku P Odinkemelu – Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos
Hassan Imam – Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos	Gbolahan Joshua – Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos
Alex C. Ojukwu – Non-Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos	Obaro Odeghe – Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos
Pastor Kings C Akuma – Non-Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos	Michael E. Okeke – Non-Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos
Isa Mohammed Inuwa – Non-Executive Director (Independent) 2 Kofo Abayomi Street, Victoria-Island, Lagos	Otunba Seni Adetu – Non-Executive Director (Independent) 2 Kofo Abayomi Street, Victoria-Island, Lagos
Chidozie Agbapu – Non-Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos	Chief Charles C Umolu – Non-Executive Director 2 Kofo Abayomi Street, Victoria-Island, Lagos
Ezinwa Unuigboje (Company Secretary) 2 Kofo Abayomi Street, Victoria-Island, Lagos	

PROFESSIONAL PARTIES	
Issuing Houses	
Renaissance Securities (Nigeria) Limited 6th Floor, East Tower, The Wings Office Complex 17 Ozumba Mbadiwe Avenue Victoria Island, Lagos Nigeria	Stanbic IBTC Capital Limited I.B.T.C. Place, Walter Carrington Crescent Victoria Island, Lagos Nigeria
Trustee	
FBNQuest Trustees Limited 10 Keffi Street Off Awolowo Road South West Ikoyi, Lagos	
Advised by: Udo Udoma & Belo-Osagie <i>St. Nicholas House (12th Floor)</i> <i>Catholic Mission Street</i> <i>Lagos Island, Lagos</i>	
Solicitors to the Transaction	
Banwo & Ighodalo 48 Awolowo Road South West Ikoyi, Lagos	
Solicitors to the Issuer	
Templars 5 th Floor, The Octagon 13A A.J. Marinho Drive, Victoria Island, Lagos	
Reporting Accountant	
PricewaterhouseCoopers Nigeria Landmark Towers 5B, Water Corporation Road Victoria Island Lagos, Nigeria	
Rating Agency	
Global Credit Rating Co. (GCR) Limited New Africa House (17 th House) 31 Marina Lagos	
Registrar	
First Registrars & Investor Services Limited No. 2, Abebe Village Road Iganmu Lagos, Nigeria	
Receiving Banks	
Stanbic IBTC Bank PLC I.B.T.C. Place Walter Carrington Crescent Victoria Island Lagos	United Bank for Africa Plc UBA House 57 Marina Road Lagos Island Lagos
Auditor	

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

Issuer's Board Audit Committee

Otunba Seni Adetu – Chairman (Independent)

2 Kofo Abayomi Street
 Victoria Island
 Lagos

Alex C. Ojukwu – Non-Executive Member

2 Kofo Abayomi Street
 Victoria Island
 Lagos

Chief Charles C. Umolu – Non-Executive Member

2 Kofo Abayomi Street
 Victoria Island
 Lagos

Pastor Kings C. Akuma – Non-Executive Member

2 Kofo Abayomi Street
 Victoria Island
 Lagos

Chidozie Agbapu – Non-Executive Member

2 Kofo Abayomi Street
 Victoria Island
 Lagos

INCORPORATION OF DOCUMENTS BY REFERENCE

This Shelf Prospectus should be read and construed in conjunction with:

- Each Applicable Pricing Supplement relating to any Series of the Bonds issued under this Shelf Prospectus;
- the Issuer's audited annual report for the financial years ended 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, comprising of the audited annual financial statements of the Issuer (and the notes thereto) and any quarterly or interim financial statements of the Issuer for the life of the Programme and prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board and prescribed by the Financial Reporting Council of Nigeria ("FRCoN") (which include standards and interpretations approved by the FRCoN), together with its pronouncements thereon from time to time, and applied on a consistent basis.

The Issuer will, in the event of any material change in its financial position, which is not reflected in this Shelf Prospectus, prepare an amendment or supplement to this Shelf Prospectus. Also, the Issuer's information given in this Shelf Prospectus and the terms and conditions of additional Bonds to be issued under the Programme may be updated in a Pricing Supplement pursuant to The SEC Rules. Any such amendment or supplement will be incorporated by reference into this Shelf Prospectus and form an integral part hereof. Any statement contained in a document that is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Shelf Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Shelf Prospectus.

The Issuer will provide at no cost to each prospective investor upon request, a copy of any of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded. Requests for such documents shall be directed to the Issuer at its registered office as set out in this Shelf Prospectus or the Issuing Houses at the address stated below:



Renaissance Securities (Nigeria) Limited
6th Floor, East Tower, The Wings Office Complex,
17 Ozumba Mbadiwe Avenue
Victoria Island, Lagos
Nigeria



Stanbic IBTC Capital Limited
I.B.T.C. Place,
Walter Carrington Crescent,
Victoria Island, Lagos
Nigeria

DECLARATION BY THE ISSUER

08 April, 2020

Fidelity

The Director General
Securities & Exchange Commission
SEC Tower, 272 Samuel Adesoji Ademulegun Street
Central Business District,
Abuja

Dear Sir,

DECLARATION BY FIDELITY BANK PLC

This Prospectus has been prepared by the Issuing Houses on behalf of Fidelity Bank PLC ("Fidelity Bank" or the "Issuer") with a view to providing a description of the relevant aspects of the Issuer's business in connection with the Shelf Programme.

On behalf of the Board of Directors, we hereby make the following declarations:

- 1) We confirm that the information contained in this Shelf Prospectus is, to the best of our knowledge, in accordance with the facts in all material respects and contain no omission likely to affect its import.
- 2) There has been no significant change in the financial condition, or material adverse change in the Prospectus of the Issuer since the publication of the Shelf Prospectus.
- 3) The Issuer is not in breach of any terms and conditions in respect of borrowed funds which resulted in the occurrence of an event of default and an immediate recall of such borrowed funds during the 12 (twelve) months preceding the date of this Prospectus.
- 4) No prosecution has been commenced against the Issuer during the preceding 12 (twelve) calendar months in respect of any breach or contravention of any securities or banking laws or the Companies and Allied Matters Act CAP C20 2004 or the listing requirements of a recognized Securities Exchange.

Signed for and on behalf of
Fidelity Bank PLC

By its duly authorized representatives:


Nnamdi Okonkwo
MD/CEO


Victor Abejegah
Chief Financial Officer


Ezinwa Unuigboje
Company Secretary

CHIKE OBIANWU
NOTARY PUBLIC
LAGOS, NIGERIA

CHIKE OBIANWU
LAGOS, NIGERIA
NOTARY PUBLIC

www.fidelitybank.ng

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fo@fidelitybanking

Mr. Ernest C. Ebi NFR, FCIB (Chairman), Mr. Alex C. Okeke (Non-Executive Director), Mr. Michael E. Okeke (Non-Executive Director),
Otinba Sani Adeniji (Independent Director), Chief Charles C. Umella (Non-Executive Director), Pastor Kings C. Akuma (Non-Executive
Director), Chidi W. Agbaga (Non-Executive Director), Mr. Nnamdi Okonkwo (Managing Director/CEO), Mr. Mohammed Balarama (Deputy
Managing Director), Mrs. Chikita Ugochikere (Executive Director), Mrs. Adu Odibamela (Executive Director), Mrs. Nnaka C. Oyeall-lisa
(Executive Director)

THE PROGRAMME

A copy of this Shelf Prospectus and the documents specified herein have been delivered to the SEC for clearance and registration of the securities referred to herein.

This Shelf Prospectus is being issued in compliance with the provisions of the ISA, the SEC Rules and Regulations and the listing and quotation requirements of FMDQ and the NSE, and contains particulars in compliance with the requirements of the SEC, the NSE and FMDQ for the purpose of giving information to the public with regards to the ₦100,000,000,000 (one hundred billion Naira) Bond Issuance Programme being undertaken by the Issuer. An application will be made to the relevant listing/quotations committee of the FMDQ, and / or the NSE, for admission to their platforms of each Series of the Bonds to be issued under the Programme and the Bonds will upon admission to the platform(s) qualify as a security in which Trustees may invest under the Trustee Act.

Each of the Directors of the Bank represent that they have taken all reasonable care to ensure that the information concerning the Bank contained in this Shelf Prospectus is true and accurate in all material respects as at the date of this Shelf Prospectus and that as of the date hereof there are no other material facts, in relation to the Issuer, the omission of which would make misleading any statement herein, whether in fact or opinion.

ISSUING HOUSES

**RENAISSANCE SECURITIES (NIGERIA)
LIMITED**
RC:685973

**STANBIC IBTC CAPITAL
LIMITED**
RC:1031358

On behalf of
FIDELITY BANK PLC
RC: 103022

INCORPORATED AS A PUBLIC COMPANY WITH LIMITED LIABILITY IN THE FEDERAL REPUBLIC
OF NIGERIA

are authorised to issue this Shelf Prospectus in respect of the ₦100,000,000,000 Bond Issuance
Programme

This Shelf Prospectus has been registered with the SEC. The registration of this Shelf Prospectus and any subsequent Pricing Supplement shall not be taken to indicate that the SEC endorses or recommends the Bonds described herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed herein.

This Shelf Prospectus must be read in conjunction with any Pricing Supplement to be issued by the Bank from time to time within its Validity Period. No Bonds will be issued on the basis of this Shelf Prospectus read together with any Pricing Supplement later than the Validity Period.

This Shelf Prospectus contains:

- on pages 21 – 32, the Terms & Conditions of the Programme;
- on page 72, the confirmation of Going Concern Status of the Bank prepared by Fidelity Bank PLC;
- on pages 75 – 76, the Reporting Accountant's Report on the Bank's historical financial information, prepared by PricewaterhouseCoopers Chartered Accountants;
- on pages 97 – 98, opinion on claims and litigation prepared by Banwo & Ighodalo

THIS SHELF PROSPECTUS IS DATED 4 MAY 2020

This Shelf Prospectus will be available on the following websites:

www.fidelitybank.ng ; www.sec.gov.ng

RC: 103022



THE FEDERAL REPUBLIC OF NIGERIA
COMPANIES AND ALLIED MATTER ACT, L.F.N 2004
PUBLIC COMPANY LIMITED BY SHARES
FIDELITY BANK PLC RC NO.103022
BOARD RESOLUTION

At the meeting of the Board of Directors (the "**Directors**") of Fidelity Bank Plc (the "**Bank**") duly convened and held in the Boardroom of the Bank at **No. 2, Kofo Abayomi Street, Victoria Island, Lagos** on March 19, 2019 by 10:00 a.m, it was unanimously resolved as follows:

1. "the Directors be and are hereby authorized to establish a ₦100,000,000,000 (One Hundred Billion Naira) Debt Issuance Programme (the "**Programme**"), subject to obtaining all requisite approvals from applicable regulatory authorities;
2. the Bank be and is hereby authorized to enter into and execute all such agreements, deeds, notices and other documents and to take all such other actions and/or steps and implement all such processes as may be necessary for and or incidental to the Programme;
3. any two Directors or a director and the Company Secretary be and are hereby authorized to execute all documents and agreements in relation to the Programme on behalf of the Bank; and
4. Management be and is hereby authorized to appoint such professional advisers and undertake such other acts as may be necessary or incidental to, or required for effecting the objectives set out above".

DATED THIS 19TH DAY OF MARCH 2019

BY ORDER OF THE BOARD

GBOLAHAN JOSHUA
EXECUTIVE DIRECTOR

EZINWA UNUIGBOJE
COMPANY SECRETARY

Fidelity Bank Plc
2 Kofo Abayomi Street,
Victoria Island, Lagos, Nigeria
P.O.Box 72439, Victoria Island, Lagos
Swift: FIDTNGLA
+234(1)2700530-3, 0(1)4485252
info@fidelitybank.ng

www.fidelitybank.ng

Mr. Ernest C. Ebi MFR, FCIB (Chairman), Mr. Alex C. Ojukwu (Non-Executive Director) Mr. Michael E. Okeke (Non-Executive Director),
Otunba Seni Adetu (Independent Director), Chief Charles C. Umalu (Non-Executive Director), Pastor Kings C. Akuma (Non-Executive
Director), Chidi B. Agbapu (Non-Executive Director), Mr. Nnamdi Okonkwo (Managing Director/CEO), Mr. Mohammed Balarabe (Deputy
Managing Director), Mrs. Chijioke Ugochukwu (Executive Director), Mrs. Aku Odinkemelu (Executive Director), Mrs. Nnaka C. Onyeali-Ikpe
(Executive Director)

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from and qualified in its entirety by the remainder of this Shelf Prospectus and, in relation to the terms and conditions of any particular Series of Bonds, the applicable Pricing Supplement. Words and expressions defined in “Terms and Conditions of the Bonds” shall have the same meaning in this summary:

Issuer	Fidelity Bank PLC
Programme Size	₦100,000,000,000 (one hundred billion Naira)
Issuing Houses	Renaissance Securities (Nigeria) Limited Stanbic IBTC Capital Limited
Methods of Issue	The Bonds under this Programme may be issued by way of a public offer, private placement, book build process, or any other methods permitted by the SEC and as specified in the Applicable Pricing Supplement.
Use of Proceeds	The proceeds of the Programme will be utilised as stated in the Applicable Pricing Supplement.
Coupon Rates	The Bonds may be interest-bearing or non-interest bearing. Coupon (if any) may be at a fixed rate or vary as indicated in the Applicable Pricing Supplement and may vary during the lifetime of the relevant Series.
Currency	The Bonds will be denominated in Nigerian Naira or in such other currency as may be agreed between the Issuer and the Issuing Houses and specified in the Applicable Pricing Supplement, subject to compliance with all applicable legal and regulatory requirements. Where any currency other than the Naira is specified in the Applicable Supplement, the selling restrictions and additional disclosure requirements applicable to such other currency will be specified in the Applicable Pricing Supplement.
Ratings	The Bonds issued under this Programme will be rated by at least one rating agency duly registered with the SEC and the rating shall be reviewed annually in accordance with the SEC Rules and Regulations.
Status of the Bonds	The status of the Bonds are as specified in the Programme Trust Deed and as modified in respect of any Series by the applicable Series Trust Deed.
Events of Default	The events of default under the Bonds are as specified within the Programme Trust Deed and as modified in respect of any Series by the applicable Series Trust Deed. The Trustee shall notify the Commission of such event(s) of default as required by the SEC Rules and Regulation.
Form of the Bonds	The Bonds will be issued in dematerialised and uncertificated form. The issue and ownership of the Bonds will be effected and evidenced by the particulars of the Bonds being entered in the Register by the Registrar and the Bonds being electronically credited in the securities accounts of the Bondholder, held with the Depository.
Issuance in Series and Tranches	The Bonds will be issued in series (each a “Series”). The Bonds of each Series will all be subject to identical terms, whether as to maturity or otherwise, or terms which are identical except that the issue date, the amount of the first payment of interest and/or the denomination thereof may be different (“Tranches”). Each Series

	may comprise of one or more Tranches issued on different issue dates.
Maturity of Bonds	The Bonds may be issued with such maturity periods as may be agreed between the Issuer and the Issuing Houses and as indicated in the Applicable Pricing Supplement, subject to such minimum or maximum maturity period as may be allowed or required from time to time by the Issuer or any laws or regulations applicable to the Issuer.
Early Redemption	Early redemption may be permitted only to the extent specified in the Applicable Pricing Supplement and Supplemental Trust Deed and then only subject to any applicable legal or regulatory limitations.
Redemption	The Bonds may be redeemable at par or at such other redemption amount as may be specified in the Applicable Pricing Supplement.
Business Day Convention	Where the day on which a payment is due to be made is not a Business Day, that payment shall be effected on the next succeeding Business Day unless that succeeding business day falls in a different month in which case, payment shall be made on the immediately preceding Business Day.
Listing	Each Series of Bonds will be listed on the FMDQ and/or the NSE and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the Issuing Houses and specified in the applicable Pricing Supplement.
Bonds Trading & Liquidity	The Bonds may be traded on any OTC exchange or any other recognised trading platform between banks and qualified market counterparties. Dealers will be obliged to quote two-way prices for the Bonds.
Taxation	<p>The income and interest earned from the Bonds by Holders will be exempted from tax imposed under the CITA by virtue of the CITA Order, effective from 2nd January, 2012. This exemption is for a period of 10 years from the commencement date of the CITA Order unless otherwise extended. Furthermore, by virtue of the Personal Income Tax (Amendment) Act 2011, corporate bonds are also exempt from personal income tax.</p> <p>The proceeds from the disposal of the Bonds will be exempt from VAT imposed under the VAT Act and the Finance Act in accordance with the provisions of the VAT Order, effective from 2nd January, 2012. This exemption is for a period of ten (10) years from the commencement date of the VAT Order. Thus, VAT will not be payable upon a disposal of the Bonds during the subsistence of the Order. However, upon termination of the exemption period on 2 January 2022, the proceeds of the disposal of the Bonds still outstanding may be subject to VAT.</p> <p>In view of the above, the Issuer may be not required by law to withhold tax on Coupon payments to the Holders. Therefore, all amounts payable under the Bonds will be paid without deduction or withholding for or on account of any income tax. However, in relation to Bonds with a maturity date later than January 2, 2022, the Issuer shall be required by law, to withhold tax on Coupon payments to such Holders (except the relevant exemption order are extended).</p>

	<p>Withholding tax implications in respect of the Coupon payments on the Bonds to Holders for the period after January 2, 2022 will be stated in the Applicable Pricing Supplement.</p> <p>Commissions payable to the Central Securities and Clearing System PLC, SEC, FMDQ or the NSE in connection with the Bonds shall be subject to VAT.</p>
Negative Pledge	<p>As stated in Condition 6.1 of the Terms and Conditions in the Programme Trust Deed, so long as any of the Bonds remain outstanding, the Issuer shall not except with the prior written consent of the Trustee, create or permit to subsist and Security Interest to secure any Financial indebtedness, unless the Issuer's obligations under the Bonds (that are not part of the Issuer's Tier II Capital) are secured equally and rateably therewith or have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem not to be materially less beneficial to the Bondholders. Provided that the restrictions in this condition 6.1 will not apply to Permitted Security</p>
Terms and Conditions	<p>The terms and conditions applicable to each Series (the "Terms and Conditions") will be agreed between the Issuer and the Issuing Houses at or prior to the time of issuance of such Tranche or Series and will be specified in the applicable Supplementary Shelf Prospectus. The Terms and Conditions applicable to each Tranche or Series will therefore be those set out on pages 21 – 32 hereof as supplemented, modified or replaced by the applicable Supplementary Shelf Prospectus</p>
Other Conditions	<p>Such other Terms and Conditions as may be incorporated by reference to, modified by, or supplemented by applicable Supplementary Shelf Prospectus for the Issue</p>
Statement of Indebtedness	<p>As at 30 June 2019, the Issuer had outstanding indebtedness of ₦262,998 million</p>
Governing Law	<p>The Bonds and all related contractual documentation will be governed by, and construed in accordance with Nigerian law</p>
Transaction Documents	<p>Include:</p> <ul style="list-style-type: none"> (a) Shelf Prospectus; (b) Applicable Pricing Supplement; (c) Programme Trust Deed; (d) Series Trust Deed; (e) Vending Agreement; (f) Reporting Accountants Report; and (h) Rating Report.

INFORMATION RELATING TO THIS SHELF PROSPECTUS

This Shelf Prospectus has been prepared by the Issuer and Issuing Houses in connection with the ₦100,000,000,000 (one hundred billion Naira) Bond Issuance Programme of the Issuer (pursuant to which the Issuer will issue Bonds) for the purpose of giving information to the prospective investors in respect of the Bonds described herein. The SEC has cleared this Prospectus and registered the securities listed herein.

This Prospectus contains certain statements, estimates and projections with respect to the future performance of the Issuer. These statements, estimates and projections reflect various assumptions by the Issuer concerning its anticipated future performance, which have been included solely for illustrative purposes. These statements, estimates and projections should not however, be relied upon as a representation, warranty or undertaking, expressed or implied, as to the future financial condition of the Issuer and actual occurrences may vary materially from the projected developments contained herein and/or the assumptions on which such statements, estimates and projections were based.

The receipt of this Shelf Prospectus or any information contained in it or supplied with it or subsequently communicated to any person does not constitute investment advice from the Issuing Houses to any prospective investor. Each prospective investor should make their own independent assessment of the merits or otherwise of subscribing to the securities offered herein and should seek their own professional advice in connection with any prospective investment by them.

The members of the Issuer's Board individually and collectively accept full responsibility for the accuracy of the information contained herein and have taken reasonable care to ensure that the material facts contained herein are true and accurate in all material respects and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no material facts, the omission of which, would make any material statement herein misleading or untrue. Additional information may be obtained through the offices of the Issuing Houses as listed on page 11 of this Shelf Prospectus on any Business Day during the period of the respective opening and closing dates of the issuance of Bonds under the Programme, provided the Issuing Houses possess such information or can acquire it without unreasonable effort or expense.

Nothing in this Shelf Prospectus should be construed to mean that the Issuing Houses are bound to provide any information coming to their attention to any Bondholder or potential investors in the Bonds. Also, the Issuing Houses are not bound to advise any investor or potential investors on the financial condition or affairs of the Issuer during the life of the arrangement contemplated therein.

TERMS AND CONDITIONS OF THE PROGRAMME

The following are the Terms and Conditions of the Bonds issued under the Programme which will be applicable to each Series of Bonds, provided that the relevant Pricing Supplement in relation to any Series of Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these terms and conditions, replace the Terms and Conditions for the purposes of such Series of Bonds.

These Terms and Conditions are generally applicable to the Bonds issued under the Programme and shall be deemed to be completed by the information contained in the relevant Pricing Supplement. Any provision in the Pricing Supplement modifying, supplementing or replacing, in whole or in part, the provisions of these Terms and Conditions shall be deemed to so modify, supplement or replace, in whole or in part, the provisions of these Terms and Conditions.

The Bond Issuance Programme is constituted by a Programme Trust Deed (the “**Trust Deed**”) dated 4 May 2020 between Fidelity Bank PLC (the “**Issuer**” or the “**Bank**”) of the first part, and FBN Quest Trustees Limited (the “**Trustee**”) of the second part.

The following terms and conditions (the “**Conditions**”) will be deemed to be incorporated into the Bonds:

GENERAL NOTES

- (1) The Bonds are constituted by and under a Programme Trust Deed (the “Trust Deed”) dated 4 May 2020 between Fidelity Bank PLC (the “Issuer”) and FBNQuest Trustees Limited (the “Trustee”) as supplemented by the relevant Series Trust Deed between the Issuer and the Trustee. The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Series Trust Deed applicable to them. Copies of the Trust Deed are available for inspection at the office of the Trustee set out in Clause 34.1 of the Programme Trust Deed and at the offices of the Registrar as specified in the Pricing Supplement.
- (2) Any Series of Bonds which is to be created and issued pursuant to the Programme Trust Deed shall be constituted by, be subject to and have the benefit of a Series Trust Deed (the “Series Trust Deed”) between the Issuer and the Trustee. The Issuer shall execute and deliver such Series Trust Deed to the Trustee containing such provisions (whether or not corresponding to any of the provisions contained in the Programme Trust Deed) as the Trustee may require. Each Series Trust Deed shall set out the form of the Series of Bonds to be so constituted thereby.
- (3) These Conditions include summaries of and are subject to the detailed provisions of the Trust Deed and the relevant Series Trust Deed. The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Programme Trust Deed and the relevant Series Trust Deed applicable to them.
- (4) Words and expressions defined in the Trust Deed (as same may be amended, varied or supplemented from time to time with the consent of the Parties thereto) are expressly and specifically incorporated into and shall apply to these Conditions.
- (5) Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

1. FORM, DENOMINATION

Form and Denomination

Bonds issued under the Programme may be fixed rate bonds, floating rate bonds, discounted or a combination thereof in denominations as may be specified in the relevant Pricing Supplement.

The Bonds shall be issued in uncertificated (dematerialised or book-entry) form, which shall be registered with a separate securities identification code with the CSCS. The Bondholders may deal in the Bonds in accordance with the CSCS procedures and guidelines.

2. Repayment

The principal on the Bonds will be repaid on the relevant Maturity Date or on an amortising basis in accordance with the terms of the relevant Series Trust Deed or such date as the Trustee in accordance with the Trust Deed declares the Bonds to have become immediately repayable, together with such premium (if any) agreed in the relevant Series Trust Deed, on such Bonds.

3. Redemption

3.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Bonds at their principal amount on such dates as specified in the Series Trust Deed.

3.2 Redemption prior to Maturity

3.2.1 Subject to the terms of the relevant Series Trust Deed and the provisions of Condition 3.5 in relation to Bonds issued as Tier II Capital, the Issuer shall be entitled at any time to redeem the whole or any part of the Bonds upon giving the holders of the Bonds to be redeemed not less than three months' notice of its intention to do so, and at the expiration of such notice, the Issuer shall be entitled and bound to redeem the Bonds in respect of which such notice has been given. Provided that such redemption shall not constitute a breach of covenant or event of default under any other agreement entered into by the Issuer.

3.2.2 In the event of the Issuer at any time determining to redeem part only of the Bond for the time being outstanding, the particular Bond to be redeemed shall be selected by drawing to be made as provided in Condition 10 or at the option of the Issuer pro rata to holdings.

3.2.3 Early redemption shall take place on such terms as shall be agreed in the relevant Series Trust Deed or on such terms as shall be determined by the Bondholders or the relevant Bondholder whose Bond is to be redeemed at 11a.m on the date set for redemption.

3.2.4 In the case of redemptions made under this Condition, not less than 3 (three) month's previous notice in writing of the date fixed for redemption, which shall be a Coupon Repayment Date, shall be given by the Issuer to each Bondholder any of whose Bond is to be redeemed. Such notice shall state the amount of the Bond due for redemption and the condition under which such redemption is to be effected and shall name the date and place for redemption of such Bond.

Provided that in the case of any Bonds which form part of the Issuer's Tier II Capital, the right of the Issuer to an early redemption of the Bond shall be subject to the prior approval of the CBN and shall comply with the requirements of Condition 3.5 below.

3.3 Redemption for Taxation Reasons

If so specified in the Pricing Supplement and subject to the provisions of Condition 3.5 in relation to Bonds issued as Tier II Capital, the Bonds may be redeemed at the option of the Issuer in whole, or in part, on giving not less than 30 (thirty) and not more than 60 (sixty) days' notice to the

Bondholders (which notice shall be irrevocable) at their early redemption amount together with the Coupon accrued to the date fixed for redemption, if:

- (i) the Issuer satisfies the Trustee and the Commission immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Nigeria or any political subdivision or any authority thereof or therein having power to impose tax (other than the expiry of the exemption in respect of the Bonds set out in the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 (made pursuant to the Companies Income Tax Act (Chapter C21) LFN 2004 in relation to Bonds with a maturity date later than January 2, 2022), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Series or Tranche of the Bonds; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee and the Commission a certificate signed by two Directors stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

Provided, however, that no such notice of redemption shall be given earlier than:

- (i) where the Bonds may be redeemed at any time, 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would be entitled (as such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (ii) where the Bonds may be redeemed only on a Coupon Payment Date, 60 (sixty) days prior to the Coupon Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

Provided that in the case of any Bonds which form part of the Issuer's Tier II Capital, the Issuer shall have no right to redeem unless it complies with the requirements of Condition 3.5 below.

3.4 Redemption at the Option of the Issuer following a Capital Disqualification Event

3.4.1 In relation to any tranche of the Bonds, in the event of a Capital Disqualification Event, the Issuer may, at its option, having given not less than 30 (thirty), and not more than 45 (forty five), days' notice (or such other period as may be specified in the relevant Pricing Supplement) to the Bondholders in accordance with Condition 20 (Notices) (which notice shall be irrevocable and shall specify the date fixed for redemption), at any time redeem all, or if so provided, some of the Bonds, with interest accrued thereto up to but excluding the date of redemption.

3.4.2 Prior to the publication of any notice of redemption by the Issuer pursuant to this Condition 3.4, the Issuer shall deliver to the Trustee:

- (a) a copy of the circular, notification, directive or other official policy communique evidencing the occurrence of such Capital Disqualification Event (a "CBN

Communication”); and

(b) a certificate signed by two directors of the Issuer stating that:

- (i) the Issuer has consulted with the CBN following the release of the relevant CBN Communication;
- (ii) the approval of the CBN is not required or (if required by the applicable banking regulations) the CBN has given its approval; and
- (iii) a Capital Disqualification Event has occurred,

and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions in this Condition 3.4.

3.4.3 For the purpose of this Condition 3.4, “Capital Disqualification Event” means if, as a result of:

- (a) any change in Applicable Law or banking regulation; or
- (b) any change in the application or official interpretation of such Applicable Law or banking regulation,

all or any part of the outstanding Bonds ceases to be classified as Tier II capital of the Issuer.

3.5 Notwithstanding the provisions of this Conditions 3, in relation to any Bonds which form part of the Issuer’s Tier II Capital, the Issuer shall not be entitled to redeem the Bonds outstanding prior to the Redemption Date stated in the applicable Series Trust Deed unless:

- (a) a minimum of 5 years or such number of years as may be prescribed by the CBN, has lapsed from the Issue Date specified in the applicable Series Trust Deed and Pricing Supplement;
- (b) the Issuer has obtained the prior approval of the CBN for such early redemption; and
- (c) prior to the exercise of such right to redeem, the Issuer can demonstrate that its capital position will be well above the minimum capital requirement as prescribed by the CBN.

4. Purchase of Bond by the Issuer

The Issuer may at any time and from time to time purchase any part of the Bonds through the market or by tender (available to all Bondholders alike) but not otherwise. Any Bond so purchased will be cancelled and will not be available for re-issue.

5. Status of the Bonds

The Bonds are direct and unconditional obligations of the Issuer and the status of the Bonds shall be as set out under the relevant Pricing Supplement and Series Trust Deed.

6. Covenants by the Issuer

6.1 Negative Pledge

For as long as any of the Bonds remain outstanding, the Issuer shall not, without the prior consent of the Trustee in writing, create or permit to subsist any Security Interest to secure any Financial

Indebtedness, unless the Issuer's obligations under the Bonds (that are not part of the Issuer's Tier II Capital) are secured equally and rateably therewith or have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem not to be materially less beneficial to the Bondholders. PROVIDED THAT the restrictions in this condition 6.1 will not apply to Permitted Security.

6.2 Further Indebtedness

For as long as the Bonds remain outstanding and save as provided in this Trust Deed, the Issuer may incur any other indebtedness for borrowed moneys provided that such further indebtedness shall not be in breach of Condition 6.1 above.

6.3 Restricted Payments

The Issuer shall not declare or pay any dividend in cash or otherwise or make a distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital if an Event of Default has occurred and is continuing.

7. Coupon

If a Pricing Supplement so specifies, the Bonds of that Series will bear Coupon from the Coupon Commencement Date at the Coupon Rate(s) specified in, or determined in accordance with, the Pricing Supplement and such Coupon will be payable in respect of each Coupon Period on the Coupon Payment Date(s) specified in the Pricing Supplement. The Coupon payable on the Bonds of any Series for a period other than a full Coupon Period shall be determined in accordance with the Pricing Supplement.

7.1 Coupon on Fixed Rate Bonds

- (a) The Fixed Rate Bonds (being those Bonds that specify that the coupon is payable at a fixed rate) shall bear coupon on the Principal Amount Outstanding at the Coupon Rate specified in the applicable Pricing Supplement from (and including) the Coupon Commencement Date specified in the applicable Pricing Supplement to (but excluding) the Maturity Date. Coupon shall be payable in arrears on the Coupon Payment Date in each year. The first payment of coupon will be made on the Coupon Payment Date following the Coupon Commencement Date (specified in the applicable Pricing Supplement) and, if the first anniversary of that Coupon Commencement Date is not a Coupon Payment Date, the first payment of coupon shall be as specified in the applicable Pricing Supplement.
- (b) If the Maturity Date is not a Coupon Payment Date, coupon from (and including) the preceding Coupon Payment Date (or the Coupon Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount. If coupon is required to be calculated for a period other than a full year, such coupon shall be calculated on the basis of the actual number of days elapsed divided by 365 or such other method as described in the applicable Pricing Supplement.

7.2 Coupon on Floating Rate Bonds

(a) General

The Floating Rate Bonds (being those Bonds that specify that the coupon is payable at a floating rate) shall bear interest on its Principal Amount by reference to a specified floating rate benchmark plus a margin as may be described in the applicable Pricing Supplement and/or Series Trust Deed.

(b) Coupon Payment Dates

The Floating Rate Bonds shall bear coupon on its Principal Amount from (and including) the Coupon Commencement Date at the rate equal to the Coupon Rate payable in arrears on the Coupon Payment Date(s).

(c) Coupon Rate

The Coupon payable from time to time in respect of each of the Floating Rate Bonds will be determined in the manner specified in the applicable Pricing Supplement.

(d) Calculation of Coupon

The Coupon amount payable in respect of the Bonds shall be calculated by applying the Coupon Rate to the specified denomination and multiplying such sum by the applicable Day Count Fraction.

For the Purposes of Condition 7.2 (d):

“Day Count Fraction” means, in respect of the calculation of an amount of Coupon for any Coupon Period (specified in the applicable Pricing Supplement):

- (i) if “Actual/365” is specified, the actual number of days elapsed in the Coupon Period divided by 365; or
- (ii) such other specified calculation method.

7.3 Discounted Bonds

The Zero-Coupon Bonds (being those Bonds that are issued at a discount to their face value) will be issued at an issue price such that the yield to maturity is reflected in the difference between the discounted issue price and the final redemption amount of such Zero Coupon Bond as specified in the applicable Pricing Supplement and/or Series Trust Deed. Zero Coupon Bonds will not bear Coupon other than in the case of late payment, which will be calculated as specified in the applicable Supplementary Shelf Prospectus and/or Series Trust Deed.

8. Sinking Fund/Debt Service Reserve Account

- 8.1 The provisions of this Condition 8 will only apply where provision is made for a sinking fund or debt service reserve account in the relevant Series Trust Deed. Where no such provision is made, this Condition 8 shall not apply to the Bonds.
- 8.2 The Issuer shall, not later than the date specified in a Series Trust Deed for any Series, cause payments to be made into a bank account which shall be called a “Sinking Fund Account” or “Debt Service Reserve Account” (“DSRA”) which shall be managed by the Trustee and shall form part of the trust property. The Issuer shall irrevocably authorise the Chief Financial Officer or any officer for the time being in charge of the finance of the Issuer to deduct, as a first charge on the Issuer’s cashflows and to place to the credit of the Sinking Fund Account or the DSRA (in accordance with the Series Trust Deed setting up a particular Series and referenced in the Applicable Pricing Supplement), such sum or sums from the finance of the Issuer, at the Issuer’s discretion not below the sum as stipulated in the Series Trust Deed on a monthly basis which sum shall be applied by the Trustee towards the payment of Coupon and the redemption, at par, of the Bond PROVIDED THAT the Trustee at its discretion may ask the Issuer to increase the amount being credited to the account if in its opinion the amount being credited to the account may not be sufficient to meet Coupon and principal repayment due on the Bonds at any time.

8.3 Authorised Investment

Any monies standing to the credit of the Sinking Fund Account or the DSRA may, at the discretion of the Trustee in consultation with the Issuer, be invested by the Trustee in its name or under its legal control in any investments for the time being authorised by the Trustees Investment Act for the investment of trust monies or such other instruments as may be agreed by the Trustee and the Issuer, or in any other investments which may be approved by the Commission. PROVIDED HOWSOEVER that the Trustee shall, while any Bonds are outstanding, render accounts on a half-yearly basis to the Issuer.

- 8.4 If at any time prior to the date specified in the Series Trust Deed, the Issuer redeems any Bond under the provisions of Condition 3 hereof or purchases any Bond under the provisions of Condition 4 above, the Trustee shall remit to the Issuer such monies received from the Issuer for the credit of the DSRA which are over and above the amount necessary to meet all future coupon payments and principal redemptions, at par, PROVIDED THAT, subject to Clause 14 of the Deed, the Trustee in its absolute discretion may withhold such sums as deemed necessary to maintain a cushion against coupon fluctuations.

9. Cancellation of Bonds

Any part of the Bonds redeemed or purchased shall be cancelled and the Issuer shall not keep such Bond valid for the purpose of re-issue.

10. Drawing of Bonds for Redemption

Whenever under these Conditions a drawing of Bond for redemption is required to be made, the Issuer shall (subject as provided in these Conditions) cause such drawing to be made at the registered office of the Trustee for the time being or at some other place approved by the Trustee. Notice in writing of the day, time and place of every such drawing shall be given by the Issuer to the Trustee and any person appointed by the Trustee shall be entitled to be present at such drawing. Every such drawing shall be made in such manner and by such methods as the Trustee may approve as convenient for selecting the amount of Bonds required to be drawn.

11. Delivery of Document

If required by the Issuer every Bondholder whose Bond is due to be redeemed under these Conditions shall not later than the due date for such redemption deliver up any such document(s) as may be required by the Issuer.

12. Trusts

- 12.1 Except as required by law, or as ordered by a court of competent jurisdiction, the Issuer will recognise the Bondholder of any Bond as the absolute owner of such Bond and shall not be bound to take notice or see to the execution of any trust whether express, implied or constructive to which any Bond may be subject.
- 12.2 The receipt by a Bondholder for the time being of any Bond (or in the case of joint registered holders, the payment to the joint Bondholder whose name stands first in the Register) of the principal of such Bond or of any other money payable in respect of such Bond shall be a good discharge to the Issuer notwithstanding any notice it may have whether express or otherwise of the right, title, coupon or claim of any other person to or in such principal, dividend or other money. No notice of any trust whether express, implied or constructive shall (except as provided by statute or as required by a court of competent jurisdiction) be entered in the Register in respect of any Bond.

13. Freedom from Equities

Every Bondholder will be recognised by the Issuer as entitled to his Bond free from any equities, set-off or cross-claim on the part of the Issuer against the original or any intermediate holder of the Bond.

14. Transfers

- 14.1 The Bond is transferable in amounts or integral multiples of an amount specified in the Series Trust Deed.
- 14.2 Transfers of the Bond shall be by an instrument in writing and in accordance with the provisions of Condition 18 below.
- 14.3 If the Bonds are listed, the Bonds shall be transferred on the Relevant Exchange in accordance with the rules and regulation of the Relevant Exchange.
- 14.4 Every instrument of transfer must be signed by or on behalf of the transferor or where the transferor is a corporation, properly executed according to its constitutional documents, and the transferor shall be deemed to remain the owner of the Bonds until the name of the transferee is entered in the Register.
- 14.5 Every instrument of transfer must be left for registration at the place where the Register shall for the time being be kept accompanied by such evidence as the Issuer may require to prove the title of the transferor or his right to transfer the Bond and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do.
- 14.6 Closed Periods: No Bondholder may require the transfer of a Bond to be registered during the period of 15 (fifteen) days ending on the due date for any payment of principal or Coupon on that Bond.

15. Transmission

- 15.1 In the case of the death of a Bondholder the survivor or survivors where the deceased was a joint holder and the executor or administrator of the deceased where he was a sole or only surviving holder shall be the only person recognised by the Issuer as having any title to such Bond.
- 15.2 Any person becoming entitled to any Bond in consequence of the death or bankruptcy of any Bondholder or of any other event giving rise to the transmission of such Bond by operation of law may upon producing such evidence of his title as the Registrars shall think sufficient, be registered as the holder of such Bond himself or, subject to Condition 14, may transfer such Bond without himself being registered as the holder of such Bond.

16. Method of Payment of Principal Money, Coupon and Premium

Payment of the Principal, Coupon and premium (if any) for the time being owing or due on all or any part of the Bond will be credited to the bank account nominated for this purpose by the Bondholder or in the case of joint registered Bondholders by the joint Bondholders or any other method as the Trustee may determine.

17. Receipts for Money Paid

If several persons are entered in the register as joint holders of any Bond, then the receipt by any of such persons of any Coupon or principal or other money payable on or in respect of such Bond shall be as effective a discharge to the Issuer as if the person signing such receipt were the sole

registered holder of such Bond.

18. Title

Transfer of title to Bonds issued in uncertificated form shall be effected in accordance with the rules governing transfer of title in securities held by CSCS. In these Conditions, Bondholders and (in relation to a Bond) holder means the person in whose name a Bond is registered in the Register of Bondholders.

19. Events of Default

A. In relation to Bonds not forming part of the Tier II Capital of the Issuer, If any of the following events stated in this Condition 19 A ("Events of Default") have occurred and are continuing in accordance with the time frame set out below, the Trustee may at its discretion or shall:

- i. if so requested in writing by the Majority Bondholders; or
- ii. if so directed by an Extraordinary Resolution of the Bondholders,

give written notice to the Issuer at its specified office that the Bonds are immediately repayable whereupon the Principal Amount Outstanding on the Bonds together with accrued Coupon shall become immediately due and repayable:

19A.1 Non-Payment: if the Issuer fails to pay any sums representing principal, coupon and premium (if any) on the Bond or any fees or other sums as they fall due in accordance with this Deed unless its failure to pay is caused by an administrative or technical error, and payment is made within 10 (ten) Business Days of its due date. Provided however that where such non-payment is due to a Force Majeure event the Trustee may in its discretion (after consultation with the Issuer) determine that such Force Majeure event can be remedied within a reasonable period after the grace period referred to above in this Clause and extend the grace period;

19A.2 Cross Default: if any Financial Indebtedness of the Issuer of a value exceeding ₦5,000,000,000.00 in aggregate (for the avoidance of doubt, any amounts being contested in good faith shall not be counted towards such value) is not paid when due or within any applicable grace period, or the Financial Indebtedness of the Issuer of a value exceeding ₦5,000,000,000.00 in aggregate is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an Event of Default (however described) and such event shall be certified in writing by the Trustee to be in its opinion materially prejudicial to the interest of the Bondholders;

19A.3 Insolvency: If

19A.3.1 the Issuer is unable, for the purposes of CAMA, to pay its debts, or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its Financial Indebtedness;

19A.3.2 A Moratorium is declared in respect of any Financial Indebtedness of the Issuer, and such Moratorium is not discharged within 45 (forty-five) Business Days after it was declared. Provided that the Issuer is able to show to the satisfaction of the Trustee within 10 (ten) Business days after such Moratorium is declared that it is in good faith negotiating for the lifting of the Moratorium;

19A.3.3 Any corporate action or legal proceedings is concluded and judgment given against the Issuer in relation to:

- 19A.3.3.1. a Moratorium of any Financial Indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Issuer other than a solvent liquidation or any reorganisation of the Issuer;
 - 19A.3.3.2. the appointment of a liquidator (other than in respect of a solvent liquidation of the Issuer) receiver, administrator, administrative receiver or other similar officer in respect of the Issuer or any of its assets; or
 - 19A.3.3.3. any analogous procedure or step is taken in any jurisdiction, and such proceeding is not dismissed or terminated on or before the 30 (thirtieth) Business Day (which would exclude days on which Nigerian courts are on vacation) after the order is made or if any such dismissal or stay ceases to be in effect (or such longer period as the Trustee may permit) PROVIDED THAT the Issuer has within 10 (ten) Business Days filed good faith legal proceedings in the relevant court for the order to be set aside, dismissed or stayed;
- 19A.4 Cessation of Business:** if the Issuer ceases to conduct all or substantially all of its business as is now conducted or changes all or substantially all of the nature of such business or merges or consolidates with any other entity without the prior written consent of the Trustee pursuant to Clause 7.7 of the Trust Deed; or
- 19A.5 Material Adverse Effect:** If a Material Adverse Effect has occurred;
- 19A.6 Enforcement Proceedings:** if any distress, execution or other process shall be levied or enforced or sued upon or against any asset(s) of the Issuer having an aggregate value of ₦3,000,000,000.00 (Three Billion Naira) ("Assets") and such action or process is not discharged, or stayed within 90 (ninety) days of service by the relevant officer of the court of such attachment, execution or other legal process or if an encumbrancer shall take possession or a Receiver shall be appointed over the Assets of the Issuer and such event shall be certified in writing by the Trustee to be in its opinion materially prejudicial to the interests of the Bondholders PROVIDED THAT if the Issuer has filed good faith legal proceedings in the relevant court for application for dismissal or stay within 10 (ten) Business Days of becoming aware of the order or action, then such shall not be regarded as an Event of Default; or
- 19A.7 Breach of Other Obligations:** Other than Non-Payment as in Condition 19.1, if default shall be made by the Issuer in the performance or observance of any covenant, condition, provision or agreement including the representations and warranties which default will affect the capacity of the Issuer to perform its payment obligations under this Trust Deed, and the Issuer shall fail to perform fully or make good the breach of such covenant, condition, provision or agreement within 30 (thirty) days from receipt of notice in writing by the Trustee (or in its opinion such longer period as the Trustee may reasonably determine is not materially prejudicial to the interests of the Bondholders);
- 19A.8 Withdrawal of Licence:** the banking license of the Issuer is terminated, revoked or suspended and is not replaced or any license from any governmental authority which the Issuer holds and which is necessary for it to carry on its business, is terminated, revoked or suspended and in any such case is not replaced within 180 days thereafter; or
- 19A.9 Release of Issuer:** If there shall be any release of the Issuer from its obligations under the undertaking provided in this Deed, other than with the approval of the Trustee and a Extraordinary Resolution of the Bondholders, including any release by operation of law, or any failure by the Issuer to make payment when demanded by the Trustee in accordance with the undertaking aforesaid.

- B.** In relation to the Bonds forming part of the Tier II Capital of the Issuer, an Event of Default shall occur if:

19B.1 Winding up Proceedings: if an order is made by the court or a resolution is passed for the winding-up of the Issuer; and

19B.2 Liquidation: if the Issuer is liquidated or declared insolvent,

Upon the occurrence of either event in Condition 19B.1 or 19B.2 above, the Trustee may, at its discretion, or shall, if so requested in writing by the Majority Bondholders or so directed by an Extraordinary Resolution of the Bondholders, give written notice to the Issuer at its specified office that the Bonds are immediately repayable whereupon the Principal Amount Outstanding on the Bonds which form part of the Issuer's Tier II Capital together with accrued Coupon shall become immediately due and repayable.

20. Notices

- 20.1 Any notice or other document may be given to or served on any Bondholder either personally or by sending it by electronic mail, by post in a prepaid envelope or delivering it addressed to him at his registered address or (if he desires that notices shall be sent to some other persons or address) to the person at the address supplied by him to the Issuer for the giving of notice to him.
- 20.2 In the case of joint registered holders of any Bond a notice given to the Bondholder whose name stands first in the Register shall be sufficient notice to all the joint holders.
- 20.3 Any notice or other document duly served on or delivered to any Bondholder under these conditions shall (notwithstanding that such Bondholder is then dead or bankrupt or that any other event has occurred and whether or not the Issuer has notice of the death or the bankruptcy or other event) be deemed to have been duly served or delivered in respect of any Bond registered in the name of such Bondholder as sole or joint holder unless before the day of posting (or if it is not sent by post before the day of service or delivery) of the notice or document his name has been removed from the Register as the holder of the Bond and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or claiming through or under him) in the Bond.
- 20.4 Any notice shall be deemed to have been served on the seventh (7th) day following that on which the letter containing the notice is posted and in proving such service it shall be sufficient to prove that the envelope containing the notice or the notice itself was properly addressed, stamped and posted. Any notice given by delivery otherwise than by post shall be deemed given at the time it is delivered to the address specified.

21. Meetings of Bond holders

The rights and duties of the Bondholders in respect of attendance at meetings of Bondholders are set out in the Second Schedule of the Trust Deed (Provisions for Meetings of Bondholders). Decisions taken at Bondholders meetings may only be exercised by the Trustee in accordance with the Trust Deed or under these Conditions. For the avoidance of doubt, the Conditions of the Bond can only be amended in accordance with the provisions of Clause 29 of the Trust Deed.

22. Governing Law

The Bonds are governed by, and shall be construed in accordance with, the laws of Nigeria.

23. Prescription

Claims against the Issuer in respect of the Bonds shall be void unless presented for payment within six (6) years (in the case of principal and coupon) from the due date for payment of any amount due on such Bonds.

TAX CONSIDERATIONS

The income and interest earned from the Bonds by Holders will be exempted from tax imposed under the CITA by virtue of the CITA Order, effective from 2nd January, 2012. This exemption is for a period of 10 years from the commencement date of the CITA Order unless otherwise extended. Furthermore, by virtue of the Personal Income Tax (Amendment) Act 2011, corporate bonds are also exempt from personal income tax.

In view of the above, the Issuer may be not required by law to withhold tax on Coupon payments to the Holders. Therefore, all amounts payable under the Bonds will be paid without deduction or withholding for or on account of any income tax. However, in relation to Bonds with a maturity date later than January 2, 2022, the Issuer shall be required by law, to withhold tax on Coupon payments to such Holders. Withholding tax implications in respect of the Coupon payments on the Bonds to Holders for the period after January 2, 2022 will be stated in the Applicable Pricing Supplement.

The proceeds from the disposal of the Bonds will be exempt from VAT imposed under the VAT Act and the Finance Act in accordance with the VAT Order, effective from 2nd January, 2012. This exemption is for a period of ten (10) years from the commencement date of the VAT Order. Thus, VAT will not be payable upon a disposal of the Bonds during the subsistence of the Order. However, upon termination of the exemption period on 2 January 2022, the proceeds of the disposal of the Bonds still outstanding may be subject to VAT.

Commissions payable to the Central Securities and Clearing System PLC, the SEC, FMDQ or the NSE in connection with the Bonds shall be subject to VAT.

[The foregoing summary is not a comprehensive summary, and does not constitute advice, on tax to any actual or potential purchaser of Bonds issued under the Programme. In addition, it does not constitute a representation by the Issuer or its advisers on the tax consequences of a subscription or purchase of Bonds issued under the Programme. Any tax consideration that may be relevant to a decision of a person to acquire, hold or dispose of Bonds issued under the Programme and to each actual or potential purchaser of the Bonds may vary. Therefore, any actual or potential purchaser of the Bonds who intends to ascertain its/his/her tax position should seek professional advice from its/his/her preferred professional advisers as to the tax consequences arising from subscribing to or purchasing the Bonds. Neither the Issuer nor its advisers shall be liable to any subscriber or purchaser of the Bonds in any manner for placing reliance upon the contents of the above summary.]

RISK FACTORS

*The following section does not describe all the risks (including those relating to each prospective investor's particular circumstances) with respect to an investment in the Bonds. The risks in the following section are provided as general information only. Before making any investment decision, prospective investors should carefully read this Shelf Prospectus in its entirety, including the risk factors set out below. **Investors should also seek professional advice before making investment decisions in respect of the Bonds.***

Further to the above, the Issuer disclaims any responsibility for advising prospective investors of such risks as they exist at the date of this Shelf Prospectus or as such risks may change from time to time. Prospective Investors should consult their own financial and legal advisers about the risks associated with an investment in the Bonds.

An investment in the Bonds involves certain risks, most of which may or may not occur and neither the Issuer nor any of the Issuing Houses is in a position to express a view on the likelihood of any such contingency occurring. Accordingly, prospective investors should carefully consider, amongst other things, the following risk factors together with all of the other information included in this Shelf Prospectus and any Applicable Pricing Supplement before purchasing the Bonds.

1. Risks Relating to Nigeria

The Bank operates in Nigeria and therefore faces general macroeconomic risks as the performance of the banking sector is highly correlated with the performance of the Nigerian economy.

Political risks

These are risks associated with the nation's political climate. Nigeria's diverse political, religious and ethnic landscape has led to struggles for power between rival groups, which have consistently hindered the smooth governance of the country. The continued criminal activity, unrest, political and religious conflicts in the country may lead to lower oil production, deter investments in the country and lead to increased political instability that could have a material adverse effect on Nigeria's economy. Also, potential changes in government policies as affects the banking landscape could impact on the Bank's business. If the Federal Government is unable to address all these issues, these risks may persist and may adversely affect Nigeria's political and economic stability which may, in turn, further affect the Bank's business, results of operation, and/or financial condition.

Overreliance on Crude Oil

Between 2014 and 2017, the Nigerian economy was significantly affected by the global slide in crude oil prices evidenced by the weakening of the currency, substantial drop in foreign currency earnings and reserves, withdrawal of foreign portfolio capital and a corresponding decline in stock market performance and government revenues. While the federal government advances in its efforts to diversify the economy from its dependence on oil revenue, global crude oil prices recently declined to c. US\$26 with a resultant depression on government reserves. A further decline in global oil prices will continue to put a strain on the Nigerian economy which in turn might impact the Bank's operations and profitability.

Large infrastructure deficit poses a hindrance to the development of the economy

The value of Nigeria's total infrastructure stock (road, rail, power, airports, water, telecoms, and seaports) represents only 35% of GDP. This is far below the level of peer emerging market countries, where the average is 70%.¹ Nigeria lacks stable power supply and adequate infrastructure such as roads, rail, ports, broadband networks etc., which has led to challenges in the development of many sectors of the economy. The power sector still faces challenges which relate to governance, funding, legal, regulatory and pricing issues across the value chain. Given the huge capital investment required to address this deficit, there have been calls for the private sector to play a key role in providing critical infrastructure, either directly or in collaboration with the FGN. However, challenges with pricing and funding continue to call to question

¹ The Nigerian Economic Recovery & Growth Plan 2017-2020

the viability of private sector investment with the Nigerian Electricity Regulatory Commission announcing a 78% hike in electricity tariffs in January 2020 to attract investments in the power sector.

Issues with governance and processes continue to weigh on doing business in Nigeria

Bureaucracy, bribery and corruption, are of serious concern and constitute major barriers to doing business in Nigeria and hinder economic growth and social development. Nigeria recently moved 15 places to rank 131 out of 190 countries in the World Bank's 2020 Doing Business index. While this is an improvement, the country still performs poorly in the areas of tax collection, enforcing contracts and trading across borders. This continues to impact negatively on tax revenue, investor confidence and mobility of goods.

Failure to address these issues, continued corruption in the public sector and any future allegations of or perceived risk of corruption in Nigeria could have an adverse effect on the Nigerian economy and may have a negative effect on Nigeria's ability to attract foreign investment and, as a result, may have a material adverse effect on the Bank's business, results of operations and/or financial condition.

Insecurity

The country is plagued by insurgency attacks in its northern states while battling militant attacks on oil pipelines and kidnapping episodes in the southern states. Amidst the setback caused by the global shock in oil prices which saw a considerable reduction in oil revenues to the economy, pipeline vandalism had further worsened the country's predicament by not only a decline in production but also a reduction in operations by major international companies in the region. The combined effect of these security challenges is the increased political instability and reduced confidence of foreign investors in the local economy. Although, over the past year, there has been moderation in the frequency of kidnapping cases across the country, the sectarian conflicts in the Middle Belt; resurgence of Boko Haram activity in Northern Nigeria; and the Fulani herdsman crisis still contribute to the regions' security challenges. The negative effects of such incidences on the nation's economy portend a negative impact on the Bank and the industry in which it operates.

Other National Emergencies

In December 2019, a respiratory disease, Coronavirus Disease (COVID-19), was discovered in Wuhan, China. According to World Health Organisation (WHO), the disease has since then spread through to 200 countries (including Nigeria), claiming 21,031 lives with 465,915 people infected as at 26th March 2020. On 25th March 2020, Nigeria had recorded 65 confirmed cases, including 3 recovered and discharged patients and 1 confirmed death, according to the Nigerian Centre for Disease Control (NCDC).

The COVID-19 pandemic is having significant adverse effects on the global and Nigerian economies. The Nigerian economy, given its heavy reliance on crude oil, has seen a sharp reduction in government reserves, rising inflation, disruption in supply chain and turbulence in the stock and financial markets as yields on government securities rise due to investor sell offs amid market uncertainty. As a result of the pandemic, the Economists Intelligence Unit (EIU) has predicted global growth will stand at c. 1% in 2020, down from its outlook of 2.3% before the outbreak.

2. Risks Relating to the Issuer

The Bank is exposed to commercial and market risks in its ordinary course of business, the most significant of which are credit risk, liquidity risk, regulatory and compliance risk, market risk and operational risk.

The following is a description of the risk factors that are material in respect of the financial situation of the Bank under the Programme.

Foreign Exchange Risk

This is the risk of losing earnings and capital that arise from the change in price of one currency against another. The bank undertakes transactions denominated in foreign currencies. Unfavourable movement in

exchange rates may affect the Bank's foreign currency transactions, the value of the Bank's foreign currency-denominated assets and liabilities and consequently have a negative impact on its financial condition.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations and arises when the Bank's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements, resulting in financial loss to the Bank. A default by a counterparty poses the risk of the Bank incurring higher costs in debt recovery. Where the debts are recovered or obligations enforced late, there are financial losses as a result of the time value of money for the period the debt was unrecovered. In the event that the debt cannot be recovered, financial loss is incurred. If macroeconomic conditions in Nigeria deteriorate significantly, there can be no assurance that the rate of the Bank's non-performing loans and credit impairments will not increase which, in turn, could have an adverse effect on the Bank's financial condition or results of operations.

Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting due obligations associated with financial liabilities that are settled by delivering cash or any other financial asset. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements. The liquidity risk is considered minimal, based on the Bank's highly liquid balance sheet - cash, interbank balances, and highly liquid investment securities. The Bank's large pool of government securities and its ability to refinance will continue to uphold liquidity.

Market Risk

This is the risk of losses in on- or off-balance sheet positions that arise from movement in market prices. Changes in equity prices, interest rates, credit spreads, foreign-exchange rates, commodity prices, and other financial assets will impact the Bank's trading book. The Bank also faces this risk from the perspective of its business lines, whereby a downturn in the capital markets or other such unfavourable market developments may affect the profitability of the brokerage and investment banking businesses. Although the Bank has implemented risk management methods to address these risks, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Bank's financial performance.

Operational Risk

This is the risk of direct or indirect loss arising from inadequate and/or failed internal processes, people and systems or external events. They include: fraud, fines or expenses incurred as a result of settlement delays and regulatory infractions; litigation processes including out of court settlements; damage to the physical assets; system downtime, malfunction or disruption and the losses arising thereof.

Regulatory and Compliance Risk

The industry in which the Bank operates is highly regulated. The BOFIA, various CBN Guidelines (including the CBN Prudential Guidelines), circulars and directives contain provisions which the Bank is required to adhere to, including the requirement to meet certain capital adequacy and cash reserve requirements, failing which the Bank risks sanction by the CBN. Non-compliance by the Bank with CBN directives may result in the revocation of the Bank's operating licence. Should the Bank lose its operating licence, it would be unable to meet its obligations under the Programme. Similarly, any failure by the Bank to monitor, report and act on suspected financial crime and money laundering activities could expose the Bank to losses, penalties or reputation damage.

Issuer's Investment Portfolio Risk

The Bank's investment portfolio contains investments in Government bonds and treasury bills instruments and given the CBN announcement banning individuals and Nigerian corporates from participating in Open Market Operations (OMO) the Bank might experience a decline in interest income from government securities. As at 31st December 2018, income earned on Federal Government bonds (the "FGN Bonds")

and treasury bills represented 28.9% of the bank's interest income. In Q1 2020, yields on Government securities are expected to continue their current decline.

Following the continuous decline on the yields of Government securities, the Bank's net interest income would negatively be affected.

In the event that the Nigerian Government receives a ratings downgrade or defaults on its existing obligations, the value of Government instruments will suffer a decline in price and the Bank will need to seek other alternatives to maintain its margins as this would result in the Bank's business or financial condition becoming materially and adversely affected.

3. Risks relating to the Bonds

Secondary Market Trading

A key risk to the Bonds is the lack of an active trading market for corporate bonds. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon the market for similar securities, general economic conditions and the financial condition and prospect of the Bank. Although applications will be made for Bonds issued under the Programme to be admitted and traded on the FMDQ platform and/or the NSE, there is no assurance as to the development or liquidity of any trading market for any particular issue of the Bonds.

Credit rating may not reflect the full impact of the Bonds' risks

The Bonds will be assigned a rating by at least one SEC-registered rating agency and any independent rating agency that may also decide to rate the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agencies at any time.

Early Redemption

The Bonds may be subject to early redemption. Therefore, Bondholders may face the risk that the Bonds will be redeemed before maturity in a falling interest rate environment, forcing the Bondholders to reinvest the proceeds at a lower rate of return.

Modifications, waivers and subscription

The conditions of the Bonds contain provisions for calling general meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend the vote at the relevant general meeting and Bondholders who voted in a manner contrary to the majority.

OVERVIEW OF NIGERIA AND ITS ECONOMY

The information in this section has been extracted from publicly available data obtained from organizations such as the CBN, the NBS, the DMO and other sources believed to be reliable. The Issuer and the Issuing Houses have relied on the accuracy of this information without independent verification and make no representation as to its accuracy.

OVERVIEW

Nigeria is a federation made up of three tiers of government – federal, state and local governments. The Constitution of the Federal Republic of Nigeria 1999 (as amended) (the “Constitution”) was adopted in May 1999. It has been amended several times since it came into force in May 1999. The Constitution provides for a tripartite structure of government in which power is divided among the executive, legislative and judicial branches. It establishes and sets out the powers and functions of the President (executive), the National Assembly (legislative) and an independent judicial system (judicial), as well as persons and bodies which may validly exercise such powers.

Nigeria is located in the West African sub-region of Africa, bordered by the Republic of Niger to the North, Republic of Chad to the North East, Republic of Cameroon to the East, Republic of Benin to the West and the Atlantic Ocean to the South, and occupies a land area of approximately 923,773 sq. km. Nigeria comprises 36 States, a Federal Capital Territory – Abuja which is located in north central Nigeria and 774 Local Government Areas and Area Councils.

Nigeria has a presidential system of government with the executive powers of the Federal Government vested in the President. The FGN is headed by an elected President and Commander in Chief of the Armed Forces and the legislature consist of a bicameral National Assembly comprising the Senate and the House of Representatives. The legislative powers of the Federal Government are vested in the National Assembly. The President is supported by a Vice President elected along with him and by Ministers appointed by him. The executive powers of the President, subject to the provisions of the Constitution and of any law made by the National Assembly, may be exercised by the President directly or through the Vice-President, the ministers and/or any officer(s) in the public service of the Federal Government.

The executive government of each state is headed by an elected state Governor and the legislature consist of a unicameral House of Assembly. The Governor is supported by a Deputy Governor elected along with him and by Commissioners appointed by him. The Federal Capital Territory is however administered by a designated Minister appointed by the President while legislative powers for the territory are vested on the National Assembly. The states and the Federal Capital Territory are grouped into six geopolitical zones: North West, North Central, North East, South East, South-South and South West. Lagos, which is situated in the South West of Nigeria, is the principal commercial centre and has the main sea and air ports in the country.

There are currently 774 constitutionally recognised Local Government Areas and Area Councils (LGA) in Nigeria. Each Local Government Area is administered by a Local Government Council consisting of a Chairman who is the Chief Executive of the LGA, and other elected members who are referred to as Councillors. Each of the LGAs is further subdivided into wards with a minimum of ten and a maximum of fifteen for each LGA.

In accordance with the Constitution, judicial authority is vested mainly in the following courts: the Supreme Court of Nigeria; the Court of Appeal; the Federal High Court; the High Court of the FCT; the National Industrial Court; the High Court of each state; the Sharia Court of Appeal and Customary Court of Appeal of the FCT; Sharia Court of Appeal and Customary Court of Appeal of each state; and such other courts as may be authorised by law to exercise jurisdiction over matters with respect to which the National Assembly or a state House of Assembly (as the case may be) may make laws at first instance or on appeal. Nigerian courts are empowered to hear and determine disputes between private parties; disputes between a private party and any of the three tiers of government or their agencies; or disputes between the three tiers of government or their agencies. Thus, the courts have the power to review statutes and executive actions to ensure that they conform to the Constitution and other laws in force in Nigeria.

The Constitution also establishes election tribunals and authorises the National Assembly to constitute other tribunals as may be required. The more prominent of these special "courts" is the Investments and Securities Tribunal, which handles disputes in relation to capital market activities.

According to the United Nations Population Division's (UNPD) World Population Prospects, Nigeria's population was approximately 190.89 million in 2017, a growth of 2.63% from 2016. Undoubtedly, Nigeria is the most populous nation in Africa, accounting for approximately 51.31% of the West African populace.

Nigeria is endowed with several minerals across the country including gold, iron ore, coal and limestone, and has 36.9 billion barrels of proven oil reserves and 5.7 trillion cubic feet of proven natural gas according to 2018 data by the Organization of the Petroleum Exporting Countries (OPEC). According to the OPEC, in 2018, the country was the 13th largest producer of petroleum in the world and has the 8th largest proven reserves. The structure of the Nigerian economy is predominantly services (48.59%), agriculture (29.25%) and industries (22.17%). Agriculture is a major source of livelihood, employing roughly 70% of the labour force as at Q3 2019.



POLITICAL CONTEXT

Nigeria became an internationally recognised independent nation in 1960, after a period of colonialism under the British government which spanned about a century beginning with the formal annexation of Lagos in 1861. In October 1963, it became a Federal Republic and in May 1999 returned to democratic rule after thirty-three years of primarily military rule. For four years, between 1979 and 1983, democracy surfaced briefly under the civilian government led by Alhaji Shehu Shagari, until it was ended by a military coup. Chief Olusegun Obasanjo became the first democratically elected President on the platform of the People's Democratic Party ("PDP"). After serving the constitutionally permitted two terms in office, Chief Olusegun Obasanjo handed over power to Alhaji Umaru Musa Yar'Adua on 29th May, 2007. However, President Yar'Adua's tenure was short lived due to his demise on 5th May, 2010; following which Dr Goodluck Ebele Jonathan ("GEJ") was sworn in as President on 6th May, 2010. GEJ contested and won the 2011 presidential election.

The most recent presidential election was held on 23rd February, 2019 and saw the re-election of the incumbent, President Muhammadu Buhari, under the platform of the All Progressives Congress ("APC") thereby ensuring continuity in governance for the country and enabling the administration of President Buhari build on policies enacted in his first term. The election was marred by sporadic reports of violence with election observer describing the polls as overcome with logistical shortcomings as the election was postponed by one week despite being the most expensive elections held in Nigeria with the budget presented to the national assembly putting the cost at ₦242 billion. The main challenger Atiku Abubakar of the People's Democratic Party ("PDP") contested the results of the election which the Supreme Court upheld.

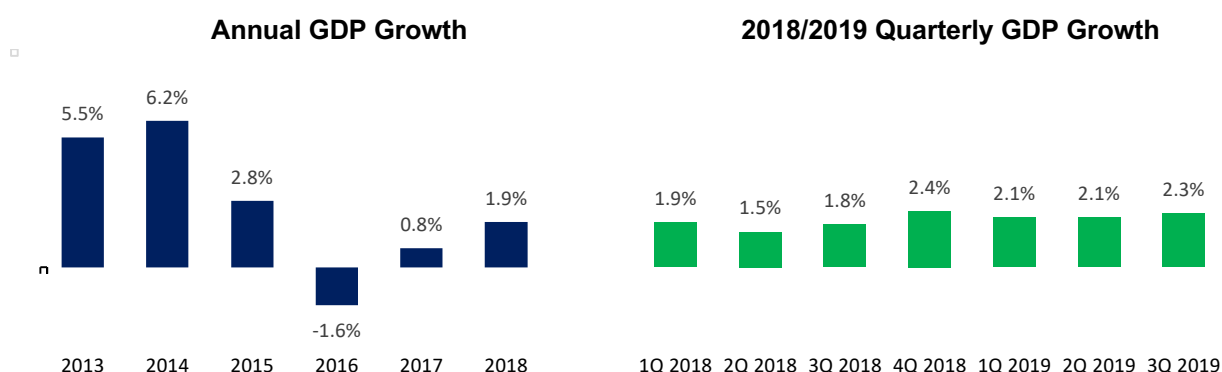
Beginning in 1963, Nigeria has had four different republics and each republic came with its own constitution. Nigeria is currently running its fourth republic which was inaugurated in May 1999. The present constitution provides for a tripartite structure in which power is divided among the executive, legislative and judicial arms of government to entrench the concept of the separation of powers. It establishes the (a) office of the President, who is Commander-in-Chief of the Armed Forces and it sets out the powers and functions of the President (executive); (b) National Assembly (legislative) with its powers and functions; and (c) judicial system (judiciary) with its powers and functions. The Constitution also prescribes the qualifications and requirements which individuals must possess to hold any of the offices created by the Constitution.

ECONOMIC OVERVIEW

Gross Domestic Product (GDP)

The GDP is a measure of the total value of final products and services produced in a country in a specific period, usually a year. Nominal GDP measures the total value of final production in current prices while real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effect of inflation. According to the World Bank, Nigeria was Africa's largest economy by GDP in 2016, ahead of Egypt and South Africa.

Figure 1: Annual & Quarterly GDP Growth Rate



Source: NBS

The economy is highly dependent on the oil and gas sector for revenues and export earnings. Prior to 2016 when the oil and gas sector contribution to the federally collectible revenue fell to about 51%, it had accounted for over 70% of government revenue in previous years. Dependence on oil and gas revenue makes the economy vulnerable to oil price fluctuations. Hence, in the wake of the oil shock, growth slowed sharply in 2015 and the economy experienced an outright contraction in 2016 (officially resulting in a recession after two consecutive quarters of negative growth). After contracting for five consecutive quarters, the economy returned to growth in the second quarter of 2017. GDP performance in recent years generally has been supported by growth in non-oil and gas GDP, with the biggest growth drivers being agriculture, telecommunications, manufacturing and trade. Data from the NBS show that Nigeria recorded real GDP growth rates of 2.79% in 2015, (1.51%) in 2016, 0.83% in 2017 and 1.91% in 2018. In Q3 2019, GDP grew by 2.28% (year-on-year) depicting a stronger growth when compared with Q1 2017 with a negative growth of 0.91%. The renewed focus on economic diversification, the CBN's efforts to sustain foreign exchange liquidity and the consistent decline in inflation rate boosted growth in the real sector of the economy in 2017. Similarly, recovery in domestic oil production and favourable price movement in the international oil market saw the oil sector grow by 14.77%, year-on-year, from Q1 2017 and account for 9.61% of the Q1 2018 GDP, while the non-oil segment grew by 0.76% with a contribution of 90.39%. The non-oil sector was driven mainly by agriculture (crop production); financial institutions and insurance; manufacturing; transportation and storage; and information and communication.

The chart below sets forth the contribution to real GDP and growth rate for the periods indicated (based on 2010 constant basic prices) of the five largest sectors of the Nigerian economy, which combined to represent 71.0% of real GDP in 2018:

Table 1: Sectoral Contribution to GDP

	Year ended 31 December,					Period ended
	2014	2015	2016	2017	2018	Sep 2019
Economic Sector	% of GDP					
Agriculture	20.24	23.11	24.45	25.08	21.77	25.89
Mining and Quarrying	10.91	9.76	8.48	8.81	10.69	9.88
Trade	17.64	16.95	17.18	16.86	17.16	14.69
Information and Communication	10.96	11.18	11.57	11.35	10.17	8.54
Manufacturing	9.76	9.55	9.28	9.18	10.74	12.35
Education	2.03	2.17	2.24	2.20	2.14	2.02
Financial Service	3.14	3.07	2.98	3.00	3.13	2.41

Source: NBS

GDP Rebasing

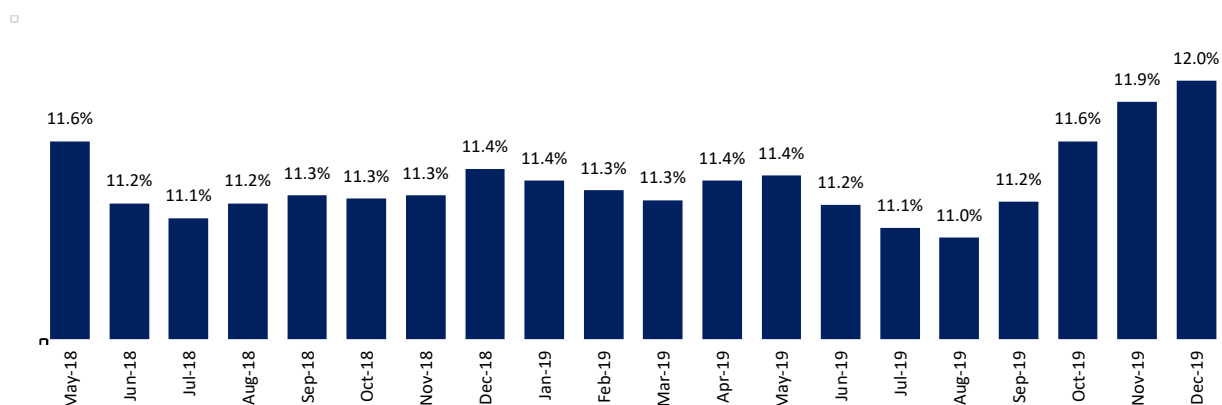
Historically, real GDP was prepared on the basis of 1990 constant basic prices and nominal GDP on the basis of the current basic prices of that year. In 2014, the NBS completed the process of changing the GDP base year to 2010. Rebasing enables the government to better understand the general structure of the economy, sectoral growth drivers, and sectors to which investment and resources should be channelled. For example, Nigeria's GDP estimates prior to the rebasing exercise completed in 2014 did not adequately reflect increasing contributions of sectors such as retail trade and entertainment that had grown significantly in total value and employment generation since the previous rebasing exercise of 1990. The UN Statistical Commission recommends that countries rebase their GDP every five years.

Inflation

Inflation is calculated using the Consumer Price Index ("CPI"). The CPI measures the average change over time in prices of goods and services consumed by people for day-to-day living. According to the December 2019 inflation report issued by the NBS, the CPI increased on a headline basis by 11.98% (year-on-year); this is 0.13% higher than the rate recorded in November 2019 (11.85%). The principal driver is the Food Sub-Index which increased by 14.67% compared to 14.48% in November (year-on-year). One of the major factors contributing to inflation in Nigeria is the predominance of imported (household and everyday) goods, including food. Due to the fact that most goods sold at the commercial market are imported, the prices of these goods are significantly affected by currency movements.

Core inflation, which excludes the price of volatile agricultural produce, stood at 9.33% in December 2019, up 0.34% from the November 2019 reading. Price increases were recorded across various individual consumption divisions that yield headline index with the highest increases recorded in the price of hospitals services, hairdressing saloons and personal grooming establishment, garments, repair and hire of footwear, vehicle spare parts, passenger transport by air, shoes and other clothing sub-indexes. The steady rise in inflation has been caused by the Federal Government's recent closure of the land borders, which has brought about a corresponding increase in the prices of food.

Figure 2: Inflation Development



Source: NBS

Interest Rate

Decisions on interest rate policy are taken by the CBN's Monetary Policy Committee (MPC) through a moderation of the Monetary Policy Rate (MPR) to control money supply in the economy and ensure price stability. In light of global economic conditions and in order to stem the depreciation in the currency, the CBN between October 2011 and October 2014 maintained a tightening policy environment, retaining MPR at 12% during the said period, until it was revised to 13% in November 2014. This prolonged tightening phase came to an end in November 2015, when the MPC adopted an aggressive easing stance and cut the benchmark interest rate by 200 bps to 11%, with an asymmetric corridor of -700bps/+200bps. This was in a bid to align monetary policy with the policies of the fiscal authority, which were geared towards stimulating output growth whilst ensuring price stability. However, given the rising inflationary pressure at the turn of 2016, the MPC raised the benchmark interest rate to 12% and a narrowing of the asymmetric corridor to -500bps/+200bps in March 2016 and further upward to 14% in July 2016 while maintaining the asymmetric corridor to stem the high inflationary trend which had culminated into negative real interest rates in the economy. The MPR remained at 14% prior to the MPC meeting in March 2019 where the benchmark interest rate was adjusted downwards by -50bps to 13.5% given the consequent decline in inflation over a 22-month period. At the MPC meeting in March 2020, the MPC retained the benchmark interest rate of 13.5% and the CRR at 27.5%

Exchange Rate

Rising crude oil prices typically result in current account surpluses and appreciation of the Naira. Following the significant decline in oil prices in 2014, which persisted through 2015, pressure on the Naira increased, causing the CBN to adopt a number of corrective strategies such as devaluation of the Naira, and restricted allocation for importation of non-priority goods in order to maintain the Country's foreign reserves.

After ending a 16-month long dollar peg in June 2016, which caused the local currency to immediately drop from ₦197:USD1 to ₦282:USD1 and currently ₦305:USD1, the CBN reverted to a flexible exchange rate regime and established a single market, the interbank market, for determination of prices while the CBN occasionally intervenes. According to the CBN, the main objectives of exchange rate policy are to preserve the value of the domestic currency, maintain a favourable external reserves position and ensure external balance without compromising the need for internal balance and the overall goal of macroeconomic stability. The policy aimed to increase availability of foreign currency to enable funding of foreign exchange transactions and also to stem the widening gap between the inter-bank foreign exchange and parallel market rates. With the liberalization of the foreign exchange market, many manufacturing companies find it relatively easier to source dollars to import essential raw materials.

In the continuing effort to sustain the stability of the foreign exchange market and ensure the efficient utilisation of foreign exchange and the derivation of optimum benefit from goods and services imported into the country, the CBN in June 2015, excluded importers of some goods and services from accessing foreign

exchange at the Nigerian foreign exchange markets, in order to encourage local production of these items. These items were thus classified as 'not valid for FX', with the implication that they can only be purchased with 'own funds' obtained outside all segments of the Nigerian official foreign exchange markets.

In April 2017, the CBN unveiled another policy measure - a special forex window for small and medium scale enterprises (SMEs) which enables small and medium-sized businesses import eligible finished and semi-finished items, not exceeding US\$20,000 per operator each quarter. In the same vein, the CBN introduced a special foreign exchange window for investors and exporters in order to deepen the foreign exchange market and accommodate all foreign exchange obligations. The Nigerian Autonomous Foreign Exchange Rate (NAFEX) was introduced to serve as a benchmark for the investors and exporters foreign exchange (FX) window, while the Nigerian Interbank Foreign Exchange Rate (NIFEX) is used for interbank settlements.

Other policies instituted by the CBN in a bid to stabilise the foreign exchange market include:

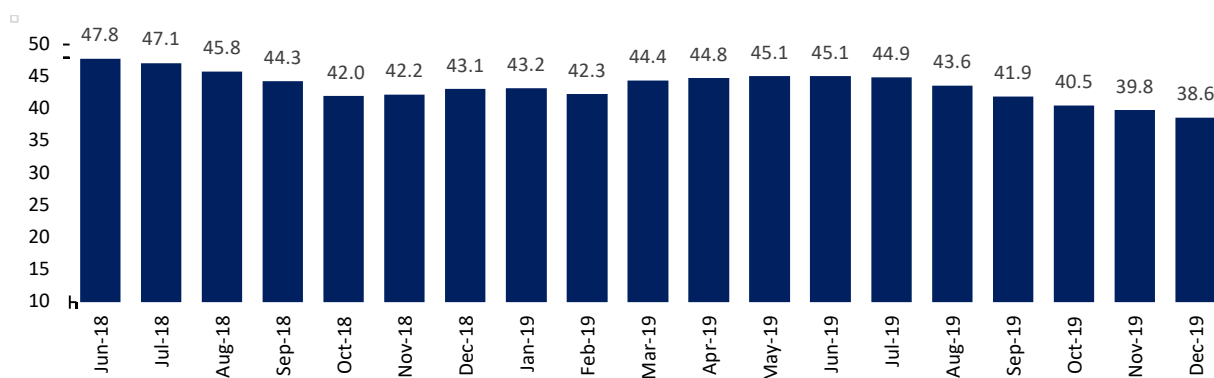
- Restrictions on foreign currency loans granted to firms earning primarily local currency revenue;
- Closure of the Retail Dutch Auction Systems and WDAS foreign exchange windows; and
- Restrictions on FX forward transactions.

External Reserves

Nigeria's external reserves are derived mainly from the proceeds of crude oil production and sales. Nigeria produces approximately 2.25million barrels per day of crude oil in joint venture with some international oil companies. The major categories of revenue from crude oil production and sales include direct sales (NNPC), Petroleum Profit Tax (Oil Companies), royalties, penalty for gas flaring and rentals.

Gross external reserves at the end of Q4 2019 closed at US\$38.6 billion, a drop of 7.9% below the level in the preceding quarter. The external reserves position would cover 5.3 months of import of goods and services or 9.3 months of import of goods only based on the estimated value of import for the fourth quarter of 2019. A breakdown of the official external reserves by ownership showed that CBN reserves stood at US\$32.37 billion (83.5%), Federation reserves, US\$0.32 billion (0.8%) and the Federal Government reserves, US\$6.09 billion (15.7%). The deterioration in reserves has been attributed to decreased volume of oil production, a slowdown in foreign direct investments, debt servicing obligations and continued intervention in the foreign exchange market by the CBN in order to maintain and ensure exchange rate stability. As at December 31st, 2019, external reserves stood at USD38.60 Billion.

Figure 3: Gross External Reserves (US\$'Bn)



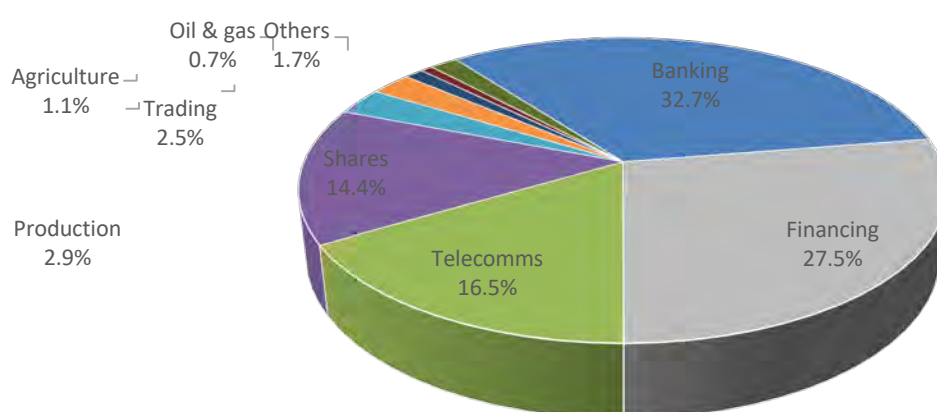
Source: CBN

Capital Importation

Capital Importation into Nigeria is divided into three main investment types: Foreign Direct Investment ("FDI"), Portfolio Investment and Other Investments, each comprising various sub-categories. Based on recent NBS report, since Q3 2019, Portfolio Investment accounted for the largest amount (55.88%) of total capital importation, followed by other investments and foreign direct investments which accounted for 40.39% and 3.73% of total capital imported respectively. The total value of capital imported in Q3 2019 stood at US\$5.3 billion, which is a year- on-year increase of 87.99%. The increase was driven mainly by Portfolio Investment, which grew from US\$1.72 billion in Q3 2018 to US\$2.99 billion.

Capital is either imported in the form of shares or directly imported by different sectors of the economy. Share capital investment, which is closely related to Equity investment (FDI and Portfolio Investment) dominated Capital Importation into Nigeria during the quarter. The United Kingdom remains the leading investor country with US\$2.01 billion invested in Q3 2019 (37.47% of total inflow), followed by the United States of America, South Africa and Egypt with contributions of 22.97%, 13.20% and 4.68% respectively.

Figure 4: Capital Importation by Sector as at 3Q 2019



Source: NBS

Economic Reform Policies

The Government aims to diversify the economy away from oil by pursuing a range of economic reforms, including power and banking sector reforms, privatization programs to address poor infrastructure, including power and transportation, oil and gas reforms to reduce dependence on oil and gas as a major source of income and policies to improve economic coordination.

The Government's reform plans are based on Vision 20:2020, a long-term strategic economic transformation plan developed by the federal government in 2009 for stimulating Nigeria's economic growth. Vision 20:2020 articulates the nation's broad economic growth strategies and is designed to be implemented using a series of more detailed medium-term national development plans. Vision 20:2020 has been further developed through the First National Implementation Plan (NIP), the Transformation Agenda, the Medium-Term Expenditure Framework ("MTEF") and the National Economic Recovery and Growth Plan (NERGP). Key levers and initiatives driving growth of non-oil revenue include tailored revenue strategies for Ministries, Departments and Agencies ("MDAs"), improved efficiency for tax collection, enabling customs collections and strengthening of controls.

Vision 20:2020

In May 2009, the Government launched Vision 20:2020, a long-term strategic plan which aims for Nigeria to become one of the 20 largest economies in the world by 2020. The three key pillars of Vision 20:2020 are:

- optimizing the key sources of economic growth;
- guaranteeing the productivity and wellbeing of the Nigerian people; and
- fostering sustainable economic development.

The First National Implementation Plan (“NIP”)

In May 2010, the Government adopted the First NIP for the years 2010-2013. The First NIP was a medium-term plan for implementing the first stage of Vision 20:2020 and the first of three expected national implementation plans. In early 2011, the Government announced the Transformation Agenda, which prioritized the key projects and programs in Vision 20:2020 and the First NIP for the four following years.

Transformation Agenda

Following his election in 2011, former President Goodluck Jonathan introduced the Transformation Agenda, which was based on the goals of the Vision 20:2020 and the First NIP. The Transformation Agenda included pillars addressing (1) the macroeconomic framework, (2) governance, (3) human capital development, (4) real sector policies and (5) infrastructure. In 2015, the incumbent President Muhammadu Buhari communicated three key priorities of his administration – anti-corruption, security and the economy. More specifically – (i) Transparency in the oil and gas sector and particularly the public sectors involvement in the Nigerian National Petroleum Corporation (NNPC) (ii) To restore security to areas plagued by heightened insecurity; and (iii) To deliver employment and heavy economic growth.

Restoring strength to Nigeria’s agriculture sector is a core component of the government’s strategy for the economy. There is critical focus on restoring competitiveness in palm oil, cocoa, rice, cassava, sesame, kola nuts etc. which would drive rural incomes, GDP growth and employment. The expectation is an improvement in the balance of payments and reduced reliance on imported food products.

Medium Term Expenditure Framework (MTEF)

Under the Fiscal Responsibility Act 2007, the Federal Government is required to prepare an MTEF for the subsequent three financial years, not later than four months before the commencement of the next financial year. The MTEF must be approved by the National Assembly and it forms the basis for Federal Government’s budgeting in each year. The current MTEF (2018-2020), which was adopted by the Senate in December 2017, is a planning tool that details specific strategies to achieve defined objectives and highlights the key assumptions behind revenue projections and fiscal targets for the period from 2018 to 2020.

National Economic Recovery and Growth Plan (“NERGP”)

The current administration intends to continue implementing the Vision 20:2020 master plan for Nigeria’s economic development and has developed a Strategic Implementation Plan upon which the Medium-Term Expenditure Framework was anchored. In this regard, the Government prepared a more comprehensive economic plan—the NERGP—which is also based on achieving the goals for Vision 20:2020. The NERGP, which was published in March 2017, is a more specific economic policy document, with an emphasis on implementation, monitoring and evaluation of the Government’s economic goals. The NERGP addresses the implementation of medium-term growth plans, as well as short-term initiatives aimed at strengthening the economy, and is intended to promote national prosperity and an efficient, dynamic and self-reliant economy to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity.

The NERGP set forth policy objectives in five thematic areas: (1) macroeconomic policy, (2) economic diversification and growth drivers, (3) competitiveness, (4) social inclusion and jobs, and (5) governance and other enablers. Key targets of the NERGP during the 2017—2020 period include single-digit inflation (9.9%) by 2020; average annual real GDP growth of 4.6%; average annual growth in the agricultural sector of 6.9%; reducing the unemployment rate to 11.2% by 2020; attaining 10 GW of operational energy capacity by 2020; restoring and increasing crude oil output to 2.2 million barrels per day (“mbpd”) in 2017 and 2.5 mbpd by 2020; increasing domestic refining capacity; improving road, rail, and port infrastructure; driving industrialization with targeted annual growth of 8.5% in manufacturing and the creation of 1.5 million jobs; and stable exchange rates and greater availability of foreign exchange.

The NERGP identifies six priority growth sectors: agriculture, manufacturing, solid minerals, services, construction and real estate, and oil and gas. Three of these sectors—services, agriculture, and manufacturing—are projected by the NERGP to account for three-quarters of growth from 2017 through

2020. Key policies intended to promote growth of the non-oil sector under the NERGP include industrial and trade policy, a digital-led strategy for growth, which aims to expand the information and communication technology ecosystem in Nigeria, and cross-sector strategies, which aim to support micro, small and medium enterprises. As the government begins to implement the structural reforms outlined in its Economic Recovery and Growth Plan 2017–2020, it is widely expected that growth will strengthen further in the medium term, reaching about 2.3% and 2.5% by 2019 and 2020 respectively.

Treasury Single Account

As part of the Federal Government's efforts to improve efficiency and transparency in the management of public funds and the Federal Government's expenditures, the Ministry of Finance, in collaboration with the Office of the Accountant-General of the Federation and the CBN, launched in early 2012 the Treasury Single Account. The Treasury Single Account became mandatory in September 2015.

The scheme has been designed to consolidate the accounts of the Federal Government with the CBN and the various MDAs into a single or connected system of accounts. The Treasury Single Account is maintained at the CBN with each MDA responsible for the management of its allocations but effecting payment through the Treasury Single Account. Any unspent balances of cash allocated to MDAs after commitments entered into the Treasury Single Account for both recurrent and capital expenditure will automatically lapse and the balances will be returned to the Consolidated Revenue Fund for appropriation by the National Assembly. Investment of any Federal Government funds is centrally coordinated by the Office of the Accountant-General of the Federation and the CBN.

Presidential Enabling Business Environment Council

This is focused on avenues to create an enabling environment for doing business in Nigeria. In this regard, the federal government, in July 2016 created the Presidential Enabling Business Environment Council ("PEBEC") and charged it with the responsibility to spearhead the establishment of such necessary reforms while the Enabling Business Environment Secretariat ("EBES"), which was set up in October of the same year, is to implement the reform agenda of PEBEC. This agenda centres on the removal of bottlenecks to doing business in Nigeria and move the country by not only 20 (twenty) steps upwards on the World Bank Ease of Doing Business Index, but also become a globally competitive economy and the business hub of Africa. In February 2017, PEBEC approved a 60-Day National Action Plan on Ease of Doing Business in Nigeria (the "National Action Plan") which is an inter-ministerial, inter-governmental plan driven by EBES for implementation by various Ministries, Departments and Agencies of government ("MDAs"). Some of the major reforms driven by the various stakeholders relate to:

- Expediting the process for registering new business in Nigeria (which has successfully been reduced from ten to two days)
- Introducing electronic application for construction permits in Lagos State
- Consolidating the fees for registration of title to property in Lagos State
- Reform initiatives for ease of movement of persons in and out of Nigeria
- Initiatives and reforms geared towards promoting international trade
- Reforms for enhancing credit transactions secured by moveable property in Nigeria.

Furthermore, on February 21, 2018, the Federal Government of Nigeria through the Presidential Enabling Business Environment Council ("PEBEC"), unveiled the reform initiatives aimed at driving the third phase of its 60-Day National Action Plan on the Ease of Doing Business in Nigeria. The National Action Plan, an initiative of the current administration of President Muhammadu Buhari, is an initiative by the PEBEC.

Establishment of the Economic Advisory Council (EAC)

In September 2019, President Muhammadu Buhari constituted a new team of economic advisers comprising of Nigeria's most independent minded economists. The new eight-man team is chaired by Doyin Salami, a respected professor of economics at the Lagos Business School, who also sits on the Central bank of Nigeria's monetary policy team. He was also critical in the transition committee from the Goodluck Jonathan administration back in 2015, as its vice chair.

Other board members include:

- Prof Charles Chukwuma Soludo - former central bank governor
- Mr Bismarck Rewane – Lagos-based economist
- Prof Ode Ojowu – former Presidential chief economic adviser
- Dr Iyabo Masha – a former IMF country representative for Sierra Leone
- Dr Muhammad Sagagi – former Managing Director of Century Merchant Bank
- Dr Shehu Yahaya – Chairman Development Bank of Nigeria
- Dr Mohammed Adaya Salisu – Secretary and Senior Special Assistant to the president on Development policy

The new body replaces the former economic management team (EMT), which was chaired by vice-president Yemi Osinbajo. The advisory council is also expected to report directly to the President. The council will advise the President on economic policy matters, including fiscal analysis, economic growth and a range of internal and global economic issues, working with the relevant cabinet member and heads of monetary and fiscal agencies.

Presidential Advisory Committee against Corruption

The very first committee set up by the President after inauguration was the Presidential Advisory Committee against Corruption (“PACAC”) with a mandate to promote the reform agenda of the government on anti-corruption. A 7-member Technical Committee which includes private sector persons supports the PACAC. The Committee is also supported financially by three international development partners, namely the Ford Foundation, MacArthur Foundation and Open Society Foundation.

Some of the actions taken by the government include the establishment of a Presidential Committee on Asset Recovery (“PCAR”) to coordinate the collation and categorization of recovered assets from 2015-2016; verify the records and status of physical assets recovered under previous administrations and set up the framework for the management of recovered stolen asset to avoid re-looting and mismanagement of the assets. The FGN also created an assets recovery account to warehouse all the recovered assets and remove the opacity of reconciliation that had dogged the country in the past and the report of re-looting returned assets.

Whistle-Blowing Policy

The Whistle Blowing Policy is a strategic action taken by the Government to ensure that every citizen is involved in the fight against corruption. The primary goal of the policy is to support the fight against financial crimes and corruption, by increasing exposure of financial crimes, rewarding whistle-blowers and assuring their protection. The whistle blower policy of the Government has yielded positive results with the discoveries of stolen public funds hidden in banks, homes, farms and obscure places and the forfeiture of such monies to the Federal Government. The recovered funds and assets from public officials are centralized, managed and recognized in the budget to ensure proper spending. The Whistle Blowers’ Protection bill was passed by the Nigerian Senate on July 19, 2017 alongside two other anti-corruption bills. The bill would ensure adequate protection of whistle blowers from reprisals, victimization, isolation and humiliation, which are some of the consequences of whistle-blowing.

Establishment of the Efficiency Unit

The Federal Ministry of Finance’s Efficiency Unit is mandated to review the expenditure profile and pattern of the Federal Government and work with MDAs to introduce more efficient processes and procedures that will ensure that the Government’s revenues are deployed in an efficient manner that translates to value for money and savings for the Government. The initiative became imperative in view of Nigeria’s dependence on crude oil for foreign exchange and revenue which made the local economy vulnerable to shocks in the international oil markets.

Tax Reforms

In developed and emerging economies of the world, taxation remains a veritable source of revenue for government to put in place necessary infrastructure and economic development initiatives. However, taxes collected in Nigeria amount to about 6% of the GDP, based on a report by PricewaterhouseCoopers. Prior

to the assent and signing of the Finance Act 2019, the International Monetary Fund recommended an increase of VAT to 7.5% and an expansion of tax base as economic tools to help Nigeria diversify its economy away from oil. Some of the government's efforts at reforming taxation include reviewing the existing National Tax Policy to streamline multiple taxation, tackle tax evasion and provide tax incentives. The recently concluded Voluntary Assets and Income Declaration Scheme (VAIDS) was aimed at encouraging the voluntary disclosure of assets and payment of tax arrears with, among other benefits, amnesty from prosecution for tax evasion. It was reported by the FIRS that, between 1st July 2017, when VAIDS was launched, and 31st December 2017, the government earned about ₦23 billion from the scheme. When the VAIDS initially ended on 31st March 2018, the FIRS reported that it had realised about ₦30 billion from the scheme.

On January 14, 2020, President Muhammadu Buhari signed into law the new Finance Bill which aims to raise additional revenues for the Federal Government of Nigeria to meet its 2020 budget targets. The passage of the Finance Act into law, introduces one of the most significant changes in Nigerian tax law over the last two decades, which is the increase in the value added tax rate (VAT) from 5% to 7.5%, in addition to the changes which the Act introduces to other laws such as:

- The introduction of ₦25million VAT compliance threshold
- The exemption of companies with less than ₦25million annual turnover from payment of CIT;
- Expansion of the scope of companies taxable in Nigeria to include companies that operate within the Nigeria digital space, among others;
- Requirement of a tax identification number for opening of bank accounts or continue operation of existing bank account(s);
- Provision of exceptions for the application of excess dividend tax under Section 19 of CIT Act; and
- Imposition of excise on certain imported products.

Oil and Gas

The Federal Government is intent on reforming the oil and gas sector through the establishment of key regulatory and fiscal policies that will encourage investment in the sector and improve participation by domestic players. The enactment of the Nigerian Oil and Gas Industry Content Development Act 2010 targeted at promoting local participation in the oil and gas industry, has recorded significant gains in supporting indigenous companies to play a larger role in the industry. These efforts have led to the emergence of local firms leading drilling and development activity in the upstream segment and also influenced continuous innovation in the midstream and services segments. The Government also intends to implement the first phase of regulatory and institutional reforms through the Petroleum Industry Governance Bill 2017 ("PIGB"). A harmonized version of the PIGB was passed by the National Assembly on March 28, 2018 and rejected by the President. However, the president in November 2019 signed the Deep Offshore and Inland Basin Production Sharing Contract (PSC) Amendment Bill into law. The law will significantly increase Nigeria's share of earnings from oil wells offshore in the country. The provisions of the PSC Act stipulate that the law shall be subject to review to ensure that if the price of crude oil at any time exceeds \$20 per barrel, the share of the revenue to the Nigerian government shall be adjusted.

Agriculture

Agriculture is a major employer of Nigeria's labour force and comes top of the government's agenda at shifting the mainstay of the economy from crude oil. Nigeria faces two key gaps in agriculture: an inability to meet domestic food requirements and an inability to export at quality levels required for market success. Major reforms in the sector began in 2011 with the implementation of the Agriculture Transformation Agenda (ATA). At the heart of this strategy was transformation of the agricultural sector to create jobs, wealth and ensure food security and it was in place from 2011 – 2015. Building on the progress of the ATA and learning from its lapses, the current administration introduced the Agricultural Promotion Policy ("APP") with a thrust covering food security, import substitution, job creation and economic diversification. The Federal Ministry of Agriculture and Rural Development has developed a Medium-Term Sector Strategy (the "MTSS") covering the period from 2017 to 2019. The MTSS comprises three pillars: economic reforms, social investment and infrastructure development. The objectives of the APP for the period 2016 - 2020 include:

- Growing the integrated agriculture sector at 1x to 2x the average Nigerian GDP for 2016 – 2020;
- Integrating agricultural commodity value chains into the broader supply chain of Nigerian and global industry;
- Promoting the responsible use of land, water and other natural resources to create a vibrant agricultural sector offering employment and livelihood for a growing population;
- Facilitating the government's capacity to meet its obligations to Nigerians on food security, food safety and quality nutrition;
- Creating a mechanism for improved governance of agriculture by the supervising institutions and improving quality of engagement between the Federal and State Governments.

Power

Power sector reforms started with the publication of the National Electric Power Policy in 2001 which was a precursor to the Electric Power Sector Reform Act of 2005 ("EPSR" Act). The EPSR gave rise to the unbundling of the National Electric Power Authority ("NEPA") and heralded the privatization of the Distribution Companies ("DISCOs") and Generating Companies ("GENCOs"), while the Transmission Company of Nigeria ("TCN") remained under the government's ownership. The sector is in transition from government to fully private-sector owned and operated. Therefore, it faces liquidity challenges arising from inefficient pricing model, non-enforceability of contracts, legacy debts and other bureaucratic bottlenecks. The biggest hurdle limiting the financial viability of the Nigerian electricity value chain is the insufficiency of cashflows that recover all costs and generate appropriate return on investment. To address this, the Multi-Year Tariff Order ("MYTO") was developed to set electricity tariffs for consumers over a 15-year period, subject to periodic review. Subsequent improvements on the MYTO-1 led to the approval of MYTO-2 in 2012. Following the privatization in 2013, the Nigerian Electricity Regulatory Commission ("NERC") conducted a review and revalidation exercise giving rise to the MYTO-2.1 in 2015. However, petitions by various customer groups triggered by electricity price increase of up to 80%, led to an amendment of the MYTO-2.1 and a price drop of about 25%. The CBN has also disbursed about 53.9% of the ₦213 billion stability facility designed to inject liquidity into the power sector.

The Power Sector Recovery and Implementation Plan ("PSRIP") approved by the Nigerian Federal Executive Council estimates that the sector will require approximately US\$1.5 billion annually for the next five (5) years to achieve viability. Nigeria's National Integrated Infrastructure Master Plan (2014 – 2043) sets out a 30 year, US\$3.1trillion, action plan to address the nation's infrastructure challenges including power and transport, amongst others. The aim of the plan is to raise the country's stock on infrastructure from its current level of 20-25% of GDP to 70% by 2043.

On-grid electricity generation has been the dominant source of power supply since the pre-privatization era. There are currently 27 grid-connected generating plants in operation. As of December 2018, 20 of the grid-connected generating plants were operating at approximately 30% of the installed capacity, and two plants operating at less than 10% of installed capacity. According to the 2018 Nigeria Power Baseline Report, approximately 55% of Nigeria's population lacks access to grid-connected electricity supply. President Muhammadu Buhari on the 22nd July, 2019, signed the Electricity Road map agreement between the Federal Government of Nigerian and Siemens AG to increase Nigeria's generation capacity to 7,000 and 11,000 megawatts of reliable power supply by 2021 and 2023 respectively through the first two phases. The agreement with Siemens seeks to improve operational imbalance from infrastructural bottlenecks within the transmission and distribution grid by rehabilitating defective connections of key substations to the existing control centre and ensuring the use of smart metering and supervisory control, data acquisition and knowledge transfer.

On the 4th January, 2020, the Nigerian Electricity Regulatory Commission raised the consumer tariffs to be paid by consumers in the Minor Review of Multi-Year Tariff Order 2015 and Minimum Remittance Order for the Year 2020. The order was issued to reflect the impact of changes in the minor review variables in the determination of cost-reflective tariffs and relevant tariff and market shortfalls for 2019 and 2020.

Public Debt

Nigeria's public debt profile since 2005 has been marked by a shift from predominantly external debt to majorly domestic debt. This shift resulted from the discharge of London Club and Paris Club debts and also reflects a significant increase in the issuance of Federal Government treasuries in the domestic bond market. On the average, the proportion of domestic debt to total debt was 85% between 2012 and 2015; but reduced to 78% between 2016 and 2017. The increase in external borrowing and the impact of exchange rate depreciation were the main reasons for the reduction in the proportion of the domestic debt stock. According to data from the DMO, outstanding public debt of the federal government was ₦26.21 trillion as of end- September 2019, a growth of 16.9% from September 2018. It is the government's strategy to refinance domestic debt with external borrowing to reduce debt service cost, limit the crowding out of other (non-sovereign) borrowers and achieve a more sustainable debt portfolio mix of 60:40 in favour of domestic borrowing. Accordingly, the federal government in 2017 issued US\$4.5 billion in Eurobonds and in February 2018 issued an additional US\$2.5 billion for refinancing domestic debt.

In 2018, debt servicing cost about ₦2.25 trillion, however, the ₦10.59 trillion 2020 budget shows that the Federal Government will spend ₦2.45 trillion to service debts, with ₦1.74 trillion to be spent on domestic debts and ₦710.50 billion on foreign debt service, while ₦296 billion is appropriated as sinking fund for retiring maturing debts. The budget was passed by the National Assembly on December 6, 2019 and assumes a crude oil price of US\$60/barrel; foreign exchange rate of ₦305/US\$1 and crude oil production of 2.3 mbpd. The National Assembly increased the budget expenditure by ₦260 billion over and above the initial ₦10.33 trillion which was presented by the President in October 2019. The President signed the Appropriation Bill into law on 17th December 2019. Some key parameters of the budget include; benchmark for crude oil price of US\$60 per barrel, average daily crude oil production of 2.3 mbpd and foreign exchange rate of NGN305/US\$1.

Credit Rating

Nigeria is rated 'B+' by Fitch Ratings ("Fitch") with a negative outlook attributed to increasing vulnerability from the current macro-policy setting in Nigeria, the Central Bank's complex regulatory measures, rising debt, low fiscal revenue, and inflation. The rating of 'B+' is four notches below investment grade. Similarly, Standard & Poor's Rating Services ("S&P") assigned a 'B' long term sovereign credit rating, which aligns with Moody's Investors Service (Moody's) assessment.

OVERVIEW OF THE NIGERIAN BANKING INDUSTRY

1. Overview

There are twenty-nine (29) licenced banks operating in Nigeria, a figure that has remained stable since the 2004 wave of consolidation reduced the number from eighty-nine (89) to twenty-five (25). Of these institutions, there are twenty-two (22) commercial banks, five (5) merchant banks, two (2) non-interest bank whilst there are one thousand and twenty-eight (940) licensed microfinance banks as at 20th January, 2020. There are only three banks that operate the holding company structure in Nigeria. Of the commercial banks, 10 hold commercial banking licenses with international authorisation, 9 hold commercial banking licenses with national authorisation while 3 hold commercial banking licenses with regional authorisation.

The banking industry is a sub-sector of the financial services sector, the latter consisting of Deposit Money Banks (DMBs) and non-bank financial institutions - comprised of asset management firms, stockbroking firms, insurance companies, mortgage institutions, discount houses, merchant banks, microfinance banks and other finance companies. There are also presently 45 finance companies and 2,991 bureaux de change operators, in Nigeria as at 20th January, 2020.

As at 31 October 2019, the total assets and liabilities of commercial banks stood at about ₦41.4 trillion which represents a 4.9% increase from September 2019. The funds were sourced, mainly, from increase in unclassified liabilities, and the mobilisation of time, savings and foreign currency deposits. The funds were used, mainly, to acquire unclassified assets, foreign assets and to boost reserves. Commercial banks credit to the domestic economy rose by 0.6% to ₦22.3 trillion by 31 October 2019, compared with the level in September. Total specified liquid assets of the banks stood at ₦14.3 trillion, representing 59.3% of the total current liabilities, while the loans-to-deposit ratio, at 61.9%, was lower than the prescribed maximum of 80% by 18.1% points.

Trade finance, cash management for large corporates and electronic banking are key areas for growth for the banking sector generally. Nigeria's underdeveloped retail market is considered to be a long-term market opportunity and many industry players have begun to offer payday loans and easy credit access to salaried employees. The CBN's upward revision of the minimum loan to deposit ratio from 60% to 65% for all commercial banks in October 2019, in addition to a ban on the purchase of T-bill securities by private individuals, Nigerian corporates and PFAs has led to an increased appetite to lend to the real sector economy.

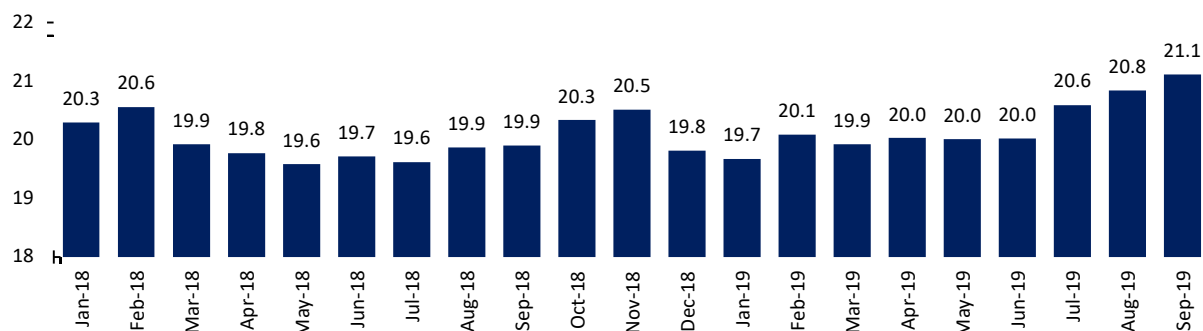
Source: CBN Supervision of Financial Institutions as at 25th February 2020

Credit Growth

Although the volume of sovereign debt as a proportion of bank assets remains lower than in many other African markets – such as in Ghana, where it exceeds two-thirds – it is increasing rapidly in Nigeria, due to the fact that it provides an attractive source of reliable revenue. With the CBN primary rate remaining steady at 13.5%, private sector interest rates have reduced to as low as 20% as banks are being encouraged to lend to the real sector given the CBN's requirement on loan to deposit ratios. Since the circular circulated in June 2019, banks credit to the economy has grown by over ₦1.0 trillion. However, this comes with heightened risk of poor credit quality and acceptance of sub-standard collateral.

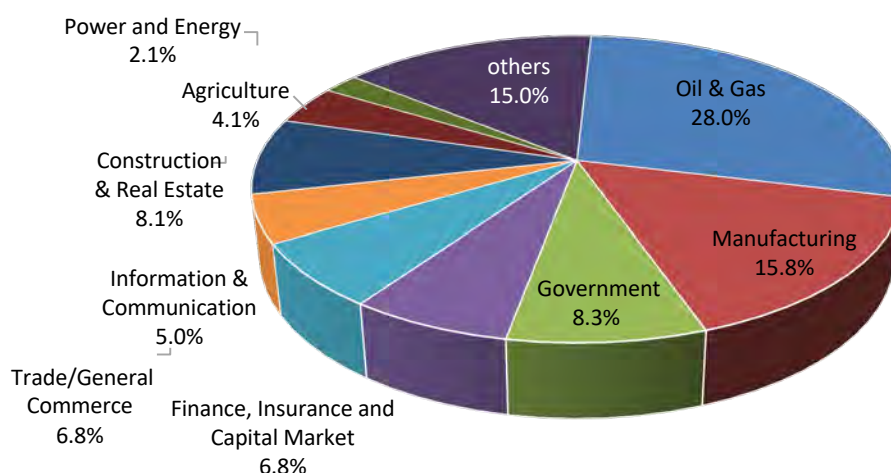
Source: NBS Banking sector Data as at Q3 2019

Figure 5: Growth in bank lending



Source: NBS

Figure 6: Distribution of bank credit by sector (Q3 2019)



Source: NBS

Interest Rates

While adequate private sector access to credit is a key factor supporting economic growth, the CBN has embarked on a process of lowering rates in the near term, particularly on the short end of the curve with inflation well above current interest rates. Excluding the increased book value of forex-denominated loans caused by the naira devaluation, the majority of bank earnings stemmed from interest on government securities. The low interest rates associated with the new directive of the CBN on participation of government securities by individuals and Nigerian corporates have made it easier for small and medium-sized enterprises (SMEs) and other private sector players to gain the attention of banks.

Non-Performing Loans (NPLs)

Banking industry officials have highlighted three sectors as the primary sources of current NPLs: oil and gas, manufacturing and general commerce. Furthermore, the impact of the naira devaluation and the ensuing economic recession in 2016, cascaded into other sectors resulting in NPL formation in banks including a few large impaired loans. One example is the \$1.2bn syndicated loan facility granted to telecoms operator Etisalat (now 9-mobile) by a consortium of 13 Nigerian banks. The banks failed to meet scheduled loan repayment obligations in early 2017 due to insufficient cash flows from its operations, prompting the CBN and the Nigerian Communications Commission to step in and moderate a debt restructuring to minimise the negative impact on both the banking and telecommunications sectors.

Recent key economic indicators point to an improving macro-economic environment, which should be positive for the NPLs of the banks. The total non-performing loans in the Nigerian banking sector as at Q3 2019 was ₦1.1 trillion down from ₦2.2 trillion in Q3 2018.

Credit Agencies

The rise in NPLs is largely seen as cyclical in nature, and a result of the country's recession and increased debt burden, rather than other fundamental issues. This is in part due to the rise in credit transparency over the past nine years, with three credit agencies – XDS Credit, CR Services and CRC Credit Bureau – now covering borrowers. Since 2011 the CBN has mandated that banks check the records of at least two of the three agencies before making a credit decision, while smaller entities – such as microfinance institutions – must check at least one. However, the credit bureaus are only able to tap into financial credit histories, with non-financial data sources like consumer debt largely non-existent.

The Central Bank of Nigeria Act No. 7 of 2007 ("CBN Act") empowers the CBN to collect credit information on customers of banks and other financial institutions from any person or credit bureau, and to disclose such information collected as deemed appropriate. The CBN Act also requires banks to obtain credit information from the CBN before granting a loan, advance or credit facility to any customer of over ₦1 million or such other sums as may be set from time to time by the CBN. However, the Guidelines for the Licensing, Operations and Regulation of Credit Bureaux and Credit Bureaux Related Transactions in Nigeria issued by the CBN require banks to obtain credit reports from at least two licensed credit bureaux before granting any facility to their customers.

In May 2017, as part of its drive towards improving the ease of doing business in Nigeria., the then Acting President signed into law the Credit Reporting Act ("CRA") to replace the CBN guidelines on credit bureau and credit reporting. The key objectives of the CRA include: (i) facilitating and promoting access to credit; (ii) enhancing risk management in credit transactions; (iii) promoting responsibility in the credit market by encouraging responsible borrowing; and (iv) discouraging reckless credit granting by credit providers. The CRA also provides a framework for licensing credit bureaux including the terms and conditions upon which the licences may be suspended or revoked.

The CRA mandates all credit information providers to provide credit and credit-related information to credit bureaux upon entering into a credit related transaction with their customers. The credit information providers are thereafter required to provide information on a periodic basis on the status of performance of such customer's obligations under the transaction. Additionally, a credit information provider does not require the consent of the customer in order to provide a credit bureau with information relating to such customer or client.

When credit information providers furnish the credit bureaux with the credit information of their customers or clients, the credit bureaux are authorised to disclose such information to "credit information users" who may require them. A credit information user must have entered into a data exchange agreement with a credit bureau before a person's credit information can be released by the credit bureaux to the credit information user. In the case of those credit information users who do not have data exchange agreements with the credit bureaux, such users must obtain the written consent of the relevant customer or client before such customer's information can be released to the credit information user.

National Collateral Registry

In June 2016, the CBN directed that with effect from 4th July 2016, all banks and other financial institutions in Nigeria must begin to register their security interests in movable assets with the National Collateral Registry ("NCR"). The NCR was established in 2015 as a notice-based/online registry of encumbrances.

This new directive, according to the CBN, will provide a regulatory framework for:

- assessing credit secured with movable property;
- creating and perfecting security interests in favour of the banks;
- stimulating responsible lending to micro, small and medium enterprises, and
- banks realizing security interests in movables in the event of a default by borrowers.

In May 2017, the then Acting President signed into law the Secured Transactions in Movable Assets Act 2017 which replaces the CBN directive and provides for the establishment of a National Collateral Registry

within the CBN to register and store information on security interests created over movable assets. Under the Secured Transactions in Movable Assets Act, when security is created, the secured creditor may perfect the security by filing the prescribed forms and other relevant information relating to the security interest at the National Collateral Registry.

To protect creditors, the Secured Transactions in Movable Assets Act provides that the security interests created over movable assets in favour of creditors attach not only to the collateral itself, but also to all identifiable and traceable proceeds of the collateral. Even if the security interest was created before the collateral was commingled in a mass or product, the security interest automatically continues in that mass or product. In this way, the Secured Transactions in Movable Assets Act has given creditors a statutory right to trace and claim their security interests even if the essential character of the collateral materially changes.

2. Supervision and Regulation of Banks in Nigeria

The major regulators of Nigeria's financial sector are the CBN and the Nigeria Deposit Insurance Corporation ("NDIC"). Since January 1999, the CBN has acted autonomously from the Nigerian Federal Ministry of Finance ("FMF") (which formerly supervised the CBN) and now has the power to formulate and implement monetary and exchange rate policies. The principal governing body of the CBN is its board of directors which consists of the Governor of the CBN, who acts as Chairman, four Deputy Governors, the Permanent Secretary of the FMF, the Accountant General of the Federation and five directors who are appointed by the President and confirmed by the Senate. Each Deputy Governor overlooks one directorate of the CBN. The directorates are Operations, Corporate Services, Financial System Stability and Economic Policy.

There are five departments under the remit of the Financial System Stability Directorate: banking supervision, consumer protection, financial policy and regulation, payments system management and other financial institutions supervision. The functions of the Financial System Stability Directorate include the supervision of banks, which involves amongst others, onsite examination of banks, especially in relation to their financial condition, internal control systems, reliability of information provided and compliance with corporate governance codes. The CBN also monitors trends in the banking sector and generates industry reports on a monthly and quarterly basis, evaluates the development of the finance sector and monitors other financial institutions. Activities such as changes of auditors, announcements of audited financial statements, opening and closure of branches, and changes in control and appointments of directors by banks are subject to the prior approval of the CBN.

Central to the post-2008/2009 financial crisis restructuring was the CBN's ring-fencing of deposit-taking institutions from other financial services businesses, such as investment banks and insurance companies. The CBN revoked the universal banking model that characterized the post-2004 era and required banks to either incorporate holding companies to hold the bank and other non-banking subsidiaries or sell off the non-banking activities. The CBN also segmented capital requirements according to four types of licenses, requiring different Capital Adequacy Ratios ("CARs") and minimum capitalisation depending on the category of bank: national commercial banks; banks operating internationally; merchant banks; and specialized banks and regional banks, including sharia-compliant ones.

The CBN's monetary policy mandate encompasses issuing currency (Naira and kobo), the maintenance of Nigeria's external reserves, promoting and maintaining monetary stability, and a sound and efficient financial system, and acting as both banker and financial adviser to the Federal Government and the banker and lender of last resort to commercial banks.

The CBN is also the government agency that maintains general surveillance over the Nigerian foreign exchange system. It is authorised to license banks to deal in foreign exchange as authorised dealers. By Section 1(2) of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, the CBN may also make regulations from time to time pertaining to foreign exchange.

The current governor of the CBN, Godwin Emefiele, was appointed on 3rd June 2014. Stress tests were conducted at the end of December 2014 using the implied cash flow analysis and rollover risk to assess the resilience of individual banks and the banking industry to liquidity and funding shocks. Overall, the banking industry stress test suggested that the banking industry was generally resilient to the most severe shocks. Amongst the governor's 10-point agenda for the CBN are the two initiatives of achieving a reduced interest rate and deposit charges. The CBN also continues to focus on maintaining exchange rate stability and preserving the value of the domestic currency. During Mr. Emefiele's tenure, Nigeria has been faced with a foreign exchange crisis and dwindling oil prices. Amongst a range of stringent measures to protect the Naira and shore up Nigeria's foreign reserves, the CBN discontinued its sales of foreign exchange to Bureau de Change operators. With effect from January 2016, the CBN also phased out Commission on Turnover (CoT) and introduced the current account maintenance fee. According to the CBN governor, the zero charge on deposits would encourage investment attitudes amongst savers, while a reduction in the lending rates would make credit cheaper for potential investors. On the 16th May 2019, the current governor Godwin Emefiele was re-appointed and confirmed by the Senate for another term of five years, he is expected to build upon the policies enacted in his first term as well as the unification of exchange rates across the various markets.

The NDIC, established in 1988 pursuant to the Nigeria Deposit Insurance Corporation Act Chapter N102 LFN 2004 (the "NDIC Act"), insures all deposit liabilities of licensed banks and other deposit-taking financial institutions operating in Nigeria. The NDIC Act repealed the Nigeria Deposit Insurance Corporation Decree of 1988 and sets out the powers and functions of the NDIC. The NDIC guarantees payments to depositors in case of imminent or actual suspension of payments by insured universal banks or financial institutions up to the maximum amount of ₦500,000.00 per depositor for universal banks, ₦200,000.00 for primary mortgage institutions and micro finance banks. The NDIC is also mandated to assist monetary authorities in the formulation and implementation of banking policy in Nigeria to ensure sound banking practices and promote fair competition amongst banks in Nigeria. It also plays a major role in the periodic examination of banks and coordinating with the CBN in the liquidation of banks in Nigeria.

Monetary policy

To attain bank soundness and manage liquidity effectively, the CBN introduced in 2006 a new framework for monetary policy implementation in the marketplace using the short-term interest rate as its benchmark rate. The benchmark rate, the monetary policy rate ("MPR"), serves as an indicative rate for transactions in the interbank money market as well as money market rates. The main aim of the MPR is to achieve a stable value of the Naira through stability in short-term interest rates around the MPR which will be determined and operated by the CBN. As at January 2014, the MPR stood at 12.0 per cent. And in November 2014 the Nigerian Monetary Policy Committee ("MPC") raised the MPR to 13.0 per cent. Where it remained until it was reduced to 11.0 per cent. In November 2015. At the CBN's July 2016 MPC meeting, the MPC voted to increase the MPR by 200 basis points from 12.0 per cent. To 14.0 per cent. And retained the CRR at 22.5 per cent. At the CBN's November 2017 MPC meeting, the MPC voted to retain the MPR at 14.0 per cent. And retained the CRR at 22.5 per cent. As at 18th July 2018, the MPR was at 14.0 per cent and CRR remained at 22.5 per cent. At the CBN's March 2019 MPC meeting, the CBN cut the MPR from a record high of 14.0 per cent to 13.5 per cent in a move that took market analysts by surprise, the committee left all other monetary policy parameters unchanged, with the asymmetric corridor remaining at plus 200 and minus 200 basis points around the MPR, the liquidity ration and cash reserve ratio were left at 30.0 per cent and 22.5 per cent respectively

3. Banking Sector Reforms

Following the banking crisis of 2008, the CBN articulated a blue print for reforming the Nigerian financial system in general and the banking sector in particular. The reforms aimed at removing the inherent weaknesses and fragmentation of the financial system, integrating the various ad-hoc and piecemeal reforms and unleashing of the huge potential of the economy.

The current reforms which began in 2004 with the consolidation programme were necessitated by the need to strengthen the banks. The policy thrust at inception, was to grow the banks and position them to play pivotal roles in driving development across the sectors of the economy. As a result, banks were consolidated through mergers and acquisitions, raising the capital base from ₦2 billion to a minimum of ₦25 billion, which reduced the number of banks from 89 to 25 in 2005, and later to 22.

The apex bank has over the years identified key priority sectors and developed tailored interventions to support and promote their growth. Some of the key interventions in the key priority sectors include:

- ₦200 Billion Refinancing/Restructuring of SME/Manufacturing Fund
- ₦300 billion for long term funding of Power and Aviation
- Commercial Agricultural Credit Scheme ("CACS")
- The Small and Medium Enterprises ("SME") Credit Guarantee Scheme (SMECGS)
- The Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), a demand-driven credit facility programme aiming to build the capacity of banks to engage and deliver loans to agriculture by providing technical assistance and reducing counterparty risks facing banks.

Increased Focus on Capital Markets funding

The CBN has been collaborating with the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE), to reduce the cost of transactions, particularly bond issues, so as to diversify funding sources away from banks as well as attract more foreign portfolio investors into the sector.

Establishment of the Asset Management Corporation of Nigeria ("AMCON")

AMCON was established following the enactment of the AMCON Act by the National Assembly in 2010. It is a special purpose vehicle aimed at addressing the problem of non-performing loans in the Nigerian banking industry. In line with its mandate, AMCON acquired the non-performing risk assets of some banks worth over ₦1.7 trillion and issued bonds in return to boost their liquidity as well as enhance their safety and soundness. With the intervention of AMCON, the banking industry ratio of non-performing loans to total credit significantly reduced from 34.4% to 4.95% within one year of its inception.

In order to ensure that AMCON achieves its mandate, the CBN and all the DMBs signed an MOU on the financing of AMCON. The CBN contributes ₦50 billion annually to AMCON, while each of the participating banks contributes an amount equivalent to 0.5% of its total assets annually into a sinking fund as at the date of their audited financial statement for the immediately preceding financial year. Therefore, the cost of the resolution to the Nigerian taxpayer is significantly minimized.

Accounting Standards

To integrate the banking system into global best practices in financial reporting and disclosure, the CBN mandated the adoption of the International Financial Reporting Standards ("IFRS") by end-2010. The objectives included; providing a common reporting framework, giving credibility to financial reports, helping investors and protecting other stakeholders from bias reporting. Other benefits attributed to the adoption of IFRS were the reduction in the cost of operations for multinationals and better coordination of internal and external reporting.

On 24th July 2014, the International Accounting Standards Board (IASB) issued the IFRS 9 (Financial Instruments) as a replacement for IAS 39 Financial Instruments: Recognition and Measurement. The standard included requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The CBN published a guideline on the implementation of IFRS 9 to communicate supervisory expectations for the implementation of the new standard, especially in areas where banks are expected to exercise considerable judgment and/or elect to use simplifications and other practical expedients permitted under the standard. The implementation began in May 2017 and all reporting entities were required to have adopted IFRS 9 by 1st January, 2018.

The IFRS 9 prescribes new guidelines for the classification and measurement of financial assets and liabilities, making fundamental changes to the methodology for measuring impairment losses, by replacing the “incurred loss” methodology with a forward-looking “expected loss” model. The implementation of IFRS 9, especially the expected loss impairment methodology entails the exercise of considerable judgement by banks.

Universal Banking Model

The Universal Banking (‘UB’) model adopted in 2001 allowed banks to diversify into non-bank financial businesses. Following the consolidation programme, banks became awash with capital. Some operators abused the laudable objectives of the UB model with banks operating as private equity and venture capital funds to the detriment of core banking practices. To address the observed challenges, the CBN reviewed the UB model with a view to directing banks to focus on their core banking business only. Under the new model, licensed banks were authorized to carry the following types of business:

- Commercial banking (with either regional, national and international authorization);
- Merchant (investment) banking;
- Specialized banking (microfinance, mortgage, non-interest banking (regional and national); and
- Development finance institutions.

Consequently, banks were prohibited from undertaking non-banking activities and to divest from such businesses accordingly or adopt a holding company structure. The financial holding companies arising from this include: FBN Holding PLC, FCMB Group PLC and Stanbic IBTC Holdings PLC.

Non-interest Banking

In 2011, the CBN issued the Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria (the “NIFI Guidelines”). The NIFI Guidelines provide the framework for the provision of non-interest banking (particularly Islamic banking) services in Nigeria and the licensing of such institutions. The guidelines focus on non-interest financial institutions operating under the principles of Islamic jurisprudence. The first fully licensed non-interest bank in the country is Jaiz Bank PLC and it started business on 6th January, 2012. On the 27th August, 2019, the CBN issued regional non-interest banking licence to TAJ Bank Limited.

Corporate Governance

Corporate governance in the banking industry involves a set of relationships between a bank’s board, management, shareholders and other stakeholders.

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

The Board continues to comply with the Bank’s internal governance policies and the provisions of the Companies and Allied Matters Act (CAMA) Cap C.20 Laws of the Federation of Nigeria, 2004. The Bank’s governance framework is also designed to ensure on-going compliance with applicable governance codes: Central Bank of Nigeria’s (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria (“the CBN Code”), the Securities & Exchange Commission’s Code of Corporate Governance (“The SEC Code”), Nigerian Code of Corporate Governance of 2018 by the Financial Reporting Council of Nigeria (“the FRCoN code”) the Post-Listing Requirements as well as the Rules issued from time to time by the Nigerian Stock Exchange (NSE).

The Bank undertakes frequent internal assessment of its compliance with the codes / rules and submits periodic compliance reports to the CBN, SEC, NSE and the NDIC.

The codes and rules are quite detailed and cover a wide range of issues, including board and management, shareholders, rights of other stakeholders, disclosure requirements, risk management, organizational structure, quality of board membership, board performance appraisal, reporting relationship, ethics and professionalism, conflict of interest, sustainability, whistle-blowing, code of ethics, complaints management processes and the role of auditors. These, in addition to the Bank's memorandum and articles of association, Board, Board committees and management committee charters, collectively constitute the bedrock of the Bank's corporate governance framework.

4. Developments in the Banking Sector

Charges on banking transactions

In its drive to build an inclusive banking system that adequately caters for the needs of the banking public whilst preserving the financial stability of banks, the CBN published a revised guide to charges by banks.

The new guide is expected to incentivize stakeholders especially those making micropayments to further embrace electronic banking channels, thus improving financial inclusion and lowering the cost of banking services to customers.

A summary of the changes are as follows:

- A fee scale for electronic transfers with transfers below ₦5,000 attracting a maximum charge of ₦10; transfer from ₦5,001 – ₦50,000 attracting ₦25 and transfers above ₦50,000 attracting ₦50
- Removal of card maintenance fee on current accounts with a fixed charge of ₦50 per quarter on savings accounts from ₦50 per month
- A reduction in annual card maintenance fee on foreign currency denominated cards to \$10 from \$20
- A reduction in ATM charges after third withdrawal within a month; from ₦65 to ₦35
- A reduction of hardware token charge from ₦3,500 to ₦2,500
- Revision of maximum charge on e-channel payments to ₦500 from 0.75% of transaction (subject to a maximum of ₦1,200)

This directive was contained in a circular titled, "Guide to Charges by Banks, Other Financial and Non-Bank Financial Institutions".

A number of other changes have affected margins in the sector since the introduction in December 2019.

Mergers & Acquisition

2019 saw Access bank Plc announce the merger with Diamond Bank Plc for a consideration of ₦72.5billion (\$199.06million). The consideration was paid in a combination of ₦3.13 per share, comprising of ₦1.00 per share in cash representing total cash amount of ₦23.20billion and the allotment of 6.7 billion shares in Access bank representing 2 new Access bank ordinary shares for every 7 Diamond Bank ordinary shares held in March 2019. The offer represented a 260% premium to Diamond Bank's closing price on the Nigerian Stock Exchange as of December 13, 2018 (announcement day). The transaction created the largest Bank in Nigeria by Total assets of ₦6.8trillion (\$18.9billion) as at Q3 2019, shareholders' funds of ₦617.0billion (\$1.7billion), 18 million customers and 6,910 professional staff spread across 646 branches.

Open Market Operations Auctions

In October 2019, the CBN directed that individuals and local corporates specifically are excluded from investing in open market operations (OMO) auctions. The CBN has gone a step further in lowering the yield on government securities as at 20th January, yields on 3 years, 5 years and 7 years government bonds were 9.9%, 10.4% and 11.1% respectively compared to 15.1%, 15.2% and 15.3% a year ago. On the short term space, yields on 30 days, 90 days, 180 days and 270 days' instruments as at 20th January 2020 were 3.7%, 2.2%, 3.4% and 4.5% respectively compared to 13.4%, 11.9%, 13.4 and 14.7% a year ago.

Entrenchment of Electronic Banking

The banking industry has leaned strongly on the use of Information and Communication Technology (“ICT”) with the introduction of online transfers, Automated Teller Machine (“ATM”), Point of Sale (“POS”) devices, mobile banking and other interbank platforms. Digitalization has enabled banks to increase interface with their customers and enhance integration among their branches. It has been cited to be a critical driver for the promotion of financial inclusion with the CBN estimating that, by the end of 2020, the number of adult Nigerians with access to payment services will increase to c.70%.

Bank Verification Number Scheme

The absence of a unique identifier in the Nigerian banking industry has been a major challenge inhibiting the effectiveness of the Know Your Customer (“KYC”) principle, with negative consequences on the growth of credit cards and other credit-related products. To complement the existing means of identification of customers, which include: the driver’s license; the International Passport; the National Identity Card; and the Permanent Voter’s Card; the CBN, in collaboration with the Bankers’ Committee on February 14, 2014, launched a centralized biometric identification system for the banking industry, tagged Bank Verification Number (“BVN”). The BVN project is an initiative aimed at protecting bank customers and further strengthening the Nigerian banking system. The Bank introduced BVN to all banks’ customers to address the absence of unique identifier across the Nigerian Banking Industry. The BVN is a number that enables a bank customer to have a single identity in the banking system. The full implementation was expected to enhance the effectiveness of KYC requirements and the safety and reliability of payments systems.

Cashless Policy

The CBN introduced the cashless policy which stipulates a cash handling charge on daily cash withdrawals or cash deposits that exceed ₦500,000 for individuals and ₦3,000,000 for corporate entities. This policy is aimed at reducing the amount of physical cash circulating within the economy and encouraging more electronic based transactions. The policy started on 30th March, 2012 in Lagos and was introduced in Ogun, Kano, Abia, Anambra, Rivers states and the FCT on September, with nationwide implementation expected to take effect from March 2020. The results include;

- Modernization of the payment systems in line with Nigeria’s 2020 goal of being amongst the top 20 economies by the year 2020;
- Faster access to capital, reduced revenue leakage and reduced cash handling costs
- Reduction in the cost of banking services; and
- Improvements in the effectiveness of monetary policy in managing inflation and driving economic growth.

Mortgage

The industry has been subject to a series of reforms aimed at strengthening the institutional framework, providing sustainable funding, improving liquidity and increasing accessibility to mortgages. In 2013, the mortgage banks were required to recapitalize to ₦5 billion for a national license and ₦2.5 billion for a state license to address the weak capital base. Subsequently, the Federal Mortgage Bank of Nigeria (“FMBN”) introduced the National Housing Fund Diaspora Mortgage Loan Scheme to provide housing opportunities for Nigerians in the diaspora and there are currently plans to inject ₦500 billion capital to the FMBN. Initiatives for boosting liquidity in the housing market include the establishment of the Nigeria Mortgage Refinance Company (“NMRC”), a private sector-led institution in 2013 to provide long term funding and the launch of the Mortgage Warehouse Funding Limited to raise interim funding for mortgage origination financing to mortgage banks. Based on the Financial System Strategy of the CBN, the target is to provide housing finance to over 30% of Nigerians by 2020.

BACKGROUND

Fidelity Bank PLC is Nigerian financial institution which provides a wide range of banking and other financial services in Nigeria, currently serving over 3.8 million retail accounts from about 250 business offices as at 30 June 2019, with total assets of ₦1,940,163 million as at that date. Financial products and services offered by the Bank include granting of loans and advances, equipment leasing, corporate and trade finance operations, treasury and investment services, retail banking (including current and savings accounts, debit cards, ATM services, electronic banking and retail lending), money market activities, private banking/wealth management services, foreign exchange services, funds transfer services and bank guarantees.

Fidelity Bank PLC was incorporated on 19 November 1987 as Fidelity Union Merchant Bank Limited, a private limited liability company, to provide merchant banking services. Fidelity Bank commenced business on 3 June 1988. To leverage the emerging opportunities in the commercial and consumer sectors of financial services in Nigeria, Fidelity Bank was converted to a commercial bank on 16 July 1999. On 10 August 1999, the Bank re-registered as a public limited liability company and changed its name to Fidelity Bank PLC. Fidelity Bank became a universal bank in February 2001, with a license to offer commercial, consumer, corporate and investment banking services. On 17 May 2005, Fidelity Bank's shares were listed on the official list of the Nigerian Stock Exchange. In December 2005, Fidelity Bank executed a merger with two other quoted banks (FSB International Bank Plc and Manny Bank Plc). Since 2004, Fidelity Bank has grown its branch network from 19 business offices to about 246 business offices as at 30 June 2019.

Until 2004, Fidelity Bank Plc had 253 Nigerian citizens and corporations as shareholders, with the Board of Directors holding a majority stake. Fidelity Bank has undergone several re-capitalizations and mergers since then, including a private placement in 2004, an initial public offering and a merger with FSB International Bank Plc and Manny Bank Plc in 2005, and a public offering and rights issue of shares in 2007. To comply with the CBN Banking Activities Regulation, Fidelity Bank divested its two subsidiaries, Fidelity Securities Limited and Fidelity Pension Managers, which were both non-banking subsidiaries, in 2012. Fidelity Bank currently has over 400,000 shareholders comprising Nigerian citizens and corporations.

FIDELITY BANK'S MAIN BUSINESS DIVISIONS INCLUDE THE FOLLOWING:

Corporate Banking business ("Corporate Banking"), serves Fidelity Bank's institutional clients, including large corporations, established middle-market companies and rapidly growing businesses. Fidelity Bank's Corporate Banking clients usually have a turnover in excess of ₦5 billion. The Corporate Banking business is organized under industry sector sub-groups and focuses primarily on companies with significant market share in the larger sectors of the economy, such as power and infrastructure, agriculture, transport and shipping, oil and gas (which includes upstream, downstream and services), telecommunications, real estate and construction, and fast-moving consumer goods.

Retail and Commercial banking business ("Retail Banking"), covers individuals, public and private, local and foreign entities and SMEs that do not meet Fidelity Bank's criteria as a Corporate Banking client. Fidelity's Commercial banking business model employs a targeted cross-selling strategy that combines financial advisory services with business development aimed at creating strong value-creation for Fidelity Bank's clients. For SMEs, Fidelity Bank focuses on sustainable growth sectors with export potential (such as beauty care, shoes and other leather products, as well as the entertainment industry, hospitality, agricultural product processing, and education). For retail customers the Bank aims to provide innovative solutions to meet the financing and transactional needs of individuals through a well spread branch network (240) and a wide range of electronic banking services that offer convenience, speed and reliability.

Investment Banking business ("Investment Banking"), manages Fidelity Bank's liquidity positions and investments in securities as well as provides brokerage services in government securities and corporate bonds to clients in the public and private sectors. Fidelity Bank is a licensed primary dealer and a market maker in Nigerian Treasury Bills and other money market instruments as well as a licensed wholesale foreign currency dealer.

CORPORATE GOVERNANCE

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

The Bank's shared values of customer first, respect, excellence, shared ambition and tenacity (CREST) continue to be the guiding principles which we believe are necessary to sustain the growth of the business and our relationship with stakeholders, while keeping faith with our vision to be "No. 1 in every market we serve and every branded product we offer".

1. Board Composition

Currently, the Board comprises of 15 (fifteen) Directors, 7 (seven) Executive Directors including the Managing Director/CEO and 8 (eight) Non-Executive Directors including 2 (two) Independent Non-Executive Directors.

All the Bank's Directors have varied experience and backgrounds and are well equipped to handle the responsibilities of the Board.

Access to Independent Advice

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

- KPMG Professional Services – Board Appraisal, Strategy & Management
- PricewaterhouseCoopers – Business Process Re-engineering & Robotics Applications
- IBFCAI Alliance Limited – Board Training and Development
- Deloitte - Independent Evaluation of the Internal Audit Function

2. Role of the Board

Fundamental to the guiding principles of Fidelity is that all power belongs to the shareholders.

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

Responsibility for the day-to-day management of the Bank resides with the Managing Director/Chief Executive Officer (MD/CEO), who carries out his functions in accordance with guidelines approved by the Board of Directors. The MD/CEO is ably assisted by the 6 (six) Executive Directors. In line with best practice and requisite regulations, the roles of the Chairman of the Bank and the MD/CEO are assumed by different individuals to ensure that the right balance of power and authority is maintained.

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

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

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

3. Compliance with the Code of Corporate Governance

The Board continues to comply with the Bank's internal governance policies and the provisions of the Companies and Allied Matters Act (CAMA) Cap C.20 Laws of the Federation of Nigeria, 2004. The Bank's governance framework is also designed to ensure on-going compliance with applicable governance codes: Central Bank of Nigeria's (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ("the CBN Code"), the Securities & Exchange Commission's Code of Corporate Governance ("the SEC Code"), the Post-Listing Requirements as well as the Rules issued from time to time by the NSE and the National Code of Corporate Governance 2019.

The Bank undertakes frequent internal assessment of its compliance with the codes /rules and submits periodic compliance reports to the CBN, SEC, NSE and the NDIC.

4. Board Committees

In line with the Revised CBN Code, the Chairman of the Board is not a member of any Board Committee. Furthermore, the charters of all the Board Committees have been approved by the CBN.

During the year, the Board delegated some of its responsibilities to the following Committees:

i. Board Finance & General-Purpose Committee

Responsibilities

- Review major expense lines periodically and approve expenditure within the approval limit of the Committee as documented in the financial manual of authorities;
- Participate in and lead an annual strategy retreat for the Board;
- Review annually, the Bank's financial projections, as well as capital and operating budgets and review on a quarterly basis with Management, the progress of key initiatives, including actual financial results against targets and projections;
- Make recommendations to the Board regarding the Bank's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines and the performance of the Bank's investment portfolios;
- Ensure a transparent and competitive tendering process on major contracts to guarantee the best value for the Bank;
- Review and recommend to the Board for approval, the procurement strategy and policy for the Bank;
- Ensure that all major contracts are carried out according to the terms and conditions of the contract agreement;
- Other finance matters including recommending for Board approval, the Bank's dividend policy, including amount, nature and timing and other corporate actions; and
- Recommend a comprehensive framework for delegation of authority on financial matters and ensure compliance with same.

Committee Composition:

Otunba Seni Adetu – Chair

Pst Kings Akuma – Member

Mr. Ezechukwu Okeke – Member

Chief Charles Umolu – Member

Mr. Chidi Agbapu – Member

ii. Board Corporate Governance Committee

Responsibilities

- Review and make recommendations for improvements to the Bank's Corporate Governance Framework;
- Recommend membership criteria for the Board and its Committees;
- Review and make recommendations on the Bank's key human capital policies;
- Review and make recommendations on Key Performance Indicators for the Managing Director and Executive Director;
- Ensure that an independent Board evaluation exercise is undertaken annually;
- Provide oversight for Directors' orientation and continuing education programmes;
- Ensure proper reporting and disclosure of the Bank's corporate governance procedures to stakeholders; and
- Ensure proper succession planning for the Bank.

Committee Composition:

Mr Ezechukwu Okeke – Chair
Otunba Seni Adetu – Member
Mr. Alex Ojukwu – Member
Chief Charles Umolu – Member
Mr. Chidi Agbapu – Member

iii. Board Risk Committee

Responsibilities

- Establishing the Bank's risk appetite;
- Ensuring that business profiles and plans are consistent with the Bank's risk appetite;
- Establishing and communicating the Bank's risk management framework including responsibilities, authorities and control;
- Establishing the process for identifying and analyzing business level risks;
- Agreeing and implementing risk measurement and reporting standards and methodologies;
- Establishing key control processes and practices, including limits, structures, impairment, allowance criteria and reporting requirements;
- Monitoring the operation of the controls and adherence to risk direction and limits; and
- Ensuring that the risk management practices and conditions are appropriate for the business environment.

Committee Composition:

Mr Alex Ojukwu – Chair
Chief Charles Umolu – Member
Pst. Kings Akuma – Member
Mr. Ezechukwu Okeke – Member
Otunba Seni Adetu – Member
Mr Nnamdi Okonkwo – Member

iv. Board Audit Committee

Responsibilities

- Ensuring the integrity of the Bank's financial reporting system;
- Ensuring the existence of independent internal and external audit functions;
- Ensuring the effectiveness of the internal control system, prudence and accountability insignificant contracts and compliance with regulatory requirements;
- Effectiveness of accounting and operating procedures; and
- Ensuring compliance with legal and regulatory requirements.

Committee Composition:

Otunba Seni Adetu – Chair
Mr. Alex Ojukwu – Member
Mr. Charles Umolu – Member
Pst. Kings Akuma – Member
Mr. Chidi Agbapu – Member

v. Board Credit Committee

Responsibilities

- Exercising all Board assigned responsibilities on credit related issues;
- Review and recommend credit policy changes to the full Board;
- Ensure compliance with regulatory requirements on credits;
- Approving credits above the Management's credit approval limits;
- Tracking the quality of the Bank's loan portfolio through quarterly review of risk assets;
- Receive and consider recommendations from the Management Credit Committee (MCC), Asset & Liability Committee (ALCO), and Operational Risk & Service Measurement Committee on matters relating to Credit Management;
- Consider and recommend for full Board approval, any Director, Shareholder and Insider-Related credits; and
- Consider exceptions to rules or policies and counsel on unusual credit transactions.

Committee Composition:

Chief Charles Umolu – Chair
Otunba Seni Adetu – Member
Mr. Alex Ojukwu – Member
Pst. Kings Akuma – Member
Mr Chidi Agbapu – Member
Mr Nnamdi Okonkwo – Member

5. Statutory Audit Committee

Responsibilities

- Review the External Auditor's proposed audit scope and approach;
- Monitor the activities and performance of External Auditors;
- Review with the External Auditors any difficulties encountered in the course of the audit;
- Review results of the half year and annual audits and discuss same with Management and the External Auditors; and

- Present the report of the Statutory Audit Committee to the Shareholders at the Annual General Meeting.

Committee Composition:

Mr Frank Onwu – Chair
 Dr. Christian Nwinia – Member
 Mr. Innocent Mmuoh – Member
 Mr. Micheal Okeke – Member
 Mr. Alex Ojukwu – Member
 Pst. Kings Akuma – Member

Frequency of Meetings

Meetings of the Board and its Committees are usually held quarterly but may be convened at any time whenever the need arises. In line with recommendations of the CBN on nature of presentation of credits for approval, the Board Credit Committee started meeting more frequently where necessary for management to formally present credits for review, critique and approval. This process has enhanced the Bank's credit approval process.

Board/Committees Meetings - No. of Meetings

Board of Directors – 9
 Board Credit Committee – 15
 Board Risk Committee – 9
 Board Governance Committee – 7
 Board Audit Committee – 8
 Board Finance and General-Purpose Committee – 12

During the year under review, the following Management Committees enhanced the activities of Management

- i. Executive Committee
- ii. Asset & Liability Committee
- iii. Management Credit Committee
- iv. Criticized Assets Committee
- v. Quarterly Business Review Committee
- vi. Operational Risk & Service Measurement Committee
- vii. Sustainable Banking Governance Committee

PROFILE OF DIRECTORS

Mr. Ernest C Ebi

Chairman of the Board

Mr. Ebi was appointed Chairman of the Board on 20 October 2016. He holds a BBA in Marketing and an MBA, both from Howard University. He has attended many high profile leadership courses / programs at IMD Switzerland, Harvard and Oxford-Saïd Business School.

Mr. Ebi began his career in banking in 1978 as Assistant Vice President and Controller at the Community Federal Savings and Loan Association in Washington D.C., U.S.A. He returned to Nigeria in 1981 to join International Merchant Bank (IMB) Plc, and has since served at various times as an Executive Director at

African Continental Bank Plc, New Nigerian Bank Plc and Diamond Bank Plc. Mr. Ebi has also served for 10 years as Deputy Governor at the CBN and as a member of several Presidential Committees in Nigeria. He is also a board member of Dangote Cement Plc and the Chairman of the Board of Directors of Agrited Nigeria Limited and AIICO Pension Managers Limited.

Mr. Nnamdi Okonkwo

Managing Director

Mr. Okonkwo was appointed to the Board on 2 April 2012 and assumed duties as Managing Director and CEO in January 2014. In 2016, this service was briefly interrupted following an investigation from the EFCC in which he was exonerated. Mr. Okonkwo holds a B.Sc degree from the University of Benin and an MBA degree in Banking and Finance from Enugu State University of Science and Technology. He is also a graduate of the Advanced Management Programme (AMP) of INSEAD, France. Until his appointment, Mr. Okonkwo was the head of the Corporate Banking Directorate at United Bank for Africa Plc (UBA). Before then, he was at various times the Managing Director & Chief Executive Officer of UBA, Ghana and the Regional Chief Executive Officer of all UBA subsidiaries in Ghana, Liberia and Sierra Leone. Mr. Okonkwo has also previously worked with the defunct FSB International Bank and with Guaranty Trust Bank Plc. He has over 27 years' experience in various areas of banking.

Mr. Gbolahan Joshua

Executive Director/ Chief Operations Officer

Mr. Joshua was appointed to the Board on 1 September 2019 and holds a Bachelor of Science degree in Accounting from Olabisi Onabanjo University, and is a Chartered Accountant.

He has over 20 years of comprehensive experience across various areas of Assurance and banks including United Bank for Africa (UBA) and First City Monument Bank (FCMB). He has held various leadership roles including Chief Financial Officer, Chief Strategy Officer and Chief Information Officer.

He has attended a number of executive and banking specific programs in leading educational and professional institutions including Harvard, IMD and Euromoney.

Mr. Hassan Imam

Executive Director

Hassan Imam was appointed to the Board in August 2019. He holds a Bachelor's degree in Economics from Usman Danfodio University, Sokoto and an M.Sc. in Treasury Management from Bayero University in Kano. An alumnus of Said Business School, Oxford, UK and Pan-Atlantic University, Lagos, Hassan also holds an MBA from Business School Netherlands.

He joined FSB International Bank in 1998 before the merger with Fidelity Bank in 2005 and rose to the position of General Manager before his appointment to the Board of Fidelity Bank. Hassan is currently responsible for the Commercial, SME, Consumer and Public Sector businesses in the North Region of Nigeria comprising 19 states and Abuja.

He is vastly experienced across various aspects of financial services spanning about 25 years. Imam possesses requisite competencies and expertise in critical areas of banking including Export/Import Finance, Treasury Functions, Risk management (Loan Disbursement & Monitoring Contract; Contract & LPO Financing) SME Funding, E-Banking Products, among others.

Mr. Obaro Odeghe**Executive Director**

Mr. Odeghe was appointed to the Board in August 2019. Mr. Odeghe holds a Bachelor's Degree in Agriculture and a Master's in Business Administration from the University of Benin. He has attended a number of executive training and banking specific programs in leading educational and professional institutions including Wharton, Harvard and Kelloggs Business School.

He has over 24 years of experience across various areas of Banking including: Corporate Banking, SMEs, Consumer Banking, Institutional banking, Trade Finance and Operations. Prior to joining Fidelity Bank Plc, he held senior management positions in Zenith Bank and United bank for Africa (UBA).

Obaro is a Fellow Institute of Credit Administration and Honorary Senior Member of the Chartered Institute of bankers of Nigeria.

Mrs. Aku Odinkemelu**Executive Director**

Mrs. Odinkemelu was appointed to the Board on 11 August 2014. She is the Bank's Executive Director, Commercial and Consumer Banking, South. She holds an LLB (Hons.) from the University of Nigeria, Nsukka and a BL from the Nigerian Law School, Lagos. She holds dual MBA Degrees from IMD, Switzerland and CKGSB, China and is an alumnus of Harvard Business School, Massachusetts. She has over 25 years of experience in the banking industry, including senior positions at Access Bank Plc, Equitorial Trust Bank Limited and Continental Merchant Bank Plc. She has previously served as a Non-Executive Director of Guaranty Trust Bank Plc, Sierra Leone and Guaranty Trust Assurance.

Mrs. Nneka Chinwe Onyeali-Ikpe**Executive Director**

Mrs. Onyeali-Ikpe was appointed to the Board on 2 July 2015. She is the Bank's Executive Director, Commercial and Consumer Banking Lagos and South-West. She holds an LL.B from the University of Nigeria and an LLM from Kings College, London. She has 27 years of experience in management, retail/commercial, treasury and corporate banking. She was previously an Executive Director at Enterprise Bank Limited, where she established its Retail Banking and SME Groups. She currently serves as a non-executive director of The Emperor's Place Hospitality Limited.

Pst. Kings C. Akuma**Non-Executive Director**

Pst. Akuma was appointed to the Board on 20 October 2016. He holds a Bachelor's degree in Accounting from the University of Nigeria, Nsukka and an MBA from the University of Lagos. He is a fellow of the Chartered Institute of Taxation of Nigeria and has ten years of management experience in oil & gas. He was the Managing Director of Hammakopp Consortium Limited (Affiliate of Nestoil Group Plc). He currently heads the Non-Oil & Gas business of ALCON Nigeria Limited and serves as part-time Managing Director of Akvidson Nigeria Limited, Port Harcourt.

Chief Charles C Umolu**Non-Executive Director**

Chief Umolu was appointed to the Board on 20 October 2016. He holds a Bachelor's degree in Economics and an MBA, both from the University of Ife, Ile-Ife. He has over 18 years' experience in banking and has served on the board of various organizations, including Comet Merchant Bank Limited where he was Managing Director and CEO. He currently serves as a Managing Consultant with Corimol Nigeria Limited and Chief Executive of Corimol Consulting Limited and chairman of the board of Obosi Microfinance Bank. Chief Umolu also serves on the board of Profound Securities Limited, a subsidiary of the Nigeria Social Insurance Trust Fund.

Mr. Chidozie Agbapu**Non-Executive Director**

Mr. Agbapu holds a B.Sc. in Economics from the University of Nigeria, Nsukka and a Masters in Banking and Finance from the University of Lagos. He is an alumnus of the Lagos Business School (Advanced Management Program, AMP 14, 2000). He is a fellow of the Chartered Institute of Stockbrokers and has extensive experience in capital market operations spanning over thirty years. He has served as Chief Dealer/Analyst in various capital market firms including Equator Finance & Securities Limited and Prominent Securities Limited. He is currently Co-CEO/Managing Director of Planet Capital Limited. Mr Agbapu was a Founding Managing Director of Emerging Capital Limited from 2004 to 2010.

Mr Agbapu currently serves on the board of various companies including Coral Properties (a subsidiary of the Nigerian Stock Exchange), MTI Nigeria Plc and MTI Limited, Accra, Ghana. He served as Director of Bendel Feed and Floor Mills Limited and Central Securities Clearing System (CSCS) Limited for seven (7) years and is currently a member of the National Council of the Nigerian Stock Exchange, where he also serves on the Disciplinary, Audit & Risk and Rules & Adjudication Committees.

Until his appointment as a Non-Executive Director of the Bank, Mr. Chidi Agbapu was the Chairman of the Statutory Audit Committee of Fidelity Bank Plc. His appointment to the Board was approved by the Central Bank of Nigeria on September 3, 2018.

Mr. Alex C. Ojukwu**Non-Executive Director**

Alex C. Ojukwu was appointed to the Board on 23 October 2014. He holds a Bachelor's degree in finance from Ogun State University and an MBA from the Federal University of Technology, Akure. He has over 36 years of experience in banking services, control and audit and marketing as well industry specific experience in power, mining, steel, risk and manufacturing. He is currently the Managing Director of Afro Asia Automobile & Plastics Limited. He also serves as a director for the Chicason Group and Aknovo Nigeria Limited and has previously served as Executive Director, Risk Management for Western Goldfields Group Limited, founder and Managing Partner of Damos Practice – Risk Management Consultants, and Assistant Vice President, Remedial Assets Management at Keystone Bank Limited. Mr. Ojukwu is a Fellow of the Chartered Institute of Bankers and a member of the Institute of Risk Management.

Mr. Micheal E. Okeke**Non-Executive Director**

Michael E. Okeke was appointed to the Board on 23 October 2014. He holds a B.Sc degree in estate management, an MBA from the Metropolitan School of Business & Management, United Kingdom and a postgraduate diploma in political science from the University of Nigeria, Enugu. He is currently the managing partner of Sun Oriala & Co., an estate management firm. He is a fellow of the Chartered Institute

of Loan & Risk Management of Nigeria, and a Member of the Nigerian Institute of Estate Surveyors & Valuers (NIESV). Within the field of estate surveying and valuation, his areas of specialization are property valuation, project finance, procurements, syndicated asset management, valuation of aviation and navigation installations including aircraft, ships and vessels.

Otunba Seni Adetu

Independent Director

Otunba Adetu was appointed to the Board on 17 March 2016. He holds a Bachelor's degree in chemical engineering and an MBA in chemical engineering from the University of Lagos. He has over 30 years of private sector experience and has previously served as Executive Chairman of Diageo Brands Nigeria, Managing Director and CEO of Guinness Ghana Plc, Managing Director and CEO of Diageo East Africa, Managing Director and CEO of Guinness Nigeria Plc, and Managing Director of Coca Cola English West Africa. Otunba Adetu was named Runner Up for Forbes/CNBC Business Leader/CEO of the Year 2012 in East Africa. He is the Founder/Group CEO of First Primus W.A. Limited and Algorithm Media Limited, a media specialist agency in Nigeria, affiliated to GroupM, one of the world's largest media networks. He currently serves as chairman of JSK Etiquette Consortium and is also a leadership coach and facilitator on the Chief Executive Program of the Lagos Business School.

Isa Mohammed Inuwa

Independent Director

Mr Inuwa has multi industry work experience spanning over 35 years in the banking and oil and gas industries, with a significant portion of time spent in executive and strategic roles covering management, finance, strategy, corporate services, compliance, audit and information technology.

He statutorily retired in June 2019 as Chief Operating Officer/Group Executive Director, Corporate Services at the Nigerian National Petroleum Corporation (NNPC) where he worked for over a decade. He was recruited under a Business Transformation Programme at NNPC in 2005 and served in various roles as General manager, Budget and Projects, General Manager, Finance, NAPIMS and Group General Audit.

In the financial services industry, he previously served as the Managing Director, Intercity Bank PLC, in 1992 and was appointed through a formal selection process, as Executive Director, Operations, Bank of Agriculture (BoA) in 2005.

Born in Kano, Inuwa was educated at Ahmadu Bello University, Zaria and Stirling University, Scotland where he obtained BSc Accounting and MSc Accounting & Finance degrees respectively. Married with children and a grandchild, he has attended several courses and executive management programmes at Wharton, Oxford University, Euromoney, INSEAD, IMD and other high profile global institutions. His interests include teaching, current affairs and listening to jazz music.

Description of Shareholding

As at 30 June 2019, the Bank's authorised share capital was ₦16,000,000,000, comprised of 32,000,000,000 ordinary shares with a nominal value of 50 kobo each. As at 30 June 2019, the Bank's issued and fully paid up share capital was ₦14,481 million comprised of 28,963 million ordinary shares of 50 kobo each.

Principal Shareholders

As at 30 June 2019, according to the Bank's share register, the Bank had 400,477 shareholders of its ordinary shares.

To the Bank's knowledge, no person or entity controls more than 5 per cent of the bank's total issued ordinary share capital.



GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

Fidelity Bank Plc

Nigeria Bank Analysis

November 2019

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long-term	National	A-(NG)	Stable	October 2020
Short-term	National	A2(NG)		

Financial data:

(USDm comparative) ‡

	31/12/17	31/12/18
NGN/USD (avg.)	305.3	305.6
NGN/USD (close)	305.5	306.5
Total assets	4,489.2	5,383.1
Primary capital	659.1	634.3
Secondary capital	97.8	97.9
Net advances	2,516.3	2,772.9
Liquid assets	1,615.7	2,300.8
Operating income	318.7	331.9
Profit after tax	58.2	75.0
Market cap.*	N49.5bn/USD161.7m	
Market share**	4.6%	

‡Central Bank of Nigeria ("CBN") exchange rates
*As at 22 October 2019.

**Based on industry assets at 31 December 2018.

Rating history:

Initial Rating (February 2001)

Long-term rating: BBB+(NG)

Short-term rating: A2(NG)

Rating outlook: Stable

Last Rating (November 2018)

Long-term rating: A-(NG)

Short-term rating: A2(NG)

Rating outlook: Stable

Related methodologies/research:

Global Criteria for Rating Banks and Other Financial Institutions, updated March 2017

Fidelity rating reports (2001-18)

Glossary of Terms/Ratios, February 2016

GCR contacts:

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Summary rating rationale

- Fidelity Bank Plc ("Fidelity" or "the bank") is a mid-sized player within the Nigerian banking space, with an enhanced market share of 4.6% (FY17: 4.0%) based on the industry's total assets at FY18. While cognisance is taken of the bank's sustained improvement across most performance metrics, key ratings constraining factor remains the challenging operating and unstable regulatory environment.
- Fidelity's asset quality metrics improved during the review period, largely underpinned by expansion in the loan portfolio, write-offs and intensified recovery efforts. Consequently, gross non-performing loans ("NPL") ratio ended down at 4.8% at 3Q FY19 (FY18: 5.7%), favourably compared with CBN's tolerable limit of 5% and peers' average. Also, total loan loss provision coverage of impaired loans improved materially to 109.9% at FY18 (FY17: 52.5%). However, concentration risk by obligor remained high, with the twenty largest exposures constituting a substantial 50.1% of the gross loans and advances at FY18.
- Total shareholders' funds declined by 3.4% to N194.4bn at FY18, following the loan loss provisions adjustment to retained earnings on the back of implementation of IFRS 9 accounting standard. This notwithstanding, the bank's risk weighted capital adequacy ratio ("CAR") increased to 16.7% at FY18 (FY17: 16%) and stood at 16.4% at 3Q FY19, exceeding the 15% statutory requirement.
- Fidelity displayed a relatively low liquidity risk at FY18, given that a sizeable 42.7% of its assets were held in cash and highly liquid investment securities. Furthermore, the bank's statutory liquidity ratio ranged between 30.2% and 42.4% throughout FY18 (ending the year at 39.8%), against the regulatory minimum of 30%. In addition, the contractual matching of assets and liabilities reflects a sound liquidity buffer across most maturity bucket, with liquidity buffer amounting to N80.4bn within the critical less than one-month maturity bucket.
- The bank's key profitability indicators improved in FY18, with pre-tax profit increasing by 30.6% to N25.1bn, on account of a notable 62.7% decline in impairment charge. While total operating income ("TOI") grew by 4.3%, operating expenses rose by 8.0%, translating to a higher cost to income ratio of 71.1% (FY17: 68.6%). Overall, return on average equity and asset ("ROaE" and "ROaA") improved to 11.6% and 1.5% (FY17: 9.2% and 1.3%) respectively. As at 3Q FY19, the bank reported a pre-tax profit of N23bn, representing 13.3% growth over corresponding period in FY18 and in line with budget on annualised basis.

Factors that could trigger a rating action may include

Positive change: Upward movement in the ratings could emanate from further improvement in the bank's profitability, asset quality, capital and liquidity metrics, as well as significant improvement in the operating environment (including stability in regulatory environment).

Negative change: The ratings would be sensitive to a substantial decline in asset quality, profitability, and liquidity metrics.

CONFIRMATION OF GOING CONCERN STATUS

SEC-7000000



25 March, 2020

The Director General

Securities & Exchange Commission
SEC Tower, 272 Samuel Adesoji Ademulegun Street
Central Business District,
Abuja

Dear Sir,

STATUS OF FIDELITY BANK PLC

We, the undersigned, hereby affirm that Fidelity Bank Plc (the "Company"), a company duly incorporated and existing under the laws of the Federal Republic of Nigeria, is a going concern and that the Company has no pending insolvency proceedings instituted against it.

We also confirm that the Company will continue in operations for the foreseeable future and that there are no threats to the operations of the Company.

Signed for and on behalf of

Fidelity Bank PLC

By its duly authorized representatives:


Gbolahan Joshua
Executive Director


Ezinwa Unuigboje
Company Secretary

Fidelity Bank Plc
2 Kofo Abayomi Street,
Victoria Island, Lagos, Nigeria
P.O.Box 72439, Victoria Island, Lagos
Swift: FIDTNGLA
+234(1)2700530-3, 0(1)4485252
info@fidelitybank.ng

www.fidelitybank.ng

Mr. Ernest C. Ebi MFR, FCIB (Chairman), Mr. Alex C. **Ojukwu** (Non-Executive Director), Mr. Michael E. **Okeke** (Non-Executive Director), Olunba Sen. **Adetu** (Independent Director), Chief Charles C. **Umolu** (Non-Executive Director), Pastor Kings C. **Akuma** (Non-Executive Director), Chidi B. **Agbapu** (Non-Executive Director), Mr. Nnamdi **Okonkwo** (Managing Director/CEO), Mr. Mohammed **Balarabe** (Deputy Managing Director), Mrs. Chijioke **Ugochukwu** (Executive Director), Mrs. Aku **Odinkemolu** (Executive Director), Mrs. Nneka C. **Onyiah-Ikpa** (Executive Director)



Ernst & Young
UBA House 19th Floor
57 Marina
P.O. Box 2442
Lagos, Nigeria

Tel: +234 (01) 463 1 4500
Fax: +234 (01) 463 0481
ey.com

09 April 2020

The Directors

Fidelity Bank Plc
Fidelity Place
2 Kofo Abayomi Street
Victoria Island
Lagos

THIS GOING CONCERN
CONFIRMATION LETTER
WAS NOTARIZED BY ME:
THIS 9 DAY OF APR 2020

CHIKE OBIANWU
NOTARY PUBLIC
LAGOS, NIGERIA



and

The Directors

and

The Directors

Stanbic IBTC Capital Limited
I.B.T.C. Place
Walter Carrington Crescent
Victoria Island
Lagos

Renaissance Securities (Nigeria) Limited
6th Floor, East Tower
The Wings Office Complex
17A Ozumba Mbadiwe Avenue
Victoria Island
Lagos

Dear Sirs,

Confirmation of Going Concern -Establishment of a ₦100 Billion (One Hundred Billion Naira) Bond Issuance Programme by Fidelity Bank Plc (the "Transaction")

We have audited the financial statements of Fidelity Bank Plc Plc for the 6 months ended 30 June 2019 and issued our report dated 26 August 2019. The financial statements were prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and 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.

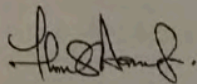
We conducted our audit in accordance with International Standards on Auditing (ISA). One of our responsibilities under these standards is to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude based on the audit evidences obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern. Our Audit Report on the 30 June 2019 financial statements does not contain a modification paragraph in relation to going concern as a material uncertainty.

We note that as described in ISA 200 "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing", the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern. We cannot

predict such future events and conditions. Accordingly, the absence of any reference to material uncertainty about the Bank's ability to continue as a going concern in our auditor's report cannot be viewed as a guarantee as to the Bank's ability to continue as a going concern.

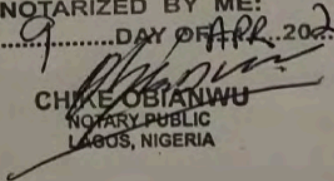
This letter is issued solely in relation to the above-mentioned proposed transaction for regulatory filing purposes.

Yours faithfully,



Jamiu Olakisan, FCA
FRC/2013/ICAN/00000003918
For: Ernst and Young
Lagos, Nigeria

THIS GOING CONCERN
CONFIRMATION LETTER
WAS NOTARIZED BY ME:
THIS 9 DAY OF APRIL 2020


CHIKE OBIANWU
NOTARY PUBLIC
LAGOS, NIGERIA





25 March 2020

Independent assurance report to:

The Board of Directors
Fidelity Bank Plc
2 Kofo Abayomi Street
Victoria Island
Lagos

and

The Directors
Renaissance Securities Nigeria Limited
6th Floor, Level 11, East Tower
17A Ozumba Mbadiwe Avenue
Victoria Island
Lagos

The Directors
Stanbic IBTC Capital Limited
I.B.T.C Place
Walter Carrington Crescent
Victoria Island
Lagos

Dear Sirs

We have reviewed the accompanying statements of financial position for each of the last three financial reporting periods ended 31 December 2018 and the audited half-year reporting period ended 30 June 2019, the statements of profit or loss and other comprehensive income, the statements of changes in equity, the statements of cash flows for the periods then ended, the statement of significant accounting policies and other explanatory notes (together "the financial information"). The financial information is based on the audited financial statements of Fidelity Bank Plc (the "Company").

Directors Responsibility

The Directors are responsible for the preparation and fair presentation of the financial statements on which the financial information is based, in accordance with the basis of accounting described in the statement of significant accounting policies and for such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for the contents of the prospectus in which this report is included.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) which requires us to conclude whether anything has come to our attention that causes us to believe that the financial information is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

PricewaterhouseCoopers Chartered Accountants
Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
T: +234 1 271 1700, www.pwc.com/ng TIN: 01556757-0001

Partners: S. Abu, O. Adesanya, O. Adenla, T. Adeleke, W. Adetokunbo-Ajayi, U.N. Akpala, O. Alaklumi, C. Azubu, E. Erhie, K. Enkume, U. Muogilim, P. Obianwa, T. Ogundipo, C. Ojehi, O. Oladipo, P. Omonluomhen, O. Osinubi, T. Oyedele, A.B. Rahji, O. Uba



A review of financial information in accordance with ISRE 2400(Revised) is a limited assurance engagement. The review primarily consists of making inquiries of management and others as appropriate, applying analytical procedures and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not present fairly, in all material respects the state of the financial position of the Company as at the dates stated and of its profit or loss and cash flows for the periods then ended, in accordance with the Company's accounting policies.

Basis of Accounting

Without modifying our conclusion, we draw attention to the Statement of significant accounting policies included in the financial information which describes the basis of accounting. The financial information is prepared for inclusion in the prospectus to be issued in connection with the proposed capital raising transaction. As a result, the financial information may not be suitable for another purpose.

Yours faithfully

For: **PricewaterhouseCoopers**

Chartered Accountants
Lagos, Nigeria

25 March 2020

Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495



Fidelity Bank Plc

Financial information: 2016 - 2019

Statement of profit or loss and other comprehensive income

	Note	6 months ended 30 June 2019 N'million	31 December 2018 N'million	Year ended 31 December 2017 N'million	31 December 2016 N'million
Gross earnings		103,055	188,873	180,244	152,021
Interest revenue calculated using the effective interest rate method	2	84,290	153,682	147,419	123,153
Other interest and similar income		1,540	-	-	-
Interest expense calculated using the effective interest rate method	3	(48,931)	(84,095)	(79,278)	(61,225)
Net interest income		36,899	69,587	68,141	61,928
Credit loss write back/(expense)	4	5,473	(4,214)	(11,315)	(8,671)
Net interest income after credit loss expense		42,372	65,373	56,826	53,257
Fee and commission income	5	13,069	20,410	18,229	20,557
Fee and commission expense	5	(2,401)	(3,346)	(3,674)	(3,238)
Net losses on derecognition of financial assets measured at amortised cost	6	(4,705)	-	-	-
Other operating income	7	4,756	11,144	10,925	8,311
Net gains/ (losses) from financial assets at fair value through profit or loss	8	129	3,637	3,671	(625)
Personnel expenses	9	(11,675)	(23,910)	(24,535)	(27,231)
Depreciation and amortisation	10	(2,377)	(6,247)	(4,373)	(4,308)
Other operating expenses	11	(24,117)	(41,971)	(37,856)	(35,662)
Profit before income tax		15,051	25,090	19,213	11,061
Income tax expense	12	(1,366)	(2,163)	(1,445)	(1,327)
Profit for the year		13,685	22,927	17,768	9,734
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Revaluation gains on equity instruments at fair value through other comprehensive income		6,359	1,612	-	-
Items that will be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income:					
Net change in fair value during the period		4,244	(2,424)	-	-
Changes in allowance for expected credit losses		174	277	-	-
Reclassification adjustments to profit or loss	13	(125)	(1,671)	-	-
Net losses on debt instruments at fair value through other comprehensive income		4,293	(3,818)	-	-
Available-for-sale financial assets:					
Unrealised net gains arising during the year		-	-	3,732	(2,308)
Net Reclassification adjustments for realised net gains	13	-	-	(622)	(906)
Net gains on available-for-sale financial assets		-	-	3,110	(3,214)
Total items that will be reclassified subsequently to profit or loss		4,293	(3,818)	3,110	(3,214)
Other comprehensive income/ (loss) for the year, net of tax		10,652	(2,206)	3,110	(3,214)
Total comprehensive income for the year net of tax		24,337	20,721	20,878	6,520
Earnings per share					
Basic (kobo) and Diluted (kobo)	14	47.00	79.16	61.35	34.00

The accompanying notes form an integral part of these financial information.

Fidelity Bank Plc

Financial information: 2016 - 2019

Statement of financial position

		30 June 2019	31 December 2018	31 December 2017	31 December 2016
	Note	N'million	N'million	N'million	N'million
Assets					
Cash and balances with central bank	15	390,180	384,931	269,625	207,061
Due from banks	17	157,882	111,633	52,287	49,200
Loans and advances to customers	18	999,319	849,880	768,737	718,401
Investment securities:					
Financial assets at fair value through profit or loss	19.1	26,526	14,052	20,639	18,098
Debt instruments at fair value through other comprehensive income	19.2	150,271	157,639	-	-
Equity instruments at fair value through other comprehensive income	19.3	13,418	9,977	-	-
Debt instrument at amortised cost	19.4	111,782	118,662	-	-
Available-for-sale	19.5	-	-	76,815	88,586
Held to maturity	19.6	-	-	108,784	138,134
Other assets	23	49,792	35,124	43,194	37,510
Property, plant and equipment	20	38,011	36,909	38,504	40,356
Right-of-use assets	24	1,542	-	-	-
Intangible assets	21	1,440	1,076	629	795
Total assets		1,940,163	1,719,883	1,379,214	1,298,141
Liabilities					
Deposits from customers	25	1,097,011	979,413	775,276	792,971
Current income tax payable	12	1,777	1,609	1,445	1,327
Other liabilities	26	360,030	300,335	185,154	158,724
Provisions	27	2,781	3,343	2,745	1,546
Debts issued and other borrowed funds	28	262,998	240,767	213,233	159,035
Total liabilities		1,724,597	1,525,467	1,177,853	1,113,603
Equity					
Share capital	29	14,481	14,481	14,481	14,481
Share premium	30	101,272	101,272	101,272	101,272
Retained earnings	30	43,624	37,133	23,372	25,054
Other equity reserves					
Statutory reserve	30	32,797	30,744	27,305	24,476
Small scale investment reserve	30	704	704	704	704
Non-distributable regulatory reserve	30	2,806	408	28,837	16,271
Fair value reserve	30	17,246	7,038	5,330	2,220
AGSMEIS reserve	30	2,576	2,576	-	-
Total equity		215,566	194,416	201,361	184,538
Total equity and liabilities		1,940,163	1,719,883	1,379,214	1,298,141

The accompanying notes form an integral part of these financial information.

Fidelity Bank Plc
Financial information: 2016 - 2019
Statement of changes in equity

	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Fair value reserve	AGSMEIS reserve	Re-measurement reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2016	14,481	101,272	8,797	23,016	764	33,480	5,434	-	(3,728)	183,516
Profit for the year	-	-	9,734	-	-	-	-	-	-	9,734
Other comprehensive income:										
Unrealised net losses arising during the year	-	-	-	-	-	-	(2,308)	-	-	(2,308)
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(906)	-	-	(906)
Total comprehensive income	-	-	9,734	-	-	-	(3,214)	-	-	6,520
Dividends paid	-	-	(4,634)	-	-	-	-	-	-	(4,634)
Transfers between reserves	-	-	12,021	1,460	-	(17,209)	-	-	3,728	-
31 December 2016	14,481	101,272	25,918	24,476	764	16,271	2,220	-	-	185,402
At 1 January 2017	14,481	101,272	25,918	24,476	764	16,271	2,220	-	-	185,402
Correction of error	-	-	(864)	-	-	-	-	-	-	(864)
1 January 2017 (31 December 2016, restated)	14,481	101,272	25,054	24,476	764	16,271	2,220	-	-	184,538
Profit for the year, as restated	-	-	17,768	-	-	-	-	-	-	17,768
Other comprehensive income:										
Unrealised net gains arising during the year	-	-	-	-	-	-	3,732	-	-	3,732
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(622)	-	-	(622)
Total comprehensive income	-	-	17,768	-	-	-	3,110	-	-	20,878
Dividends paid	-	-	(4,055)	-	-	-	-	-	-	(4,055)
Transfers between reserves	-	-	(15,395)	2,829	-	12,566	-	-	-	-
31 December 2017, restated	14,481	101,272	23,372	27,305	764	28,837	5,330	-	-	201,361
At 1 January 2018	14,481	101,272	23,372	27,305	764	28,837	5,330	-	-	201,361
Impact of adopting IFRS 9	-	-	(28,393)	-	-	-	3,914	-	-	(24,479)
Transfers between reserves	-	-	28,393	-	-	(28,393)	-	-	-	-
Restated opening balance under IFRS 9	14,481	101,272	23,372	27,305	764	444	9,244	-	-	176,882
Profit for the year	-	-	22,927	-	-	-	-	-	-	22,927
Other comprehensive income:										
Net change in fair value of debt instrument at FVOCI	-	-	-	-	-	-	(2,424)	-	-	(2,424)
Net change in fair value of equity instrument at FVOCI	-	-	-	-	-	-	1,612	-	-	1,612
Changes in allowance for expected credit losses	-	-	-	-	-	-	277	-	-	277
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(1,671)	-	-	(1,671)
Total comprehensive income	-	-	22,927	-	-	-	(2,206)	-	-	20,721
Dividends paid	-	-	(3,187)	-	-	-	-	-	-	(3,187)
Transfers between reserves	-	-	(5,070)	3,439	-	(36)	-	2,576	-	-
31 December 2018	14,481	101,272	37,133	30,744	764	408	7,038	2,576	-	194,416
At 1 January 2019	14,481	101,272	37,133	30,744	764	408	7,038	2,576	-	194,416
Profit for the period	-	-	13,685	-	-	-	-	-	-	13,685
Other comprehensive income:										
Net change in fair value of debt instrument at FVOCI	-	-	-	-	-	-	4,244	-	-	4,244
Net change in fair value of equity instrument at FVOCI	-	-	-	-	-	-	6,359	-	-	6,359
Changes in allowance for expected credit losses	-	-	-	-	-	-	174	-	-	174
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(125)	-	-	(125)
Total comprehensive income	-	-	13,685	-	-	-	10,652	-	-	24,337
Dividends paid	-	-	(3,187)	-	-	-	-	-	-	(3,187)
Transfers between reserves	-	-	(4,007)	2,053	-	2,398	(444)	-	-	-
At 30 June 2019	14,481	101,272	43,624	32,797	764	2,806	17,246	2,576	-	215,566

Fidelity Bank Plc

Financial information: 2016 - 2019

Statement of cash flows

		6 months ended	Year Ended		
		30 June 2019	31 December 2018	31 December 2017	31 December 2016
Note	N'million	N'million	N'million	N'million	N'million
Operating activities					
Cash flows (used in)/ from operations	31	(62,523)	113,295	(95,553)	(157,848)
Interest received		75,452	146,676	139,724	105,595
Interest paid		(48,931)	(81,853)	(77,083)	(59,746)
Retirement benefits paid		-	-	-	(10,839)
Paid to staff in respect of staff gratuity	26.2	-	-	(4,118)	-
Income tax paid	12c	(1,198)	(1,053)	(996)	(2,332)
Net cash flow (used in)/ from operating activities		(37,200)	177,065	(38,026)	(125,170)
Investment activities					
Purchase of property, plant and equipment	20	(3,461)	(2,281)	(2,057)	(4,502)
Proceeds from sale of property, plant and equipment		243	76	154	180
Purchase of intangible assets	21	(883)	(2,879)	(369)	(143)
Purchase of FVTOCI financial assets		(100,513)	(246,754)	(187,625)	(114,625)
Purchase of amortised cost financial assets		(27,783)	(54,244)	-	-
Redemption of HTM financial assets at maturity		-	-	87,975	18,637
Proceeds from sale of AFS financial assets		-	-	144,504	159,765
Redemption of amortised cost financial assets		35,782	51,842	-	-
Proceeds from sale of FVTOCI financial assets		113,451	154,647	-	-
Proceeds from sale of equity instruments at FVOCI		2918	1,299	-	-
Dividends received	7	-	229	891	68
Net cash flows from/(used in) investing activities		19,754	(98,065)	43,473	59,380
Financing activities					
Dividends paid		(3,187)	(3,187)	(4,055)	(4,634)
Lease payment		(160)	-	-	-
Proceeds of debts issued and other borrowed funds	28	27,035	57,498	135,128	40,645
Repayment of long term borrowings	28	(14,134)	(32,317)	(87,318)	(2,502)
Net cash flows from financing activities		9,554	21,994	43,755	33,509
Net (decrease)/ increase in cash and cash equivalents		(7,892)	100,994	49,202	(32,281)
Net foreign exchange difference on cash and cash equivalents		624	5,061	5,678	4,161
Cash and cash equivalents at the beginning of the period	16	246,950	140,895	86,015	114,135
Cash and cash equivalents at the end of the period	16	239,682	246,950	140,895	86,015

The accompanying notes form an integral part of these financial information.

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

1 General information

These financial statements are for Fidelity Bank Plc (the "Bank"), a company incorporated in Nigeria on 19 November 1987. The registered office address of the Bank is at Fidelity Place, 2 Kofo Abayomi Street, Victoria-Island, Lagos, Nigeria.

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

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
2 Interest revenue calculated using the effective interest rate method				
Loans and advances to customers	60,312	109,322	109,388	88,065
Treasury bills and other investment securities:				
Fair value through other comprehensive income	11,731	19,547	-	-
Amortised cost	6,614	16,133	-	-
Held for trading	-	-	-	2,685
Available for sale	-	-	17,066	12,014
Held to maturity	-	-	16,107	15,537
Advances under finance lease	1,773	5,389	4,703	4,650
Placements and short term funds	3,860	3,291	155	202
	<u>84,290</u>	<u>153,682</u>	<u>147,419</u>	<u>123,153</u>
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
3 Interest expense calculated using the effective interest rate method				
Term deposits	29,817	51,517	52,230	38,491
Debts issued and other borrowed funds	13,259	22,741	16,819	15,262
Savings deposits	3,745	6,170	5,688	5,297
Current deposits	2,110	3,666	3,368	1,687
Inter-bank takings	-	1	1,173	488
	<u>48,931</u>	<u>84,095</u>	<u>79,278</u>	<u>61,225</u>
4 Credit loss expense				
The table below shows the ECL charges on financial instruments for the periods recorded in profit or loss:				
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Credit loss expense (IFRS 9)				
Due from banks (Note 17)	110	806	-	-
Loans and advances to customers (Note 18)	(5,832)	2,419	-	-
Debt instruments measured at FVOCI	174	270	-	-
Debt instruments measured at amortised costs (Note 19.4)	(85)	199	-	-
Financial guarantees	-	(448)	-	-
Letters of credit	160	618	-	-
Total impairment (write back)/ charge	<u>(5,473)</u>	<u>3,864</u>	<u>-</u>	<u>-</u>
Other assets	-	350	-	-
	<u>(5,473)</u>	<u>4,214</u>	<u>-</u>	<u>-</u>
Credit loss expense (IAS 39)				
Overdrafts	-	-	(9,689)	1,148
Term loans	-	-	(700)	(7,175)
Finance leases	-	-	(924)	(1,321)
Others	-	-	16	12
Impairment charge on other assets (Note 23)	-	-	(18)	(469)
Write off on overdraft during the year	-	-	-	(866)
	<u>-</u>	<u>-</u>	<u>(11,315)</u>	<u>(8,671)</u>

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
5 Net fee and commission income				
Fee and commission type				
ATM charges	1,991	3,588	3,474	2,588
Accounts maintenance charge	1,683	2,899	2,602	1,737
Commission on E-banking activities	1,599	2,852	1,764	6,661
Commission on travelers cheque and foreign bills	1,547	2,613	1,919	1,662
Commission on fidelity connect	880	1,432	1,524	1,441
Letters of credit commissions and fees	532	1,251	1,451	852
Commissions on off balance sheet transactions	87	1,101	839	623
Other fees and commissions	766	772	987	1,124
Commission and fees on banking services	696	487	706	924
Commission and fees on NXP	418	700	633	560
Collection fees	327	267	748	590
Telex fees	671	721	546	384
Cheque issue fees	145	174	194	204
Remittance fees	111	218	89	220
	<u>11,453</u>	<u>19,075</u>	<u>17,476</u>	<u>19,570</u>
Other non-contract fee income:				
Credit related fees	1,616	1,335	753	987
Total fees and commission income	<u>13,069</u>	<u>20,410</u>	<u>18,229</u>	<u>20,557</u>
Fee and commission expense	(2,401)	(3,346)	(3,674)	(3,238)
Net fee and commission income	<u>10,668</u>	<u>17,064</u>	<u>14,555</u>	<u>17,319</u>
6 Net losses on derecognition of financial assets measured at amortised cost				
A significant modification was carried out on a loan to a customer and the cashflows of the modified assets were substantially different from the contractual cashflows of the original financial assets. Based on this, the rights to the cashflows of the original financial assets were deemed to have expired. The loan was derecognised and a new financial assets was recognised at Fair value, giving rise to a derecognition loss of N4.7billion. The gross carrying amount of the loan before modification was N29 billion. The financial asset is not deemed to be credit impaired.				
7 Other operating income				
Net foreign exchange gains	2,954	10,122	9,490	7,772
Dividend income	1,372	229	891	68
Profit on disposal of property, plant and equipment	85	15	83	-
Profit on disposal of unquoted securities	-	-	-	2
Other income	345	778	461	469
	<u>4,756</u>	<u>11,144</u>	<u>10,925</u>	<u>8,311</u>
8 Net gains from financial instruments classified as fair value through profit or loss				
Net (losses)/gains arising from:				
Bonds	162	(133)	425	47
Treasury bills	(33)	1	(77)	(672)
Interest income on financial assets measured at FVTPL	-	3,769	3,323	-
	<u>129</u>	<u>3,637</u>	<u>3,671</u>	<u>(625)</u>
9 Personal expenses				
Wages and salaries (See note 9a)	10,288	21,434	21,817	19,125
End of the year bonus (see note 27)	1,137	2,000	2,200	1,001
Pension costs				
Staff retirement benefit plan	-	-	-	1,534
Staff gratuity plan	-	-	-	5,010
Pension contribution (See note 9b)	250	476	518	561
	<u>11,675</u>	<u>23,910</u>	<u>24,535</u>	<u>27,231</u>
9a Wages and salaries				
As previously reported	10,538	21,434	21,817	19,125
Adjustment (see note 34)	(250)	-	-	-
	<u>10,288</u>	<u>21,434</u>	<u>21,817</u>	<u>19,125</u>
9b Pension contribution				
As previously reported	-	476	518	561
Adjustment (see note 34)	250	-	-	-
	<u>250</u>	<u>476</u>	<u>518</u>	<u>561</u>

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
10 Depreciation and Amortisation				
Property, plant and equipment (Note 20)	1,519	3,815	3,838	4,015
Intangible asset-computer software (Note 21)	519	2,432	535	293
Depreciation of ROU asset (Note 24)	339	-	-	-
	<u>2,377</u>	<u>6,247</u>	<u>4,373</u>	<u>4,308</u>
11 Other operating expenses				
Marketing, communication & entertainment	4,430	8,352	8,173	9,579
Banking sector resolution cost	5,239	8,764	7,591	6,159
Outsourced cost	2,124	4,022	3,522	3,428
Deposit insurance premium	2,366	3,310	3,627	3,220
Repairs and maintenance	1,659	3,114	2,583	2,563
Other expenses	1,752	2,752	2,399	1,912
Computer expenses	1,696	2,366	2,407	1,565
Security expenses	453	1,280	1,256	1,345
Rent and rates	118	915	861	285
Cash movement expenses	617	901	711	601
Training expenses	216	636	221	407
Travelling and accommodation	575	840	695	621
Consultancy expenses	587	687	695	577
Corporate finance expenses	272	898	474	402
Legal expenses	329	606	202	253
Electricity	241	452	440	399
Office expenses	371	475	390	382
Directors' emoluments	236	262	370	249
Insurance expenses	202	379	396	348
Stationery expenses	149	285	269	256
Bank charges	233	268	188	308
Auditors' remuneration	100	200	200	150
Telephone expenses	46	99	108	307
Donation	51	-	-	-
Postage and courier expenses	55	108	78	97
Litigations and claims	-	-	-	185
Loss on disposal of property, plant and equipment	-	-	-	64
	<u>24,117</u>	<u>41,971</u>	<u>37,856</u>	<u>35,662</u>
12 Taxation				
12a Current taxes on income for the year				
Technology levy	1215	1,912	1,242	1,216
	<u>151</u>	<u>251</u>	<u>203</u>	<u>111</u>
Current income tax expense	<u>1,366</u>	<u>2,163</u>	<u>1,445</u>	<u>1,327</u>
Deferred tax expense	-	-	-	-
Income tax expense	<u>1,366</u>	<u>2,163</u>	<u>1,445</u>	<u>1,327</u>
12b Total income tax expense in profit or loss				
Profit before income tax	15,051	25,089	19,213	11,061
Income tax using the domestic corporation tax rate of 30%	4,515	7,527	5,764	3,318
Non-deductible expenses	2,373	5,892	1,577	385
Tax exempt income	(6,888)	(13,419)	(7,341)	(3,703)
Income tax expense based on minimum tax (note 12d)	1,215	1,912	1,242	1,216
Technology levy (note 12e)	151	251	203	111
	<u>1,366</u>	<u>2,163</u>	<u>1,445</u>	<u>1,327</u>

The effective income tax rate is 9% for 30 June 2019 (31 December 2018:9%, 31 December 2017: 12%, 31 December 2016: 12%).

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
12c The movement in the current income tax payable is as follows:				
At 1 January	1609	1,445	1,327	2,332
Income tax paid	(1,198)	(1,053)	(996)	(2,332)
WHT recovered	-	(946)	(331)	-
Current income tax expense	1366	2,163	1,445	1,327
At 30 June/31 December	1,777	1,609	1,445	1,327
12d Reconciliation of effective tax rate				
The income tax is based on minimum tax assessment as there is no taxable profit to charge tax (2018, 2017, 2016: The basis of income tax is minimum tax assessment).				
12e The National Information Technology Agency Act (NITDA) 2007, stipulates that specified companies contribute 1% of their profit before tax to National Information Development Agency. In line with the Act, the Bank has provided for Information technology levy at the specified rate and recognised it as part of income tax for the year.				
13 Net reclassification adjustments for realised net gains				
The net reclassification adjustments for realised net (gains)/ losses from other comprehensive income to profit or loss are in respect of debt instruments measured at fair value through other comprehensive income (2017 and 2016: available-for-sale financial assets) which were sold during the year.				
14 Earnings per share (EPS)				
Basic and diluted				
Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year. The diluted earnings per share is the same as basic EPS because there are no potential ordinary shares outstanding during the reporting period.				
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Profit attributable to equity holders of the Bank	13,685	22,926	17,768	9,734
Weighted average number of ordinary shares in issue	28,963	28,963	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	47	79.16	61.35	34
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
15 Cash and balances with central bank				
Cash	27,647	44,624	27,534	34,861
Balances with central bank other than mandatory reserve deposits	54,153	90,693	61,074	1,954
Included in cash and cash equivalents (note 16)	81,800	135,317	88,608	36,815
Mandatory reserve deposits with central bank (see note 15.1 below)	278,152	219,386	150,789	140,018
Special cash reserve (see note 15.2 below)	30,228	30,228	30,228	30,228
Carrying amount	390,180	384,931	269,625	207,061
15.1 Mandatory reserve deposits are not available for use in the Bank's day-to-day operations. It represents a percentage of the Customers' deposits and are non interest-bearing. The amount, which is based on qualified assets, is determined by the Central Bank of Nigeria from time to time. For the purpose of statement of cash flows, these balances are excluded from the cash and cash equivalents.				
15.2 Special cash reserve represents a 5% of weekly average of deposits held with Central Bank of Nigeria as a regulatory requirement.				
16 Cash and cash equivalents				
Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities of less than three months.				
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Cash and balances with central bank (Note 15)	81,800	135,317	88,608	36,815
Due from banks	157,882	111,633	52,287	49,200
Total cash and cash equivalents	239,682	246,950	140,895	86,015
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
17 Due from banks				
Current accounts with foreign banks	73,685	53,684	43,812	36,189
Placements with other banks and discount houses	85,113	58,755	8,475	13,011
Sub-total	158,798	112,439	52,287	49,200
Less: Allowance for impairment losses	(916)	(806)	-	-
	157,882	111,633	52,287	49,200

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Movement in impairment allowance				
ECL allowance as at 1 January	806	-	-	-
ECL allowance recognised during the period:				
New assets originated or purchased	920	817	-	-
Assets derecognised or repaid (excluding write offs)	(839)	(26)	-	-
Foreign exchange adjustments	29	15	-	-
	110	806	-	-
	916	806	-	-
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
18 Loans and advances to customers				
Loans to corporate and other organisations	1,015,923	743,307	751,480	709,876
Loans to individuals	34,308	163,317	43,835	33,244
	1,050,231	906,624	795,315	743,120
Less: allowance for ECL/ impairment losses	(50,912)	(56,744)	(26,578)	(24,719)
	999,319	849,880	768,737	718,401
Movement in impairment allowance				
ECL allowance as at 1 January	56,744	54,325	-	-
ECL allowance recognised during the period:				
New assets originated or purchased	510	8,616	-	-
Assets derecognised or repaid (excluding write offs)	(19,344)	(8,501)	-	-
Impact on period end ECL of exposures transferred between stages during the period	7,399	8,237	-	-
Amounts written off	5,603	(5,933)	-	-
	(5,832)	2,419	-	-
	50,912	56,744	-	-
Loans to corporate and other organisations				
Overdrafts	104,694	57,572	56,000	-
Term loans	892,947	659,101	669,445	-
Advance under finance lease	18,282	26,634	26,035	-
	1,015,923	743,307	751,480	-
Less: Allowance for ECL/ impairment losses	(48,905)	(42,036)	(23,337)	-
	967,018	701,271	728,143	-
Loans to individuals				
Overdrafts	4,679	7,314	4,045	-
Term loans	29,476	155,802	39,498	-
Advance under finance lease	153	201	292	-
	34,308	163,317	43,835	-
Less: Allowance for ECL/impairment losses	(2,007)	(14,708)	(3,241)	-
	32,301	148,609	40,594	-
Net loans and advances	999,319	849,880	768,737	-
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
18.1 Advances under finance lease may be analysed as follows:				
Gross investment				
No later than 1 year	2,443	4,003	3,219	2,910
Later than 1 year and no later than 5 years	15,997	20,474	21,713	22,567
Later than 5 years	259	2,559	1,770	3,988
	18,699	27,036	26,702	29,465
Unearned future finance income on finance leases	(264)	(201)	(375)	(1,497)
Net investment	18,435	26,835	26,327	27,968
The net investment may be analysed as follows:				
No later than 1 year	2,335	3,987	3,115	3,256
Later than 1 year and no later than 5 years	15,865	20,394	21,529	22,190
Later than 5 years	235	2,454	1,683	2,522
	18,435	26,835	26,327	27,968

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
18.2 Nature of security in respect of loans and advances:				
Secured against real estate	348,610	63,635	503,293	337,214
Secured by shares of quoted companies	49,621	-	158,718	114
Secured others	621,890	807,582	111,791	382,479
Advances under finance lease	18,435	26,835	21,513	22,895
Unsecured	11,674	8,571	-	418
Gross loans and advances to customers	1,050,230	906,623	795,315	743,120
19 Investment securities				
19.1 Financial assets at fair value through profit and loss (FVTPL)				
Held for trading:				
Federal Government bonds	8,502	86	2,302	297
Treasury bills	18,024	13,966	18,337	17,801
Total financial assets measured at FVTPL	26,526	14,052	20,639	18,098
19.2 Debt instruments at fair value through other comprehensive income (FVOCI)				
Treasury bills	118,437	137,545	-	-
Federal Government bonds	14,592	14,131	-	-
State bonds	6,154	4,437	-	-
Corporate bonds	11,088	1,526	-	-
Total debt instruments measured at FVOCI	150,271	157,639	-	-
19.3 Equity instruments at fair value through other comprehensive income (FVOCI)				
Unquoted equity investments:				
Mobile Telecommunications Network (MTN)	-	2,474	-	-
African Finance Corporation (AFC)	2,198	2,377	-	-
Unified Payment Services Limited (UPSL)	7,767	1,969	-	-
Nigerian Inter Bank Settlement System (NIBBS)	1,072	1,475	-	-
The Central Securities Clearing System (CSCS)	2,381	1,682	-	-
Total equity instruments at FVOCI	13,418	9,977	-	-
The Bank has designated its equity investments as equity investments at FVOCI on the basis that these are not held for trading. During the period ended June 2019, the Bank recognised dividends of N1.37billion from its FVOCI equities which was recorded in the profit or loss as other operating income. The Bank also sold FVOCI equity instruments relating to MTN during the reporting period. The reasons for disposing of the investments was based on CBN's circular issued in 2016, requesting commercial banks to divest their interest in non-permissible investments of which some equity instruments were part. The fair value of the investments at the date of de-recognition amounted to N2.718 billion while the cumulative gain on disposal of the shares is N444 million.				
19.4 Debt instruments at amortised cost				
Treasury bills	30,214	37,725	-	-
Federal Government bonds	80,063	75,146	-	-
State Government bonds	1,630	2,129	-	-
Corporate bonds	-	3,872	-	-
Sub-total	111,907	118,872	-	-
Allowance for impairment	(125)	(210)	-	-
Total debt instruments measured at amortised cost	111,782	118,662	-	-
Movement in impairment allowance				
ECL allowance as at 1 January	210	11	-	-
ECL allowance during the period:				
New assets originated or purchased	82	264	-	-
Assets derecognised or repaid (excluding write offs)	(62)	(65)	-	-
Changes in ECL during the period	(105)	-	-	-
	(85)	199	-	-
	125	210	-	-

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

	30 June 2019	31 December 2018	31 December 2017	31 December 2016
	N'million	N'million	N'million	N'million
19.5 Available for sale				
Treasury bills	-	-	39,570	74,599
Federal Government bonds	-	-	23,538	29
State bonds	-	-	7,333	7,941
Unquoted equity investments at cost	-	-	1,646	1,579
Unquoted equity investments at fair value	-	-	5,124	4,846
Impairment on unquoted equity investment at cost	-	-	77,211	88,994
	-	-	(396)	(408)
	-	-	76,815	88,586
Reconciliation of allowance for impairment				
At beginning of year	-	-	408	408
Provision no longer required	-	-	(12)	-
At end of year	-	-	396	408
19.5a Unquoted equity investments at cost				
These are investments in AFC (African Finance Corporation) and other small scale enterprises which are carried at cost because their fair value cannot be reliably measured. The carrying cost of investments in AFC as at 31 December 2017 is N763 million. The fair value of these investments cannot be reliably benchmarked because there is no active market. The Bank does not intend to dispose the investment.				
	30 June 2019	31 December 2018	31 December 2017	31 December 2016
	N'million	N'million	N'million	N'million
19.6 Held to maturity				
Treasury bills	-	-	32,316	34,423
Federal Government bonds	-	-	63,430	79,445
State Government bonds	-	-	3,026	5,358
Corporate bonds	-	-	10,012	18,908
Total held to maturity instruments	-	-	108,784	138,134
Total investments	-	-	206,238	244,818
19.7 Pledged assets				
Treasury Bills and Bonds are pledged to the Nigerian Inter Bank Settlement System Company Plc (NIBSS) in respect of the Bank's ongoing participation in the Nigerian settlement system. The Bank pledged Treasury bills, Bonds and cash balance in its capacity as collection bank for government taxes and Interswitch electronic card transactions. The Bank also pledged Federal Government bonds and Corporate bonds denominated in foreign currency to Renaissance Capital in respect of its short term borrowings.				
The nature and carrying amounts of the assets pledged as collaterals are as follows:				
	30 June 2019	31 December 2018	31 December 2017	31 December 2016
	N'million	N'million	N'million	N'million
Treasury bills - Amortised cost	30,214	17,727	13,374	18,502
Corporate Bonds - Amortised cost	-	3,835	10,012	-
Federal Government bonds - Amortised cost	34,918	53,666	22,477	9,859
20 Property, plant and equipment				
Cost				
At the beginning of the period	72,291	70,408	69,055	65,037
Additions	3,461	2,281	2,057	4,502
Transfer to ROU asset	(4,448)	-	-	-
Disposal	(585)	(398)	(704)	(484)
At the end of the period	70,719	72,291	70,408	69,055
Accumulated depreciation				
At the beginning of the period	(35,382)	(31,904)	(28,699)	(25,052)
Charge for the year	(1,519)	(3,815)	(3,838)	(4,015)
Transfer to ROU asset	3,698	-	-	-
Disposal	495	337	633	368
At the end of the period	(32,708)	(35,382)	(31,904)	(28,699)
Carrying amount	38,011	36,909	38,504	40,356

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
21 Intangible assets - computer software				
Cost				
Balance at the beginning of the period	4,188	3,361	2,992	2,849
Additions	883	2,879	369	143
Disposal during the period	(232)	(2,052)	-	-
Balance at the end of the period	<u>4,839</u>	<u>4,188</u>	<u>3,361</u>	<u>2,992</u>
Accumulated amortisation				
Balance at the beginning of the period	3,112	2,732	2,197	1,904
Amortization for the period	519	2,432	535	293
Disposal during the period	(232)	(2,052)	-	-
Balance at the end of the period	<u>3,399</u>	<u>3,112</u>	<u>2,732</u>	<u>2,197</u>
Carrying amount	<u>1,440</u>	<u>1,076</u>	<u>629</u>	<u>795</u>

22 Deferred taxation

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

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

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

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
22.1 Deferred tax				
Accelerated tax depreciation	-	(3,884)	(3,243)	(3,102)
Deferred tax assets				
Property, plant and equipment	4,891	4,818	6,887	5,552
Allowances for loan losses	4,181	3,363	3,150	2,907
Pension and other post-retirement benefits	-	-	-	1,541
Tax loss carried forward	23,027	24,275	21,583	16,686
	<u>32,099</u>	<u>32,456</u>	<u>31,620</u>	<u>26,686</u>
Unrecognised deferred tax assets	<u>32,099</u>	<u>28,572</u>	<u>28,377</u>	<u>23,584</u>

The Bank has unutilised capital allowance of N30.6 billion as at 30 June 2019 (31 December 2018: N27.3 billion, 31 December 2017: N23.0 billion and 31 December 2016: N18.5 billion) unused tax losses carried forward of N76.7 billion (31 December 2018: N73.9 billion, 31 December 2017: N71.9 billion, 31 December 2016: N55.6 billion) and deductible temporary difference of N1.3 billion (31 December 2018: N2 billion, 31 December 2017: N309 million and 31 December 2016: N4.5 billion) to be offset against future taxable profits. There is no expiry date for the utilisation of these items.

The Bank has been incurring taxable losses primarily because of the tax exemption on income on government securities. The provisions of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 grants exemption to income from bonds and treasury bills from tax for a period of 10 years. The expiry date of the circular will be in the year 2021 and this trend would continue until the expiration of the tax holiday. Thus, the Bank has applied caution by not recognising additional deferred tax which is not considered capable of recovery.

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
23 Other assets				
Financial assets				
Sundry receivables	31,902	25,525	30,535	29,254
Others	3,474	3,515	3,420	3,404
Investments in SMESIS	1,430	1,430	-	-
Shared Agent Network Expansion Facility (SANEF)	50	-	-	-
	<u>36,856</u>	<u>30,470</u>	<u>33,955</u>	<u>32,658</u>
Less:				
Specific allowances for impairment	(2,366)	(2,219)	(1,869)	(1,851)
	<u>34,490</u>	<u>28,251</u>	<u>32,086</u>	<u>30,807</u>
Non financial assets				
Prepayments	14,813	6,564	10,100	6,381
Other non financial assets	489	309	1,008	322
	<u>15,302</u>	<u>6,873</u>	<u>11,108</u>	<u>6,703</u>
Total	<u>49,792</u>	<u>35,124</u>	<u>43,194</u>	<u>37,510</u>
Reconciliation of allowance for impairment				
At the beginning of the period	2,219	1,869	1,851	1,382
Charge for the period	147	350	18	469
At the end of the period	<u>2,366</u>	<u>2,219</u>	<u>1,869</u>	<u>1,851</u>

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

				30 June 2019 N'million	
24	Right-of-use assets				
	Cost				
	Effect of adoption of IFRS 16			1,721	
	Additions			160	
				<u>1,881</u>	
	Accumulated depreciation				
	Balance at beginning of year			-	
	Depreciation for the period			(339)	
				<u>(339)</u>	
	Carrying amount			<u>1,542</u>	
		30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
25	Deposits from customers				
	Demand	345,610	391,576	322,903	314,791
	Savings	247,672	227,970	178,570	155,019
	Term	278,704	172,178	171,744	168,599
	Domiciliary	215,456	179,753	95,569	138,670
	Others	9,569	7,936	6,490	15,892
		<u>1,097,011</u>	<u>979,413</u>	<u>775,276</u>	<u>792,971</u>
	Current	1,097,011	979,413	775,276	792,971
	Non-current	-	-	-	-
		<u>1,097,011</u>	<u>979,413</u>	<u>775,276</u>	<u>792,971</u>
		30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
26	Other liabilities				
	Customer deposits for letters of credit	24,199	69,966	7,768	-
	Accounts payable	84,580	81,235	46,455	34,837
	Manager's cheque	3,684	3,961	5,516	3,704
	FGN Intervention fund (Note 26.1)	234,903	133,840	112,294	100,855
	Payable on E-banking transactions	11,876	8,282	10,749	8,929
	Payable to staff in respect of staff gratuity (Note 26.2)	-	-	-	5,137
	Other liabilities/credit balances	788	3,051	2,372	5,262
		<u>360,030</u>	<u>300,335</u>	<u>185,154</u>	<u>158,724</u>
26.1	Included in the FGN Intervention fund is CBN Bailout Fund of N92.07 billion (31 December 2018: N93.39 billion). This represents funds for states in the Federation that are having challenges in meeting up with their domestic obligation including payment of salaries. The loan was routed through the Bank for on-lending to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum. Repayments are deducted at source, by the Accountant General of the Federation (AGF), as a first line charge against each beneficiary state's monthly statutory allocation.				
26.2	Movement in Provision for staff payable in respect of staff gratuity			31 December 2017 N'million	31 December 2016 N'million
	At the beginning of the period			5,137	-
	Transfer from Defined benefit obligation			-	5,137
	Additional provision during the year			481	-
	Set off against staff loan during the year			(1,500)	-
	Paid during the year			(4,118)	-
	At the end of the period			<u>-</u>	<u>5,137</u>
	The scheme was settled in 2017.				
		30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
27	Provision				
	Provisions for year end bonus (Note 27.1)	1,180	2,000	2,200	1,001
	Provisions for litigations and claims (Note 27.1)	643	545	545	545
	Provision for guarantees and letters of credit	958	798	-	-
		<u>2,781</u>	<u>3,343</u>	<u>2,745</u>	<u>1,546</u>

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

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

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Movement in provision for year end bonus				
At 1 January	2,000	2,200	1,001	1,400
Arising during the period	1,137	2,000	2,200	1,001
Utilised	(1,957)	(2,200)	(1,001)	(1,400)
At the end of the period	1,180	2,000	2,200	1,001
Movement in provision for litigations and claims				
At 1 January	545	545	-	-
Arising during the period	111	-	-	-
Utilised	(13)	-	-	-
At the end of the period	643	545	-	-
Total	1,823	2,545	2,200	1,001
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
28 Debts issued and other borrowed funds				
Long term loan from Proparco Paris (Note 28.1)	5,330	6,628	8,601	10,151
Long term loan from African Development Bank (ADB) (Note 28.2)	11,192	13,842	18,000	21,539
European Investment Bank Luxembourg (Note 28.3)	4,012	4,480	5,088	5,529
\$300 Million Euro Bond issued (Note 28.4)	27,641	-	14,954	92,774
\$400 Million Euro Bond issued (Note 28.5)	143,563	143,098	132,872	-
Local Bond issued (Note 28.6)	29,857	30,004	29,878	29,042
Repurchase transaction with Renaissance Capital (Note 28.7)	21,458	23,088	3,840	-
Loan from Mashreq Bank (Note 28.8)	19,945	19,627	-	-
	262,998	240,767	213,233	159,035
	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Reconciliation of borrowings during the year:				
At 1 January	240,767	213,233	159,035	141,975
Additions during the period	27,035	57,498	135,128	40,645
Accrued interest (Note 7)	13,259	4,608	4,408	2,825
Paid during the year	(14,134)	(32,317)	(87,318)	(2,502)
Foreign exchange difference	(3,929)	(2,255)	1,980	(23,908)
At end of the period	262,998	240,767	213,233	159,035
Analysed as follows:				
Current portion	21,425	14,954	14,954	-
Non-current portion	241,573	225,813	198,279	159,035
	262,998	240,767	213,233	159,035

- 28.1 The amount of N5.330 billion (31 December 2018: N6.628 billion, 31 December 2017: N8.601 billion and 31 December 2016: N10.151 billion) represents the amortised cost balance on the syndicated on-lending facility of \$40million granted to the Bank by Proparco Paris on 4 April 2016 to mature on 4 April 2021 at an interest rate of Libor plus 4.75% per annum. The initial loan matured on 4 April 2016 and was renewed on the same day. The principal and interest are repaid semi-annually. The borrowing is an unsecured borrowing.

- 28.2 The amount of N11.192 billion (31 December 2018: N13.842 billion, 31 December 2017: N18.000 billion and 31 December 2016: N21.539 billion) represents the amortised cost balance on the on-lending facility of \$75 million granted to the Bank by ADB on 6 October 2014. The first tranche of \$40 million was disbursed on 6 October 2014 while the second tranche of \$35 million was disbursed on 15 July 2015 both to mature 6 October 2021 at an interest rate of Libor plus 4.75 per annum. Interest is repaid semi-annually, with principal repayment at maturity. The borrowing is an unsecured borrowing.

- 28.3 The amount of N4.012 billion (31 December 2018: N4.480 billion, 31 December 2017: N5.088 billion and 31 December 2016: N5.529 billion) represents the amortised cost balance on the on-lending facility of \$21.946 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repaid quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

- 28.4 The amount of N27.641 billion, (31 December 2018: Nil, 31 December 2017: N14.954 billion and 31 December 2016: N92.774 billion) represents amortised cost balance of \$75 million borrowing from AFREXIM due to mature in February 2020. Repayment is semi-annual and the interest rate is six months LIBOR plus 5.75%.
- 28.5 On 11 October 2017, Fidelity Bank PLC issued a \$400 million five year Eurobond at a 10.50 percent coupon. The Bond was used to finance the existing bond holders who subscribed to the tender offer of \$256 million, while the balance (net of issuance costs) will be used to support the trade finance business of Fidelity Bank. The issuance of the Bond was part of a strategic liability management exercise designed to extend, Fidelity Bank's debt maturity profile and proactively refinance the maturing 2018 Eurobond. The amount of N143.563 billion (31 December 2018: N143.098 billion, 31 December 2017: N132.872 billion and 31 December 2016: Nil) represents the amortised cost of \$400 million, 5-year, 10.50% Eurobond issued at 99.48% in October 2017. The principal amount is repayable in October 2022, while the coupon is paid semi annually.
- 28.6 The amount of N29.857 billion (31 December 2018: N30.004 billion, 31 December 2017: N29.878 billion and 31 December 2016: N29.042 billion) represents the amortised cost of a N30 billion, 6.5-year, 16.48% local bond issued at 96.5% in May 2015. The principal amount for the local bonds is repayable in Nov 2021. The coupon is paid semi-annually. The purpose of the local bond issuance is to finance the SME business of the economy of Nigeria.
- 28.7 The amount of N21.458 billion, (31 December 2018: N23.088 billion, 31 December 2017: N3.840 billion, 31 December 2016: nil) represents a \$33 million dollar borrowing under a repurchase agreement from Renaissance Capital, at an interest rate of Libor plus 3% per annum.
- 28.8 The amount of N19.945 billion (31 December 2018: N19.627 billion, 31 December 2017: Nil, 31 December 2016: Nil) represents the amortised cost balance on the Syndicated Trade Finance Facility of \$55 million granted to the Bank by Mashreq Bank on the 3rd of August 2018 for a tenor of 12 months, at an interest rate of Libor plus 3.90% per annum. Interest is paid quarterly with principal repayment on maturity or as agreed by the parties to the contract.

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
29 Share capital				
Authorised				
32 billion ordinary shares of 50k each (2018: 32 billion ordinary shares)	16,000	16,000	16,000	16,000
Issued and fully paid	14,481	14,481	14,481	14,481

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

30 Other equity accounts

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

Share premium

Premiums from the issue of shares are reported in share premium

Retained earnings

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

Statutory reserve

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

Small scale investment reserve

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

Non-distributable regulatory reserve

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

Fair value reserves

The fair value reserve includes the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income (2017, 2016: available-for sale investments) until the investment is derecognised or impaired.

AGSMEIS reserve

Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS); AGSMEIS reserve is maintained to support the Federal Government's effort at promoting Agricultural businesses and Small and Medium Enterprises.

Effective 2017 all Deposit Money Banks (DMBs) are required to set aside 5% of their Profit After Tax for equity investment in permissible activities as stipulated in the scheme guidelines. The fund is domiciled with CBN.

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
31 Cash flows (used in)/ from operations				
Profit before income tax	15,051	25,089	19,213	11,061
Adjustments for:				
Depreciation and amortisation	2,377	6,247	4,373	4,308
Profit from disposal of property and equipment	(85)	(15)	(83)	64
Foreign exchange gains on operating activities	(2,954)	(5,504)	(5,678)	(4,161)
Foreign exchange losses/ (gains) on debts issued and other borrowed funds	3,929	(2,255)	1,980	(23,908)
Foreign exchange (gains)/ losses on loans and advances to customers	(44,235)	6,000	(29,454)	(124,525)
Foreign exchange losses/ (gains) on deposits from customers	36,175	(17,809)	(10,994)	75,071
Net (gains)/losses from financial assets classified as FVTPL/ held for trading	(129)	132	(348)	(625)
Impairment charge on loans and advances	(5,473)	2,420	11,297	7,336
Impairment on other debt instrument	-	470	-	-
Impairment charge on other assets	147	350	18	469
Write off of loans and advances/ (recoveries)	-	15,326	(9,438)	(3,393)
Defined benefit charge	-	-	-	6,544
Dividend income	(1,372)	(229)	(891)	(68)
Gain on debt instruments measured at FVOCI reclassified from	(125)	(1,671)	(622)	(906)
Net interest income	(35,359)	(69,587)	(68,141)	(61,928)
	(32,053)	(41,036)	(88,768)	(114,661)
Changes in operating assets:				
Cash and balances with the Central Bank (restricted cash)	(58,766)	(68,597)	(10,771)	(19,083)
Loans and advances to customers	(99,731)	(132,634)	(16,875)	(1,580)
Financial assets held for trading	(12,345)	6,455	(2,889)	(13,403)
Other assets	(13,443)	6,774	(5,702)	7,920
Changes in operating liabilities:				
Deposits from customers	81,423	221,946	(6,701)	(53,561)
Other liabilities	59,695	115,181	26,428	33,686
Provisions	(562)	598	5,317	9
Interest payable on debts issued and other borrowed funds	13,259	4,608	4,408	2,825
Cash flows (used in)/ from operations	(62,523)	113,295	(95,553)	(157,848)

32 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N5.23 billion (31 December 2018: N4.244 billion, 31 December 2017: N4.22 billion, 31 December 2016: N3.96 billion). Based on the advice of the Bank's legal team and the case facts, the management of the Bank estimates a potential loss of N643 million (31 December 2018: N544 million, 31 December 2017: N544.72 million, 31 Dec 2016: 544.72 million) upon conclusion of the cases.

A provision for the potential loss is shown in Note 27.

33 Contingent liabilities and commitments

33.1 Capital commitments

At 30 June 2019, the Bank had capital commitments amounting to N2.0 billion (31 December 2018: N1.7 billion, 31 December 2017: N270,151 million and 31 December 2016: N317,751 million).

33.2 Confirmed credits and other obligations on behalf of customers

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

	30 June 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Performance bonds and guarantees	209,382	238,443	231,014	169,337
Letters of credit	193,225	188,641	138,975	44,038
Unsettled transactions	-	-	3,691	6,664
AGSMEIS Disbursement	42	9	-	-
	402,649	427,093	373,680	220,039

Included in the performance bonds and guarantees is N79.05bn Bank of industry backed guarantee. Unsettled transactions are transaction that the Bank has entered into, but is either yet to make payment or receive payment in respect of these transactions.

Fidelity Bank Plc

Financial information: 2016 - 2019

Notes to the financial information

34 Summary of reclassification

Listed below is area where the numbers presented in this financial information differ from the audited financial statements for the related period.

(i) Personnel expenses

	30 June 2019 N'million
Wages and salaries	(250)
Pension contribution	250
Being reclassification of pension contribution from wages and salaries	

STATUTORY AND GENERAL INFORMATION

1. AUTHORISATION OF THE PROGRAMME

At the meetings held on 19th March, 2019, the board of directors of the Bank, passed resolutions approving the establishment of the proposed ₦100 billion Bond Issuance Programme.

2. INCORPORATION AND SHARE CAPITAL HISTORY OF THE BANK

Legal Form

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on 19th November, 1987. It obtained a Merchant Banking licence on 31st September 1987 and commenced banking operations on 3rd June 1988. The Bank converted to a commercial Bank on 16th July, 1999 and registered as a public limited company on the 10th August 1999. The Bank's shares have been listed on the floor of The NSE since 17th May, 2005.

Principal Activity

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 246 business offices. These services include retail banking, granting of loans and advances, equipment leasing, collection of deposit and money market activities.

Share Capital

As at 30 June 2019, the Bank's authorised share capital was ₦16,000,000,000, comprised of 32,000,000,000 ordinary shares of 50 kobo each. As at 30 June 2019, the Bank's issued and fully paid up share capital was ₦14,481 million comprised of 28,963 million ordinary shares of 50 kobo each.

Year	Authorized (Additional) ₦	Authorized (Cumulative) ₦	Issued And Fully Paid (Additional) ₦	Issued And Fully Paid (Cumulative) ₦	Consideration
1988	3,000,000	3,000,000	1,865,000	1,865,000	Cash
1989	9,000,000	12,000,000	5,822,000	7,687,000	Bonus/Cash
1989	-	12,000,000	-	7,687,000	-
1990	3,000,000	15,000,000	1,153,050	8,840,050	Bonus/Cash
1991	25,000,000	40,000,000	4,959,950	13,800,000	Bonus/Cash
1992	20,000,000	60,000,000	13,800,000	27,600,000	Cash
1993	40,000,000	100,000,000	12,703,000	40,303,000	Bonus/Cash
1994	50,000,000	150,000,000	51,830,000	92,133,000	Bonus/Cash
1995	-	150,000,000	21,737,000	113,870,000	Bonus
1997	650,000,000	800,000,000	272,247,000	386,117,000	Bonus/Cash
1998	-	800,000,000	151,472,000	537,589,000	Bonus/Cash
2000	700,000,000	1,500,000,000	6,458,920	544,047,920	Cash
2001	-	1,500,000,000		544,047,920	
2001	500,000,000	2,000,000,000	272,023,960	816,071,880	Bonus
2002	-	2,000,000,000	36,501,911	852,573,791	Cash
2003	-	2,000,000,000	336,602,981	1,189,176,772	Cash
2004		2,000,000,000	344,554,220	1,533,730,992	Bonus/Cash

2004	4,000,000,000	6,000,000,000	519,088,134	2,052,819,126	Bonus
2005	2,000,000,000	8,000,000,000	2,222,101,272	4,274,920,398	Cash
2005	2,000,000,000	10,000,000,000	3,956,922,658	8,231,843,056	Merger/Cash
2007	2,500,000,000	12,500,000,000	249,449,790	8,481,292,846	Rights
2007	3,500,000,000	16,000,000,000	6,000,000,00	14,481,292,846	Public Offer

3. SHAREHOLDING STRUCTURE

As at 30 June 2019, the Bank's shares are widely held and according to the Register of Members, no single Shareholder held up to 5% of the issued share capital of the bank during the year.

4. DIRECTORS BENEFICIAL INTERESTS

The directors who held office during the period ended 30 June, 2019 together with their interests in the issued share capital of the Bank as recorded in the Register of Directors' shareholding and as notified by the Directors for the purpose of Sections 275 and 276 of the CAMA and the listing requirements of The NSE are as detailed below:

	30 June 2019 Number of Shares held	%
Mr Ernest Ebi	8,755,163	0.03
Mr Alex C Ojokwu	2,229,730	0.01
Mr Micheal E Okeke	2,311,500	0.01
Pst Kings C Akuma	1,149,675	0.00
Mr Chidi Agbapu	724,276	0.00
Mr Nnamdi Okonkwo	102,000,000	0.35
Mr Mohammed Balarabe	67,079,467	0.23
Mrs Chijioke Ugochukwu	72,716,257	0.25
Mrs Aku P Odinkemelu	44,958,500	0.16
Mrs Nneka C Onyeali Ikpe	52,456,000	0.18
Otunba Seni Adetu	-	-
Chief Charles Umolu	-	-
	354,380,568	100

5. INDEBTEDNESS

As at 30 June 2019, the Bank had outstanding indebtedness of ₦262.998 billion, which includes the following:

(a) Previous Issuances

- A ₦143.563 billion debt balance which represents the amortised cost of a \$400 million 5-year Eurobond issued in 2017; and
- A ₦29.857 billion amortised cost of a ₦30 billion 6.5-year Local Currency Bond issued in 2015 due in November 2021;

(b) Other Sources of Debt

- Syndicated On-Lending Facility of ₦5.330 billion (\$40 million) granted on April 2016 by Proparco Paris to Fidelity Bank PLC;
- On-Lending Facility of ₦11.192 billion (\$75 million) granted to Fidelity Bank PLC by African Development Bank on October 2014;

- iii. On-Lending Facility of ₦4.012 billion (\$21.946 million) granted to Fidelity Bank PLC by European Investment Bank on April 2015;
- iv. A ₦27.641 billion debt balance which represents a Term Loan Facility Agreement dated 2019 between Fidelity Bank PLC and African Export-Import Bank in relation to a US\$75 billion trade finance facility
- v. Repurchase Agreement of ₦21.458 billion (\$33 million) between Fidelity Bank PLC and Renaissance Capital; and
- vi. Facility Agreement dated 18 July 2019 amongst Fidelity Bank Plc, Mashreqbank PSC, London Forfaiting Company Limited, Ghana International Bank Plc and the Mauritius Commercial Bank Limited for the grant of a ₦19.945 billion (\$55 million) trade finance facility

6. SUMMARY OF THE CAPITAL STRUCTURE OF THE ISSUER

As at 30 June 2019, the capital structure of Fidelity Bank PLC was as follows:

	Items	₦'million
i)	Cash and cash equivalent	239,682
ii)	Deposits from customers (Short term)	1,097,011
III)	Debts issued and other borrowed funds (Long term)	262,998
iv)	Total shareholder's equity	215,566

7. EXTRACT OF THE TRUST DEED

The following are extracts from the Programme Trust Deed

2. APPOINTMENT OF TRUSTEE

- 2.1 The Issuer hereby appoints the Trustee and the Trustee hereby agrees and accepts to act as trustee on behalf of the Bondholders.
- 2.2 All sums received by the Trustee in respect of the Bonds or amounts payable under this Deed shall be received by the Trustee on trust to apply same in accordance with the rights of each Bondholder as set out in this Deed and the relevant Series Trust Deed.

3. DECLARATION OF TRUST

3.1 The Trustee

The Trustee hereby declare itself as a trustee for the Bondholders with effect from the date of this Deed to hold the benefit of the covenants and other obligations on the part of the Issuer herein contained in trust for the Bondholders and itself according to their respective interests, subject to the terms and conditions of this Deed.

3.2 Duration of Trust

The Trust created by this Deed shall remain in full force and effect until the date on which, following the redemption of all Bonds issued pursuant to the Programme and receipt by the Trustee of unconditional confirmation in writing from the Registrar that the Bondholders have been paid all outstanding obligations, the Issuer receives an

unconditional release in writing from the Trustee from all of its obligations under this Deed.

4. THE TRUST DEED BINDING ON ALL PARTIES

The provisions of this Deed shall be binding on the Issuer, the Trustee and the Bondholders and all persons claiming through them respectively as if such Bondholders and persons are Parties to this Deed.

8. EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The following are the relevant extracts from the Bank's Memorandum and Articles of Association:

Memorandum of Association

3. The objects for which the Company is established are:

(d) to borrow or raise or secure the payment of money for the purpose of the Company's business and with a view thereto to mortgage and charge the undertaking of all or any of the real and personal property, present or future and all or any of the uncalled capital for the time being of the Company, and to issue at par or at a premium or discount debentures or denture stock, payable to bearer or otherwise and either permanent or redeemable and collaterally or future to secure any securities of the Company by a trust deed or other assurance.

Articles of Association

86. Subject to the Banks and Other Financial Institutions Act, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or a part thereof and to issue debentures, debenture stock, and other securities, whether outright or as security for any debt, liability or obligation of the Company or any third party.

9. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the date of this Shelf Prospectus, the Bank had no interest in any subsidiary.

10. CLAIMS AND LITIGATION

As at January 31 2020, the Bank was, in the ordinary course of business, involved in thirty-one (31) cases, which fell within the threshold of ₦50,000,000 (Fifty Million Naira) and above ("**Material Litigation**"). Of the Material Litigation, Fidelity is a Defendant in twenty-five (25) cases and a Claimant in three (3) cases. Fidelity is a Counter-Claimant in seven (7) cases of the twenty-five (25) cases instituted against it, and a Defendant to counter-claim in two (2) cases out of the three (3) cases instituted by it. Further, Fidelity is Appellant in two (2) cases in which judgement was delivered against it, while it is Respondent in one (1) case in which ruling/judgment was delivered in its favour.

The total monetary claims against Fidelity in the Material Litigation, including the two (2) counter-claims in which Fidelity is a Defendant, is approximately ₦6,761,086,763.61 (Six Billion, Seven Hundred and Sixty One Million, Eighty Six Thousand, Seven Hundred and Sixty Three Naira, Sixty One Kobo); USD\$2,003,182 (Two Million, Three Thousand, One Hundred and Eighty Two United States Dollars), and €19,094.18 (Nineteen Thousand, Ninety-Four Euros, Eighteen Cents) ("**Material Contingent Liability Amount**").

The total monetary claims by Fidelity, including the seven (7) counter-claims out of the twenty-five (25) cases instituted against it, is approximately ₦2,954,778,906.98 (Two Billion, Nine Hundred and Fifty-Four Million, Seven Hundred and Seventy-Eight Thousand, Nine Hundred and Six Naira, Ninety-Eight Kobo), and USD\$60,000 (Sixty Thousand United States Dollars).

Please note that the amounts referred to herein do not include interest and costs, which can only be ascertained or determined after the final resolution of the cases. Ultimately, the actual liability of Fidelity including final awards for costs, will be as determined by the courts upon conclusion of the relevant suits.

Based on the review of the case files provided by Fidelity, the Solicitors to the Transaction are of the opinion that, if the matters continue to be diligently prosecuted by Fidelity, Fidelity's liability is not likely to exceed the Material Contingent Liability Amount and would not have a material adverse effect on Fidelity or the Transaction. From the review of the information provided by Fidelity, the Solicitors to the Transaction are not aware of any claim or litigation pending or threatened against the Bank which (i) materially or adversely affects the Bank's ability to fulfil its obligations under the Transaction; and/or; (ii) affects the validity of the Transaction or restricts the proceedings or actions of the Bank with respect to the Transaction.

The Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have any material adverse effect on Fidelity, and are not aware of any other pending and/or threatened claim or litigation involving Fidelity other than the cases referenced above.

11. USE OF PROCEEDS

Unless otherwise stated in the Applicable Pricing Supplement, the net proceeds from each issue of the Bonds will be used for the repayment of the existing Naira bond and support of the Bank's small and Medium Enterprises (SME) and Retail businesses as well as its technology infrastructure. The Applicable Pricing Supplement for each Series or Tranche will specify details of the use of proceeds of that particular Series or Tranche.

12. COSTS AND EXPENSES

The costs, charges and expenses of and incidental to the issuance of Bonds under the Programme including fees payable to the SEC, the NSE and FMDQ, professional parties, brokerage commission, and printing and distribution expenses would be determined at each issuance and will not exceed the maximum amount stipulated by the regulatory authorities. In addition, these costs and expenses shall be borne by the Issuer and will be specified in the applicable Supplement.

13. MATERIAL CONTRACTS

The following agreements have been entered into and are considered material for disclosure:

- i. Trust Deed dated 16 October 2017 between Fidelity Bank PLC and Citicorp Trustee Company Limited entered in relation to a US\$400,000,000 debt programme; and
- ii. The Programme Trust Deed dated 4 May 2020 between Fidelity Bank PLC and FBNQuest Trustees Limited.

Other material contracts in respect of any issuance of Bonds under the Programme will be disclosed in the Applicable Pricing Supplement in respect of that Series of Bonds.

14. MERGERS OR TAKEOVERS

As at the date of this Shelf Prospectus, there has been no takeover bids by any investor or third party in respect of the Issuer's shares neither has there been an offer by a third party to merge with the Bank. The Bank is not aware of any attempt by any investor to acquire a majority shareholding in the Bank or by the Bank of any other entity.

15. DIRECTORS' INTEREST

A summary of the beneficial interest of all the directors in the Bank has been disclosed on page 95 of the prospectus.

16. RELATIONSHIP BETWEEN THE ISSUER, THE ISSUING HOUSES and OTHER ADVISERS

Save as disclosed, there is no relationship between the Bank and its advisers as at the date of this Shelf Prospectus

17. RELATED-PARTY TRANSACTIONS

The related party transactions has been disclosed in compliance with Central Bank of Nigeria circular BSD/1/2004

Deposits/ Interest expense from related parties	Relationship	Deposits at	Interest expense at	Deposits at	Interest expense at
	30-Jun-19	30-Jun-19	30-Jun-19	31-Dec-18	30-Jun-19
Entity controlled by key management personnel		₦	₦	₦	₦
Geolis and Co Nig Ltd (HM)(DP)	Former Director	-	-	-	-
Cy Incorporated Nig Ltd(DSRA)	Former Director	25,204	-	21,305	-
Equipment Solutions and Logistics services Limited	Former Director	60,352	60	60,241	119
The Genesis Restaurant Limited	Former Director	75,063,284	-	-	-
Next International	Former Director	23,051,617	-	-	-
Namjid Com Limited	Former Director	130,440	45	46,535	-
John Holt Plc	Former Director	18,354,557	-	62,956,650	-
Transcorp Power Limited	Former Director	184,544,947	-	216,416,161	-
Tenderville Ltd	Former Director	211,424	-	-	-
Rosies Textile	Former Director	647,696	15,350	-	-
Ass. Haulages (Nig) Ltd 2	Former Director	15,347	-	-	-
Genesis Hub Limited	Former Director	28,663,321	-	23,559,683	-
Genesis Deluxe Cinema	Former Director	8,639,048	27,494	8,869,363	44,536
Sub-Total		339,407,237	42,948	311,929,938	44,655
A-Z Petroleum Products Limited	Current Director	9,015,975	-	14,652,776	-
Neconde Energy	Current Director	19,400,347	-	7,233,658	-
Dangote Industries Limited	Current Director	658,013	-	482,257	-
Damos Practice Limited	Current Director	49,530	-	-	-
Alcon Nigeria Limited	Current Director	9,684,355	-	-	-
Emeka Unachukwu	Current Director	28,401	6,536	17,559	,21121
Agric Int'l Tech and Trade	Current Director	421,289,323	-	2,030,383,439	-
Congregation of Holy Spirit (Spiritian University Nneochi)	Current Director	589,458	-	4,132,423	-
Sub-Total		460,715,404	6,536	2,056,902,112	21,121
Transactions with Key Management Personnel		1,147,848,486	1,461,264	43,341,180	390,910
Total		1,947,971,127	1,510,748	2,412,173,230	35,669

Loans and advances/interest income from related parties	Relationship	Loan Outstanding	Loan Outstanding	Status	Collateral Status
	30-Jun-19	30-Jun-19	31-Dec-18		
Entity controlled by key management personnel		₦	₦		
Cy Incorporated Nig Ltd	Onome Olaolu	286,276,066	286,276,066	Lost	Perfected
Equipment Solutions and Logistics services Limited	IK Mbagwu	767,029,436	717,185,830	Lost	Perfected
The Genesis Restaurant Limited	Ichie Nnaeto Orazulike	190,447,936	-	Performing	Perfected
Genesis Deluxe Cinema	Ichie Nnaeto Orazulike	522,999,696	161,111,111	Performing	Perfected
Genesis Hub Limited	Ichie Nnaeto Orazulike	202,044,623	66,985,126	Performing	Perfected
Genesis Food Nigeria Limited		1,081,829,639	-	Performing	Perfected
Genesis Sojourner Limited		1,511,095,890	-	Performing	Perfected
Genesis Technical Company Limited		686,349,736	-	Performing	Perfected
Stanchion Nigeria Ltd		245,737,928	-	Performing	Perfected
John Holt Plc	Chief Christopher Ezeh	48,517,400	39,509,622	Performing	Perfected
A-Z Petroleum Products Limited	Mr Alex Ojukwu	1,418,380,101	13,395,836	Performing	Perfected
Agric Int'l Tech and Trade	Mr Ernest Ebi	2,014,840,962	2,000,000,000	Performing	Perfected
Dangote Industries Limited	Mr Ernest Ebi	44,611,654,289	30,577,435,779	Performing	Perfected
Dangote Fertilizer Limited		268,900,326	-	Performing	Perfected
Dangote Oil Refining Company Limited		5,122,936,412	-	Performing	Perfected
Dangote Sugar Refinery Plc		996,569,812	-	Performing	Perfected
Tenderville Ltd	Chief Christopher Ezeh	17,692,631	17,192,768	Performing	Perfected
Transcorp Ughelli Power Limited	Mr Stanley Lawson	2,704,200,011	3,288,908,342	Performing	Perfected
Neconde Energy	Pastor Kings C Akuma	8,895,881,676	9,136,175,125	Performing	Perfected
Sub-Total		71,593,384,570	46,304,175,605		
Okonkwo Nnamdi John	Managing Director	173,833,033	150,286,879	Performing	Perfected
Chijioke Ugochukwu	Executive Director	162,840,466	78,543,796	Performing	Perfected
Mohammed Balarabe	Executive Director	135,728,300	90,272,588	Performing	Perfected
Odinkemelu Aku	Executive Director	110,937,269	63,107,908	Performing	Perfected
Onyeali - Ikpe Nnekachinwe	Executive Director	111,634,208	113,095,534	Performing	Perfected
Ichie Nnaeto Orazulike	Non Executive Director	3,009,695	-	Performing	Perfected
Kayode Gabriel Olowonyi	Non Executive Director	67,438	111,444	Performing	Perfected
Nnamdi I. Oji	Non Executive Director	3,506,212	3,394,975	Performing	Perfected
Bashari M. Gumel	Non Executive Director	-	3,171	Performing	Perfected
Alex Chinelo Ojukwu	Non Executive Director	-	25,195,595	Performing	Perfected
Emeka C. Unachukwu	Non Executive Director	1,094,903	1,771,881	Performing	Perfected
Chief Charles Chidebe Umolu	Non Executive Director	1,766,794	103,337	Performing	Perfected
Kings Chukwu Akuma	Non Executive Director	-	291,144	Performing	Perfected
Sub-Total		704,418,318	526,178,253		
Total		72,297,802,888	46,830,353,857		

Beneficiary Name	Related Entity	Name of related Bank Director	Position in Bank	Amount (₦)
National Universities Commission	Congregation of the Holy Spirit (Spiritan University Nneochi)	Ichie Nnaeto Orazulike / Pauline Odinkemelu	Former Director / Executive Director	200,000,000
Resilient Africa Real Estate	Genesis Deluxe Cinemas (Revenue) - Warri	Ichie Nnaeto Orazulike	Former Director / Executive Director	5,503,208
BOI	Genesis Deluxe Cinemas A/C 2 (Imprest)	Ichie Nnaeto Orazulike	Former Director / Executive Director	395,221,918
BOI	Genesis Deluxe Cinemas - Gateway Abuja	Ichie Nnaeto Orazulike	Former Director / Executive Director	107,986,847
BOI	Genesis Foods Nigeria Limited	Ichie Nnaeto Orazulike	Former Director / Executive Director	1,081,829,639
BOI	Genesis Sojourner Limited	Ichie Nnaeto Orazulike	Former Director / Executive Director	1,500,000,000

18. KEY MANAGEMENT COMPENSATION

	30 June 2019 N'Million	31 December 2018 N'Million
Salaries and other short-term employee benefits (Executive Directors)	353	353
Pension cost	11	11
Post-employment benefits paid	-	-
Post-employment benefits paid	-	-
Other employment benefits paid	272	272
	636	636

19. OFF BALANCE SHEET ITEMS

As at 30 June 2019, there were contingent liabilities in respect of litigation against the Bank by parties seeking legal compensation in the sum of ₦5.3 billion. Based on advice from the Bank's legal team, the Bank estimates a potential loss of ₦643 million upon conclusion of the cases.

20. DECLARATIONS

Except as otherwise disclosed in this Shelf Prospectus:

- No share of the Bank is under option or agreed conditionally or unconditionally to be put under option;
- No commissions, brokerages or other special terms have been granted by the Bank to any person relating to the Bond Issuance Programme or sale of any securities of the Bank;
- Save as disclosed herein, the directors of the Bank have not been informed of any holding representing 5% or more of the issued share capital of the Bank;
- There are no founders' or management or deferred shares or any options outstanding in the Bank;
- There are no material service agreements between the Bank or any of its Directors and employees other than in the ordinary course of business;
- There are no long-term service agreements between the Bank or any of its Directors and employees other than in the ordinary course of business;

- (g) No Director of the Bank has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Bank in the five years prior to the date of this Shelf Prospectus;
- (h) No prosecution has commenced against the Bank or any of its subsidiaries in respect of any breach of any securities or banking laws or CAMA; and
- (i) No action has been taken against the Bank by the NSE or FMDQ in respect of any breach of the listing requirements of the NSE or FMDQ respectively.

It is further declared that to the best of knowledge of Directors as at 30 June 2019:

- (a) None of the Directors is under any bankruptcy or insolvency proceedings in any court of law;
- (b) None of the Directors has been convicted in any criminal proceeding;
- (c) None of the Directors is subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty.

21. CONSENTS

The following have given and not withdrawn their written consents to the issue of this Shelf Prospectus with their names and reports (where applicable) included in the form and context in which they appear:

Directors of the Issuer	Mr. Ernest Ebi Mr. Nnamdi Okonkwo Aku P Odinkemelu Nneka Onyeali-Ikpe Gbolahan Joshua Hassan Imam Obaro Odeghe Alex C. Ojukwu Micheal E okeke Pastor Kings C. Akuma Otunba Seni Adetu Isa Mohammed Inuwa Chief Charles C. Umolu Chidozie Agbapu
Company Secretary	Ezinwa Unuigboje
Issuing Houses	Renaissance Securities (Nigeria) Limited Stanbic IBTC Capital Limited
Trustee	FBN Quest Trustees Limited
Solicitors to the Transaction	Banwo & Ighodalo
Solicitors to the Issuer	Templars
Solicitors to the Trustee	Udo Udoma & Belo-Osagie
Reporting Accountants	PricewaterhouseCoopers Nigeria
Rating Agencies	Global Credit Ratings Co. (GCR) Limited
Registrars	First Registrars & Investor Services Limited
Receiving Banks	Stanbic IBTC Bank PLC United Bank for Africa Plc
Auditor	Ernst & Young

22. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents can be inspected at the offices of Renaissance Securities (Nigeria) Limited and Stanbic IBTC Capital Limited located at 6th Floor, The Wings Office Complex, 17 Ozumba Mbadiwe Road, Victoria Island and IBTC Place, Walter Carrington Crescent, Victoria Island, Lagos respectively during normal business hours on any weekday (except public holidays), from 8.00am to 5.00pm (West African Time):

- (a) The Certificate of Incorporation of the Issuer;
- (b) The Memorandum and Articles of Association of the Issuer;
- (c) This Shelf Prospectus dated 4 May 2020 issued in respect of the Programme;
- (d) The Programme Trust Deed dated 4 May 2020;
- (e) The audited financial statements of the Issuer for each of the years ended 31 December – 2016, 2017, 2018 and 30 June 2019;
- (f) The Reporting Accountant's Report;
- (g) The list of outstanding claims and litigation together with the Opinion of the Solicitors to the Transaction prepared therewith;
- (h) The material contracts referred to on page 98;
- (i) The written consents of parties referred to on page 102;
- (j) A copy of the Board resolution of the Issuer dated 19 March 2019 authorising the Programme;
- (k) The CBN's "no objection" to the Programme;
- (l) Letter from The SEC confirming registration of the Prospectus; and
- (m) Letter of approval from FMDQ and the NSE.



FIDELITY BANK PLC

RC: 103022

OFFER FOR SUBSCRIPTION OF UP TO N[•][•] YEAR [•]% [•]DUE [•]
UNDER THE N100,000,000,000 FIDELITY BANK PLC DEBT ISSUANCE PROGRAMME

ISSUE PRICE: N[•]PER UNIT

PAYABLE IN FULL ON APPLICATION

Book opens: [•]

Book closes: [•]

Investment in this Bonds is strictly for Qualified Institutional Investors as defined under Rule 321 of the Rules and Regulations of the Securities & Exchange Commission 2013 (as amended)

This Pricing Supplement or Supplemental Prospectus ("**Pricing Supplement**") together with documents specified herein have been delivered to the Securities and Exchange Commission (the "**Commission**" or "**SEC**") for registration. This Pricing Supplement is prepared pursuant to Rules 279(3) and 323(5) of the Rules and Regulations of the Securities & Exchange Commission 2013 (as amended) and the listing requirements of The Nigerian Stock Exchange and the FMDQ Securities Exchange PLC in connection with the N100,000,000,000 Debt Issuance Programme established by Fidelity Bank PLC (the "**Issuer**" or the "**Bank**"). This Pricing Supplement is supplemental to, and should be read in conjunction with, the Shelf Prospectus dated [•] 2020 (the "**Prospectus**") and any other supplements to the Prospectus which may be issued by the Issuer. Terms defined in the Prospectus have the same meaning when used in this Pricing Supplement.

To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Prospectus, the provisions of this Pricing Supplement shall prevail. This Pricing Supplement may be used to offer and sell the Bonds only if accompanied by the Prospectus. Copies of the executed Prospectus can be obtained from the Issuer and Issuing Houses.

The registration of the Prospectus and this Pricing Supplement shall not be taken to indicate that the Commission endorses or recommends the Bonds or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the Prospectus or this Pricing Supplement. No Bonds will be allotted or issued on the basis of the Prospectus, read together with this Pricing Supplement, later than three years after the date of the issue of the Prospectus except as may otherwise be extended by the Commission.

This Pricing Supplement contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the Securities being issued hereunder (the "Series 1 Bonds" or the "Bonds"). Application will be made to FMDQ Securities Exchange and/or The Nigerian Stock Exchange for admission of the Bonds to its platform(s). The Bonds now being issued will upon admission to the platform(s) qualify as a security in which Trustees may invest under the Trustee Investments Act (Chapter T22) Laws of the Federation of Nigeria, 2004. The Bonds also qualify as a security which Pension Fund Administrators may invest pension funds and assets, under Section 86 of the Pension Reform Act 2014.

The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement. The Issuer declares that having taken reasonable care to ensure that such is the case, the information contained in this Pricing Supplement is, to the best of its knowledge (having made all reasonable enquiry), in accordance with the facts and does not omit anything likely to affect the import of such information and that save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus has arisen or has been noted, as the case may be, since the publication of the Prospectus. Furthermore, information contained herein are true and accurate in all material respects and the Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

This Pricing Supplement is dated [.]

Final terms of the Series [●] Bond

- | | | |
|-----|---------------------------|--|
| 1. | Issuer: | Fidelity Bank PLC (“ Fidelity Bank ” or the “ Issuer ” or the “ Bank ”) |
| 2. | Description of the Bond: | [●] |
| 3. | Series Number: | [●] |
| 4. | Specified Currency: | Naira (“ N ”) |
| 5. | Aggregate Nominal Amount: | [●] |
| 6. | Issue Price: | [●] |
| 7. | Gross proceeds: | [●] |
| 8. | Net proceeds: | N [●] |
| 9. | Denominations: | [●] |
| 10. | Issue Date: | [●] |
| 11. | Coupon Commencement Date: | [Interest will accrue from the Issue Date. The first Coupon Payment Date shall be on [●] [●] and the Interest shall be due and payable every [●] thereafter, in arrear, up to and including the Maturity Date] |
| 12. | Tenor: | [●] |
| 13. | Maturity Date: | [●] |
| 14. | Principal Moratorium: | [●] |
| 15. | Coupon Basis: | [●] |
| 16. | Coupon: | [●]% per annum payable semi-annually in arrear |
| 17. | Redemption/Payment Basis: | [●] |
| 18. | Use of Proceeds: | [●] |
| 19. | Status of the Bond: | [●] |
| 20. | Event of Default: | See Events of Default set out in Clause [●] of the First Schedule of the Programme Trust Deed dated [●] |
| 21. | Listing(s): | [●] |
| 22. | Offer Period: | [●] |

Provisions relating to coupon (if any) payable

23. Fixed Rate Bond Provisions

- | | | |
|-----|--------------|----------------|
| (i) | Coupon Rate: | [●]% per annum |
|-----|--------------|----------------|

- | | | |
|--------|--|---|
| (ii) | Coupon Payment
Date(s)/Payment Dates: | [•] |
| (iii) | Coupon Amount(s): | [•] |
| (iv) | Day Count Fraction: | [•] |
| (v) | Business Day Convention: | [Modified Following: Where a Coupon Payment Date falls on a non-Business Day, such payment shall be postponed to the next day which is a Business Day provided that if such a Business Day falls into the next calendar month, such Coupon Payment Date shall be brought forward to the Business Day immediately preceding the Coupon Payment Date] |
| (vi) | Other terms relating to method of calculating Coupon for Fixed Rate Bonds: | [•] |
| (vii) | Zero Coupon Note Provisions | [•] (Delete if not applicable) |
| (viii) | Floating Rate Note Provision | [•] (Delete if not applicable) |

Provisions relating to redemption

- | | | |
|-------|-----------------------------|-----------------------------|
| 24. | Optional Early Redemption | [Applicable/Not Applicable] |
| (i) | Call Date: | [•] |
| (ii) | Call Option: | [Applicable/Not Applicable] |
| (iii) | Put Option: | [Applicable/Not Applicable] |
| 25. | Scheduled Amortisation: | [Applicable/Not Applicable] |
| 26. | Redemption Amount(s): | [•] |
| 27. | Scheduled Redemption Dates: | [•] |
| 28. | Redemption Notice Period: | [•] |

General provisions applicable to the Bonds

- | | | |
|------|----------------|--|
| 29. | Form of Bonds: | Electronic registration on the Central Securities Clearing System PLC platform or FMDQ Depository Limited, as applicable |
| (i) | Form of Bonds: | Dematerialised |
| (ii) | Registrar: | First Registrars & Investor Services Limited |
| 30. | Trustees: | FBNQuest Trustees Limited |

- | | |
|----------------------|---|
| 31. Record Date: | [•] |
| 32. Bond Settlement: | Bond purchases will be settled by electronic funds transfers through either CBN Inter-Bank Funds Transfer System (“CIBFTS”), National Electronic Funds Transfer (“NEFT”) or Real Time Gross Settlement (“RTGS”) |

Distribution, clearing and settlement provisions

- | | |
|-----------------------------|---|
| 33. Method of Distribution: | [•] |
| 34. Selling Restrictions | [•] [•] |
| 35. Underwriting: | Not applicable |
| 36. Clearing System: | Central Securities Clearing System PLC, or FMDQ Depository Limited, as applicable |
| 37. Rating: | |
| (i) Issuer: | [•] |
| (ii) Issue: | [•] |
- An issue rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency

General

- | | |
|---------------------------------------|---|
| 38. Taxation: | Details of this and other tax considerations are set out on page [•] (Taxation) of the Prospectus dated [•] [•] 2020. Also refer to Condition [•] of the Series 1 Trust Deed. |
| 39. Risk Factors: | See Risk Factors on page [•] of the Prospectus dated [•] [•] 2020. |
| 40. Governing Law: | The Bonds will be governed by and construed in accordance with the laws of the Federal Republic of Nigeria |
| 41. Summary of Claims and Litigation: | See Summary of Claims and Litigation on page [•] of the Prospectus dated [•] [•] 2020. |

Material Adverse Change Statement

Except as disclosed in this Pricing Supplement and in the Prospectus, there has been no significant change in the financial or trading position of the Issuer since [•] [•] 20[•] and no material adverse change in the financial position or prospects of the Issuer since [•] [•] 20[•].