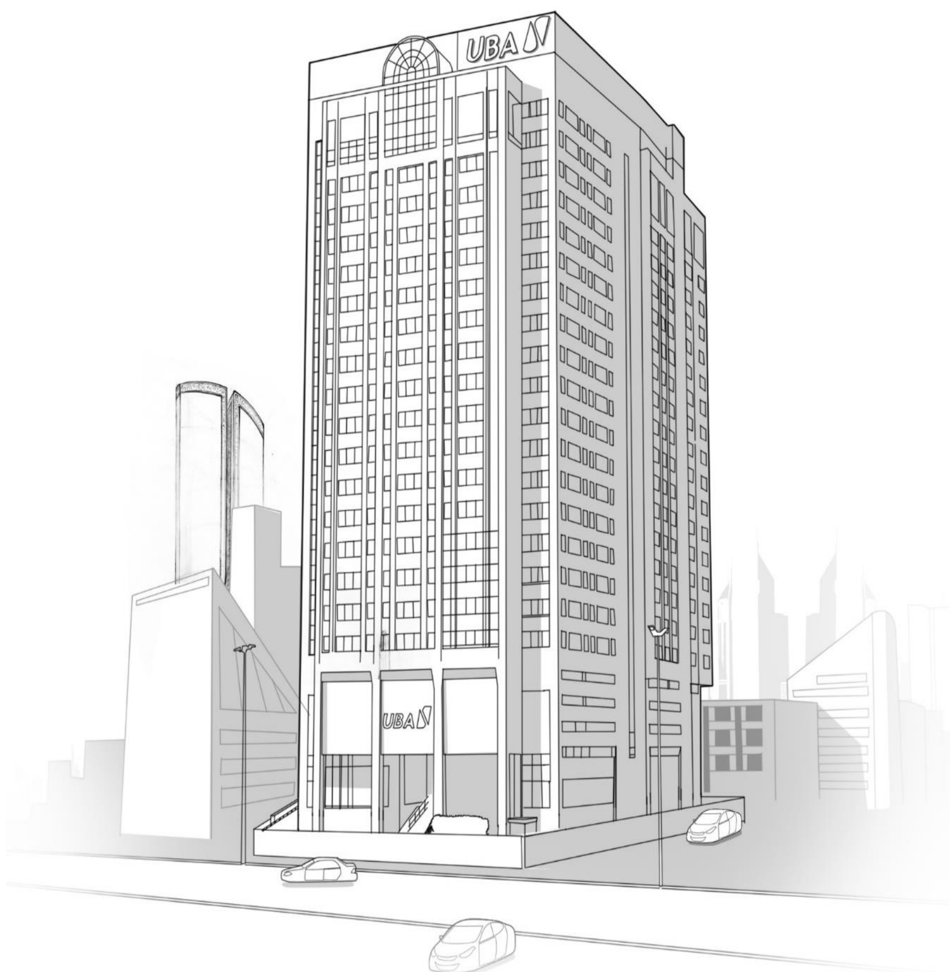
UNITED BANK FOR AFRICA PLC

Consolidated and Separate Financial Statements for the year ended 31 December 2020



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Directors' Report

The Directors present their report together with the audited financial statements of United Bank for Africa Plc and its subsidiaries for the year ended 31 December 2020.

1 Results at a Glance

	Group		Bank	
	2020 (N'Million)	2019 (N'Million)	2020 (N'Million)	2019 (N'Million)
Profit before tax	131,860	111,287	58,360	70,063
Income tax expense	(18,095)	(22,198)	(1,449)	(7,313)
Profit after tax	113,765	89,089	56,911	62,750
Other comprehensive income	43,326	35,350	5,427	48,244
Total comprehensive income	157,091	124,439	62,338	110,994
Total comprehensive income attributable to:				
− Equity holders of the Bank	147,416	124,173	62,338	110,994
− Non-controlling interests	9,675	266	-	-
Total comprehensive income	157,091	124,439	62,338	110,994

2 Dividend

The Directors, pursuant to the powers vested in it by the provisions of Section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, propose a final dividend of N0.35 per share (31 December 2019: N0.80 per share) from the retained earnings account as at 31 December 2020. This proposed final dividend, and the N0.17 per share interim dividend paid in September 2020 will be presented to shareholders for approval at the next Annual General Meeting. The proposed dividend is subject to withholding tax at the appropriate rate.

3 Legal form

United Bank for Africa Plc was incorporated in Nigeria as a limited liability company on 23 February, 1961, under the Companies Ordinance [Cap 37] 1922. It took over the assets and liabilities of the British and French Bank Limited, which had carried on banking business in Nigeria since 1949. UBA merged with Standard Trust Bank Plc on 01 August 2005 and acquired Continental Trust Bank Limited on 31 December 2005.

4 Major activities & business review

UBA Plc is engaged in the business of banking and caters for the banking needs of Institutions, Corporate, Commercial and Consumer customer segments, providing trade services, remittance, treasury management, custody/investor services, digital and general banking services. Pension custody services are offered through its subsidiary. A comprehensive review of the business for the year and the prospects for the ensuing year are contained in the CEO's report.

5 Directors

NAME	DESIGNATION
Mr. Tony Elumelu, CON	Chairman
Amb. Joe Keshi, OON	Vice-Chairman
Mrs. Foluke Abdulrazaq[3]	Non-Executive Director
Mrs. Owanari Duke	Independent Non-Executive Director
High Chief Samuel Oni, FCA	Independent Non-Executive Director
Ms. Angela Aneke	Non-Executive Director
Erelu Angela Adebayo	Non-Executive Director
Dr. Kayode Fasola	Non-Executive Director
Mr. Abdulqadir J. Bello	Non-Executive Director
Mrs. Aisha Hassan Baba, OON[2]	Independent Non-Executive Director
Mr. Kennedy Uzoka	Group Managing Director/CEO
Mr. Victor Osadolor[1]	Deputy Managing Director
Mr. Dan Okeke[4]	Executive Director
Mr. Emeke Iweriebor[1]	Executive Director
Mr. Uche Ike	Executive Director
Mr. Chukwuma Nweke	Executive Director
Mr. Oliver Alawuba	Deputy Managing Director
Mr. Ayoku Liadi	Deputy Managing Director
Mr. Ibrahim Puri	Executive Director
Mr. Abdoul Aziz Dia[5]	Executive Director
Mr. Chiugo Ndubisi[6]	Executive Director

Directors' Report - Continued

5 Directors - continued

[1] Retired from the Board on January 6 2020
[2] Appointed to the Board on January 27 2020
[3] Retired from the Board on April 30 2020
[4] Retired from the Board on August 1 2020
[5] Resigned from the Board on May 6 2020
[6] Appointed to the Board on January 6 2020

6 Directors' interests

The interest of directors in the issued share capital of the Bank as recorded in the register of directors' shareholding and/or as notified by the directors for the purpose of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange is as follows:

	31-Dec-20		31-Dec-19	
Name	**Direct holding**	**Indirect holding**	**Direct holding**	**Indirect holding**
Mr. Tony Elumelu, CON	194,669,555	2,185,934,184	190,100,234	2,114,110,884
Amb. Joe Keshi, OON	433,499	-	433,499	-
Mr. Kennedy Uzoka	37,173,909	-	37,173,909	-
Mr. Victor Osadolor	16,583,126	-	16,583,126	-
Mr. Dan Okeke	32,007,918	-	31,297,918	-
Mr. Emeke Iweriebor	8,034,071	-	7,034,071	-
Mr. Uche Ike	13,012,497	-	10,936,395	-
Mr. Chukwuma Nweke	1,059,860	-	1,059,860	-
Mr. Oliver Alawuba	593,248	-	593,248	-
Mr. Ayoku Liadi	4,080,000	-	1,080,000	-
Mr. Ibrahim Puri	4,580,254	-	981,118	-
Foluke Abdulrasaq	-	16,120,000	10,000,000	11,120,000
Mrs. Owanari Duke	86,062	-	86,062	-
Mrs. Aisha Hassan Baba, OON	-	-	-	-
High Chief Samuel Oni	2,065	-	2,065	-
Ms. Angela Aneke	-	-	-	-
Erelu Angela Adebayo	163,803	-	163,803	-
Mr. Kayode Fasola	-	-	-	-
Mr. Abdulqadir J. Bello	130,000	-	-	-
Mr. Abdoul Aziz Dia	-	-	-	-
Mr. Chiugo Ndubisi	-	-	-	-

Details of indirect holdings

Name of Director	**Company(ies)**	**Indirect holding**	**Total indirect holding**
	HH Capital Limited	140,843,816	-
Mr. Tony O. Elumelu, CON	Heirs Holdings Limited	1,814,003,900	-
	Heirs Alliance Limited	231,086,468	2,185,934,184
Mrs Foluke Abdulrazaq	Bridge House College	16,120,000	16,120,000

7 Analysis of shareholding

The details of shareholding of the Bank as at December 31, 2020 is as stated below;

Headline	Shareholders			Holdings		
Range	Count	Commulative count	Count (%)	Aggregate Holdings	Commulative Holdings	Aggregate Holdings (%)
1 - 1,000	31,647	31,647	11.57	14,599,099	14,599,099	0.04
1,001 - 5,000	120,307	151,954	43.97	300,568,647	315,167,746	0.88
5,001 - 10,000	44,877	196,831	16.40	307,205,382	622,373,128	0.90
10,001 - 50,000	54,281	251,112	19.84	1,131,310,570	1,753,683,698	3.31
50,001 - 100,000	10,794	261,906	3.95	731,003,485	2,484,687,183	2.14
100,001 - 500,000	8,841	270,747	3.23	1,804,527,142	4,289,214,325	5.28
500,001- 1,000,000	1,329	272,076	0.49	933,342,262	5,222,556,587	2.73
1,000,001 - 5,000,000	1,169	273,245	0.43	2,296,092,434	7,518,649,021	6.71
5,000,001 - 10,000,000	150	273395	0.05	1,053,395,070	8,572,044,091	3.08
10,000,001 - 50,000,000	147	273542	0.05	3,170,480,258	11,742,524,349	9.27
50,000,001 - 100,000,000	22	273564	0.01	1,446,877,366	13,189,401,715	4.23
100,000,001 - 500,000,000	39	273603	0.01	10,722,132,126	23,911,533,841	31.35
500,000,001 - 1,000,000,000	9	273,612	0.00	5,874,945,684	29,786,479,525	17.18
1,000,000,001 and Above	3	273,615	0.00	4,412,941,841	34,199,421,366	12.90
	273,615		**100**	**34,199,421,366**		**100.00**

8 Substantial interest in shares: shareholding of 5% and above

According to the Register of Shareholders as at December 31, 2020, no other shareholder held more than 5% of the share capital of the Bank except the following:

Shareholders	Holding	Holding (%)
Stanbic IBTC Nominees Nigeria Ltd	2,138,132,341	6.25%
Heirs Holdings Limited	1,814,003,900	5.30%

9 Trading in the shares of UBA

A total of 6.95 billion units of UBA shares were traded on the Nigerian Stock Exchange (NSE) in 2020, representing 20.3% of the shares outstanding. The UBA share price gained 21.0%, closing the year at N8.65 (from N7.15 as at 31 December 2019); whilst the NSE banking sector index gained10.1% during the year ended December 31, 2020. The bullish run in the Nigerian equities market was driven by attractive valuations amidst increased systemic liquidity and low fixed income yields.

10 Acquisition of own shares

The Bank did not purchase its own shares during the period. Also, the Group has a Board approved Global Personal Investment Policy, which covers directors, staff, and related parties. The policy prohibits employees, directors and related individuals/companies from insider dealings on the shares of UBA Plc and related parties. The essence of the policy is to prevent the abuse of confidential non-public information that may be gained during the execution of UBA's business. In addition, the policy serves to ensure compliance with the local laws and/or regulatory requirements. In accordance with the NSE Rule Book and Amendments to the Listing Rules, UBA observes closed periods, within which affected persons/corporates are restricted from trading on the shares of the Bank. There was no case of violation within the period under review.

11 Donations

As a part of our commitment to the development of host communities, the environment and broader economy within which we operate, across the Group, a total of N5,103,761,859(Five billion, One Hundred and three Million, Seven Hundred and Sixty One Thousand, Eight Hundred and Fifty Nine Naira Only) was given as grant to UBA Foundation during the 2020 financial year in support of various CSR initiatives.

12 Employment and employees

Employment of Physically Challenged Persons

The Bank operates a non-discriminatory policy in the consideration of applicants for employment, including those received from physically challenged persons. The Bank's policy is that the most qualified persons are recruited for the appropriate job levels, irrespective of an applicant's state of origin, ethnicity, religion or physical condition.

Health, Safety at Work and Welfare of Employees

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy working conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. The Bank has a comprehensive health insurance scheme for staff, through which medical needs of staff and their immediate family members are met. In addition, the Bank provides first aid in all business offices and has a medical facility at the Head Office. As a part of the investment in the welfare of staff, the Bank maintains an ultra-modern gym facility at the head-office and organizes a quarterly fitness session (tagged "jogging to bond"), held at different stadia across all its country of operations, thereby providing access to various sporting facilities and professional instructors.

Fire prevention and firefighting equipment are installed in strategic locations at all business offices, in addition to hosting a full fire service operation at the Head Office.

The Bank operates a contributory pension plan in accordance with the Pension Reform Act, wherein the Bank contributes 10% of employees' basic salary, housing and transport allowance to the designated pension fund administration chosen by each employee. As a part of the scheme, the Bank also remits employees' contribution of 8% of the relevant compensation to the same account, as provided by the Pension Reform Act 2004, as amended.

Employee Involvement and Training

The Bank encourages participation of its employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Bank provides formal and informal opportunities where employees deliberate on issues affecting the Bank and employees' interest, with a view to making inputs to decision thereon. The Bank places premium on the development of its manpower. In addition to the routine online Executive Chat, wherein employees interact with the Management to discuss issues of customer and employee satisfaction, the GMD/CEO operates an open-door policy and encourages employees to channel suggestions and complaints to him as may be required. The Human Capital Management Division also holds monthly "HR Clinic", a personalized avenue to address relevant employee welfare and career satisfaction issues.

Research and Development

As a part of its daily business, the Bank carries out research into new banking products and services to anticipate and meet customers' need and to ensure excellent service is delivered at all time.

Demographics of our workforce

During the period under review, the Group employed staff across the different businesses and geographies where it operates. Below is the details of the employee demographics;

(a) Staff distribution by gender during 2020 financial year

Description	Gender	Head Count	% of Total
Group	Male	6,025	56%
	Female	4,813	44%
	Total	**10,838**	**100%**
Bank	Male	4,117	54%
	Female	3,199	46%
	Total	**7,316**	**100%**

Average gender analysis of the Bank's Board of Directors and Top Management Staff during the period:

Description	Gender	Head Count	% of Total
Board of Directors	Male	12	75%
	Female	4	25%
	Total	**16**	**100%**
Top Management	Male	57	79%
	Female	15	21%
	Total	**72**	**100%**

Directors' Report - Continued

12 Employment and employees - continued

(a) Staff distribution by gender during 2020 financial year - continued

Detailed average gender analysis of Board of Directors and Top Management Staff during the period:

Description	Male		Female		Total
	Head Count	% of Total	Head Count	% of Total	
Non-Executive Directors	5	8%	4	21%	9
Executive Directors	7	11%	0	0%	7
General Managers	15	24%	3	16%	18
Deputy General Managers	15	24%	8	42%	23
Assistant General Managers	20	32%	4	21%	24
Total	62	100.0%	19	100.0%	81

(b) Group Staff distribution by nationality and location during 2020 financial year

Nationality	Location	Head Count
Nigeria	Nigeria	7,313
	Other 19 African Countries	53
	USA	5
	United Kingdom	7
UBA WEST AFRICA:	Nigeria	2
Ghana, Sierra Leone, Cote D'Voire, Liberia, Burkina Faso, Benin, Mali, Guinea, Senegal	Other 19 Africa Countries	1,878
UBA CENTRAL EAST AND SOUTHERN AFRICA:	Nigeria	-
Zambia, Mozambique, Tanzania, Uganda, Kenya, Congo DRC, Cameroon, Chad, Gabon, Congo Brazzaville and Kenya	Other 19 Africa Countries	1,513
India	Nigeria	2
America	New York	36
United Kingdom	United Kingdom	27
Other Nationalities	United Kingdom	1
France	France	1
Total		10,838

13 Property and Equipment

Movements in property and equipment during the period are shown in note 30 of the consolidated financial statements. In the opinion of the Directors, the market value of the Bank's property and equipment is not less than the value shown in the financial statement.

14 Events after reporting date

There are no events after the reporting date which could have had material effect on the financial position of the Group as at December 31, 2020 and the profit and other comprehensive income for the date.

Directors' Report (Continued)

15 Auditors

In accordance with Section 401(2) of the Companies and Allied Matters Act 2020 and Section 20.2 of the NCCG 2018, Messrs. Ernst & Young have indicated their willingness to continue in office as External Auditors of UBA Plc

16 Disclosure of Customer Complaints in the Financial Statements for the Year Ended 31 December 2020

Description	Number		Amount claimed		Amount refunded		
	2020	2019	2020 (N'Million)	2019 (N'Million)	2020 (N'Million)	2019 (N'Million)	2020 ($)
Pending Complaints B/F	911	26,549	349	7,944			
Received Complaints	7,698	17,088	39,052	16,083			
Resolved Complaints	7,563	42,697	6,839	22,699	3,725	2699	54,178
Unresolved Complaints Escalated to CBN for Intervention	48	29	1,062	979			
Unresolved Complaints Pending with the bank C/F	998	911	3,193	349			
% Of Complaint/Transaction Volume	0.00%	0.00%					

By the order of the Board

Bili A. Odum
Group Company Secretary,
57 Marina, Lagos
January 26, 2020
FRC/2013/NBA/00000001954

COMPLAINTS AND FEEDBACK

Introduction

United Bank for Africa Plc is a customer-focused Pan-African Financial Services Group. Our aim is to deliver excellent customer service and provide high quality financial solutions to our over eighteen million customers in the 23 countries where we operate.
At each of our multiple contact points with customers, we aim to proactively exceed their expectations. Customer feedback is thus an effective tool in our relentless effort to delight our customers at all points of interaction with the Bank.

To achieve excellent service delivery to our customers, in line with the Bank's focus, our 24/7 Customer Fulfilment Centre (CFC) has been fully empowered, fortified and repositioned to offer seamless and unparalleled service excellence to all UBA group customers and prospects alike. With emphasis on faster Turn Around Time to queries, prompt issues resolution, in line with the Bank's agreed SLAs, availability of multilingual IVR, self-service options and the inclusion of Artificial Intelligence (AI) in our bouquet of offerings, we are poised to deliver on our Customer 1st Mantra. Machineries have also been put in place to feel the pulse of our customers for continuous process improvement, while accepting their recommendations/feedback and relaying same to relevant stake holders for an all - round delightful service and quintessential experience.
UBA Staff worldwide are made to undergo an agile on-boarding process that prepares them for the task of delivering value to customers across board. They are continuously trained to have a strong customer service orientation and be customer-centric in every aspect of the Bank's operations, thereby fulfilling the Bank's promise to Customers, as contained in its customer service charter. The Bank's customer service charter requires all staff to:

- Be respectful - We know the 'The Customer is King' and is the purpose of our business;
- Be courteous and friendly in all our interactions with the customer;
- Process transactions without delay and attend to enquiries promptly;
- Investigate and resolve complaints promptly;
- Listen attentively;
- Communicate honestly and proactively;
- Leverage our technical knowledge to fully support the customer's needs;
- Show appreciation at all times.

Complaints Channels

To ensure an effective feedback process, UBA has established different channels through which customers can reach the Bank on all issues — be it enquiry/complaint/request or a feedback. These channels include:

Customer Fulfillment Center (CFC)
A 24/7 Multi-Lingual Customer Contact Center, where customers can engage us directly to resolve complaints, make enquiries and have their requests attended to. There are also other designated lines such as the Fraud Helpline - set up to provide speedy support to victims of fraud and a Premium Helpline to attend to our premium card holders. These lines are manned by highly trained Customer Experience Experts who have been empowered to provide support to all customers who reach out to us via the channels.

Dedicated Email Address
A dedicated e-mail address cfc@ubagroup.com is available to customers 24/7 to send in their complaints/requests. This e-mail channel is manned by our highly skilled and effective correspondents that accurately deliver high quality service to UBA customers and prospects alike.

Dedicated Email Address
A dedicated e-mail address: cfc@ubagroup.com is available to customers 24/7 to send in their complaints/requests. This e-mail channel is manned by our highly skilled and effective correspondents that accurately deliver high quality service to UBA customers and prospects alike.

Hotlines in the Business Offices
There are toll-free phones placed in respective Business Offices to enable customers reach out to the Customer Fulfilment Center to relay their complaints, requests and enquiries which inherently cannot be handled at the Business Office level, and this is at no cost to them.

Social Media
The Group has continued to sustain its strong presence in the Social media space and our teeming Customers have found our Twitter and Facebook engagements refreshing, responsive and supportive. Our unique style of interacting with our customers and promptly resolving their issues is winning with them and gaining us some approbations .

E-Channels
Our e-channel platforms have been strengthened and embedded with complaint management, self-service and feedback options to enable customers dispute transactions, and initiate self-service requests in the comfort of their homes. This is so much a convenience, against the backdrop of the current realities.

Chat Bot
The Bank's virtual assistant – Leo, also has unique features for complaint handling, self-service and feedback; among other exciting nice to have features. Leo is the first of its kind and has won several Awards and plaudits the world over. Leo is available on WhatsApp and Apple Business Chat.

Suggestion/Complaint Box
Customers' Complaint boxes are maintained in all our Business Offices to facilitate the tracking, resolution, reporting and dissemination of customer complaints and feedback.

Web (Live Chat)
On the UBA website (www.ubagroup.com), Customers have the option of chatting online real time with our highly skilled Customer Experience Experts (CEEs)through the 'Live Chat' channel, Face book, Twitter and Instagram.

Resolution Structure

In order to ensure that Customers' complaints, enquiries and requests are promptly resolved, the Bank has put in place a dedicated Complaints' Management Team supervised by a Senior Officer of the Bank, who is responsible for prompt investigation and resolution of customers' complaints within the approved timelines. The unit is manned by highly skilled personnel with rich and diverse banking experience to promptly and qualitatively resolve customers' complaints. The Bank maintains a robust Customer Complaints Management system, which is managed by well trained staff of the Customer Fulfilment Centre and reports generated are periodically reviewed by Executive Management to see where processes can be improved to enhance the overall Customer Journey and Experience

The complaints management system ensures that customers' issues are promptly treated as specified within the established framework of the Bank and turnaround time. The process flow of customer complaint and resolution is as follows:
(i) The Bank's touch point (Business office, CFC (Calls, Telemarketing & E-mail), Social media; Twitter, Instagram, Facebook & Live chat) that receives the customer's complaint acknowledges and registers the complaint on the Customer Contact Manager (CCM), the bank's automated complaints management system.

(ii) The complaint is reviewed and it is determined if the complaint could be resolved at the first level
(iii) Where the complaint can be resolved at the first level, a resolution is provided to the customer.
(iv) If such complaint cannot be resolved at the first level, the touch point forwards the complaint to Operations Specialists at the Resolution Unit to resolve.
(v) Upon resolution, the customer is contacted and the required feedback provided to the customer.
(vi) Where the customer is not satisfied with the resolution outcome and a rejoinder is sent, more attention is given to it by the Unit Head to further analyse and resolve the issues raised and the final outcome communicated to the customer

Feedback on Customers' Complaints to the Bank – Monthly Complaints Dash Board

A Monthly Performance Feedback dashboard on customers' complaints is provided to Management and relevant Departments within the Bank to address the root causes of complaints and issues raised by our customers.
The feedback dash board ensures that:
(i) Improvement opportunities are quickly identified and brought to bear
(ii) The quality of customer service is improved and standardized across all the customer touch points of the Bank   Customer retention is improved through increased customer satisfaction
(iii) Training and re-training is also done on a regular basis to keep abreast of the developments in the industry.

Investor Complaint Channels

UBA Plc has a Complaint Framework for Investors and the Investing Public. This policy is published on the Bank's website; *www.ubagroup.com/ir/shareholders* , together with the Complaint Help Channels, which are stated below.

Email: *investorrelations@ubagroup.com*
Telephone: +234-1-2808349
Mailing Address: Head, Investor Relations, UBA House, 57, Marina, Lagos.

Shareholders who have any complaint are enjoined to kindly contact the investor relations unit of the Bank for prompt resolution. Shareholders can also request copies (electronic or hard copies) of the complaint framework, which can also be downloaded on our website in the address stated above.

CORPORATE GOVERNANCE

United Bank for Africa Plc (UBA Plc) holds good governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in its business operations. The Directors endorse the principles of best practice Corporate Governance as stated in the "Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014" issued by the Central Bank of Nigeria (CBN), the Securities and Exchange Commission's (SEC) "Code of Corporate Governance", and the "Nigerian Code of Corporate Governance 2018" issued by the Financial Reporting Council (FRC), effective January 1, 2020.

The Bank complied with the requirements of the CBN code, the SEC code, the NCCG, and its own governance charters, during the 2020 financial year.

The Board of Directors of UBA Plc has the overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. In order to promote effective governance of the UBA Group, the following structures have been put in place for the execution of UBA Plc's Corporate Governance strategy:

1. Board of Directors
2. Board Committees
3. Executive Management Committees

As at December 31, 2020, the Board comprised a Non-Executive Chairman, a Non-Executive Vice Chairman, seven (7) other Non-Executive Directors (which include three (3) Independent Non-Executive Directors), and seven (7) Executive Directors (which include the GMD/CEO), all of whom bring a wide range of skills and experience to the Board.

The Board of Directors carries out its responsibility through its standing Committees. These are the Board Audit Committee, the Board Credit Committee, the Board Governance Committee, the Board Risk Management Committee, and the Finance and General Purpose Committee. Through the workings of these committees, the Board sets broad policy guidelines and ensures the proper management and direction of the Bank.

In addition to the Board Committees, there are Management Committees which ensure effective and good corporate governance at the managerial level, including the Executive Management Committee, Executive Credit Committee and Assets & Liability Committee.

A. The Board

The Board, as at December 31, 2020, consists of sixteen (16) members, 7 of whom (inclusive of the GMD/CEO), are Executive Directors and nine (9) Non-Executive Directors. The Non-Executive Directors have the requisite integrity, skills and experience to bring independent judgment to bear on Board deliberations and discussions.

Responsibility

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman is primarily responsible for coordinating the affairs of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and comprises all Executive Directors and other critical functional heads. The Board's primary responsibility is to increase shareholder wealth. The Board is accountable to shareholders and is responsible for the management of the relationships with its various stakeholders.

Executive Management is accountable to the Board for the development and implementation of strategy and policies. The Board regularly reviews group performance, matters of strategic concern and any other matters it regards as material. The Board meets quarterly and additional meetings are convened as the need arises. In 2020, the Board met 7 times. The record of attendance for Board Meetings for the 2020 financial year is presented below:

Board Meetings

Director	Number of Meetings Held	Number of Meetings Attended
Mr. Tony Elumelu, CON	7	7
Mr. Kennedy Uzoka	7	7
Mr. Victor Osadolor[1]	7	0
Mr. Dan Okeke[2]	7	4
Mr. Emeke Iweriebor[1]	7	0
Mr. Uche Ike	7	7
Mr. Chukwuma Nweke	7	7
Mr. Oliver Alawuba	7	7
Mr. Ayoku Liadi	7	7
Mr. Ibrahim Puri	7	7
Mr. Abdoul Aziz Dia[3]	7	2
Mr. Chiugo Ndubisi[4]	7	7
Amb. Joe Keshi, OON	7	7
Mrs. Foluke Abdulrazaq[5]	7	3
Mrs. Owanari Duke	7	7
High Chief Samuel Oni, FCA	7	7
Ms. Angela Aneke	7	7
Erelu Angela Adebayo	7	7
Dr. Kayode Fasola	7	7
Mr. Abdulqadir J. Bello	7	7
Mrs. Aisha Hassan Baba, OON[6]	7	6

[1] Retired from the Board on January 6 2020
[2] Retired from the Board on August 1 2020
[3] Resigned from the Board on May 6 2020
[4] Appointed to the Board on January 6 2020
[5] Retired from the Board on April 30 2020
[6] Appointed to the Board on January 27 2020

Corporate Governance (Continued)

The Board is responsible for the Bank's structure and areas of operation, and financial reporting. The Board is also responsible for ensuring that there is an effective system of internal control and risk management across the Bank. The Board also adopts an effective system for the appointment of new Directors. The Board has the authority to delegate matters to Directors, Board Committees and the Executive Management Committee.

Appointments & Retirements:
During the financial year ending December 31, 2020, the following Directors retired/resigned from the Board:

Mr. Victor Osadolor	Deputy Managing Director
Mr. Emeke Iweriebor	Executive Director
Mr. Abdoul Aziz Dia	Executive Director
Mrs. Foluke Kafayat Abdulrazaq	Non-Executive Director
Mr. Dan Okeke	Executive Director

Subsequently, the following Directors were appointed during the period;

Mr. Chiugo Ndubisi	Executive Director
Mrs. Aisha Hassan Baba, OON	Non-Executive Director

Professional Independent Advice:
All Directors are aware that they may take independent professional advice at the expense of the Bank, in the furtherance of their duties. They all have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that all governance matters are complied with and assists with professional development as required.

B. Accountability and Audit

Financial Reporting
The Board has presented a balanced assessment of the Company's position and prospects. The Board is mindful of its responsibilities and is satisfied that in the preparation of its Financial Report, it has met its obligation under the Group's Code of Corporate Governance.

The Directors make themselves accountable to the shareholders through regular publication of the Group's financial performance and Annual Reports. The Board has ensured that the Group's reporting procedure is conveyed on the most efficient platforms in order to ensure accuracy. This procedure involves the monitoring of performance throughout the financial year, in addition to monthly reporting of key performance indicators.

Ernst & Young (EY) acted as external auditors to the Group during the 2020 financial year. Their report is contained on page 20 of this Annual Report

The Group has consistently improved its internal control system to ensure effective management of risks. The Directors review the effectiveness of the system of internal control through regular reports and reviews at Board and Risk Management Committee meetings.

C. Control Environment
The Board has continued to place emphasis on risk management as an essential tool for achieving the Group's objectives. Towards this end, it has ensured that the Group has in place, robust risk management policies and mechanisms to ensure identification of risk and effective control.

The Board approves the annual budget for the Group and ensures that a robust budgetary process is operated with adequate authorization levels put in place to regulate capital and operating expenses.

D. Shareholder Rights

The Board of UBA Plc has always placed considerable emphasis on effective communication with its shareholders. It ensures that the rights of shareholders are always protected. Notice of meetings and all other statutory notices and information are communicated to the shareholders regularly. The Bank ensures the protection of statutory and general rights of shareholders at all times, particularly their right to vote at General Meetings. All shareholders are treated equally regardless of their equity interest or social status.

The General Meeting of Shareholders is the highest decision-making body of the Bank and meetings are conducted in a fair and transparent manner that gives shareholders the opportunity to express their opinion. The Group publishes quarterly, half-yearly and annual reports on its website as well as national newspapers. The Group also provides investor presentations and other relevant communications that provide requisite information to shareholders and the general public, especially as regards the performance, strategy and developments in the Group.

Besides, the Group maintains an Investor Relations Unit which routinely attends to shareholders' enquiries and ensures that shareholders' views are appropriately escalated to the Management and Board on a continuous basis. In addition, shareholders are encouraged to continuously communicate their opinions and recommendations whenever they see the need to do so, to either the Head of Investor Relations or the Company Secretary. Their contact details are available on the Bank's website and on the back cover of this Annual Report.

E. Board Committees
The Board of UBA Plc has the following Committees, namely:

1. Board Audit Committee
2. Board Credit Committee
3. Board Governance Committee
4. Board Risk Management Committee
5. Finance & General Purpose Committee

(i) Board Audit Committee

The Board Audit Committee was set up to further strengthen internal controls in the Group. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that effective systems of Financial and Internal controls are in place within the Group.

The Board Audit Committee was set up to further strengthen internal controls in the Group. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that effective systems of Financial and Internal controls are in place within the Group.

As at December 31, 2020, the Board Audit Committee comprises of the following Non-Executive Directors:
a. Mrs. Owanari Duke – Chairman
b. High Chief Samuel Oni, FCA – Member
c. Erelu Angela Adebayo – Member
d. Mrs. Aisha Hassan Baba, OON – Member

The record of attendance for Board Audit Committee Meetings for the 2020 financial year is presented below:

Board Audit Committee Meetings		
Members	Number of Meetings Held	Number of Meetings Attended by Members
Mrs. Owanari Duke	7	7
Mrs. Foluke Abdulrazaq[7]	7	3
High Chief Samuel Oni, FCA	7	7
Erelu Angela Adebayo	7	7
Mrs. Aisha Hassan Baba, OON[8]	7	4

[7] Stopped being a member of the Board Audit Committee from April 30, 2020
[8] Appointed to the Board Audit Committee on June 26, 2020

(ii) Board Credit Committee

The Board Credit Committee is responsible for approval of credit facilities in the Bank. It reviews all credits granted by the Bank and meetings are held at least once a quarter. The Board Credit Committee was set up to assist the Board of Directors to discharge its responsibility to exercise due care, diligence and skill to oversee, direct and review the management of the credit portfolio of the Group. Its terms of reference include determining and setting the parameters for credit risk and asset concentration and reviewing compliance within such limits; determining and setting the lending limits, reviewing and approving the Group's credit strategy and the credit risk tolerance. The Committee reviews the Loan portfolio of the Bank and reviews and approves country risks exposure limits.
As at December 31, 2020, the current composition of the Board Credit Committee is as follows:

a. Mr. Abdulqadir J. Bello – Chairman
b. Mrs. Owanari Duke – Member
c. Ms. Angela Aneke – Member
d. Dr. Kayode Fasola – Member

The record of attendance for Board Credit Committee Meetings for the 2020 financial year is presented below:

Board Credit Committee Meetings		
Members	Number of Meetings Held	Number of Meetings Attended by Members
Mr. Abdulqadir J. Bello	11	11
Mrs. Foluke Abdulrazaq[9]	11	5
Mrs. Owanari Duke	11	9
Ms. Angela Aneke[10]	11	5
Dr. Kayode Fasola	11	11
Mr. Abdoul Aziz Dia [11]	11	5

[9] Stopped being a member of the Board Credit Committee from April 30, 2020
[10] Appointed to the Board Credit Committee on June 26, 2020
[11] Stopped being a member of the Board Credit Committee from May 6, 2020

(iii) Board Governance Committee

The Board Governance Committee is generally responsible for reviewing the governance structures and practices of the Bank and reporting its findings and recommendations to the Board. This includes a careful examination of the Board's composition, the needs of the Board to effectively fulfil its duties and responsibilities, and the governing documents of the Bank. The Committee also recommends the compensation and entitlements of Directors to the Board for approval and approves recruitment, appointment, and promotion policies for the Group.
As at December 31, 2020, the Board Governance Committee comprised of the following members:

a. Ms. Angela Aneke – Chairman
b. Mrs. Owanari Duke – Member
c. Erelu Angela Adebayo – Member
d. Mrs. Aisha Hassan Baba, OON – Member

The record of attendance for Board Governance Committee Meetings for the 2020 financial year is presented below:

Board Credit Committee Meetings		
Members	**Number of Meetings Held**	**Number of Meetings Attended by Members**
Ms. Angela Aneke	14	14
Mrs. Foluke Abdulrazaq[12]	14	6
Mrs. Owanari Duke	14	14
Erelu Angela Adebayo	14	14
Mr. Abdulqadir J. Bello[13]	14	6
Mrs. Aisha Hassan Baba, OON[14]	14	8

[12] Stopped being a member of the Board Governance Committee from April 30, 2020
[13] Stopped being a member of the Board Governance Committee from June 26, 2020
[14] Appointed to the Board Governance Committee on June 26, 2020

(iv) Board Risk Management Committee

As at December 31, 2020, the Board Risk Management Committee comprised of the following Directors:

a. High Chief Samuel Oni, FCA – Chairman
b. Erelu Angela Adebayo – Member
c. Dr. Kayode Fasola – Member
d. Mr. Abdulqadir Bello – Member
e. Mr. Kennedy Uzoka – Member
f. Mr. Chukwuma Nweke – Member
g. Mr. Uche Ike – Member

Meetings are held at least once a quarter and the responsibilities of the Committee include to review and recommend risk management strategies, policies and risk tolerance for the Board's approval; to review management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and to consider and examine such other matters as the Board requires, the Committee considers appropriate, or which are brought to its attention, and make recommendations or reports to the Board accordingly.

The record of attendance for Board Risk Management Committee Meetings for the 2020 financial year is presented below:

Board Risk Management Committee Meetings		
Members	**Number of Meetings Held**	**Number of Meetings Attended by Members**
High Chief Samuel Oni, FCA	7	7
Erelu Angela Adebayo	7	7
Dr. Kayode Fasola	7	7
Mr. Abdulqadir J. Bello[15]	7	4
Mr. Kennedy Uzoka	7	7
Mr. Chukwuma Nweke	7	7
Mr. Uche Ike	7	7

[15] Appointed to the Board Risk Management Committee on June 26, 2020

(v) Finance & General Purpose Committee

The purpose of the Finance & General Purpose Committee is to, amongst other things; discharge the Board's responsibilities with regard to strategic direction and budgeting and to provide oversight on financial matters and the performance of the Group.

As at December 31, 2020, the Finance & General Purpose Committee comprised of the following members:

a. Dr. Kayode Fasola – Chairman
b. Ms. Angela Aneke – Member
c. Mr. Abdulqadir J. Bello – Member
d. Mrs. Aisha Hassan Baba, OON – Member
e. Mr. Kennedy Uzoka – Member
f. Mr. Chukwuma Nweke – Member
g. Mr. Chiugo Ndubisi – Member

The record of attendance for Finance & General Purpose Committee meetings for the 2020 financial year is presented below:

Finance & General Purpose Committee Meetings]		
Members	**Number of Meetings Held**	**Number of Meetings Attended by Members**
Dr. Kayode Fasola	8	8
Ms. Angela Aneke	8	8
Mr. Abdulqadir J. Bello	8	8
Mrs. Aisha Hassan Baba, OON[16]	8	5
Mr. Kennedy Uzoka	8	8
Mr. Chukwuma Nweke	8	8
Mr. Uche Ike[17]	8	3
Mr. Abdoul Aziz Dia[18]	8	3
Mr. Chiugo Ndubisi[19]	8	5

[16] Appointed to the Finance & General Purpose Committee on June 26 2020
[17] Stopped being a member of the Finance & General Purpose Committee from June 26 2020
[18] Stopped being a member of the Finance & General Purpose Committee from May 6 2020
[19] Appointed to the Finance & General Purpose Committee on June 26 2020

(vi) Statutory Audit Committee

The Statutory Audit Committee was set up in accordance with the provisions of the Companies and Allied Matters Act 2020. It comprises of a mixture of Non-Executive Directors and ordinary shareholders elected at the Annual General Meeting.

Its Terms of Reference include the monitoring of processes designed to ensure compliance by the Group in all respects with legal and regulatory requirements, including disclosure, controls and procedures and the impact (or potential impact) of developments related thereto. It evaluates annually, the independence and performance of the External Auditors. The Committee also reviews with Management and the External Auditors the annual audited financial statement before its submission to the Board.

The Members of the Statutory Audit Committee in 2020 are as follows:

a. Mr. Feyi Ogoji – Chairman/Shareholder
b. Mr. Matthew Esonanjor – Member/Shareholder
c. Alhaji Al-Kassim Umar – Member/Shareholder
d. Mrs. Owanari Duke – Member/Non-Executive Director
e. Ms. Angela Aneke – Member/Non-Executive Director
f. Dr. Kayode Fasola – Member/Non-Executive Director

The record of attendance for Statutory Audit Committee meetings for the 2020 financial year is presented below:

Statutory Audit Committee Meetings		
Members	**Number of Meetings Held**	**Number of Meetings Attended by Members**
Mr. Feyi Ogoji	3	3
Mr. Matthew Esonanjor	3	3
Alhaji Alkassim Umar	3	3
Mrs. Owanari Duke	3	3
Ms. Angela Aneke	3	3
Dr. Kayode Fasola	3	3

(vii) Executive Management Committees

These are Committees comprising of senior management of the Bank. The committees are also risk-driven, as they are basically set up to identify, analyze, synthesize and make recommendations on risks arising from day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as issues occur to immediately take actions and decisions within the confines of their powers. Some of these Executive Management Committees include the Assets and Liabilities Committee (ALCO), the Executive Credit Committee (ECC), the IT Risk Committee (ITRC), the Risk Management Committee (RMC), the Procurement Committee (PC), the Criticized Assets Committee (CAC), and the Executive Management Committee (EMC).

(viii) Directors' Compensation

Package	Type	Description	Timing
Basic salary	Fixed	This is part of gross salary package for Executive Directors only. It reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year	Paid monthly during the financial year
13th month salary	Fixed	This is part of gross salary package for Executive Directors only It reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year	Paid in a month during the financial year
Directors fees	Fixed	This is paid quarterly to Non-Executive Directors only	Paid quarterly
Sitting allowances	Fixed	Sitting allowances are paid to the Non-Executive Directors only for attending Board and Board Committee meetings	Paid after each meeting

(ix) Details of Training Attended by Directors

Training Programme	Training Objective	Date
Digital Awareness & Adoption Programmes for Board: "Use of MS Teams & Zoom as Collaborative Tools"	This is aimed at enabling Directors to effectively participate in business meetings and other collaborative engagements.	3rd June 2020 23rd June 2020 25th June 2020
Asset and Liability Management Training for Executives and Key Officers (ICAP Training Solutions, SA)	The course emphasizes practical advantages and disadvantages of risk measurement and management tools and techniques, using samples of best practice risk reports. The programme gives delegates a thorough understanding of managing interest rate & liquidity risk and exploring best practice in risk reporting, contingency planning and regulatory compliance.	25th - 26th Sept. 2020 2nd – 3rd Oct. 2020 9th – 10th Oct 2020 16th – 17th Oct 2020
CBN-FITC Continuous Education for Bank Directors	The training gives an in-depth understanding on the importance of effective board risk governance and risk management as well as an overview of different components of a governance operating model It will also help participants understand the Imperatives to Future Board Success.	12^{th} – 13^{th} November 2020
UBA Group Board Audit Committee Trainings	The programme helps participants understand *The annual risk-based internal audit planning process *The guidance from the Basel Committee on Banking Supervision for assessing the effectiveness of the internal audit function *UBA's Fraud Risk Management Framework *The role in oversight of the organization's governance, risk management, and internal control practices, etc.	- 24th September 2020

(x) Group Board & Board Committee Meeting Dates

Meetings	Board	Board Audit Committee	Board Credit Committee	Board Governance Committee	Board Risk Management Committee	Finance & General Purpose Committee
Meeting 1	06-Jan-20	03-Mar-20	20-Jan-20	09-Jan-20	18-Feb-20	07-Feb-20
Meeting 2	27-Jan-20	04-Mar-20	12-Feb-20	27-Jan-20	19-Feb-20	11-Feb-20
Meeting 3	16-Apr-20	31-Mar-20	13-Feb-20	05-Feb-20	02-Apr-20	14-Apr-20
Meeting 4	06-Jul-20	04-Aug-20	03-Apr-20	06-Feb-20	22-Jul-20	16-Jul-20
Meeting 5	13-Aug-20	01-Sep-20	06-Apr-20	01-Apr-20	22-Oct-20	11-Aug-20
Meeting 6	22-Oct-20	30-Sep-20	22-Jun-20	08-Apr-20	25-Nov-20	20-Oct-20
Meeting 7	14-Dec-20	20-Nov-20	28-Jul-20	10-Jul-20	29-Dec-20	23-Nov-20
Meeting 8	N/A	N/A	09-Oct-20	26-Aug-20	N/A	30-Dec-20
Meeting 9	N/A	N/A	04-Dec-20	16-Sep-20	N/A	N/A
Meeting 10	N/A	N/A	10-Dec-20	24-Sep-20	N/A	N/A
Meeting 11	N/A	N/A	22-Dec-20	06-Oct-20	N/A	N/A
Meeting 12	N/A	N/A	N/A	02-Dec-20	N/A	N/A
Meeting 13	N/A	N/A	N/A	09-Dec-20	N/A	N/A
Meeting 14	N/A	N/A	N/A	23-Dec-20	N/A	N/A

REPORT OF THE STATUTORY AUDIT COMMITTEE

To members of United Bank for Africa Plc

In accordance with the provision of Section 404[7] of the Companies and Allied Matters Act of the Federation of Nigeria 2020, we the members of the Audit Committee hereby report as follows:

(i) We confirm that we have seen the Audit Plan & Scope, and the Management Letter on the Audit of the UBA Group Consolidated & Separate Financial Statements for the year ended December 31 2020, and the responses to the said letter.

(ii) In our opinion, the Plan & Scope of the Audit for the year ended December 31, 2020 were adequate. We have reviewed the Auditors' findings and we are satisfied with the Management responses thereon.

(iii) We also confirm that the accounting and reporting policies of the Bank are in accordance with legal requirements and ethical practices.

(iv) As required by the provisions of the Central Bank of Nigeria Circular BSD/1/2004 dated February 18, 2004 on Disclosure of Insider-Related Credits in Financial Statements", we reviewed the insider-related credits of the Bank and found them to be as analysed in the Group Consolidated & Separate Financial Statements for the year ended December 31 2020.

MR. FEYI OGOJI (FCA)
FRC/2016/ICAN/00000015438
Chairman, Statutory Audit Committee

Members of the Audit committee are:
a. Mr. Feyi Ogoji – Chairman/Shareholder
b. Mr. Matthew Esonanjor – Shareholder
c. Alhaji Al-Kassim Umar – Shareholder
d. Ms. Angela Aneke – Non-Executive Director
e. Mrs. Owanari Duke – Independent Non-Executive Director
f. Dr. Kayode Fasola – Non-Executive Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31 2020

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act and Sections 24 and 28 of the Banks and Other Financial Institutions Act, the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank and of the profit or loss for the year ended December 31 2020 and in so doing they ensure that:

(i) Proper accounting records are maintained;

(ii) Applicable accounting standards are followed;

(iii) Suitable accounting policies are adopted and consistently applied;

(iv) Judgments and estimates made are reasonable and prudent;

(v) The going concern basis is used, unless it is inappropriate to presume that the Bank will continue in business; and

(vi) Internal control procedures are instituted which as far as reasonably possible, safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting standards (IFRS) as issued by the International Accounting Standards Board and in the manner required by the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act 2011, the Banks and Other Financial Institutions Act, the Central Bank of Nigeria Prudential guidelines and other relevant regulations issued by the Central Bank of Nigeria.

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

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

SIGNED ON BEHALF OF THE DIRECTORS:

Kennedy Uzoka

Kennedy Uzoka
FRC/2013/IODN/00000015087
26-Jan-21

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of United Bank for Africa Plc ("the Bank") and its subsidiaries (together "the Group") and the Bank set out on pages 27 to 145, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Bank as at 31 December 2020, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011 and the Central Bank of Nigeria circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of the Group and the Bank. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Group and the Bank. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC - Continued

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matter applies equally to the audit of the consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
Expected Credit Loss (ECL) assessment on financial assets and off-balance sheet exposures Financial assets and off-balance sheet exposures are subject to impairment assessment using the expected credit loss model (ECL) under the International Financial Reporting Standards (IFRS) 9 - Financial Instruments. The ECL involves the application of judgement and estimation in determining inputs for ECL calculation such as: ‣ determining criteria for significant increase in credit risk (SICR) for staging purpose. ‣ determining the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables.	Our audit approach was a combination of both control and substantive procedures. ‣ We reviewed the IFRS 9 model prepared by the management for computation of impairment of financial assets and off-balance sheet exposures in line with the requirements of IFRS 9. ‣ We gained an understanding of how the Probability of Default (PD) and Loss Given Default (LGDs) and Exposure at Default (EAD) were derived by the system by performing a walkthrough using live data. ‣ For loans classified under stages 1 and 2, we selected material loans and reviewed the repayment history for possible repayment default. We challenged the various factors considered in classifying the loans within stages 1 and 2 and in the measurement of ECL.

Key audit matters – continued

Key Audit Matter	How the matter was addressed in the audit
‣ incorporating forward looking information in the model building process. ‣ factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD). • factors considered in cash flow estimation including timing and amount. • factors considered in collateral valuation. This is considered a key audit matter in the consolidated and separate financial statements given the significance of the amount, and the complexity and judgement involved in the process, which required considerable audit time and expertise. See notes 3.28, 4.2, 12 and 25 to the consolidated and separate financial statements for further information.	‣ For stage 3 loans, we reviewed all assumptions considered in the estimation of recovery cash flows, the discount factor, and the timing of realisation. In instances where we were not satisfied with the assumption used by the management in its cash flow estimation and discounting, we reviewed management assumptions by re-computing the cash flows to determine the recoverable amounts. ‣ We tested the historical accuracy of the data and performed detailed procedures on the completeness and accuracy of the information used. ‣ Other areas of complexities which include incorporating forward looking information such as macro-economic indicators like inflation, monetary policy rate (MPR), exchange rate, etc. were equally challenged for reasonableness taking into consideration available information in the public domain. ‣ For off-balance sheet exposure, we assessed the assumptions and inputs in determining the credit conversion factor by reviewing historical trends.

Other Matter

The consolidated and separate financial statements of the Group and the Bank for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on those financial statements on 28 February 2020.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC - Continued

Other Information

The directors are responsible for the other information. The other information comprises the information included in the pages 3 to 19 and 146 to 148 document titled "United Bank for Africa Plc Consolidated and Separate Financial Statements for the year ended 31 December 2020", which includes the Directors' Report, the Report of the Statutory Audit Committee, Complaints and Feedback, Corporate Governance Report, Statement of Directors' Responsibilities, Value Added Statement and Five-Year Financial Summary , which we obtained prior to the date of this report, and the Annual Report and the Corporate Governance Report as required by the Central Bank of Nigeria, which is expected to be made available to us after that date. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and the relevant provisions of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011 and the Central Bank of Nigeria circulars, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

In accordance with the requirement of Fifth Schedule of the Companies and Allied Matters Act 2020, we confirm that:

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

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

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

iv) In our opinion, the consolidated and separate financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, 2020 so as to give a true and fair view of the state of affairs and financial performance of the Bank and its subsidiaries.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC - Continued

In compliance with the Banks and Other Financial Institutions Act, 2020 and circulars issued by the Central Bank of Nigeria:

i) The information required by the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 42 to the consolidated and separate financial statements.

ii) As disclosed in Note 45 to the consolidated and separate financial statements, the Bank contravened certain circulars of the Central Bank of Nigeria.

Anthony Oputa

Anthony Oputa
FRC/2013/ICAN/00000000980
For: Ernst & Young
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0487209

12 February 2021

United Bank for Africa Plc

Consolidated and Separate Statements of Comprehensive Income

For the year ended 31 December 2020

In millions of Nigerian Naira	***Notes***	**Group**		**Bank**	
		2020	**2019**	**2020**	**2019**
Interest income	10	427,862	404,830	274,975	307,433
Interest income on amortised cost and FVOCI securities		422,655	390,304	269,918	292,907
Interest income on FVTPL securities		5,207	14,526	5,057	14,526
Interest expense	11	(168,395)	(182,955)	(116,748)	(156,580)
Net interest income		**259,467**	**221,875**	**158,227**	**150,853**
Impairment charge for credit losses on Loans	12a	(22,443)	(16,336)	(14,146)	(14,695)
Net impairment charge on other financial assets	12b	(4,566)	(1,916)	(7,718)	(1,674)
Net interest income after impairment on financial and non-financial instruments		**232,458**	**203,623**	**136,363**	**134,484**
Fees and commission income	13	126,943	110,561	58,802	59,136
Fees and commission expense	14	(44,335)	(30,557)	(28,660)	(22,556)
Net fee and commission income		**82,608**	**80,004**	**30,142**	**36,580**
Net trading and foreign exchange income	15	59,450	37,627	40,266	19,081
Other operating income	16	6,120	6,787	7,433	20,950
Employee benefit expenses	17	(87,545)	(75,099)	(47,178)	(43,774)
Depreciation and amortisation	18	(20,005)	(15,490)	(15,036)	(11,772)
Other operating expenses	19	(142,297)	(126,578)	(93,630)	(85,486)
Share of profit of equity-accounted investee	28(a)	1,071	413	-	-
Profit before income tax		**131,860**	**111,287**	**58,360**	**70,063**
Income tax expense	20	(18,095)	(22,198)	(1,449)	(7,313)
Profit for the year		**113,765**	**89,089**	**56,911**	**62,750**
Other comprehensive income					
Items that will be reclassified to Profit or loss:					
Exchange differences on translation of foreign operations		37,926	(12,958)	-	-
Fair value changes on investments in debt securities at fair value through other comprehensive income (FVOCI):					
Net change in fair value during the year		5,102	44,942	5,044	44,914
Net amount transferred to profit or loss		(10,577)	(5,893)	(10,492)	(5,893)
		32,451	**26,091**	**(5,448)**	**39,021**
Items that will not be reclassified to Profit or loss:					
Fair value changes on equity investments designated at FVOCI		10,875	9,259	10,875	9,223
		10,875	**9,259**	**10,875**	**9,223**
Other comprehensive income for the year, net of tax		**43,326**	**35,350**	**5,427**	**48,244**
Total comprehensive income for the year		**157,091**	**124,439**	**62,338**	**110,994**
Profit for the year attributable to:					
Owners of Parent		109,327	86,220	56,911	62,750
Non-controlling interests		4,438	2,869	-	-
Profit for the year		**113,765**	**89,089**	**56,911**	**62,750**
Total comprehensive income attributable to:					
Owners of Parent		147,416	124,173	62,338	110,994
Non-controlling interests		9,675	266	-	-
Total comprehensive income for the year		**157,091**	**124,439**	**62,338**	**110,994**
Earnings per share attributable to owners of the parent					
Basic and diluted earnings per share (Naira)	21	**3.20**	**2.52**	**1.66**	**1.83**

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

United Bank for Africa Plc
Consolidated and Separate Statements of Financial Position
As at 31 December 2020

	Notes	Group		Bank	
		31 Dec.20	31 Dec.19	31 Dec.20	31 Dec.19
In millions of Nigerian Naira					
ASSETS					
Cash and bank balances	22	1,874,618	1,396,228	1,436,822	1,182,554
Financial assets at fair value through profit or loss	23	214,400	102,388	171,058	102,388
Derivative assets	33(a)	53,148	48,131	53,148	48,131
Loans and advances to banks	24	77,419	108,211	65,058	99,849
Loans and advances to customers	25	2,554,975	2,061,147	1,812,536	1,503,380
Investment securities:					
- At fair value through other comprehensive income	26	1,421,527	901,048	1,233,684	772,658
- At amortised cost	26	1,159,264	670,502	71,479	73,556
Other assets	27	115,432	139,885	96,524	111,607
Investment in equity-accounted investee	28	4,504	4,143	2,715	2,715
Investment in subsidiaries	29	-	-	103,275	103,275
Property and equipment	30	153,191	128,499	123,435	107,448
Intangible assets	31	28,900	17,671	16,237	7,070
Deferred tax assets	32	40,602	43,054	21,862	21,862
TOTAL ASSETS		**7,697,980**	**5,620,907**	**5,207,833**	**4,136,493**
LIABILITIES					
Deposits from banks	34	418,157	267,070	121,815	92,717
Deposits from customers	35	5,676,011	3,832,884	3,824,143	2,764,388
Derivative liabilities	33(b)	508	852	508	852
Other liabilities	36	157,827	107,255	93,669	57,150
Current income tax payable	20	9,982	9,164	1,478	722
Borrowings	37	694,355	758,682	688,280	744,094
Subordinated liabilities	38	-	30,048	-	30,048
Deferred tax liability	32	16,992	16,974	-	-
TOTAL LIABILITIES		**6,973,832**	**5,022,929**	**4,729,893**	**3,689,971**
EQUITY					
Share capital	39	17,100	17,100	17,100	17,100
Share premium	39	98,715	98,715	98,715	98,715
Retained earnings	39	255,059	184,685	95,480	90,090
Other reserves	39	324,194	278,073	266,645	240,617
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		695,068	578,573	477,940	446,522
Non-controlling interests		29,080	19,405	-	-
TOTAL EQUITY		**724,148**	**597,978**	**477,940**	**446,522**
TOTAL LIABILITIES AND EQUITY		**7,697,980**	**5,620,907**	**5,207,833**	**4,136,493**

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

The consolidated and separate financial statements were approved by the Board of Directors and authorized for issue on 26 January 2021 and signed on its behalf by :

Kennedy Uzoka

Ugo A. Nwaghodoh
Group Chief Finance Officer
FRC/2012/ICAN/00000000272

Kennedy Uzoka
Group Managing Director/CEO
FRC/2013/IODN/00000015087

Tony O. Elumelu, CON
Chairman, Board of Directors
FRC/2013/CIBN/00000002590

United Bank for Africa Plc
Consolidated and Separate Statements of Changes in Equity
For the year ended 31 December 2020

(i) Group

In millions of Nigerian naira	Attributable to equity holders of the parent									
	Share capital	**Share premium**	**Foreign operations translation reserve**	**Regulatory credit risk reserve**	**Fair value reserve**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
At 1 January 2019	**17,100**	**98,715**	**18,178**	**21,521**	**69,099**	**90,783**	**168,073**	**483,469**	**19,139**	**502,608**
Profit for the year	-	-	-	-	-	-	86,220	**86,220**	2,869	**89,089**
Exchange differences on translation of foreign operations	-	-	(10,355)	-	-	-	-	**(10,355)**	(2,603)	**(12,958)**
Fair value change in debt instruments classified as FVOCI	-	-	-	-	44,942	-	-	**44,942**	-	**44,942**
Fair value change in equity instruments classified as FVOCI	-	-	-	-	9,259	-	-	**9,259**	-	**9,259**
Net amount transferred to profit or loss	-	-	-	-	(5,893)	-	-	**(5,893)**	-	**(5,893)**
Total comprehensive income for the year	-	-	(10,355)	-	48,309	-	86,220	**124,173**	266	**124,440**
Transfer between reserves	-	-	-	29,073	-	11,465	(40,538)	**-**	-	**-**
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(29,070)	**(29,070)**	-	**(29,070)**
Balance at 31 December 2019	**17,100**	**98,715**	**7,823**	**50,594**	**117,408**	**102,248**	**184,685**	**578,572**	**19,405**	**597,978**
At 1 January 2020	**17,100**	**98,715**	**7,823**	**50,594**	**117,408**	**102,248**	**184,685**	**578,573**	**19,405**	**597,978**
Profit for the year	-	-	-	-	-	-	109,327	**109,328**	4,438	**113,766**
Exchange differences on translation of foreign operations	-	-	32,689	-	-	-	-	**32,689**	5,237	**37,926**
Fair value change in debt instruments classified as FVOCI	-	-	-	-	5,102	-	-	**5,102**	-	**5,102**
Fair value change in equity instruments classified as FVOCI	-	-	-	-	10,875	-	2,254	**13,128**	-	**13,128**
Net amount transferred to profit or loss	-	-	-	-	(10,577)	-	-	**(10,577)**	-	**(10,577)**
Total comprehensive income for the year	-	-	32,689	-	5,399	-	111,581	**149,670**	9,675	**159,345**
Transfer between reserves	-	-	-	(5,098)	-	13,131	(8,033)	**-**	-	**-**
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(33,174)	**(33,174)**	-	**(33,174)**
Balance at 31 December 2020	**17,100**	**98,715**	**40,512**	**45,496**	**122,807**	**115,379**	**255,059**	**695,069**	**29,080**	**724,148**

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

United Bank for Africa Plc
Consolidated and Separate Statements of Changes in Equity
For the year ended 31 December 2020

(ii) Bank

In millions of Nigerian naira

	Share Capital	Share premium	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
At 1 January 2019	**17,100**	**98,715**	**15,212**	**69,751**	**74,603**	**89,217**	**364,598**
Profit for the year	-	-	-	-	-	62,750	**62,750**
Fair value change in debt instruments classified as FVOCI	-	-	-	44,914	-	-	**44,914**
Fair value change in equity instruments classified as FVOCI	-	-	-	9,223	-	-	**9,223**
Net amount transferred to profit or loss	-	-	-	(5,893)	-	-	**(5,893)**
Total comprehensive income for the year	-	-	-	48,244	-	62,750	**110,994**
Transfer between reserves	-	-	21,342	-	11,465	(32,807)	**-**
Transactions with owners							
Dividends paid	-	-	-	-	-	(29,070)	**(29,070)**
Balance at 31 December 2019	**17,100**	**98,715**	**36,554**	**117,995**	**86,068**	**90,090**	**446,522**
At 1 January 2020	**17,100**	**98,715**	**36,554**	**117,995**	**86,068**	**90,090**	**446,522**
Profit for the year	-	-	-	-	-	56,911	**56,911**
Exchange differences on translation of foreign operations	-	-	-	-	-	-	**-**
Fair value change in debt instruments classified as FVOCI	-	-	-	5,044	-	-	**5,044**
Fair value change in equity instruments classified as FVOCI	-	-	-	10,875	-	2,254	**13,128**
Net amount transferred to profit or loss	-	-	-	(10,492)	-	-	**(10,492)**
Total comprehensive income for the period	-	-	-	5,426	-	59,165	**64,591**
Transfer between reserves	-	-	9,219	-	11,383	(20,602)	**-**
Transactions with owners							
Dividends paid	-	-	-	-	-	(33,173)	**(33,173)**
Balance at 31 December 2020	**17,100**	**98,715**	**45,773**	**123,421**	**97,451**	**95,480**	**477,940**

The accompanying notes to the financial statements are an integral part of these consolidated and separate financial statements

United Bank for Africa Plc

Consolidated and Separate Statements of Cash Flows

For the year ended 31 December 2020	*Notes*	Group 2020	Group 2019	Bank 2020	Bank 2019
In millions of Nigerian Naira					
Cash flows from operating activities					
Profit before income tax		**131,860**	**111,287**	**58,360**	**70,063**
Adjustments for:					
Depreciation of property and equipment	18	14,970	11,980	10,755	8,842
Amortisation of intangible assets	18	2,972	1,627	2,634	1,325
Depreciation of right-of-use assets	18	2,063	1,883	1,647	1,605
Impairment charge on loans to customers	12	19,366	14,160	8,250	11,098
Impairment charge/(reversal) on investment securities	12	385	254	385	217
Impairment charge /(reversal) on off-balance sheet items	12	1,598	(2,076)	1,301	(1,617)
Impairment charge on loans to banks	12	49	2,741	61	2,675
Write-off of loans and advances	12	6,152	1,689	5,966	1,095
Impairment reversal on other assets	12	2,583	3,738	6,081	3,074
Net fair value gain on derivative financial instruments	15	(5,361)	(12,594)	(5,361)	(12,594)
Foreign currency revaluation (gain)/loss	15	(6,174)	10,171	(5,654)	12,080
Dividend income	16	(2,943)	(3,305)	(6,410)	(20,190)
Net gain/loss on disposal of property and equipment	16	163	(251)	168	(16)
Write-off of property and equipment	30	37	74	36	13
Net amount transferred to the profit or loss		(10,577)	(5,893)	(10,492)	(5,893)
Net interest income		(259,467)	(221,875)	(158,227)	(150,853)
Share of profit of equity-accounted investee	28	(1,071)	(413)	-	-
		(103,780)	**(86,803)**	**(90,500)**	**(79,076)**
Changes in operating assets and liabilities					
Change in financial assets at FVTPL		(54,984)	(70,209)	(11,642)	(70,208)
Change in cash reserve balance with CBN		(271,780)	(268,425)	(256,116)	(264,410)
Change in loans and advances to banks		30,729	(95,155)	34,726	(87,008)
Change in loans and advances to customers		(519,039)	(361,711)	(317,500)	(301,772)
Change in other assets		67,121	(102,377)	14,656	(77,119)
Change in deposits from banks		151,087	92,234	29,098	62,215
Change in deposits from customers		1,843,127	483,764	1,059,755	340,280
Change in placement with banks		37,538	(22,722)	37,538	(3,822)
Change in other liabilities and provisions	36	49,127	(10,864)	35,297	(24,884)
Interest received		427,862	404,830	274,975	307,433
Interest paid on deposits from banks and customers		(119,868)	(138,064)	(74,480)	(111,785)
Income tax paid	20(c)	(14,688)	(23,182)	(693)	(7,297)
Net cash generated from/ (used in) operating activities		**1,522,452**	**(198,684)**	**735,114**	**(317,453)**
Cash flows from investing activities					
Proceeds from sale/redemption of investment securities		3,543,327	3,089,704	3,651,112	3,155,680
Purchase of investment securities		(4,597,748)	(2,956,816)	(4,100,967)	(2,939,081)
Purchase of property and equipment	30	(33,426)	(23,271)	(26,588)	(17,692)
Addition to right of use assets	30	(7,759)	(3,242)	(2,011)	(2,769)
Purchase of intangible assets	31	(14,933)	(1,846)	(12,093)	(1,683)
Proceeds from disposal of property and equipment		1,040	522	247	270
Proceeds from disposal of intangible assets		379	11	293	12
Proceeds from disposal of investement in subsidiaries		-	-	-	502
Dividend received		2,943	3,305	6,410	20,190
Net cash (used in)/generated from investing activities		**(1,105,792)**	**108,367**	**(483,597)**	**215,429**
Cash flows from financing activities					
Interest paid on borrowings and subordinated liabilities		(58,580)	(55,120)	(58,255)	(54,795)
Proceeds from borrowings	37	487,475	140,708	472,887	126,120
Repayment of borrowings	37	(582,713)	(64,062)	(556,315)	(37,664)
Payments of principal on leases		(495)	(1,000)	(191)	(988)
Payments of interest on leases		(227)	(99)	(217)	(96)
Repayment of subordinated liabilities		(30,058)	-	(30,058)	-
Dividend paid to owners of the parent		(33,174)	(29,070)	(33,173)	(29,070)
Net cash (used in)/generated from financing activities		**(217,772)**	**(8,643)**	**(205,322)**	**3,507**
Increase/ decrease in cash and cash equivalents		198,888	(96,869)	46,195	(98,517)
Effects of exchange rate changes on cash and cash equivalents		102,288	(5,905)	46,523	10,381
Cash and cash equivalents at beginning of year	22	559,471	662,245	361,927	450,063
Cash and cash equivalents at end of year	22	**860,647**	**559,471**	**454,645**	**361,927**

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

1 General Information

United Bank for Africa Plc. (the 'Bank'; UBA) is a Nigerian registered company incorporated on 23 February 1961 to take over the business of British and French Bank Limited (BFB). UBA listed its shares on the Nigerian Stock Exchange (NSE) in 1970 and became the first Nigerian bank to subsequently undertake an Initial Public Offering (IPO). The Bank's registered address is at 57 Marina, Lagos, Nigeria.
The consolidated and separate financial statements of the Group for the year ended 31 December 2020 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

The consolidated and separate financial statements for the year ended 31 December 2020 were approved and authorised for issue by the Board of Directors on 26 January 2021.

2 Basis of preparation

These consolidated and separate financial statements comply and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, and the Banks and other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.

3 Significant accounting policies

3.1 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the following:
- Derivative financial instruments which are measured at fair value.
- Financial assets measured at fair value through profit or loss.
- Financial instruments measured at fair value through other comprehensive income.

3.2 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Nigerian Naira (N) which is the Bank's functional currency and the Group's presentation currency.

3.3 Use of estimates and judgements

The preparation of financial statements requires the directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

3.4 Basis of consolidation

(a) Subsidiaries

Subsidiaries (including structured entities) are entities controlled by the Group. Control exists when the Group has rights to variable returns from its involvement in an entity and has the ability to affect those returns through its power over the entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. Subsidiaries are fully consolidated from the date in which control is transferred to the Group. They are deconsolidated from the date control ceases.

The accounting policies of subsidiaries have been changed, where necessary, to align with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests.

In the separate financial statements, investments in subsidiaries are carried at cost less impairment.

(b) Business combinations

Business combinations are accounted for using the acquisition method.

The Group measures goodwill at the acquisition date as the total of:

· the fair value of the consideration transferred; plus

· the amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

· less the net amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised in the income statement.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

3 Significant accounting policies - Continued

3.4 Basis of consolidation - continued

If the business combination is achieved in stages, the acquisition date carrying value of any previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains or losses or incomes and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

(f) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition. In the separate financial statements, investments in associates are carried at cost less impairment.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss)' of associates in the income statement.

Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising on investments in associates are recognised in the profit or loss.

3.5 Foreign currency transactions and balances

(a) Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

Unrealized exchange differences on non-monetary financial assets are a component of the change in their entire fair value. For non-monetary financial assets measured at fair value through profit or loss, unrealized exchange differences are recognized in profit or loss. For non-monetary financial assets measured at fair value through other comprehensive income, unrealized exchange differences are recorded in other comprehensive income until the asset is sold or becomes impaired.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Nigerian Naira at exchange rates at each reporting date. The income and expenses of foreign operations are translated to Nigerian Naira at average rates.

3 Significant accounting policies - Continued

3.5 Foreign currency - continued

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is re-classified to profit or loss as part of the gain or loss on disposal.

3.6 Interest income and interest expense

Interest income and expense for all interest bearing financial instruments are calculated by applying the effective interest rate to the gross carrying amount for non-credit impaired financial assets and are recognised within 'interest income' and 'interest expense' in the profit or loss . The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability.
For credit-impaired financial assets subsequent to initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset.

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

3.7 Fees and commissions income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised at a point in time, or over time as the performance obligations are satisfied.

3.8 Net trading and foreign exchange income

Net trading and foreign exchange income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences. Net gains or losses on derivative financial instruments measured at fair value through profit or loss are also included in net trading income.

3.9 Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other operating income and recognised gross of the associated withholding tax. The withholding tax expense is included as a component of taxation charge for the relevant period.

3.10 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax liability is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.11 Cash and bank balances

Cash and bank balances include notes and coins on hand, current balances with other banks, balances held with central banks and placements with banks which are used by the Group in the management of its short-term commitments.

3 Significant accounting policies - Continued

3.11 Cash and bank balances - continued

Cash and cash equivalents as referred to in the statement of cash flow comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

Cash and bank balances are carried at amortised cost in the statement of financial position.

3.12 Financial assets at fair value through profit or loss

These are the assets the Group acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. They are measured at fair value with changes in fair value recognised as part of net trading and foreign exchange income in profit or loss.

3.13 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques. Derivatives are carried as assets when their fair value are positive and as liabilities when their fair value are negative. All changes in fair value are recognized as part of net trading and foreign exchange income in profit or loss.

3.14 Property and equipment

(a) Recognition and measurement

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(c) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* .

The estimated useful lives for the current and comparative period are as follows:

Land	Not depreciated
Buildings	50 years
Leasehold improvements	Over the shorter of the useful life of item or the lease period
Aircraft	Between 16 and 20 years, depending on the component
Motor vehicles	5 years
Furniture and Fittings	5 years
Computer hardware	5 years
Equipment	5 years
Work in progress	Not depreciated
Lifts*	10 years

*In the financial statements, lifts are not treated as a separate class of property and equipment. They are included as part of Buildings.

Work in progress represents costs incurred on assets that are not available for use. On becoming available for use, the related amounts are transferred to the appropriate category of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

(d) De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

3.15 Intangible assets

(a) Goodwill

Goodwill represents the excess of consideration over the Group's interest in net fair value of net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition. When the excess is negative, it is recognised immediately in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

3 Significant accounting policies - Continued

3.15 Intangible assets - continued

(a) Goodwill - continued

Subsequent measurement

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill. Impairment losses on goodwill are not reversed.

(b) Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life not exceeding five years, from the date that it is available for use. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates.

3.16 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses relating to goodwill are not reversed in future periods.

3.17 Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in the relevant assets depending on the nature and the Group's intention in respect of recovery of these assets; and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. In situation property is repossessed following the foreclosure on loans that are in default,repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'.Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Group obtains significant influence, but not control. The cost of the associate is the fair value of the loan settled by repossessing the pledged shares.

3.18 Debt securities issued

The Group classifies debt and equity as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

3.19 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3 Significant accounting policies - Continued

3.19 Provisions - continued

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.20 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the expected credit loss provision and the unamortised premium. Financial guarantees are included within other liabilities.

3.21 Employee benefits

Post-employment benefits

Defined contribution plans

The Group operates defined contribution pension scheme. A defined contribution plan is a pension plan under which the Group makes fixed contributions on contractual basis. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

Termination benefits

The Group recognises termination benefits as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within twelve months and are accounted for as short-term benefits.

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term employee benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.22 Share capital and reserves

(a) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(b) Dividend on ordinary shares

Dividends on the Group's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Group's shareholders.

(c) Treasury shares

Where the Group or any member of the Group purchases the Group's shares, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

3.23 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.24 Fiduciary activities

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

3.25 Stock of consumables

Stock of consumables comprise materials to be consumed in the process of rendering of services as well as banking accessories held for subsequent issuance to customers. They are measured at the lower of cost and net realisable value. Cost comprises costs of purchase and other costs incurred in bringing the items of stock to their present location and condition. Net realisable value is the estimated issuance price. When items of stock are issued to customers, their carrying amount is recognised as an expense in the period in which the related revenue is recognised.

3 Significant accounting policies - Continued

3.26 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Management Committee headed by the Chief Executive Officer, and the Board of Directors, to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. All costs that are directly traceable to the operating segments are allocated to the segment concerned, while indirect costs are allocated based on the benefits derived from such cost.

3.27 IFRS 15: Revenue from contracts with customers

IFRS 15 - Revenue from Contracts with Customers defines principles for recognising revenue and is applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be accounted for using the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 is recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.

3.28 IFRS 9: Financial instruments

a. Initial recognition, classification and measurement of financial assets

Regular-way purchases and sales of financial assets are recognized on the settlement date. Financial assets, which include both debt and equity securities are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Subsequent classification and measurement for debt securities is based on the business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

Debt instruments are measured at amortised cost if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Hold-to-Collect (HTC) as described below, and (b) the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).
Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Hold-to-Collect-and-Sell (HTC&S) as described below, and (b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.
All other debt instruments are measured at FVTPL.
The Group has irrevocably elected to measure equity instruments at FVOCI as no equity instrument is held for trading purposes.

b. Business model assessment

The Group determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the Group's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:

• How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
• The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
• Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.

The Group's business models fall into three categories, which are indicative of the key strategies used to generate returns:

• Hold-to-Collect (HTC): The objective of this business model is to hold financial assets to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
• Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
• Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - Continued

c. SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to determine if their contractual cash flows are comprised of solely payments of principal and interest (SPPI). SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

d. Investment securities

Investment securities include all securities classified as FVOCI and amortised cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification.

Investment securities carried at amortised cost are measured using the effective interest method, and are presented net of any allowance for credit losses, calculated in accordance with the Group's policy for allowance for credit losses, as described below. Interest income, including the amortization of premiums and discounts on securities measured at amortised cost are recorded in interest income. Impairment gains or losses recognized on amortised cost securities are recorded in Allowance for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of the sale is recorded as a fixed income securities income in Net trading and foreign exchange income.

Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses arising from changes in fair value included in fair value reserve in equity. Impairment gains and losses are included in allowance for credit losses and correspondingly reduce the accumulated changes in fair value included in fair value reserve. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from fair value reserve to net trading and foreign exchange income.
Equity securities carried at FVOCI are measured at fair value. Unrealized gains and losses arising from changes in fair value are recorded in fair value reserve and not subsequently reclassified to profit or loss when realized. Dividends from FVOCI equity securities are recognized in other operating income.
The Group accounts for all securities using settlement date accounting and changes in fair value between the trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in the fair value of securities measured at FVOCI between the trade and settlement dates are recorded in OCI except for changes in foreign exchange rates on debt securities, which are recorded in net trading and foreign exchange income.

e. Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.
Financial assets designated as FVTPL are recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in net trading and foreign exchange income.

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in the Group's own credit risk are recorded in OCI. Own credit risk amounts recognized in OCI are not reclassified subsequently to net income. The remaining fair value changes not attributable to changes in the Group's own credit risk are recorded in Other operating income. Upon initial recognition, if it is determined that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in debt securities designated as FVTPL is recognized in net income. To make that determination, the Group assess whether to expect that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on debt instruments designated at FVTPL, the Group calculates the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Financial assets are reclassified when and only when the business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

f. Loans

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.
Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - Continued

f. Loans - continued

Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognized as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into Other operating income over the commitment or standby period. Impairment losses on loans are recognized at each balance sheet date in accordance with the three-stage impairment model outlined below.

g. Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts, debt securities, interest receivable and other financial assets. These are carried at amortised cost and presented net of ACL on the Consolidated Statement of Financial Position. ACL on loans is presented in Allowance for credit losses - loans and advances. ACL on debt securities measured at FVOCI is presented in profit or loss with the corresponding entry to other comprehensive income. ACL on other financial assets is calculated using the 'general approach' and presented in 'Allowance for impairment on account receivable'.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ACL is separately calculated and included in Other Liabilities – Provisions.
The Credit Conversion Factor (CCF) is used to determine the credit exposure equivalent of the off balance sheet exposure including the open or undrawn limits. The undrawn portion of the approved limit that would have been drawn at the time of default are converted to exposure at default(EAD), this is in addition to the other off-balance sheet exposures like bonds and guarantees, letters of credit etc. In determining the CCF, the bank considers the behavioural cash flow, collateral type and the collateral value securing the facility, time to discover and prevent further drawing during the time of increased credit risk, time lag to convert the collateral to cash, the recovery strategy and cost are also considered. CCF is applied on the off balance exposures to determine the EAD and then subsequently the expected credit loss (ECL).

The ACL is measured at each reporting date according to a three-stage expected credit loss impairment model which is based on changes in credit risk of financial assets since initial recognition:

1) Performing financial assets:
• Stage 1 – From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date. Interest income is calculated on the gross carrying amount of these financial assets.

2) Underperforming financial assets:
• Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset. Interest income is calculated on the gross carrying amount of these financial assets.

3) Impaired financial assets
• Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. The Stage 3 expected credit loss impairment model is based on changes in credit quality since initial recognition. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.
The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.
The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

h. Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation (corporates, retail, public sector and commercial) that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - Continued

i. Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.
An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) the Group has the contractual ability to demand repayment and cancel the undrawn commitment; and (c) the Group's exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which exposure to credit losses is not mitigated by normal credit risk management actions. This period varies by product and risk category and is estimated based on the historical experience with similar exposures and consideration of credit risk management actions taken as part of regular credit review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

j. Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is based on the use 'backstop' indicators. Instruments which are more than 30 days past due may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the Bank has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

The following are considered as exception:
1. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 90 days.
2. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of the total amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.
The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after 90 days.

Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after 90 days. An asset will not move back from stage 3 to stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired.
For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfil their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

k. Use of forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.
The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macroeconomic variables used in the expected credit loss models include GDP growth rate, foreign exchange rates, inflation rate, crude oil prices and population growth rate.
The estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts published by relevant government agencies. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to the best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities.
The assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date, using the same macroeconomic scenarios as the calculation of expected credit losses.

l. Definition of default

A default is considered to have occurred with regard to a particular obligor when either or both of the following events have taken place.
• The bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held).
• The obligor is past due more than 90 days on any material credit obligation to the bank (principal or interest). Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.

• Interest payments equal to 90 days or more have been capitalized, rescheduled, rolled over into a new loan (except where facilities have been reclassified).
The elements to be taken as indications of unlikeliness to pay include:
- The bank sells the credit obligation at a material credit-related economic loss.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - Continued

l. Definition of default - continued

- The bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the banking group.

The following are considered as exceptions:
a. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 150 days;
b. In the case of specialized loans, default is defined as where the obligor is past due more than 180 days on any material credit obligation to the bank (principal or interest). This is consistent with CBN guidelines on IFRS 9. In addition, it is consistent with the Bank's historical default pattern on this category of loans. The specialized loans to which this is applicable are Project Financing, Object Financing, Income Producing Real Estate, Commercial Real Estate and Mortgage Loans;

c. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.
d. Exposure is still in default due to a new debit when the initial debit has been cleared. Usually occurs when the debit that initiated the initial days past due has been paid but the days past due continues to reflect a debit.

m. Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults.
A loan is considered for transfer from stage 2 to stage 1 where there is significant improvement in credit risk and from stage 3 to stage 2 (declassified) where the facility is no longer in default. Factors that are considered in such backward transitioning include the following:
i) Declassification of the exposure by all the licensed private credit bureaux or the credit risk management system;
ii) Improvement of relevant credit risk drivers for an individual obligor (or pool of obligors);
iii) Evidence of full repayment of principal or interest.
Generally, the above are to represent an improvement in credit risk to warrant consideration for a backward transition of loans. Where there is evidence of significant reduction in credit risk, the following probationary periods should apply before a loan may be moved to a lower stage (indicating lower risk):
Transfer from Stage 2 to 1:- 90 days
Transfer from Stage 3 to 2:- 90 days
Transfer from Stage 3 to Stage 1:- 180 days

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.
When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ACL.
Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

n. Write-off of loans

Loans and the related ACL are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier.
Written-off loans are derecognised from the Group's books. However, the Group continues enforcement activities on all written-off loans until full recovery is achieved or such time when it is objectively evident that recovery is no longer feasible.

o. Modifications

The credit risk of a financial asset will not necessarily decrease merely as a result of a modification of the contractual cash flows. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, the Bank assesses whether there has been a significant increase in the credit risk of the financial by comparing:
(1) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
(2) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).
A modification will however lead to derecognition of existing loan and recognition of a new loan i.e. substantial modification if:
• the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

The following will be applicable to modified financial assets:
• The modification of a distressed asset is treated as an originated credit-impaired asset requiring recognition of life-time ECL after modification.
• The cumulative changes in lifetime expected credit losses since initial recognition is recognized as a loss allowance for purchase or originated credit-impaired financial asset at the reporting date.
• The general impairment model does not apply to purchased or originated credit-impaired assets.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - Continued

The following situations (qualitative) may however not lead to a derecognition of the loan:
• Change in interest rate arising from a change in MPR which is the benchmark rate that drives borrowing rates in Nigeria;
• Change in financial asset's tenor (increase or decrease);
• Change in installment amount to higher or lower amount;

• Change in the annuity repayment pattern, for example, from monthly to quarterly, half-yearly or yearly
• Change in the applicable financial asset fee
Modification gain or loss is included as part of allowance for credit loss for each financial year.

p. Classification and measurement of financial liabilities

The Group recognizes financial liabilities when it first becomes a party to the contractual rights and obligations in the relevant contracts.

Under IFRS 9, financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL.
The Group classifies its financial liabilities as measured at amortised cost, except for:
i. Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. A financial liability is classified as held for trading if it is a part of a portfolio of specific financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Gains or losses from financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the Group's own credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the Group's credit risk are also presented in profit or loss;
ii. Financial guarantee contracts and commitments.
Financial liabilities that are not classified at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers, borrowings, and subordinated liabilities.

q. De-recognition of financial instruments

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the Group transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.
Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group may enter into transactions whereby it transfers assets , but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.
The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

3.29 IFRS 16 Leases

At contract inception the Group assesses at whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group adopts a single measurement approach and recognizes right to use of assets and lease liability at commencement date of a lease contract.
Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.
In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group is the lessor
When assets are leased to a third party under finance lease terms, the present value of the lease income is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

3.29 Changes in accounting policies

Except for the following new standards, the Group has consistently applied the accounting policies as set out in Notes 3.1 - 3.29 to all periods presented in these consolidated and separate financial statements. The Group has adopted these new amendments with initial date of application of January 1, 2020.

a) Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group.

b) Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

c) Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements, nor is there expected to be any future impact to the Group.

d) The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) which was issued in 2018 sets out fundamental concepts for financial reporting that guides the Board in developing IFRS standards. The framework will also help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework sets out the following:
The objective of general purpose financial reporting, the qualitative characteristics of useful financial information; a description of the reporting entity ; element of financial statements, recognition & derecognition, measurement, presentation and disclosure, concept of capital and capital maintenance.

The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The Conceptual Framework, is effective for annual periods beginning on or after 1 January 2020.

3.30 Standards and interpretations issued/amended but not yet effective

The standards listed below have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2020. The Group has not applied the following new or amended standards in preparing these consolidated and separate financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on these new standards/amendments are provided below.

a) IFRS 17 - Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitablity of new and in-force insurance business.

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows and an explicit entity-specific adjustment for risk) and a contractual service margin. The premium allocation approach (PAA) is a simplified measurement model that may be applied when certain conditions are fulfilled. Under the PAA approach, the liability for remaining coverage will be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

This standard does not impact the Group in anyway as the Bank and its subsidiary companies do not engage in insurance business.

(b) Amendment to IAS 1

This amendment relates to classification of Liabilities as Current or Non-current which will provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the balance sheet date.

The amendment only affect the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendment will
- clarify that classification of liabilities as current or non-current should be based on rights that are in existence at the end of the balance sheet date,
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Group does not anticipate early adopting the standard and is currently evaluating its impact.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted.

(c) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The standard prohibits entity to deduct proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant and equipment . Entities are however allowed to recognize the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The Group does not anticipate early adopting the standard and is currently evaluating its impact.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted

(d) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The standard specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. the standard further states that costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Group does not anticipate early adopting the standard and is currently evaluating its impact.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted

3.31 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million Nigerian Naira (NGN) unless otherwise stated.

4 Financial Risk Management

4.1 Introduction and overview

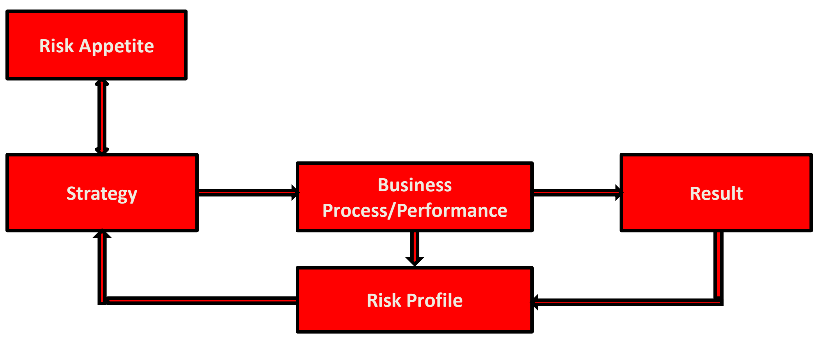
Given the scale and scope of its operations as well as the diversity of the geographies within which it operates, United Bank for Africa Plc (UBA Plc) has adopted an enterprise wide, integrated approach to risk management. The key objectives are as follow:
1. meet and exceed best practice global standards as defined by local and international regulatory bodies. The Group intend to achieve this by adhering to the principles of the Basel II Accords as adopted by the Central Bank of Nigeria (CBN);
2. ensure sustainable profitability and enterprise value protection by maintaining growth within appropriate risk-control boundaries; and

3. enhance corporate governance by involving the Board and Senior Management in setting the tone for the risk management agenda.

The key elements of the ERM framework are intended to enhance risk identification, measurement, control and reporting.

(a) Risk Management Strategy

UBA's risk management strategy is based on an embedded risk management process from the strategy formulation level to the business unit decision making. The strategic risk management objectives include:
- Evaluation of the strategic risks faced by the Group in the continuously evolving environment;
- Allocate resources in line with strategic objectives and risks;
- Determine the tolerable risk profile and formulate the acceptable risk appetite for the Group;
- Establish adequate risk management and internal control systems to support the business and the risk appetite; and
- Establish proper feedback mechanism as input into the strategic risk management process.



(b) Risk Management Culture

There is a commitment to ensuring that risk management is enshrined as a culture in the Group, from the Board of Directors to the individual business unit. There is considerable effort to infuse the risk/reward evaluation in the decision making process in order to ensure that there is proper assessment of risk dimension in process design, performance appraisal, limit establishment, portfolio creation, monitoring activities and audit process. The aim is also to encourage a culture of constant re-evaluation of risk profile and prompt risk mitigation action , where required.

In order to do this, there is proper dissemination of information and policies, development of frameworks, and staff training to ensure that all staff are adequately aware of their roles in the risk management process of the Group. As part of the risk culture, the Bank aim to ensure the following:

- General understanding and uniform application of risk management principles;
- Strong and visible commitment from senior management;
- Clearly defined responsibility and accountability;
- Central oversight of risk management across the enterprise;
- Central oversight of corporate governance across the enterprise;
- Ownership of risk management is at all levels; and
- Clearly defined risk appetite.

4 Financial Risk Management - Continued

4.1 Introduction and risk profile (continued)

(c) Role and responsibilities

The key players in the risk management framework and their responsibilities are as follows:

Board of Directors

The ultimate responsibility for risk management in UBA lies with the Board of Directors. The responsibilities of the Board with respect to risk management include, but are not limited to:

- Ensuring an appropriate corporate governance framework is developed and operated;
- Providing guidelines regarding the management of risk elements in the Group;
- Approving Group risk management policies;
- Determination of the Group's risk appetite;
- Ensuring that management controls and reporting procedures are satisfactory and reliable;
- Approving large credit exposures beyond the limit of the Board Credit Committee; and
- Approving capital demand plans based on risk budgets.

Board Committees

The Board of Directors has established various Board-level risk committees, to support its risk oversight roles and responsibilities. These committees review and advise on numerous risk matters requiring Board approvals.
The Board Risk Management Committee has direct oversight for the Bank's overall risk management framework. The Board Credit Committee considers and approves large exposure underwriting decisions within its authority and recommends those above its limit to the Board for consideration. The Board Audit and Governance Committee assists the Board with regard to internal controls, audit assessments and compliance matters.

Management Committees

Key Management Committees include:

(i) Executive Management Committee (EMC)

The EMC is responsible for the following, among others, and is accountable to the Board:

- Executing strategy once approved by the Board;
- Overall performance of the Group;
- Managing the Group's risks; and
- Day-to-day oversight for the Group.

All non-credit product approvals must go to the EMC which shall review and approve or recommend for approval to the appropriate Board Committees in line with the Bank's advised Approval Limits. Above the EMC approval limits, Non-Credit products are approved by the Board's Finance and General Purpose Committee (F&GPC).
All new business activity irrespective of capital commitment must be approved by the F & GPC through the EMC.

(ii) Executive Credit Committee (ECC)

The Committee's main objective is to develop and maintain a sound credit risk portfolio for the Group and to oversee the development and deployment of credit risk practices across the Group. They also:

- Set frameworks and guidelines for credit risk management for the Group
- Review and recommend all Credit related policies for the Group to the BCC for approval
- Monitor implementation and compliance with credit policy paying particular attention to the following:
  - Credit concentration
  - Credit portfolio quality
  - Review credit requests and recommend those above its limit to BCC for approval
  - Ensure the Group's Non Performing Loans portfolio is within the acceptable ratio
  - Review all major credit audit issues with a view to adopting learning points for enhancement to the credit process

(iii) Group Asset and Liability Committee

The Group Asset and Liability Committee (GALCO), is a sub-committee of the EMC whose decisions are reported to the Finance & General Purpose Committee. GALCO has responsibility for managing UBA Group's balance sheet as well as traded and non-traded market risks.

In playing this role, GALCO does the following:-

- Recommend balance sheet management policies, frameworks and procedures to the Board Risk Management Committee through EMC for approval
- Recommend Treasury policies, frameworks and procedures to the Finance and General Purpose Committee (F & GPC) through EMC for approval
- Manage the Group's balance sheet and ensure compliance with regulatory and statutory ratios and requirements
- Develop an optimal structure of the Group's balance sheet to optimize risk-reward through a review of:
  - Liquidity Gap Analysis
  - Maximum Cumulative Outflow (MCO)
  - Stress Test
  - Wholesale Borrowing Guidelines
  - Contingency Liquidity Plan
- Review Liquidity, Interest Rate and Currency Risks and approve risk mitigation proposals subject to ratification by EMC
- Set pricing strategies for the Group on assets and liabilities (pool rate, asset and/or liability composition) subject to ratification by EMC

4 Financial Risk Management - Continued

4.1 Introduction and risk profile (continued)

(iv) Criticized Assets Committee

The Criticized Assets Committee is a management committee which reviews Past Due Obligations (PDOs) and

- Develops the framework to reduce the Group's portfolio of risk assets on watch-list as well as delinquent accounts
- Monitor implementation of strategies developed for recoveries and reduction of loan delinquencies
- Ratifies proposed classification of accounts and provisioning levels
- Recommends write-offs for approval through the EMC to the Board

(v) Group Risk Management Committee

The responsibilities of the Group Risk Management Committee are as follows:

(a) To support the EMC in the discharge of its risk management responsibilities which includes but is not limited to the management of risk, determining risk tolerance levels, risk appetite, risk monitoring, risk assurance and risk disclosures for the Group.

(b) To review, assess and make recommendations on the integrity and adequacy of the overall risk management function of the Group.

(c) To review, assess and make recommendations to the Executive Management Committee regarding policies relating to risk management.

(d) To review risk limits and periodic risk and compliance reports and make recommendations to the Executive Management Committee.

(e) Recommend risk approval limits to Executive Management Committee.

(f) To review and recommend on an annual basis the update of the risk management policies, frameworks and procedures of the Group.

(g) Advise Executive Management Committee on any emerging risks that the Group is or could be exposed to and recommend mitigation actions.

(h) Monitor overall risk management framework to ensure that the framework is uniformly applied in all the entities in the Group.

(i) Review IT Risk Management and make recommendations in accordance with the risk appetite of the Group.

(j) Monitor the Basel II Accord Capital Framework implementation and compliance program in the Group.

(k) Periodic review of the Risk Assets Portfolio and Limits in line with internal and regulatory benchmarks.

(l) Review and recommend yearly Risk Management staffing model and manpower development programs.

Group Chief Risk Officer

The Group Chief Risk Officer has oversight for the effective and efficient governance of all risk functions in the Group. He is responsible for development and implementation of Group's risk management frameworks, policies and processes across the entire risk spectrum.

(d) Central Risk Management Functions

Each risk function including Credit, Market, Operational and IT Risk has direct responsibility for the development and management of risk management activities. The responsibilities of divisional functions with respect to risk include:

- Develop and maintain policies, frameworks and risk management methodologies
- Provide guidance on the management of risks and ensure implementation of risk policies and strategies
- Provide recommendations for improvement of risk management
- Provide consolidated risk reports to the various Board and management committees such as EMC, ECC and/or Board of Directors
- Provide assurance that risk management policies and strategies are operating effectively to achieve the Group's business objectives.

At a strategic level, our risk management objectives are as follows:

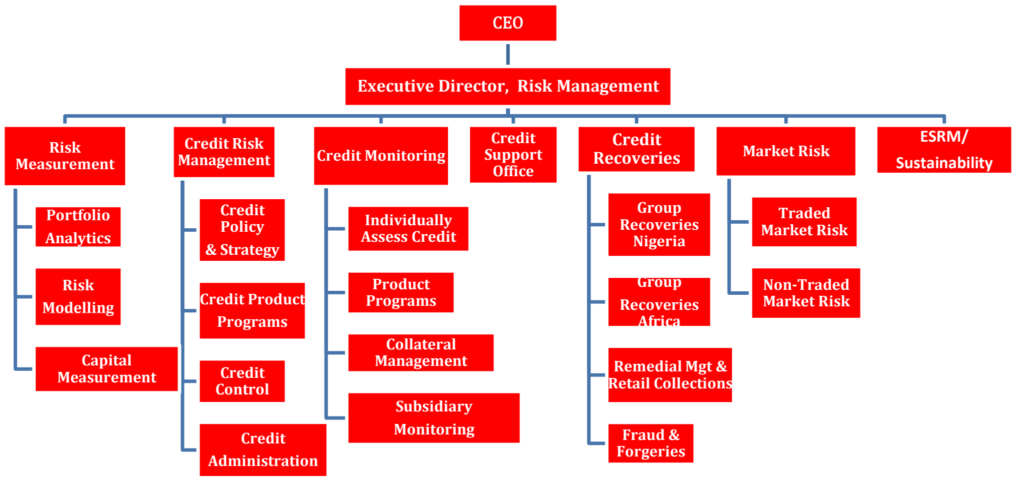
- To identify, assess, control, report and manage the Group's material risks and optimize risk/return decisions
- To ensure business growth plans are properly supported by effective risk infrastructure
- To manage the risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions

4 Financial Risk Management- Continued
4.1 Introduction and risk profile (continued)

(e) Risk Management Structure

The Group has in place an independent Risk Management Directorate which is essential to UBA's growth and earnings sustainability.

In response to the dynamic risk environment, the risk management structure has been flattened to ensure increased oversight and improved responsiveness.



(f) Risk Management Policies

The principal risk policies cover the Group's main risk types, assigning responsibility for the management of specific risks and setting out requirements for control frameworks for all risk types. Fundamental to the delivery of the Group's risk management objectives are a series of methodologies that allow it to measure, model, price, stress-test, mitigate and report the risks that arise from its activities.

(i) Risk Appetite

A key responsibility of the Board is the determination of the organization's risk appetite. This is codified in a Risk Appetite framework which considers the level of risk that the Group is willing to take in pursuit of its business objectives. This is expressed as the Group's appetite for earnings volatility across all businesses from a credit, marketing and liquidity risk perspective.

Risk appetite is institutionalized by establishing scale of activities through clearly defined target market criteria, product risk acceptance criteria, portfolio limits as well as risk-return requirements.

(ii) Approval Authority

The Board of Directors also set internal approval limits which are reviewed from time to time as the circumstances of the Group demands. These are at all times guided by maximum regulatory limit as applicable.

(iii) Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group applies a concentration risk management framework that sets exposure limits as a function of capital across all dimensions of its asset portfolio including geography, sector, obligor, product etc. This is closely monitored to ensure diversification of risk.

4 Financial Risk Management- Continued

4.2 Credit Risk

(a) Overview

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit represent a significant part of the overall risk exposure of the Group and is largely represented by the loans and advances on the books of the Group. The Group has several policies and frameworks in place for managing credit risk across the Group.

(i) Credit Risk Management (CRM)

The Credit Risk Management division acts as the custodian of Group credit policies and recommends reviews based on regulatory changes and other developments in the operating environment. It develops and implements the Group credit risk management framework, as well as a portfolio management strategy towards achieving a diversified, high quality asset mix to minimize delinquencies.

In addition, CRM ensures appropriate control measures are taken in the documentation and administration of approved loans.

(ii) Credit Risk Governance

The Board through Board Credit Committee (BCC) is responsible for the overall governance of credit risk and the management of the credit portfolio of the Group. It reviews and recommends credit policies to the Board. The Executive Credit Committee (ECC) sets frameworks and guidelines for credit risk management for the Group and reviews and recommends for approval to the BCC all credit related policies for the Group. ECC monitors implementation and compliance with credit policy paying particular attention to the following:

a. Credit concentration
b. Credit portfolio performance
c. Credit quality

With regards to approval of credit facilities, the ECC approves facilities that are above the limit of the GMD, while the BCC approves credit facilities that are above the limit of the ECC. The Board of Directors is the overall approving authority, approving credit facilities that are above the limit of the BCC.

(iii) Credit Monitoring

Credit monitoring runs as a separate group of risk management to improve oversight of loan performance. Its primary function is to continuously monitor the bank's loan portfolio to ensure ongoing portfolio performance and achievement of portfolio quality targets. Credit Monitoring ensures all loans are booked in line with the Group's policy. They also identify exceptions which may prevent the loan from being paid in a timely manner. Observed Credit exceptions are escalated for possible resolution, sanction implementation and management attention. The group takes proactive steps to ensure follow up on accounts showing signs of delinquency.

(iv) Credit Concentration Management

The Group has a Credit Concentration Risk Management policy which provides a framework within which lending decisions can be made so as to ensure an adequate level of diversification of the Group's credit portfolio. The policy provides risk-based limits that restrict lending activities to within the Group's desired risk appetite and tolerance.

The Group ensures that:

· It manages its portfolio by ensuring adequate diversification across industries, segments and jurisdictions to maintain high portfolio quality and liquidity

· Provides risk based concentration limits to ensure that exposures to single obligors, sectors and countries are contained within acceptable risk appetite.

(v) Credit Risk Measurement

In measuring credit risk of loans and advances to various counterparties, the Group considers the credit worthiness and financial capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. Our credit exposure comprises wholesale and retail loans and advances and debt securities. The Group's policy is to lend principally on the basis of our customers' repayment capacity through quantitative and qualitative evaluation. However we strive to ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

In the estimation of credit risk, the Group estimates the following parameters:

- Probability of Default (PD)
- Loss Given Default(LGD)
- Exposure at Default

Probability of Default

This is the probability that an obligor or counterparty will default over a given period, usually one year. To measure expected credit loss, we develop a 12-month PD or equivalent (used in Stage 1 provisioning) and a lifetime PD or equivalent (used for Stages 2 and 3 provisioning). The PD is used to reflect the current expectation of default and considers available reasonable and supportive forwarding-looking information.

Loss Given Default

LGD is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1 – recovery rate). Our methods for estimating LGD includes both quantitative and qualitative factors which are adjusted for forward looking information to measure lifetime expected credit losses.

Exposure at default

This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilization of the undrawn commitment at default.

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(vi) General Risk Rating Process

The Group adopts a two-dimensional approach to the assessment of credit risk in the Risk Rating Process for all obligors.

Obligors are assigned an Obligor Risk Rating (ORR) while a Facility Risk Rating (FRRs) is assigned to facilities. However certain obligors, retail and commercial loans applicants that do not have a risk rating, must access credit through product programmes while those that have credit ratings can access through the individually assessed credit window. Scoring system is used for consumer loans whereby loans that achieve a predetermined minimum score are approved.

Inputs used to determine obligor risk ratings (ORRs) are derived based on quantitative and qualitative factors. The quantitative factors are primarily based on a metrics that uses information on the obligor's financial position while the qualitative factors include:

- Management quality
- Industry risks
- Company profile
- Economic factors

The integrity of the Group's portfolio management process is dependent on accurate and timely risk ratings. Deterioration in credit risks is quickly identified and communicated to facilitate prompt action. The rating is reviewed on a periodic basis and this is reflected in the management of such portfolio. The default also leads to prevention of further drawdown while steps are taken to recover the outstanding balance and/or realise the collateral.

Deterioration in credit risk are identified based on factors such as

- Ratings downgrade
- Missed payments
- Non-compliance with loan covenants
- Deterioration of quality/value of collateral

(vii) Credit Rating of Counterparty/Obligor

All risk rating processes are reviewed and validated periodically to ensure relevance to business realities, and relate to loans and advances to customers, loans and advances to banks, financial assets held for trading and investment securities. External ratings may also be obtained where such is available. The Risk Rating buckets and definitions are as highlighted below:

UBA Risk Buckets and Definition

Description	Rating Bucket	Range Of Scores	Risk Range	Risk Range (Description)
Extremely Low Risk	AAA	1.00 - 1.99	90% - 100%	Low Risk Range
Very Low Risk	AA	2.00 – 2.99	80% - 89%	
Low Risk	A	3.00 – 3.99	70% - 79%	
Acceptable Risk	BBB	4.00 – 4.99	60% - 69%	Acceptable Risk Range
Moderately High Risk	BB	5.00 – 5.99	50% - 59%	
High Risk	B	6.00 – 6.99	40% - 49%	High Risk Range
Very High Risk	CCC	7.00 – 7.99	30% - 39%	
Extremely High Risk	CC	8.00 – 8.99	0% - 29%	Unacceptable Risk Range
High Likelihood of Default	C	9.00 – 9.99	Below 0%	
Default	D	Above 9.99	Below 0%	

The risk ratings are a primary tool in the review and decision making in the credit process. The Group does not lend on unsecured basis to obligors that are below investment grade (BB and above). The Group will not lend to obligors in the unacceptable risk range.

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(viii) Remedial Management Process

This process is managed by the Group Remedial & Recovery Division (GRRD). Depending on the severity of classification, the Group undertakes remedial corrective action geared towards ensuring performance of weak credits. Early attention, including substantive discussions with borrowers, is required to correct deficiencies.

Remedial process covers the evaluation, analysis or restructuring of credit facilities for existing PDOs. It may include new extensions of credit and/or restructuring of terms. Some of the possible actions are summarised as follows:

- Rate/Payment modification or longer-term payment relief - adjusting interest rates or payment frequency;
- Ageing/Extension: Modifying the length of the loan;
- Cash Out: Refinancing a loan at a higher principal amount in order to get additional funds for other uses;
- Short Sale – Loan is discounted to prevent imminent foreclosure; and
- Deed in lieu – Voluntary conveyance of interest in property to the Bank

The process calls for full information gathering, together with financial and risk analysis leading up to the approval decision. Analysis and standards vary according to business product, market, transaction characteristics and environmental issues. In all cases, we strive to achieve good judgment, in ensuring that all relevant issues have been addressed in each situation.

(ix) Work out and recovery

The Remedial Management & Credit Recovery Division ("RMCRD") is the collections arm of Credit Risk Management that evaluates, monitors and supervises the re-structuring, repayments and collections of all past due obligations that have been prudential classified and show early warning signs of default. The division has a three level governance structure:

Level 1 is an oversight and supervisory function performed by the Divisional Head through the Regional Heads;

Level 2 is a supervisory and management function performed by the Regional Heads through the Zonal Heads; and

Level 3 is an operational function performed by the Zonal Head in conjunction with the Recovery/Remedial officers from the regional bank offices.

RMCRD maintains effective governance and control over its entire process and adopts a standard methodology consisting of five steps.

Risk Management and Credit Recovery Division methodology

Steps	Activities
1. Identification	Identification of past due obligations due for recovery, collections and remedial action
	Identification of strategies to be adopted
	Identification of the least cost alternative of achieving timely collections within resource constraints
2. Assessment & Implementation	Accurate review and professional assessment of credit records
	Implementation of identified strategies
	Update the database
3. Management & Monitoring	Proffer professional work-out situations to aid prompt settlement
	Review identified strategies for adequacy in managing past due obligations
	Proffer solutions that will aid the credit decision making process
4. Controlling	Establish key control processes, practices and reporting requirements on a case-by-case basis.
	Ensure work-out situations align with UBA's strategic framework
	Proffer solutions that will aid the credit decision making process
5. Reporting	Communicate learning points from case profiles on past due obligations in order to improve the quality of lending practices
	Report cases of imminent crystallisation of default
	Present remedial actions to reduce and/or mitigate default

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(b) Credit risk Exposure

(i) Maximum exposure to credit risk before collateral held or other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. The Group's maximum exposure to credit risk is represented by the net carrying amounts of the financial assets with the exception of financial and other guarantees issued by the Group for which the maximum exposure to credit risk is represented by the maximum amount the Group would have to pay if the guarantees are called on.

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure Group		Maximum exposure Bank	
In millions of Nigerian Naira	**Dec. 2020**	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Cash and bank balances				
Current balances with banks	291,225	192,522	176,665	168,775
Unrestricted balances with Central Banks	231,533	113,574	65,930	5,688
Money market placements	126,832	153,355	51,237	117,646
Restricted balances with central banks	1,103,888	832,108	1,072,094	815,978
Financial assets at fair value through profit or loss				
Treasury bills	176,172	35,631	168,035	35,631
Promissory notes	75	59,038	75	59,038
Bonds	38,153	7,719	2,948	7,719
Derivative assets	53,148	48,131	53,148	48,131
Loans and advances to banks:				
Term Loan	77,419	108,211	65,058	99,849
Loans and advances to individuals				
Overdraft	19,890	16,812	10,250	8,867
Term loan	161,184	88,960	55,346	36,068
Loans and advances to corporate entities and others				
Overdraft	558,760	426,036	367,645	280,503
Term Loan	1,813,652	1,526,409	1,377,804	1,175,012
Others	1,489	2,930	1,491	2,930
Investment securities at fair value through other comprehensive income:				
Treasury bills	1,142,908	678,243	1,101,232	634,209
Bonds	150,822	108,697	5,592	24,931
Investment securities at amortised cost:				
Treasury bills	716,448	461,353	-	-
Bonds	442,816	209,149	71,479	73,556
Other assets	87,430	111,912	85,694	98,197
Total	**7,193,844**	**5,180,790**	**4,731,723**	**3,692,728**
Loans exposure to total exposure	37%	42%	40%	43%
Debt securities exposure to total exposure	37%	30%	29%	23%
Other financial assets exposure to total exposure	26%	28%	32%	34%

Credit risk exposures relating to off-balance sheet assets are as follows:

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2020**	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Performance bonds and guarantees	170,988	48,692	163,793	47,019
Letters of credits	687,841	595,896	194,880	299,756
	858,829	**644,588**	**358,673**	**346,775**
Bonds and guarantee exposure to total exposure	20%	8%	46%	14%
Letters of credit exposure to total off-balance sheet exposure	80%	92%	54%	86%

Credit risk exposures relating to loan commitment are as follows:

Loan commitment to corporate entities and others				
Term Loan	95,030	87,028	95,030	87,028
	95,030	**87,028**	**95,030**	**87,028**

There are no loan commitments to individuals.

The credit risk exposure as at period end is representative of the average exposure in the period.

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(b) Credit risk Exposure - continued

(ii) Credit concentration - location

The Group monitors concentrations of credit risk by sector, geographic location and industry. Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security. The amounts stated are net of impairment allowances.

An analysis of concentrations of credit risk at the reporting date is shown below:

31 December 2020

In millions of Nigerian Naira	Group				Bank			
	Nigeria	**Rest of Africa**	**Rest of the world**	**Total**	**Nigeria**	**Rest of Africa**	**Rest of the world**	**Total**
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	127,087	164,138	291,225	-	12,527	164,138	176,665
- Unrestricted balances with Central Banks	65,930	165,603	-	231,533	65,930	-	-	65,930
- Money market placements	22,209	10,220	94,403	126,832	22,209	10,220	18,809	51,237
- Restricted balances with central banks	1,072,094	31,794	-	1,103,888	1,072,094	-	-	1,072,094
Financial assets at FVTPL:								
- Treasury bills	168,035	8,137	-	176,172	168,035	-	-	168,035
- Promissory notes	75	-	-	75	75	-	-	75
- Government bonds	2,948	35,205	-	38,153	2,948	-	-	2,948
Derivative assets	38,221	-	14,927	53,148	38,221	-	14,927	53,148
Loans and advances to banks								
- Corporates	77,419	-	-	77,419	65,058	-	-	65,058
Loans and advances to customers:								
Individuals:								
- Overdrafts	16,818	3,072	-	19,890	10,250	-	-	10,250
- Term loans	114,645	46,539	-	161,184	55,346	-	-	55,346
Corporates:								
- Overdrafts	275,637	283,123	-	558,760	275,637	92,008	-	367,645
- Term loans	1,291,488	522,164	-	1,813,652	1,291,488	86,316	-	1,377,804
- Others	1,489	-	-	1,489	1,491	-	-	1,491
Investment securities:								
At amortised cost								
- Treasury bills	-	716,448	-	716,448	-	-	-	-
- Promissory notes	-	-	-	-	-	-	-	-
- Bonds	69,618	362,023	11,175	442,816	62,315	-	9,164	71,479
At FVOCI								
- Treasury bills	1,101,232	41,676	-	1,142,908	1,101,232	-	-	1,101,232
- Bonds	5,592	145,230	-	150,822	5,592	-	-	5,592
Other assets	61,396	25,620	414	87,430	61,396	24,298	-	85,694
Total financial assets	**4,384,846**	**2,523,941**	**285,057**	**7,193,844**	**4,299,316**	**225,369**	**207,038**	**4,731,723**
Commitments and guarantees								
- Performance bonds and guarantees	163,793	7,195	-	170,988	163,793	-	-	163,793
- Letters of credits	194,880	451,462	41,499	687,841	194,880	-	-	194,880
- Loan commitments	95,030	-	-	95,030	95,030	-	-	95,030
Total commitments and guarantees	**453,703**	**458,657**	**41,499**	**953,859**	**453,703**	**-**	**-**	**453,703**

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

31 December 2019

In millions of Nigerian Naira

	Group				Bank			
	Nigeria	**Rest of Africa**	**Rest of the world**	**Total**	**Nigeria**	**Rest of Africa**	**Rest of the world**	**Total**
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	36,274	156,248	192,522	-	12,527	156,248	168,775
- Unrestricted balances with Central Banks	5,688	107,886	-	113,574	5,688	-	-	5,688
- Money market placements	44,417	30,660	78,278	153,355	44,417	30,660	42,569	117,646
- Restricted balances with central banks	815,978	16,130	-	832,108	815,978	-	-	815,978
Financial assets at FVTPL:				-				-
- Treasury bills	35,631	-	-	35,631	35,631	-	-	35,631
- Promissory notes	59,038	-	-	59,038	59,038	-	-	59,038
- Government bonds	7,719	-	-	7,719	7,719	-	-	7,719
Derivative assets	38,221	-	9,910	48,131	38,221	-	9,910	48,131
Loans and advances to banks				-				-
- Corporates	31,013	65,328	11,870	108,211	31,013	65,328	3,508	99,849
Loans and advances to customers:				-				-
Individuals:				-				-
- Overdrafts	8,867	7,945	-	16,812	8,867	-	-	8,867
- Term loans	36,068	52,892	-	88,960	36,068	-	-	36,068
Corporates:				-				-
- Overdrafts	219,461	206,575	-	426,036	219,461	61,042	-	280,503
- Term loans	1,139,181	387,228	-	1,526,409	1,139,181	35,831	-	1,175,012
- Others	2,930	-	-	2,930	2,930	-	-	2,930
Investment securities:				-				-
At amortised cost				-				-
- Treasury bills	-	461,353	-	461,353	-	-	-	-
- Bonds	-	-	-	-	-	-	-	-
- Promissory notes	64,392	133,691	11,066	209,149	64,392	-	9,164	73,556
At FVOCI				-				-
- Treasury bills	634,209	44,034	-	678,243	634,209	-	-	634,209
- Bonds	24,931	83,766	-	108,697	24,931	-	-	24,931
Other assets	72,315	39,476	121	111,912	72,315	25,882	-	98,197
Total financial assets	**3,240,059**	**1,673,238**	**267,493**	**5,180,790**	**3,240,059**	**231,270**	**221,399**	**3,692,728**
Commitments and guarantees								
- Performance bonds and guarantees	47,019	1,673	-	48,692	47,019	-	-	47,019
- Letters of credits	299,756	255,559	40,581	595,896	299,756	-	-	299,756
- Loan commitments	87,028	-	-	87,028	87,028	-	-	87,028
Total commitments and guarantees	**433,803**	**257,232**	**40,581**	**731,616**	**433,803**	**-**	**0**	**433,803**

4 Financial Risk Management - Continued

Credit risk (continued)

(iii) Credit concentration - Industry

The following table analyses the Group's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Group's counterparties. The amounts stated are net of impairment allowances.

Group	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2020													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	291,225	-	-	-	-	-	-	-	-	291,225
- Unrestricted balances with Central Banks	-	-	-	231,533	-	-	-	-	-	-	-	-	231,533
- Money market placements	-	-	-	126,832	-	-	-	-	-	-	-	-	126,832
- Restricted balances with central banks	-	-	-	1,103,888	-	-	-	-	-	-	-	-	1,103,888
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	176,172	-	-	-	-	-	176,172
- Promissory notes	-	-	-	-	-	-	-	-	-	75	-	-	75
- Government bonds	-	-	-	-	-	-	38,153	-	-	-	-	-	38,153
Derivative assets	-	-	-	53,148	-	-	-	-	-	-	-	-	53,148
Loans and advances to banks	-	-	-	77,419	-	-	-	-	-	-	-	-	77,419
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	19,890	-	-	-	-	-	-	-	19,890
- Term loans	-	-	-	-	161,184	-	-	-	-	-	-	-	161,184
Corporates	-	-	-	-	-	-	-	-	-	-	-	-	
- Overdrafts	23,458	10,089	2,022	14,356	1,378	92,785	99,514	15,868	110,949	172,393	10,024	5,925	558,760
- Term loans	58,757	113,650	22,673	114,001	23,020	148,235	416,269	150,280	201,221	326,395	232,919	6,230	1,813,652
- Others	-	-	-	-	-	769	-	-	713	-	-	6	1,489
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	1,142,908	-	-	-	-	-	1,142,908
- Bonds	-	-	-	10,577	-	-	140,245	-	-	-	-	-	150,822
At FVOCI													
- Treasury bills	-	-	-	-	-	-	716,448	-	-	-	-	-	716,448
- Bonds	-	-	-	-	-	-	442,816	-	-	-	-	-	442,816
Other assets	-	-	-	32,644	54,786	-	-	-	-	-	-	-	87,430
Total financial assets	**82,215**	**123,739**	**24,695**	**2,055,623**	**260,258**	**241,790**	**3,172,525**	**166,148**	**312,884**	**498,863**	**242,943**	**12,161**	**7,193,844**
Commitments and guarantees													
- Performance bonds and guarantees	-	63,719	200	26,316	500	36,823	1,620	961	5,181	23,135	11,712	821	170,988
- Letters of credits	-	62	-	-	25	33,843	706	13,444	535,296	104,198	268	-	687,841
- Loan Commitments	-	-	-	-	-	-	-	10,880	-	84,150	-	-	95,030
Total commitments and guarantees	**-**	**63,781**	**200**	**26,316**	**525**	**70,666**	**2,326**	**25,285**	**540,477**	**211,483**	**11,980**	**821**	**953,859**

4 Financial Risk Management - Continued

4.2 Credit concentration - Industry (continued)

Bank	**Agriculture**	**Construction and Real Estate**	**Education**	**Finance and Insurance**	**General**	**General Commerce**	**Governments**	**Information and Communication**	**Manufacturing**	**Oil and Gas**	**Power and Energy**	**Transportation and Storage**	**Total**
31 December 2020													
Financial assets													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	176,665	-	-	-	-	-	-	-	-	176,665
- Unrestricted balances with Central Banks	-	-	-	65,930	-	-	-	-	-	-	-	-	65,930
- Money market placements	-	-	-	51,237	-	-	-	-	-	-	-	-	51,237
- Restricted balances with central banks	-	-	-	1,072,094	-	-	-	-	-	-	-	-	1,072,094
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	168,035	-	-	-	-	-	168,035
- Promissory notes	-	-	-	-	-	-	-	-	-	75	-	-	75
- Government bonds	-	-	-	-	-	-	2,948	-	-	-	-	-	2,948
Derivative assets	-	-	-	53,148	-	-	-	-	-	-	-	-	53,148
Loans and advances to banks	-	-	-	65,058	-	-	-	-	-	-	-	-	65,058
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	10,250	-	-	-	-	-	-	-	10,250
- Term loans	-	-	-	-	55,346	-	-	-	-	-	-	-	55,346
Corporates													
- Overdrafts	5,782	3,835	1,118	11,317	1,378	36,491	73,196	7,437	96,577	126,920	3,513	82	367,645
- Term loans	45,275	90,913	12,490	106,212	23,410	247,213	133,734	105,119	182,025	246,040	181,445	3,927	1,377,804
- Others	-	-	-	-	-	769	-	-	721	-	-	-	1,491
Investment securities:													
At amortised cost													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	367	-	-	66,112	-	5,000	-	-	-	71,479
At FVOCI													
- Treasury bills	-	-	-	-	-	-	1,101,232	-	-	-	-	-	1,101,232
- Bonds	-	-	-	-	-	-	5,592	-	-	-	-	-	5,592
Other assets	-	-	-	41,382	44,312	-	-	-	-	-	-	-	85,694
Total financial assets	**51,056**	**94,748**	**13,608**	**1,643,410**	**134,696**	**284,474**	**1,550,849**	**112,557**	**284,323**	**373,035**	**184,959**	**4,008**	**4,731,723**
Commitments and guarantees													
- Performance bonds and guarantees		56,524	200	26,316	500	36,823	1,620	961	5,181	23,135	11,712	821	163,793
- Letters of credits		62	-	-	25	33,844	706	13,444	140,926	5,606	268	-	194,880
- Loan Commitments	-	-	-	-	-	-	-	10,880	-	84,150	-	-	95,030
Total commitments and guarantees	**-**	**56,586**	**200**	**26,316**	**525**	**70,667**	**2,326**	**25,285**	**146,107**	**112,891**	**11,980**	**821**	**453,703**

4 Financial Risk Management - Continued
Credit concentration - Industry (continued)

Group	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2019													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	192,522	-	-	-	-	-	-	-	-	192,522
- Unrestricted balances with Central Banks	-	-	-	113,574	-	-	-	-	-	-	-	-	113,574
- Money market placements	-	-	-	153,355	-	-	-	-	-	-	-	-	153,355
- Restricted balances with central banks	-	-	-	832,108	-	-	-	-	-	-	-	-	832,108
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	35,631	-	-	-	-	-	35,631
- Promissory notes	-	-	-	-	-	-	58,963	-	-	75	-	-	59,038
- Government bonds	-	-	-	-	-	-	7,719	-	-	-	-	-	7,719
Derivative assets	-	-	-	48,131	-	-	-	-	-	-	-	-	48,131
Loans and advances to banks	-	-	-	108,211	-	-	-	-	-	-	-	-	108,211
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	16,812	-	-	-	-	-	-	-	16,812
- Term loans	-	-	-	-	88,960	-	-	-	-	-	-	-	88,960
Corporates	-	-	-	-	-	-	-	-	-	-	-	-	
- Overdrafts	12,835	7,406	2,395	4,195	5,408	92,126	59,046	3,589	97,851	128,618	8,885	3,682	426,036
- Term loans	46,771	77,496	14,264	100,747	19,141	193,240	274,374	129,527	208,524	242,387	202,994	16,945	1,526,409
- Others	-	-	-	-	-	-	-	-	2,930	-	-	-	2,930
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	461,353	-	-	-	-	-	461,353
- Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
At FVOCI													
- Treasury bills	-	-	-	-	-	-	678,243	-	-	-	-	-	678,243
- Bonds	-	-	-	-	-	-	108,697	-	-	-	-	-	108,697
Other assets	-	-	-	31,868	80,044	-	-	-	-	-	-	-	111,912
Total financial assets	**59,606**	**84,902**	**16,659**	**1,595,288**	**210,365**	**285,366**	**1,882,598**	**133,116**	**309,305**	**371,080**	**211,879**	**20,627**	**5,180,790**
Commitments and guarantees													
- Performance bonds and guarantees	1,813	13,667	-	3,824	7,359	2,838	1,092	50	6,587	5,850	4,943	669	48,692
- Letters of credits	11,933	103,561	-	-	79,154	26,231	-	2,135	282,129	85,629	5,124	-	595,896
- Loan commitments	-	-	-	-	-	-	-	18,198	-	-	68,830	-	87,028
Total commitments and guarantees	**13,746**	**117,228**	**-**	**3,824**	**86,513**	**29,069**	**1,092**	**20,383**	**288,716**	**91,479**	**78,897**	**669**	**731,616**

4 Financial Risk Management - Continued
Credit concentration - Industry (continued)

Bank	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2019													
Financial assets													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	168,775	-	-	-	-	-	-	-	-	168,775
- Unrestricted balances with Central Banks	-	-	-	5,688	-	-	-	-	-	-	-	-	5,688
- Money market placements	-	-	-	117,646	-	-	-	-	-	-	-	-	117,646
- Restricted balances with central banks	-	-	-	815,978	-	-	-	-	-	-	-	-	815,978
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	35,631	-	-	-	-	-	35,631
- Promissory notes	-	-	-	-	-	-	58,963	-	-	75	-	-	59,038
- Government bonds	-	-	-	-	-	-	7,719	-	-	-	-	-	7,719
Derivative assets	-	-	-	48,131	-	-	-	-	-	-	-	-	48,131
Loans and advances to banks	-	-	-	99,849	-	-	-	-	-	-	-	-	99,849
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	8,867	-	-	-	-	-	-	-	8,867
- Term loans	-	1,379	-	-	34,689	-	-	-	-	-	-	-	36,068
Corporates													
- Overdrafts	23,458	10,089	2,022	14,356	1,378	92,786	99,514	15,868	110,949	172,393	10,024	5,925	558,761
- Term loans	58,757	113,650	22,673	114,001	23,410	308,467	416,269	150,280	201,221	326,395	232,919	6,230	1,974,274
- Others	-	-	-	-	-	-	-	-	2,930	-	-	-	2,930
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
At FVOCI													
- Treasury bills	-	-	-	-	-	-	634,209	-	-	-	-	-	634,209
- Bonds	-	-	-	-	-	-	24,931	-	-	-	-	-	24,931
Other assets	-	-	-	54,977	43,220	-	-	-	-	-	-	-	98,197
Total financial assets	**82,215**	**125,118**	**24,695**	**1,449,978**	**111,564**	**401,253**	**1,340,215**	**166,148**	**315,100**	**498,863**	**242,943**	**12,155**	**4,770,248**
Commitments and guarantees													
- Performance bonds and guarantees	1,813	13,667	-	3,824	7,359	2,838	1,092	50	5,044	5,850	4,943	539	47,019
- Letters of credits	11,933	103,561	-	-	79,154	3,893	-	2,135	91,135	7,945	-	-	299,756
- Loan commitments	-	-	-	-	-	-	-	18,198	-	-	68,830	-	87,028
Total commitments and guarantees	**13,746**	**117,228**	**-**	**3,824**	**86,513**	**6,731**	**1,092**	**20,383**	**96,179**	**13,795**	**73,773**	**539**	**433,803**

4 Financial Risk Management - Continued

Credit risk (continued)

(c) Credit Quality

The Group manages the credit quality of its financial assets using internal credit ratings. It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk.
All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

The credit quality of the Group's loans and advances are categorized as follows:

Stage 1 Loans and Advances:

These are loans and advances that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (where the optional simplification is applied) at the reporting date.

Stage 2 Loans and Advances:

These are loans and advances that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event.

Stage 3 Loans and Advances:

These are loans and advances that have objective evidence of a credit loss event. Stage 3 allocation is driven by either the identification of credit impairment or an exposure being classified as defaulted.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired.

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Group renegotiates loans to customers to maximise collection opportunities and minimise the risk of default. The revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. As at 31 December 2020, the carrying amount of loans with renegotiated terms was N453billion (December 2019 : N77 billion). There are no other financial assets with renegotiated terms as at 31 December 2020 (December 2019: nil).

Impairment assessment under IFRS

The Group assesses its impairment for the purpose of IFRS reporting using the 'forward-looking' Expected Credit Loss (ECL) model in line with provisions of *IFRS 9 - Financial Instrument* .

The Group records an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.
The measurement of expected credit losses is based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate.

The ECL model has three stages. The Group recognises a 12-month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired and then a lifetime expected loss allowance is recognised.

4 Financial Risk Management - Continued

4.2 Credit Quality (continued)

(i) The table below shows the credit quality by class of asset for all financial assets exposed to credit risk.

31 December 2020	**Group**				**Bank**			
	Stage 1 - 12-month ECL	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	291,225	-	-	291,225	176,665	-	-	176,665
- Unrestricted balances with Central Banks	231,533	-	-	231,533	65,930	-	-	65,930
- Money market placements	126,832	-	-	126,832	51,237	-	-	51,237
- Restricted balances with central banks	1,103,888	-	-	1,103,888	1,072,094	-	-	1,072,094
Financial assets at FVTPL:								
- Treasury bills	176,172	-	-	176,172	168,035	-	-	168,035
- Promissory notes	75	-		75	75	-	-	75
- Government bonds	38,153	-	-	38,153	2,948	-	-	2,948
Derivative assets	53,148	-	-	53,148	53,148	-	-	53,148
Loans and advances to banks	79,394	-	-	79,394	67,020	-	-	67,020
Loans and advances to customers								
Individuals								
- Overdrafts	3,740	3,527	25,942	33,209	1,617	247	17,859	19,723
- Term loans	159,941	4,602	2,641	167,184	56,127	2,488	1,142	59,757
Corporates							-	
- Overdrafts	488,976	26,708	85,075	600,759	352,925	5,897	24,206	383,028
- Term loans	1,613,532	234,976	15,143	1,863,651	1,197,491	213,218	122	1,410,831
- Others	1,519	-	-	1,519	1,519	-	0	1,519
Investment securities:								
At Amortised Cost								
- Treasury bills	716,448	-	-	716,448	-	-	-	-
- Bonds	443,708	-	-	443,708	72,276	-	-	72,276
At FVOCI								
- Treasury bills	1,142,908	-	-	1,142,908	1,101,232	-	-	1,101,232
- Bonds	150,822	-	-	150,822	5,592	-	-	5,592
Other assets	75,758	-	11,672	87,430	74,574	-	11,120	85,694
Gross financial assets	**6,897,772**	**269,813**	**140,473**	**7,308,058**	**4,520,505**	**221,851**	**54,448**	**4,796,804**

Allowance for impairment on financial assets is as follows:

Allowance for credit losses								
Loans and advances to customers								
- Individuals	4,762	353	14,204	19,319	3,427	202	10,255	13,884
- Corporates	43,823	10,853	37,352	92,028	26,906	7,420	14,112	48,438
Loans and advances to banks	1,975	-	-	1,975	1,962	-	-	1,962
	50,560	**11,206**	**51,556**	**113,322**	**32,295**	**7,622**	**24,367**	**64,284**
Allowance for impairment								
Other assets	322	-	11,350	11,672	322	-	10,798	11,120
Bonds at amortised cost	892	-	-	892	797	-	-	797
	1,214	**-**	**11,350**	**12,564**	**1,119**	**-**	**10,798**	**11,917**
Total impairment allowance on financial assets	**51,774**	**11,206**	**62,906**	**125,886**	**33,414**	**7,622**	**35,165**	**76,201**
Net amount	**6,845,998**	**258,607**	**77,567**	**7,182,172**	**4,487,091**	**214,229**	**19,283**	**4,720,603**

4 Financial Risk Management - Continued

4.2 Credit Quality (continued)

31 December 2019	**Group**				**Bank**			
	Stage 1 - 12-month ECL	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	192,522	-	-	192,522	168,775	-	-	168,775
- Unrestricted balances with Central Banks	113,574	-	-	113,574	5,688	-	-	5,688
- Money market placements	153,355	-	-	153,355	117,646	-	-	117,646
- Restricted balances with central banks	832,108	-	-	832,108	815,978	-	-	815,978
Financial assets at FVTPL:								
- Treasury bills	35,631	-	-	35,631	35,631	-	-	35,631
- Promissory notes	59,038	-		59,038	59,038	-	-	59,038
- Government bonds	7,719	-	-	7,719	7,719	-	-	7,719
Derivative assets	48,131	-	-	48,131	48,131	-	-	48,131
Loans and advances to banks	110,123	-	-	110,123	101,746	-	-	101,746
Loans and advances to customers								
Individuals								
- Overdrafts	5,763	2,461	15,984	24,208	4,763	-	9,880	14,643
- Term loans	74,317	15,474	2,642	92,432	36,349	-	1,174	37,523
Corporates								
- Overdrafts	323,997	57,359	78,159	459,515	252,335	18,713	26,203	297,251
- Term loans	1,188,681	362,279	17,218	1,568,177	922,697	279,899	2,393	1,204,990
- Others	2,951	-	-	2,951	2,951	-	-	2,951
Investment securities:								
At Amortised Cost								
- Treasury bills	461,353	-	-	461,353	-	-	-	-
- Bonds	209,645	-	-	209,645	74,017	-	-	74,017
- Promissory notes	-	-	-	-	-	-	-	-
At FVOCI								
- Treasury bills	678,243	-	-	678,243	634,209	-	-	634,209
- Bonds	108,697	-	-	108,697	24,931	-	-	24,931
Other assets	111,912	-	8,642	120,554	98,197	-	5,039	103,236
Gross financial assets	**4,717,759**	**437,573**	**122,644**	**5,277,976**	**3,410,802**	**298,612**	**44,689**	**3,754,103**
Allowance for impairment on financial assets is as follows:								
Allowance for credit losses								
Loans and advances to customers								
- Individuals	1,755	855	8,258	10,868	824	-	6,407	7,231
- Corporates	32,108	15,345	27,815	75,268	23,717	8,222	14,808	46,747
Loans and advances to banks	1,912	-	-	1,912	1,897	-	-	1,897
	35,775	**16,200**	**36,073**	**88,048**	**26,438**	**8,222**	**21,215**	**55,875**
Allowance for impairment								
Other assets	8,642	-	-	8,642	5,039	-	-	5,039
Bonds at amortised Cost	496	-	-	496	461	-	-	461
	9,138	**-**	**-**	**9,138**	**5,500**	**-**	**-**	**5,500**
Total impairment allowance on financial assets	**44,913**	**16,200**	**36,073**	**97,186**	**31,938**	**8,222**	**21,215**	**61,375**
Net amount	**4,672,846**	**421,373**	**86,571**	**5,180,790**	**3,378,864**	**290,390**	**23,474**	**3,692,728**

4 Financial Risk Management - Continued
4.2 Credit Quality (continued)

(ii) The internal credit rating of financial assets that are classified as Stage 1 at the reporting date is as follows:

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Group								
31 December 2020								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	291,225	-	-	-	291,225	-	291,225
- Unrestricted balances with Central Banks	231,533	-	-	-	-	231,533	-	231,533
- Money market placements	-	126,832	-	-	-	126,832	-	126,832
- Restricted balances with central banks	1,103,888	-	-	-	-	1,103,888	-	1,103,888
Financial assets at FVTPL:								
- Treasury bills	176,172	-	-	-	-	176,172	-	176,172
- Promissory notes	-	-	75	-	-	75	-	75
- Government bonds	38,153	-	-	-	-	38,153	-	38,153
Derivative assets	53,148	-	-	-	-	53,148	-	53,148
Loans and advances to banks	-	79,394	-	-	-	79,394	(1,975)	77,419
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	33,209	-	-	33,209	(13,319)	19,890
- Term loans	-	-	167,184	-		167,184	(6,000)	161,184
Corporates								
- Overdrafts	204	593	599,961	-	-	600,759	(41,999)	558,760
- Term loans	57,326	73,743	1,732,583	-	-	1,863,651	(49,999)	1,813,652
- Others	-	-	1,519	-	-	1,519	(30)	1,489
Investment securities:								
At Amortised Cost								
- Treasury bills	716,448	-	-	-	-	716,448	-	716,448
- Bonds	422,510	19,969	1,229	-	-	443,708	(892)	442,816
At FVOCI						-		-
- Treasury bills	1,142,908	-	-	-	-	1,142,908	-	1,142,908
- Bonds	150,822	-	-	-	-	150,822	-	150,822
Other assets	-	-	-	-	87,430	87,430	(11,672)	75,758
	4,093,112	**591,756**	**2,535,760**	**-**	**87,430**	**7,308,058**	**(125,886)**	**7,182,172**

4 Financial Risk Management - Continued
4.2 Credit Quality (continued)

(ii) The internal credit rating of financial assets that are classified as Stage 1 at the reporting date is as follows:

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Group								
31 December 2019								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	192,522	-	-	-	192,522	-	192,522
- Unrestricted balances with Central Banks	113,574	-	-	-	-	113,574	-	113,574
- Money market placements	-	153,355	-	-	-	153,355	-	153,355
- Restricted balances with central banks	832,108	-	-	-	-	832,108	-	832,108
Financial assets at FVTPL:								
- Treasury bills	35,631	-	-	-	-	35,631	-	35,631
- Promissory notes	58,963	-	75	-	-	59,038	-	59,038
- Government bonds	7,719	-	-	-	-	7,719	-	7,719
Derivative assets	48,131	-	-	-	-	48,131	-	48,131
Loans and advances to banks	-	110,123	-	-	-	110,123	(1,912)	108,211
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	24,208	-	-	24,208	(7,396)	16,812
- Term loans	-	-	92,432	-		92,432	(3,472)	88,960
Corporates								
- Overdrafts	204	593	458,717	-	-	459,515	(33,479)	426,036
- Term loans	57,326	73,743	1,437,109	-	-	1,568,177	(41,768)	1,526,409
- Others	-	-	2,951	-	-	2,951	(21)	2,930
Investment securities:								
At Amortised Cost								
- Treasury bills	461,353	-	-	-	-	461,353	-	461,353
- Bonds	188,447	19,969	1,229	-	-	209,645	(496)	209,149
At FVOCI						-		-
- Treasury bills	678,243	-	-	-	-	678,243	-	678,243
- Bonds	108,697	-	-	-	-	108,697	-	108,697
Other assets	-	-	-	-	120,554	120,554	(8,642)	111,912
	2,590,396	**550,305**	**2,016,721**	**-**	**120,554**	**5,277,976**	**(97,186)**	**5,180,790**

4 Financial Risk Management - Continued
4.2 Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Bank								
31 December 2020								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	176,665	-	-	-	176,665	-	176,665
- Unrestricted balances with Central Banks	65,930	-	-	-	-	65,930	-	65,930
- Money market placements	-	51,237	-	-	-	51,237	-	51,237
- Restricted balances with central banks	1,072,094	-	-	-	-	1,072,094	-	1,072,094
Financial assets at FVTPL:								-
- Treasury bills	168,035	-	-	-	-	168,035	-	168,035
- Promissory notes	-	-	75			75	-	75
- Government bonds	2,948	-	-	-	-	2,948	-	2,948
Derivative assets	53,148	-	-	-	-	53,148	-	53,148
Loans and advances to banks	-	67,020	-	-	-	67,020	(1,962)	65,058
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	19,723	-	-	19,723	(9,473)	10,250
- Term loans	-	-	59,757	-	-	59,757	(4,411)	55,346
Corporates								-
- Overdrafts	204	593	382,230	-	-	383,028	(15,383)	367,645
- Term loans	57,326	73,743	1,279,762	-	-	1,410,831	(33,027)	1,377,804
- Others	-	-	1,519	-	-	1,519	(28)	1,491
Investment securities:								-
At Amortised Cost								-
- Treasury bills	-	-	-	-	-	-	-	-
- Bonds	51,078	19,969	1,229	-	-	72,276	(797)	71,479
At FVOCI								-
- Treasury bills	1,101,232	-	-	-	-	1,101,232	-	1,101,232
- Bonds	5,592	-	-	-	-	5,592	-	5,592
Other assets	-	-	-	-	74,574	74,574	(11,120)	63,454
	2,577,587	**389,227**	**1,744,296**	**-**	**74,574**	**4,785,684**	**(76,201)**	**4,709,483**

4 Financial Risk Management - Continued

4.2 Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Bank								
31 December 2019								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	168,775	-	-	-	168,775	-	168,775
- Unrestricted balances with Central Banks	5,688	-	-	-	-	5,688	-	5,688
- Money market placements	-	117,646	-	-	-	117,646	-	117,646
- Restricted balances with central banks	815,978	-	-	-	-	815,978	-	815,978
Financial assets at FVTPL:								-
- Treasury bills	35,631	-	-	-	-	35,631	-	35,631
- Promissory notes	58,963	-	75			59,038	-	59,038
- Government bonds	7,719	-	-	-	-	7,719	-	7,719
Derivative assets	48,131	-	-	-	-	48,131	-	48,131
Loans and advances to banks	-	101,746	-	-	-	101,746	(1,897)	99,849
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	14,643	-	-	14,643	(5,776)	8,867
- Term loans	-	-	37,523	-	-	37,523	(1,455)	36,068
Corporates								-
- Overdrafts	204	593	296,453	-	-	297,251	(16,748)	280,503
- Term loans	57,326	73,743	1,073,921	-	-	1,204,990	(29,978)	1,175,012
- Others	-	-	2,951	-	-	2,951	(21)	2,930
Investment securities:								-
At Amortised Cost								-
- Treasury bills	-	-	-	-	-	-	-	-
- Bonds	52,819	19,969	1,229	-	-	74,017	(461)	73,556
At FVOCI								-
- Treasury bills	634,209	-	-	-	-	634,209	-	634,209
- Bonds	24,931	-	-	-	-	24,931	-	24,931
Other assets	-	-	-	-	98,197	98,197	(5,039)	98,197
	1,741,599	**482,472**	**1,426,796**	**-**	**98,197**	**3,749,064**	**(61,375)**	**3,692,728**

4 Financial Risk Management - Continued
4.2 Credit Quality (continued)

(d) Statement of Prudential Adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines and the Central Banks of the foreign subsidiaries' regulations. This is at variance with the expected credit loss model required by IFRS under IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.
Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.
However, Banks would be required to comply with the following:
Provisions for loans recognized in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:
• Prudential Provisions is greater than IFRS provisions; the excess provision resulting therefrom should be transferred from the general reserve account to a "regulatory risk reserve".

• Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

As at 31 December 2020, the difference between the Prudential provision and IFRS impairment was N45.495 billion for the Group (December 2019: N29.073 billion) and N45.773billion for the Bank (December 2019: N21.342 billion). This requires a transfer of N5.099 billion from regulatory credit risk reserve to retained earnings for the Group and N9.22 billion transfer from retained earnings to regulatory credit risk reserve for the Bank, as disclosed in the statement of changes in equity. These amounts represent the difference between provisions for credit and other known losses as determined under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and the Central Banks of foreign subsidiaries, and impairment reserve as determined in line with IFRS 9 as at year end.

In millions of Nigerian Naira	**Group Dec. 2020**	**Group Dec. 2019**	**Bank Dec. 2020**	**Bank Dec. 2019**
Total impairment based on IFRS	128,693	119,769	78,711	77,796
Total impairment based on Prudential Guidelines	174,188	148,842	124,484	99,138
Regulatory credit risk reserve (required)	(45,495)	(29,073)	(45,773)	(21,342)
Regulatory credit risk reserve (opening)	(50,594)	(21,521)	(36,554)	(15,212)
Transfer from/to regulatory risk reserve	**5,099**	**(7,552)**	**(9,219)**	**(6,130)**

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(e) Credit Collateral

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and updated periodically. Collateral generally is not held over loans and advances to banks except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is usually also not held against investment securities.

Irrespective of how well a credit proposal is structured, a second way out in form of adequate collateral coverage for all loans is a major requirement in order to protect the bank from incurring loan losses due to unforeseen events resulting from deterioration of the quality of a loan.

Consequently, the Group issues appropriate guidelines for acceptability of loan collateral from time to time, and during the period, there were no changes in the Group's collateral policies that would warrant any change in collateral quality. These articulate acceptable collateral in respect of each credit product including description, required documentation for perfection of collateral and minimum realizable value.

All items pledged as security for loan facilities are insured with the Bank noted as the first loss payee.

Some of the collaterals acceptable to the Bank under appropriate documentations are briefly described as follows:

1. Cash

Cash is the most liquid and readily realizable form of security and the most acceptable to the Bank. Furthermore, cash pledged must be in the same currency as the credit and also in the possession of the Bank either in savings or a deposit account.

2. Treasury bills/certificates

Treasury bills/certificates are acceptable as bank security provided the instruments are purchased through the Bank and have been properly assigned to the bank. Since payments are channelled through the Bank on due dates, realization of the security is relatively easy.

3. Stock and shares

Stocks and shares of reputable quoted companies are acceptable collateral securities. Unquoted shares are usually not acceptable as collaterals.

4. Legal Mortgage

The Bank takes and perfects its interest in acceptable property that are transferred by the obligor as collateral for loan, such that in case of any default by the obligor, the Bank would not require a court order before realizing the security. Location restrictions are however specified in respect of landed property.

5. Debenture

The Bank accepts to take a charge on both current and non-current assets of a borrower by a debenture which is a written acknowledgement of indebtedness by a company usually given under its seal and also sets out the terms for repayment of interest and principal of the credit. A debenture is executed by an obligor in favour of the Bank and it gives a specific or general charge on the company's assets, both present and future.

6. Life Insurance Policies

Generally, life policy with a reputable insurance company approved by the Bank and free of restrictions adverse to the Bank's interest is an acceptable security for loan. This could be an endowment policy or whole life policy though the Bank prefers the endowment policy.

7. Guarantees

The Bank accepts guarantees from well rated banks as well as acceptable parties (guarantors) as additional comfort and security for loans. A guarantee is a written promise by one person called the guarantor or surety to be answerable for the debt, default or miscarriage of another person called principal debtor.

UBA also accepts unconditional insurance credit and performance bonds of first class insurance companies and also the guarantee of the Federal and State Governments. Other guarantees must however be supported by tangible assets for them to become valid for lending.

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(e) Credit Collateral (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

Loans to individuals

In millions of Nigerian Naira	Group		Bank	
	Dec. 2020	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Against Stage 3 loans				
Property	1,703	916	1,703	916
Others	26,833	14,966	17,328	9,666
	28,537	15,882	19,031	10,582
Against Stage 2 loans				
Property	2,336	-	1,112	-
Others	7,724	12,555	2,330	-
	10,060	12,555	3,442	-
Against Stage 1 loans				
Property	2,654	4,043	2,484	4,043
Others	129,953	64,196	50,893	36,919
	132,607	68,239	53,377	40,962
Total for loans to individuals	**171,204**	**96,676**	**75,850**	**51,544**

Loans to corporates

In millions of Nigerian Naira	Group		Bank	
	Dec. 2020	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Against Stage 3 loans				
Property	32,408	19,678	16,405	19,678
Others	72,080	54,431	10,327	15,289
	104,488	74,109	26,731	34,967
Against Stage 2 loans				
Property	87,925	59,728	73,232	59,728
Others	158,859	313,268	125,810	228,550
	246,784	372,996	199,042	288,278
Against Stage 1 loans				
Property	434,662	184,554	388,410	178,172
Others	1,423,353	1,118,506	882,817	864,961
	1,858,015	1,303,060	1,271,227	1,043,133
Total for loans to corporates	**2,209,287**	**1,750,165**	**1,497,000**	**1,366,378**
Total for loans and advances to customers	**2,380,491**	**1,846,841**	**1,572,850**	**1,417,922**

Details of collateral held against loans and advances and off-balance sheet exposures and their carrying amounts are shown below. The Group manages collaterals for loans and advances based on the nature of those collaterals.

	Group		Bank	
31 December 2020	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
In millions of Nigerian Naira				
Loans and advances to banks				
Unsecured	79,394	5,106	67,020	5,106
Loans and advances to customers				
Secured against real estate	544,015	561,688	506,726	483,346
Secured against cash	85,963	78,658	29,320	33,008
Secured against other collateral*	1,832,363	1,740,144	1,224,725	1,056,496
Unsecured	92,635	-	51,765	-
	2,554,975	**2,380,491**	**1,812,536**	**1,572,850**

* Other collateral are mainly domiciliation of payments (sales, invoices, salaries, allowances and terminal benefits), lien on shipping documents, corporate guarantees and similar collaterals.

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(e) Credit Collateral (continued)

	Group		Bank	
31 December 2020	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
In millions of Nigerian Naira				
Off-balance sheet exposures				
Secured against real estate	339,039	69,992	95,215	69,992
Secured against cash	68,794	62,780	21,794	15,780
Secured against other collateral*	546,026	413,534	336,694	288,959
	953,859	**546,306**	**453,703**	**374,731**
31 December 2019				
Loans and advances to banks				
Unsecured	110,123	5,106	101,746	5,106
Loans and advances to customers				
Secured against real estate	289,977	268,919	281,073	262,537
Secured against cash	14,752	15,115	14,752	15,115
Secured against other collateral*	1,707,400	1,562,808	1,158,537	1,140,271
Unsecured	49,018	-	49,018	-
	2,061,147	**1,846,842**	**1,503,380**	**1,417,923**
Off-balance sheet exposures				
Secured against real estate	116,796	69,992	75,315	69,992
Secured against cash	68,794	62,780	21,794	15,780
Secured against other collateral*	546,026	413,534	336,694	288,959
	731,616	**546,306**	**433,803**	**374,731**

* Other collateral are mainly domiciliation of payments (sales, invoices, salaries, allowances and terminal benefits), lien on shipping documents, corporate guarantees and similar collaterals.

Other financial assets comprising cash and bank balances (including balances with central banks), financial assets held for trading, investment securities and accounts receivable are not secured. The Group's investment in government securities and its cash and balances with central banks are not considered to require collaterals given their sovereign nature.

(f) Repossessed collateral

During the year, the Group took possession of property amounted to N2.755 billion (2019:N1.759 billion) held as collateral against certain loans. These collaterals have been realised and used in offsetting the affected customers' outstanding obligations.

Details of collaterals realised during the year is as shown below:

	Loans and advances to customers			
In millions of Nigerian Naira	Group		Bank	
	Dec. 2020	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Property	2,755	1,759	2,755	1,759
	2,755	**1,759**	**2,755**	**1,759**

4 Financial Risk Management - Continued

4.3 Liquidity risk

(a) Overview

Liquidity risk arises in the general funding of the Group's activities and in the management of position. Liquidity risk is the risk that the Group does not have sufficient financial resources to meet maturing obligations or can only access these financial resources at excessive cost. Liquidity risk includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Group remains well funded with strong liquidity position.

(i) Liquidity Risk Management

In terms of measuring, managing and mitigating liquidity mismatches, UBA Group focuses on two types of liquidity risk, namely funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that UBA Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals or the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the group will be unable to sell assets without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event. The Group manages its liquidity prudently in all geographical locations and for all currencies. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the expected maturity date. To mitigate these uncertainties, our funding base is diverse and largely customer-driven, while customer assets are of short tenor. In addition we have contingency funding plans including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions. We have significant levels of marketable securities, including government securities that can be monetised or pledged as collateral in the event of a liquidity stress.

Contingency funding plans are reviewed and approved annually. They provide a broad set of Early Warning Indicators, an escalation framework and a set of management actions that could be effectively implemented by the appropriate level of senior management in the event of a liquidity stress. A similar plan is maintained within each country.

(ii) Liquidity Risk Governance

The board of directors retains ultimate responsibility for the effective management of liquidity risk. Through the Group Risk Management Committee (GRMC), the board has delegated its responsibility for the management of liquidity risk to the Group Assets & Liability Committee (GALCO). GALCO is the responsible governing management body that monitors liquidity management metrics. Liquidity in each country is managed by the country ALCO within pre-defined liquidity limits and in compliance with Group liquidity policies and practices, as well as local regulatory requirements. Group Market Risk management and Group Treasury are responsible for proactively managing liquidity risk at an operational, tactical and strategic level.

(iii) Liquidity Risk Measurement

There are two measures used across the Group for managing liquidity risk namely: liquidity ratio mechanism which is a statutory requirement from most Central Banks in order to protect third party deposits, and funding gap analysis of assets and liabilities. The funding gap analysis is applied through the use of a maturity ladder by assessing all the bank's cash inflows against outflows to identify the potential for net shortfalls or net funding requirements (i.e. a cumulative net excess or deficit of funds) at selected maturity dates. The maturity ladder is monitored on a day -to-day basis and stress testing is undertaken on a quarterly basis by applying different scenarios to the maturity ladder and assessing the bank's funding requirements under each scenario. All UBA businesses and subsidiaries also construct their maturity ladder and compile reports based on agreed assumptions which is consolidated into a global report for Group ALCO review. The country treasurer for each subsidiary/Group Head Balance Sheet Management also documents the appropriate actions and includes the same into the Contingency Funding Plan (CFP) for implementation.

Liquidity stress testing is also performed for each of UBA Group's major entities and operating subsidiaries. Stress testing and scenario analyses are intended to quantify the potential impact of a liquidity event on the balance sheet and liquidity position, and to identify viable funding alternatives that can be utilized. These scenarios include assumptions about significant changes in key funding sources, market triggers (such as credit ratings), potential uses of funding and political and economic conditions in certain countries. These conditions include expected and stressed market conditions as well as Company-specific events.

(b) Liquidity ratios

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitment maturing within one month.

The liquidity position of the Group remained strong in the course of the period and materially above the minimum liquidity ratio requirement of 30% prescribed by the Central Bank of Nigeria. Details of the Bank's ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	Bank Dec. 2020	Bank Dec. 2019
At period end	44.30%	43.99%
Average for the period	35.83%	54.89%
Maximum for the period	50.12%	64.59%
Minimum for the period	30.02%	41.48%

(c) Analysis of financial assets and liabilities by remaining contractual maturities

The tables below show the undiscounted cash flow on the Group's financial liabilities and on the basis of the earliest possible contractual maturity. The Gross nominal inflow/outflow disclosed in the table is the contractual, undiscounted cash flows on the financial liabilities or commitments, except for derivatives assets and liabilities which are stated at their fair values.

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. Demand and savings deposits are expected to remain stable or increase, while unrecognised loan commitments are not expected to be drawn down immediately.

4 Financial Risk Management - Continued

4.3 Liquidity risk (continued)
Maturity analysis for financial liabilities

31 December 2020 Group	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
In millions of Nigerian Naira							
Non-derivative financial liabilities							
Deposits from banks	418,157	693,667	452,374	136,469	7,104	97,719	-
Deposits from customers							
Retail Customers:							
Term deposits	144,720	146,908	94,463	26,029	9,662	16,371	383
Current deposits	815,250	855,582	855,582				
Savings deposits	1,447,514	1,452,182	1,452,182				
Corporate Customers:							
Term deposits	890,012	991,677	436,369	343,760	75,672	129,875	6,000
Current deposits	2,378,515	2,307,385	2,307,385				
Other financial liabilities	147,162	234,975	234,975				
Borrowings	694,355	727,824	30,371	127,731	93,913	19,610	456,199
Subordinated liabilities	-	-		-	-	-	-
Total financial liabilities	**6,935,685**	**7,410,200**	**5,863,701**	**633,989**	**186,352**	**263,576**	**462,582**
Derivative liabilities:							
Cross Currency Swap	508	508	504	4	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	170,988	170,988	8,663	24,079	32,990	37,738	67,516
Letters of credit	687,841	687,841	164,837	343,536	39,148	79,084	61,235
Loan commitments	95,030	95,030	-	-	-	-	95,030
Assets used to manage liquidity							
Cash and bank balances	1,874,618	1,874,618	624,055	90,353	79,323	42,625	1,038,262
Financial assets at FVTPL							
Treasury bills	176,172	176,172	176,172	-	-	-	-
Promissory notes	75	75	-	-	-	75	-
Bonds	38,153	38,153	38,153	-	-	-	-
Loans and advances to banks	77,419	81,290	49,229	71	-	-	31,990
Loans and advances to customers							
Individual							
Term loans	161,184	142,431	3,523	9,219	8,321	24,151	97,216
Overdrafts	19,890	24,208	24,208	-	-	-	-
Corporates							
Term loans	1,813,652	1,922,999	64,899	294,416	115,302	417,835	1,030,547
Overdrafts	558,760	599,585	599,585	-	-	-	-
Others	1,489	2,951	-	32	2,919	-	-
Investment securities							
At FVOCI							
Treasury bills	1,142,908	1,239,149	97,880	711,598	170,594	259,078	-
Bonds	150,822	94,928	187	884	1,940	13,546	78,371
At amortised cost		-					
Treasury bills	716,448	750,739	307,781	292,387	54,185	94,789	1,597
Bonds	443,708	689,444	2,327	9,690	16,472	58,120	602,835
Other assets	75,758	135,627	132,525	-	-	-	3,102
Derivative assets	53,148	53,148	13,727	17,406	17,374	4,641	-
Total financial assets	**7,304,204**	**7,825,517**	**2,134,251**	**1,426,055**	**466,429**	**914,860**	**2,883,921**
Gap	**(585,848)**	**(539,050)**	**(3,903,455)**	**424,447**	**207,938**	**534,461**	**2,197,557**

4 Financial Risk Management - Continued

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2020 **Bank** *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative liabilities							
Deposits from banks	121,815	219,614	129,074	4,643	2,841	83,056	-
Deposits from customers							
Retail Customers:							
Term deposits	65,422	66,411	42,202	21,534	2,616	59	0
Current deposits	569,288	569,987	569,987	-	-	-	-
Savings deposits	1,199,738	1,200,888	1,200,888	-	-	-	-
Corporate Customers:							
Term deposits	603,361	495,075	312,038	162,674	19,759	447	158
Current deposits	1,386,334	1,390,731	1,390,731	-	-	-	-
Other financial liabilities	88,456	156,177	156,177	-	-	-	-
Borrowings	688,280	741,767	30,371	121,492	84,543	48,489	456,873
Subordinated liabilities	-	-	-	-	-	-	-
Total financial liabilities	**4,722,694**	**4,840,651**	**3,831,469**	**310,344**	**109,757**	**132,050**	**457,031**
Derivative liabilities							
Cross Currency Swap	508	508	504	4	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	163,793	163,793	11,295.89	32,005	24,069	49,341	47,082
Letters of credit	194,880	194,880	59,303	53,355	10,004	17,114	55,103
Loan commitments	95,030	95,030	-	-	-	-	95,030
Assets used to manage liquidity							
Cash and bank balances	1,436,822	1,436,822	344,831	43,920	38,558	20,720	988,794
Financial assets at FVTPL							
Treasury bills	168,035	168,035	168,035	-	-	-	-
Promissory notes	75	63,686	-	-	-	63,686	-
Bonds	2,948	2,949	2,949	-	-	-	-
Loans and advances to banks	65,058	66,359	40,187	58	-	-	26,114
Loans and advances to customers							
Individual :							
Term loans	55,346	68,629	4,653	6,164	5,897	9,834	42,081
Overdrafts	10,250	10,254	10,254	-	-	-	-
Corporates :							
Term loans	1,377,804	1,649,569	69,756	221,076	106,793	248,312	1,003,632
Overdrafts	367,645	367,808	367,808	-	-	-	-
Others	1,491	1,566	-	34	1,532	-	-
Investment securities							
At FVOCI							
Treasury bills	1,101,232	1,130,900	97,880	706,375	137,207	189,439	-
Bonds	5,592	10,136	47	1	159	208	9,721
At amortised cost							
Bonds	72,276	81,804	1,129	2,108	1,166	8,148	69,253
Other assets	74,574	76,812	76,812	-	-	-	-
Derivative asset	53,148	53,148	13,727	17,406	17,374	4,641	-
Total financial assets	**4,792,296**	**5,188,478**	**1,198,067**	**997,142**	**308,686**	**544,988**	**2,139,594**
Gap	**(384,609)**	**(106,385)**	**(2,704,506)**	**601,435**	**164,855**	**346,482**	**1,485,348**

4 Financial Risk Management - Continued

4.3 Liquidity risk (continued)
Maturity analysis for financial liabilities (Continued)

31 December 2019 Group *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative financial liabilities							
Deposits from banks	267,070	270,995	270,995	-	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	385,635	391,465	213,991	172,591	4,550	277	56
Current deposits	483,714	483,902	483,902	-	-	-	-
Savings deposits	855,079	857,217	857,217	-	-	-	-
Corporate Customers:							
Term deposits	630,358	702,363	383,941	309,661	8,164	497	100
Current deposits	1,478,098	1,478,673	1,478,673	-	-	-	-
Other financial liabilities	86,937	88,801	86,951	22	380	378	1,070
Borrowings	758,682	834,847	7,923	37,753	143,758	271,196	374,217
Subordinated liabilities	30,048	40,535			2,495	2,523	35,517
Total financial liabilities	**4,975,621**	**5,148,798**	**3,783,592**	**520,026**	**159,348**	**274,872**	**410,960**
Derivative liabilities:							
Cross Currency Swap	852	852	697	7	5	143	-
Contingents and loan commitments							
Performance bonds and guarantees	48,692	48,692	757	4,545	9,539	11,815	22,037
Letters of credit	595,896	595,896	87,153	275,389	12,321	-	221,032
Loan commitments	87,028	87,028	-	3,533	-	23,874	59,621
Assets used to manage liquidity							
Cash and bank balances	1,396,228	1,396,228	464,800	67,295	59,080	31,747	773,305
Financial assets at FVTPL							
Treasury bills	35,631	35,631	35,631	-	-	-	-
Promissory notes	59,038	63,686	-	-	-	63,686	-
Bonds	7,719	7,719	7,719	-	-	-	-
Loans and advances to banks	108,211	113,622	68,809	100	-	-	44,713
Loans and advances to customers							
Individual							
Term loans	88,960	92,431	3,524	9,219	8,321	14,151	57,216
Overdrafts	16,812	24,208	24,208	-	-	-	-
Corporates							
Term loans	1,526,409	1,602,765	64,899	294,416	115,302	237,835	890,313
Overdrafts	426,036	459,515	459,515	-	-	-	-
Others	2,930	2,951	-	32	2,919	-	-
Investment securities							
At FVOCI							
Treasury bills	678,243	777,231	66,694	68,405	229,821	412,311	-
Bonds	108,697	109,805	471	9,735	1,694	2,998	94,907
At amortised cost		-					
Treasury bills	461,353	543,268	46,618	47,814	160,640	288,197	-
Bonds	209,645	243,682	342	17,739	4,464	6,871	214,266
Other assets	111,912	111,956	111,956	-	-	-	-
Derivative assets	48,131	48,131	124	2,641	25,940	19,425	-
Total financial assets	**5,285,955**	**5,632,828**	**1,355,310**	**517,396**	**608,180**	**1,077,221**	**2,074,720**
Gap	**(422,134)**	**(248,438)**	**(2,516,889)**	**(286,105)**	**426,967**	**766,518**	**1,361,070**

4 Financial Risk Management - Continued

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2019 **Bank**	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
In millions of Nigerian Naira							
Non-derivative liabilities							
Deposits from banks	92,717	92,717	92,717	-	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	298,426	302,938	165,598	133,561	3,521	214	43
Current deposits	318,213	318,337	318,337	-	-	-	-
Savings deposits	711,516	713,888	713,888	-	-	-	-
Corporate Customers:							
Term deposits	529,830	590,352	322,711	260,277	6,862	418	84
Current deposits	906,403	906,755	906,755	-	-	-	-
Other financial liabilities	51,421	52,800	51,430	-	297	220	853
Borrowings	744,094	818,794	7,771	37,027	140,994	265,981	367,022
Subordinated liabilities	30,048	40,535	-	-	2,495	2,523	35,517
Total financial liabilities	**3,682,668**	**3,837,115**	**2,579,206**	**430,864**	**154,170**	**269,356**	**403,519**
Derivative liabilities							
Cross Currency Swap	852	852	852	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	47,019	47,019	731	4,389	9,211	11,409	21,280
Letters of credit	299,756	299,756	43,841	138,530	6,198	-	111,187
Loan commitments	87,028	87,028	-	3,533	-	23,874	59,621
Assets used to manage liquidity							
Cash and bank balances	1,182,554	1,182,554	283,808	36,147	31,735	17,053	813,811
Financial assets at FVTPL							
Treasury bills	35,631	35,631	35,631	-	-	-	-
Promissory notes	59,038	63,686	-	-	-	63,686	-
Bonds	7,719	7,722	7,722	-	-	-	-
Loans and advances to banks	99,849	101,846	61,678	90	-	-	40,079
Loans and advances to customers							
Individual :							
Term loans	36,068	44,724	3,032	4,017	3,843	6,409	27,424
Overdrafts	8,867	8,870	8,870	-	-	-	-
Corporates :							
Term loans	1,175,012	1,406,777	59,489	188,537	91,075	211,765	855,912
Overdrafts	280,503	280,612	280,612	-	-	-	-
Others	2,930	3,077	-	34	3,043	-	-
Investment securities							
At FVOCI							
Treasury bills	634,209	651,295	55,887	57,321	192,582	345,504	-
Bonds	24,931	45,192	194	4,007	697	1,234	39,061
At amortised cost							
Bonds	74,017	83,775	117	6,098	1,535	2,362	73,662
Other assets	98,197	98,235	98,235	-	-	-	-
Derivative asset	48,131	48,131	124	2,641	25,940	19,425	-
Total financial assets	**3,767,656**	**4,062,127**	**895,400**	**298,892**	**350,450**	**667,438**	**1,849,949**
Gap	**(349,667)**	**(209,643)**	**(1,729,230)**	**(278,424)**	**180,871**	**362,799**	**1,254,343**

4 Financial Risk Management - Continued

4.4 Market risk

(a) Overview

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The overall objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of these portfolios separately. The trading portfolios comprise positions arising from market-making and warehousing of customer derived positions while non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities as well as financial instruments designated as FVOCI and amortised cost. UBA Group follows the Standardised Approach for market risk regulatory reporting purposes.

(i) Market Risk Management

The objective of market risk management in UBA is to ensure that all significant market risks are identified, measured, and managed in a consistent and effective manner across the Group in order to stabilize earnings and capital and also to ensure that the Group carries out its affairs within acceptable parameters and in line with the market risk appetite.

Market risk achieves the above stated objective, through a mix of quantitative and statistical controls which covers the under listed activities:

Market data collection and statistical analysis
Limit determination based on market volatility and in-country macro-prudential & regulatory guidelines.
Stop loss limit utilization monitoring
Position monitoring
New trading products risk assessment
P&L attribution analysis
Pricing model validation and sign off
Trading portfolio stress testing
Regulatory limit monitoring
Position data extraction and Internal limit monitoring
Contingency funding plan maintenance and testing
Risk profile reporting to GALCO.

The material risks identified by these measures are summarised in daily reports that are circulated to, and discussed with, senior management.

The universal market risk factors in UBA Group are interest rates, foreign exchange rates and equity prices. The associated market risks are:

- Foreign currency risk; arising from changes in exchange rates
- Interest rate risk; arising from changes in yield curves and credit spreads
- Equity risk; arising from changes in in the prices of equities, equity indices and equity baskets.

(ii) Market Risk Governance

The Board of Directors is responsible for determining UBA Group's risk appetite and tolerance limits for all its market risk exposures. Senior management is responsible for supporting the Board in determining market risk appetite and tolerance limits as well as putting in place all requisite processes, procedures and tools to ensure proper implementation of a robust system for managing, monitoring and reporting market risk appetite. The Board through Board Risk Management Committee (BRMC) is responsible for the overall governance of market risk as well as defining the terms of reference and delegating responsibilities to both the Group Risk Management Committee (GRMC) and Group Asset & Liability Management Committee (GALCO). GALCO has Group oversight and is charged with ensuring that market risks are managed homogeneously in all areas of operation. Further to the above, oversight of market risk is vested in BRMC, GALCO and the Finance & General Purpose Committee (FGPC) while the day to day management rests with the Executive Director, Risk Management, Corporate Governance & Compliance. The Group Market Risk Division is not only responsible for the development of detailed risk management policies but is also involved in the day to day review of their implementation. The market risk management policies are usually validated / approved by the Board in accordance with the approval guidelines. Trading limits are approved by GALCO and F&GPC and ratified by the Board while exposures against these limits are monitored by market risk management team. Market risk exposures are measured and reported and reported to management and bank executives on a daily basis. Documented policies and procedures are in place to ensure that exceptions are resolved timeously.

(iii) Market Risk Measurement

The Group's policy is that all trading activities are undertaken within the context of the approved Market Risk Management appetite and limits. Market Risk Management team is responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in market risk management policy and other related policies.

The Group uses limits, triggers, value at risk, earnings-at-risk, gap analyses and scenario analyses to measure and control the market risk exposures within its trading and banking books. The Group also performs regular stress tests on its banking and trading books.

(iv) Approach to Managing Market Risk in the Trading Book

The techniques used to ensure and control trading book market risk include limit monitoring, daily valuation of positions, Value at Risk (VaR), Back testing, stop loss triggers, stress testing/sensitivity analysis etc.

4 Financial Risk Management - Continued

4.4 Market risk - continued

Market Risk Limits: The Bank has put in place specific market risk limits and triggers (regulatory and in-house) to prevent undue risk exposure to the Group. Market risk limits are based on recommendations by GALCO and approved by the Board. Position limits, transaction size and portfolio volume limits are in place for each trading portfolio. UBA Group sets various limits for total market risk and specific foreign exchange, interest rate, equity and other price risks. All limits are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a daily basis by Group Market Risk and Internal Control. Limit excesses are escalated and approved under a delegated authority structure and reported to the GALCO. Excesses are also reported monthly to Group Risk Management Committee (GRMC) and quarterly to Board Risk Management Committee (BRMC).

Stop loss Triggers: Stop loss triggers are used to protect the profitability of the trading desk. They establish decision points to confirm the Group's tolerance for accepting trading risk losses on a cumulative basis. The triggers are monitored on a daily basis by market risk management team.

Daily Valuation Of Market Risk Positions: Mark to Market (MTM) for relevant products/positions is done in line with International Financial Reporting Standard (IFRS). All market risk financial instruments are categorized into:
1) Fair value through profit or loss(FVTPL) – valued on fair value accounting methodology and MTM daily.
2) Fair value through other comprehensive income(FVOCI) – valued on fair value accounting methodology and MTM monthly.
3) Amortised cost – This portfolio is not MTM because positions are held until maturity.

Marking-to-market is at least the daily valuation of positions at readily available close out prices that are sourced independently. Where marking-to-market is not possible, marking-to-model technique is employed. Marking-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. Assets that must be marked-to-model either don't have a regular market that provides accurate pricing, or valuations rely on a complex set of reference variables and time frames. E.g. complex financial instruments and derivatives.

Stress Testing: Market risk management complements the VaR measurement by regular stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible. Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions including when longer holding periods may be required to exit positions. Consistent stress-testing methodology is applied to trading and non trading books. Stress testing methodology considers both historical market events and forward-looking scenarios. The stress testing scenarios include market and credit scenarios, portfolio specific scenarios and macro economic scenarios. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

Factor Sensitivities: Factor sensitivities are expressed as the change in the value of a position for a defined change in a market risk factor, such as a change in the value of Nigerian Government Treasury bill for a one hundred basis point change in interest rates. UBA Group's Market Risk Management, within the Risk organization, works to ensure that factor sensitivities are calculated and monitored for all material risks taken in the trading portfolios.

(v) Approach to Managing Market Risk in the Non-trading Portfolio

Market risk from non-trading portfolios stems from the potential impact of changes in interest rates and foreign exchange rates on UBA's net interest revenues, the changes in accumulated other comprehensive income (loss) from its investment portfolios and capital invested in foreign currencies.
The management of banking book related market risk exposures involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book MTM profit or loss) and economic value of equity. Market risk in the banking book arises as a result of the mismatch between the future yield on assets and their funding cost and also the different re-pricing characteristics of banking book assets and liabilities. UBA Group uses a variety of tools to track and manage this risk. These tools include;
• Re-pricing gap analysis
• Liquidity gap analysis
• Earnings-at-Risk (EAR)
• Sensitivity Analysis

(vi) Exposure to interest rate risk- non-trading portfolio

UBA Group's principal measure of risk to net interest revenue is interest rate exposure (IRE). This is the risk that changes in interest rates could have a negative impact on the Bank's margins, earnings and capital. The objective of the Bank's interest rate risk management is to ensure that earnings are stable and predictable over time. The Bank is exposed to interest rate risk through the interest-bearing assets and liabilities in its trading and banking books. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the Group balance sheet, mainly due to different re-pricing characteristics of banking book assets and liabilities.

Interest rate risk is managed principally through monitoring interest rate gaps and having pre-approved limits for re-pricing bands. There will always be a mis-match between maturing assets and maturing liabilities, and changes in interest rates means that the Net Interest Margin (NIM) is affected on a daily basis by maturing and re-pricing activities. This change is measured through calculation of Earnings at Risk or EaR on a portfolio over the life of its assets and liabilities. EaR is usually calculated at various levels of change to simulate the likely change in the course of normal business or the expected risk where there is an unusual market event.
GALCO has oversight for compliance with these limits and execution of gapping strategy is carried out by Group Treasury.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

4 Financial Risk Management - Continued

4.4 Market risk - continued

In order to manage changes in interest rates effectively, the Group may modify pricing on new customer loans and deposits, purchase fixed rate securities, issue debt that is either fixed or floating or enter into derivative transactions that have the opposite risk exposures. UBA regularly assesses the viability of these and other strategies to reduce its interest rate risks and implements such strategies when it believes those actions are prudent.

(b) Interest rate risk

UBA Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income and maintaining market interest rate levels consistent with the Group's business strategies.

The table below is a summary of the group's interest rate gap position at the reporting date. All assets, liabilities and derivatives instruments are allocated to gap intervals based on either their re-pricing or maturity characteristics. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of their contractual re-pricing or maturity dates. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling. Overall non-trading interest rate risk positions are managed by Group Treasury which uses investment securities, advances to other financial institutions (banks and discount houses) to manage the overall position arising from the Group's non-trading activities.

31 December 2020
Group

		Re-pricing period					
In millions of Nigerian Naira	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
Cash and bank balances	1,874,618	62,451	-	40,511	23,870	-	1,747,786
Financial assets at FVTPL							
Treasury bills	176,172	7,483	10,472	150,281	7,936	-	-
Promissory notes	75	-	-	-	75	-	-
Bonds	38,153	-	-	-	-	38,153	-
Loans and advances to banks	77,419	31,464	36,277	9,678	-	-	-
Loans and advances to customers:							
Individual							
Term loans	161,184	3,391	8,873	80,233	13,620	55,067	-
Overdrafts	19,890	19,890	-	-	-	-	-
Corporates							
Term loans	1,813,652	63,261	286,987	363,721	231,834	867,849	-
Overdrafts	558,760	558,760	-	-	-	-	-
Others	1,489	-	32	1,457	-	-	-
Investment securities:							
At FVOCI:							
Treasury bills	1,142,908	56,756	54,939	226,137	805,076	-	-
Bonds	150,822	4,344				146,478	-
Equity	127,797	-	-	-	-	-	127,797
At amortised cost:							
Treasury bills	716,448	22,663	21,937	90,260	581,588	-	-
Bonds	443,708	10,411	-	-	-	433,297	-
Derivative assets	53,148	-	-	-	-	-	53,148
Other assets	75,758	-	-	-	-	-	75,758
	7,432,001	**840,874**	**419,517**	**962,278**	**1,663,999**	**1,540,844**	**2,004,489**
Derivative liability	508	-	-	-	-	-	508
Deposits from banks	418,157	418,157	-	-	-	-	-
Deposits from customers	5,676,011	1,980,552	749,746	14,494	883	177	2,930,159
Other liabilities	147,162	-	-	-	-	-	147,162
Borrowings	694,355	-	64,345	127,983	211,689	290,338	-
	6,936,193	**2,398,709**	**814,091**	**142,477**	**212,572**	**290,515**	**3,077,829**
Gaps	**495,808**	**(1,557,835)**	**(394,574)**	**819,801**	**1,451,427**	**1,250,329**	**(1,073,340)**

4 Financial Risk Management - Continued
4.4 Market risk - continued
Interest rate risk (continued)

31 December 2019
Group

In millions of Nigerian Naira	Carrying amount	Re-pricing period < 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
Cash and bank balances	1,396,228	88,974	-	40,511	23,870	-	1,242,873
Financial assets at FVTPL							
Treasury bills	35,631	7,483	10,472	9,740	7,936	-	-
Promissory note	59,038	-	-	-	59,038	-	-
Bonds	7,719	-	-	-	-	7,719	-
Loans and advances to banks	108,211	59,799	38,734	9,678	-	-	-
Loans and advances to customers:							
Individual							
Term loans	88,960	3,391	8,873	8,009	13,620	55,067	-
Overdrafts	16,812	16,812	-	-	-	-	-
Corporates		-	-	-	-	-	
Term loans	1,526,409	63,261	286,987	76,478	231,834	867,849	-
Overdrafts	426,036	426,036	-	-	-	-	-
Others	2,930	-	32	2,898	-	-	-
Investment securities:							
At FVOCI:							
Treasury bills	678,243	56,756	54,939	226,043	340,505	-	-
Bonds	108,697	4,344				104,353	-
Equity	114,108	-	-	-	-	-	114,108
At amortised cost:							
Treasury bills	461,353	22,663	21,937	90,260	326,493	-	-
Bonds	209,645	10,411	-	-	-	199,234	-
Derivative assets	48,131	-	-	-	-	-	48,131
Other assets	111,912	-	-	-	-	-	111,912
	5,400,063	**759,930**	**421,974**	**463,617**	**1,003,296**	**1,234,222**	**1,517,024**
Derivative liability	852	-	-	-	-	-	852
Deposits from banks	267,070	267,070	-	-	-	-	-
Deposits from customers	3,832,884	1,580,552	549,746	14,494	883	177	1,687,032
Other liabilities	86,937	-	-	-	-	-	86,937
Subordinated liabilities	30,048	-	-	-	-	30,048	-
Borrowings	758,682	-	64,345	127,983	211,689	354,665	-
	4,976,473	**1,847,622**	**614,091**	**142,477**	**212,572**	**384,890**	**1,774,821**
Gaps	**423,590**	**(1,087,692)**	**(192,117)**	**321,140**	**790,724**	**849,332**	**(257,797)**

4 Financial Risk Management - Continued
4.4 Market risk - continued
Interest rate risk - continued

		Re-pricing period					
31 December 2020 **Bank**	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
In millions of Nigerian Naira							
Cash and bank balances	1,436,822	9,954	-	17,413	23,870	-	1,385,585
Financial assets at FVTPL							
Treasury bills	168,035	7,483	9,988	142,628	7,936	-	-
Promissory notes	75	-	-	-	75		
Bonds	2,948	-	-	-	-	2,948	-
Loans and advances to banks	65,058	58,609	38,734 -	32,285	-	-	-
Loans and advances to customers:							
Individual							
Term loans	55,346	2,445	3,239	3,099	5,169	41,394	
Overdrafts	10,250	10,250	-	-	-	-	-
Corporates						-	
Term loans	1,377,804	49,790	157,799	76,226	177,240	916,749	-
Overdrafts	367,645	367,645	-	-	-	-	-
Others	1,491	-	32	1,459	-	-	-
Investment securities:							
At FVOCI:							
Treasury bills	1,101,232	47,651	46,126	189,782	817,673		-
Bonds	5,592	4,344	-	-		1,248	
Equity	126,860	-	-	-	-	-	126,860
At amortised cost:							
Bonds	72,276	10,410				61,866	
Derivative assets	53,148	-	-	-	-	-	53,148
Other assets	74,574	-	-	-	-	-	74,574
	4,919,156	**568,581**	**255,918**	**398,322**	**1,031,963**	**1,024,205**	**1,640,167**
Derivative liability	508	-	-	-	-	-	508
Deposits from banks	121,815	121,815	-	-	-	-	-
Deposits from customers	3,824,143	1,136,131	395,168	10,419	634	127	2,281,664
Other liabilities	88,456	-	-	-	-	-	88,456
Subordinated liabilities	-	-	-	-	-	-	-
Borrowings	688,280	-	64,345	127,983	211,689	284,263	-
	4,723,202	**1,257,946**	**459,513**	**138,402**	**212,323**	**284,390**	**2,370,628**
Gaps	**195,954**	**(689,365)**	**(203,595)**	**259,920**	**819,640**	**739,815**	**(730,461)**

4 Financial Risk Management - Continued
4.4 Market risk - continued
Interest rate risk - continued

31 December 2019				**Re-pricing period**			
Bank	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
In millions of Nigerian Naira							
Cash and bank balances	1,182,554	53,265	-	40,511	23,870	-	1,064,908
Financial assets at FVTPL							
Treasury bills	35,631	7,483	10,472	9,740	7,936	-	-
Promissory notes	59,038	-	-	-	59,038		
Bonds	7,719	-	-	-	-	7,719	-
Loans and advances to banks	99,849	58,609	38,734	2,506	-	-	-
Loans and advances to customers:							
Individual							
Term loans	36,068	2,445	3,239	3,099	5,169	22,116	
Overdrafts	8,867	8,867	-	-	-	-	-
Corporates						-	
Term loans	1,175,012	49,790	157,799	76,226	177,240	713,957	-
Overdrafts	280,503	280,503	-	-	-	-	-
Others	2,930	-	32	2,898	-	-	-
Investment securities:							
At FVOCI:							
Treasury bills	634,209	47,651	46,126	189,782	350,650		-
Bonds	24,931	4,344	-	-		20,587	
Equity	113,518	-	-	-	-	-	113,518
At amortised cost:							
Bonds	74,017	10,410				63,607	
Derivative assets	48,131	-	-	-	-	-	48,131
Other assets	98,197	-	-	-	-	-	98,197
	3,881,174	**523,367**	**256,402**	**324,762**	**623,903**	**827,986**	**1,324,754**
Derivative liability	852	-	-	-	-	-	852
Deposits from banks	92,717	92,717	-	-	-	-	-
Deposits from customers	2,764,388	1,136,131	395,168	10,419	634	127	1,221,909
Other liabilities	51,421	-	-	-	-	-	51,421
Subordinated liabilities	30,048	-	-	-	-	30,048	-
Borrowings	744,094	-	64,345	127,983	211,689	340,077	-
	3,683,520	**1,228,848**	**459,513**	**138,402**	**212,323**	**370,252**	**1,274,182**
Gaps	**197,654**	**(705,481)**	**(203,111)**	**186,360**	**411,580**	**457,734**	**50,572**

4 Financial Risk Management - Continued

4.4 Market risk - continued

Interest rate sensitivity analysis of floating rate financial instruments

The tables below shows the impact of interest rate changes (increase / decrease) on the Group's floating-rate financial instrument portfolios and the effect on income statement. The sensitivity analysis is based on a conservative assumption of 50 basis point change on the instrument with other variables remaining constant and also assuming there is no asymmetrical movement in yield curve.

	Group		Bank	
Borrowings	**Dec. 2020**	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
In millions of Nigerian Naira				
- Sumitomo Mitsui Banking Corporation (note 37.9)	44,056	36,608	44,056	36,608
- European Investment Bank (EIB) (note 37.3)	20,811	23,356	20,811	23,356
- Africa Trade Finance Limited (note 37.4)	32,004	32,846	32,004	18,258
- Eurobond debt security (note 37.5)	199,256	181,022	199,256	181,022
- African Development Bank (note 37.6)	40,422	46,385	40,422	46,385
-Abu Dhabi Commercial Bank (ADCB)(note 37.12)	8,014	-	8,014	-
- Proparco (note 37.8)	34,048	-	34,048	-
- Agence Francaise de Development (AFD) (note 37.7)	7,971	-	7,971	-
- CitiBank (note 37.10)	20,241	-	20,241	-
- African Export-Import Bank (note 37.11)	119,566	-	119,566	-
- Credit Suisse	0	110,509	-	110,509
- JP Morgan Securities Limited	0	73,185	-	73,185
-Others (note 37.16)	6,075	-	-	-
-Mashreqbank psc (note 37.13)	16,192	18,277	16,192	18,277
-Rand Merchant Bank (note 37.14)	40,438	55,280	40,438	55,280
-ABSA Bank Limited (note 37.15)	30,264	27,380	30,264	27,380
-Others (note 37.16)	6,075	-	-	-
	625,433	**604,848**	**613,283**	**590,260**
Impact on profit or loss:				
Favourable change @ 0.5% increase in rates	(3,127)	(3,344)	(3,066)	(3,271)
Unfavourable change @ 0.5% reduction in rates	3,127	3,344	3,066	3,271

(c) Price risk

The Group is exposed to the impact of price changes on its financial assets measured at FVTPL, FVTOCI and its equity instruments.

Price sensitivity analysis for financial instruments measured at FVTPL

The table below shows the impact of price changes (increase / decrease) on the Group's financial assets measured at fair value and the effect on profit & loss. For the purpose of sensitivity analysis, a conservative assumption of 2% change in prices with other variables remaining constant was made.

In millions of Nigerian Naira	Group		Bank	
	Dec. 2020	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Financial assets at FVTPL				
Treasury bills	176,172	35,631	168,035	35,631
Government bonds	38,153	7,719	2,948	7,719
	214,325	**43,350**	**170,983**	**43,350**
Impact on profit or loss:				
Favourable change @ 2% increase in prices	(4,287)	(867)	(3,420)	(867)
Unfavourable change @ 2% reduction in prices	4,287	867	3,420	867
Derivative assets	53,148	48,131	53,148	48,131
Impact on profit or loss:				
Favourable change @ 2% increase in rates	(1,063)	(963)	(1,063)	(963)
Unfavourable change @ 2% reduction in rates	1,063	963	1,063	963
Derivative liabilities	508	852	508	852
Impact on income statement:				
Favourable change @ 2% increase in rates	10	17	10	17
Unfavourable change @ 2% reduction in rates	(10)	(17)	(10)	(17)

4 Financial Risk Management - Continued

4.4 Market risk - continued

Price sensitivity analysis for financial instruments measured at FVOCI:

The table below shows the impact of price changes (increase / decrease) on the Group's financial instruments at FVOCI and the effect on other comprehensive income. For debt securities which are categorised under level 1 in the fair value hierarchy, a 2% change in prices has been assumed with other variables remaining constant.

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2020**	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Debt securities				
Investment securities at FVOCI:				
Treasury bills	1,142,908	678,243	1,101,232	634,209
Government bonds	150,822	108,697	5,592	24,931
Total	**1,293,730**	**786,940**	**1,106,824**	**659,140**
Impact on other comprehensive income statement:				
Favourable change @ 2% increase in prices	25,875	15,739	22,136	13,183
Unfavourable change @ 2% reduction in prices	(25,875)	(15,739)	(22,136)	(13,183)

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as FVOCI. The sensitivity analysis on the Group's total equity position is shown below.

Sensitivity analysis for level 1 equity securities is based on average movement in share price index for quoted shares during the year. Price sensitivity analysis for the Group's Level 2 unquoted equities was based on assumptions of a 5% change in the last trading prices obtained from over-the-counter (OTC) trades that were done as at the reporting date. For unquoted equity securities categorised under level 3 in the fair value hierachy, 5% increases/decreases were assumed for the significant unobservable inputs (cost of equity and terminal growth rates).

	Group		Bank	
	Dec. 2020	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Total Equity Positions				
In million of Nigerian Naira				
Investment securities at FVOCI	123,756	111,496	122,819	110,906
Total	**123,756**	**111,496**	**122,819**	**110,906**
Impact on Other comprehensive income:				
Favourable change @ 5% increase in prices	6,212	12,025	6,212	12,025
Unfavourable change @ 5% reduction in prices	(5,597)	(9,871)	(5,597)	(9,871)

4 Financial Risk Management - Continued

4.4 Market risk - continued

(d) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

Foreign exchange risk is the risk of an adverse impact on the group's financial position or earnings or key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures. The group is exposed to foreign exchange rate both as a result of on-balance sheet transactions in a currency other than the Naira, as well as through structural foreign exchange risk from the translation of its foreign operations' results into Naira. The impact on equity as a result of structural foreign exchange risk is recognised in the foreign currency translation reserve balance. Foreign exchange risk is primarily controlled via in-country macro-prudential and regulatory limits as well as the group's policies around trading limits. The Board and Group ALCO set limits on the level of exposure by currency and in aggregate for both overnight and intra day positions. These limits must be in line with regulatory Open Position Limit (OPL). Compliance with both internal limits and regulatory limits are monitored daily with zero tolerance for limit breaches. These limits include OPL, dealers' limit, overnight/intraday limits, maturity gap limits, management action trigger, product limits, counterparty limits and cross border limits.

The tables below show foreign currencies to which the Group had exposure at the end of the reporting period and the sensitivity of the Group's profit before tax and equity to changes in exchange rates. The analysis calculates the effect of reasonably possible movement of the foreign exchange rates against the Nigerian Naira (all other variables being constant) on the income statement due to changes to the carrying amounts of the Group's foreign currency sensitive financial assets and liabilities. A negative amount in the table reflects a potential net reduction in the income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Nigerian Naira would have resulted in an equivalent but opposite impact.
For the purpose of disclosing the sensitivity analysis for foreign currency risk, the Group's foreign currency risk arising from the translation of its foreign operations are not taken into account even though they may have an impact on equity. This is because foreign currency risk can only arise on financial instruments denominated in a currency other than the functional currency in which they are measured and translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the group's presentation currency.

The information disclosed on the net foreign currency (FCY) exposure is representative of the average exposure in the period. The Bank believes that for each foreign currency exposure, it is reasonable to assume 10% depreciation of the Naira holding all other variables constant.

Group

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
31 December 2020						
Cash and bank balances	1,176,105	303,876	62,453	11,221	320,964	1,874,618
Financial assets at FVTPL	171,058	-	-	-	43,342	214,400
Derivative assets	53,148	-	-	-	-	53,148
Loans and advances to banks	-	64,190	13,217	12	-	77,419
Loans and advances to customers	955,518	824,304	38,503	37	736,613	2,554,975
Investment securities	1,292,253	242,252	1,477	-	1,044,808	2,580,791
Other assets	32,051	50,322	4,551	33	12,145	99,102
Total financial assets	**3,680,133**	**1,484,944**	**120,202**	**11,303**	**2,157,872**	**7,454,453**
Derivative liability	508	-	-	-	-	508
Deposits from banks	142,261	7,984	7,983	16	259,913	418,157
Deposits from customers	3,483,485	633,292	46,649	12,007	1,500,578	5,676,011
Other liabilities	30,668	52,821	14,805	317	48,552	147,162
Borrowings	74,996	619,359	-	-	-	694,355
Total financial liabilities	**3,731,918**	**1,313,455**	**69,436**	**12,340**	**1,809,043**	**6,936,193**
Swap and forward contracts	(500,413)	500,413	-	-	-	-
Net FCY Exposure		**671,902**	**50,766**	**(1,037)**	**348,829**	
Effect of naira depreciation by 10% on profit before tax		67,190	5,077	(104)	34,883	107,046
Effect of naira appreciation by 10% on profit before tax		(67,190)	(5,077)	104	(34,883)	(107,046)

4 Financial Risk Management - Continued

4.4 Market risk - continued

(d) Exchange rate exposure limits - continued

Group

In millions of Nigerian Naira	**Naira**	**US Dollar**	**Euro**	**Pound**	**Others**	**Total**
31 December 2019						
Cash and bank balances	904,710	301,584	57,158	9,598	123,178	1,396,228
Financial assets at FVTPL	102,388	-	-	-	-	102,388
Derivative assets	2,462	45,545	124	-	-	48,131
Loans and advances to banks	3,240	86,858	18,113	-	-	108,211
Loans and advances to customers	882,046	607,415	63,333	142	508,211	2,061,147
Investment securities	865,813	48,052	-	-	657,685	1,571,550
Other assets	64,373	16,852	14	7	30,666	111,912
Total financial assets	**2,825,032**	**1,106,306**	**138,742**	**9,747**	**1,319,740**	**5,399,567**
Derivative liability	852	-	-	-	-	852
Deposits from banks	13,955	188,546	4,455	1	60,113	267,070
Deposits from customers	2,193,537	607,495	27,391	7,606	996,855	3,832,884
Other liabilities	14,723	27,124	1,003	68	44,019	86,937
Borrowings	87,033	671,649	-	-	-	758,682
Subordinated liabilities	30,048	-	-	-	-	30,048
Total financial liabilities	**2,340,148**	**1,494,814**	**32,849**	**7,675**	**1,100,987**	**4,976,473**
Swap and forward contracts	(419,405)	419,405	-	-	-	-
Net FCY Exposure		**30,897**	**105,893**	**2,072**	**218,753**	
Effect of naira depreciation by 15% on profit before tax		4,562	15,884	311	32,813	53,569
Effect of naira appreciation by 15% on profit before tax		(4,562)	(15,884)	(311)	(32,813)	(53,569)

4 Financial Risk Management - Continued

4.4 Market risk - continued

(d) Exchange rate exposure limits - continued

In millions of Nigerian Naira

Bank	Naira	US Dollar	Euro	Pound	Others	Total
31 December 2020						
Cash and bank balances	1,176,105	217,375	32,760	7,052	3,531	1,436,822
Financial assets at FVTPL	171,058	-	-	-	-	171,058
Derivative assets	53,148			-	-	53,148
Loans and advances to banks	-	51,829	13,217	12	-	65,058
Loans and advances to customers	955,518	761,051	95,939	28	-	1,812,536
Investment securities	1,292,253	12,910	-	-	-	1,305,163
Other assets	32,051	64,701	25	33	4	96,814
Total financial assets	**3,680,133**	**1,107,866**	**141,941**	**7,125**	**3,535**	**4,940,599**
Derivative liability	508	-	-	-	-	508
Deposits from banks	97	118,047	3,671	-	-	121,815
Deposits from customers	3,176,470	608,187	30,666	8,820	-	3,824,143
Other liabilities	30,668	41,995	13,483	304	2,007	88,456
Borrowings	74,996	613,284	-	-	-	688,280
Total financial liabilities	**3,282,739**	**1,381,512**	**47,819**	**9,124**	**2,007**	**4,723,201**
Swap and forward contracts	(500,413)	500,413	-	-	-	-
Net FCY Exposure		**226,766**	**94,122**	**(1,999)**	**1,528**	
Effect of naira depreciation by 15% on profit before tax		34,015	14,118	(300)	229	48,063
Effect of naira appreciation by 15% on profit before tax		(34,015)	(14,118)	300	(229)	(48,063)
31 December 2019						
Cash and bank balances	905,804	228,617	39,068	7,900	1,165	1,182,554
Financial assets held for trading	102,388	-	-	-	-	102,388
Derivative assets	48,131	-	-	-	-	48,131
Loans and advances to banks	-	81,736	18,113	-	-	99,849
Loans and advances to customers	880,941	559,002	63,296	141	-	1,503,380
Investment securities	834,135	12,079	-	-	-	846,214
Other assets	81,324	16,852	14	7	-	98,197
Total financial assets	**2,852,723**	**898,286**	**120,491**	**8,048**	**1,165**	**3,880,713**
Derivative liability	852	-	-	-	-	852
Deposits from banks	13,504	72,935	6,278	-	-	92,717
Deposits from customers	2,217,239	512,152	27,391	7,606	-	2,764,388
Other liabilities	10,587	39,326	1,003	68	437	51,421
Borrowings	87,033	657,061	-	-	-	744,094
Subordinated liabilities	30,048	-	-	-	-	30,048
Total financial liabilities	**2,359,263**	**1,281,474**	**34,672**	**7,674**	**437**	**3,683,520**
Swap and forward contracts	(419,405)	419,405	-	-	-	-
Net FCY Exposure		**36,217**	**85,819**	**374**	**728**	
Effect of naira depreciation by 15% on profit before tax		12,191	12,891	56	109	25,248
Effect of naira appreciation by 15% on profit before tax		(12,191)	(12,891)	(56)	(109)	(25,248)

5 Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of local banking supervisors. The Group's lead regulator, the Central Bank of Nigeria (CBN) sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria (CBN) and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

5.1 Capital management

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk of its activities. In order to maintain or adjust its capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. Capital management is overseen by the Board of Directors who have overall responsibility for ensuring adequate capital is maintained for the Group.
The Group has a process of ensuring adequate capital is maintained and this process includes:

· Capital planning
· Prudent portfolio management
· Capital adequacy stress testing
· Contingency Planning

The objective of the capital management process is to:
· Adequately assess impairment losses and impact on capital impairment;
· Meet CBN's capital adequacy requirements
· Optimise the use and allocation of capital resources and align our target capital with our optimum capital structure

5.2 Regulatory capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.
The group monitors regulatory capital using the capital adequacy ratio. This ratio is calculated as total regulatory capital divided by risk weighted assets. Total regulatory capital and risk weighted assets are calculated as shown in the table below.

The Central Bank of Nigeria sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

The Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group's regulatory capital is split into two tiers:

Tier 1 capital includes ordinary share capital, share premium, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital includes qualifying subordinated liabilities and the element of the fair value reserve relating to unrealised gains on financial instruments classified as FVOCI.

Various limits are applied to elements of the capital base. Elements of Tier 2 capital are limited to a maximum of one-third of Tier 1 capital, after making deductions of goodwill, deferred tax asset and other intangible assets but before deductions of investments.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

5 Capital - continued

5.2 Regulatory capital - continued

During the year, the Group's strategy, which was unchanged, was to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. UBA Plc operates under an international banking authorization with a minimum regulatory capital of N50 billion and a minimum capital adequacy ratio of 15%. During the year, the Group complied with all external capital requirements.

In millions of Nigeria naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Tier 1 capital				
Ordinary share capital	17,100	17,100	17,100	17,100
Share premium	98,715	98,715	98,715	98,715
Retained earnings	255,059	198,037	95,480	103,442
Other reserves	115,379	102,248	97,451	86,068
Gross Tier 1 capital	486,253	416,100	308,746	305,325
Less:				
Deferred tax on accumulated losses	7,522	7,433	7,816	6,362
Intangible assets	28,900	17,671	16,237	7,070
Tier 1 Capital After Regulatory Deduction	**449,831**	**390,996**	**284,693**	**291,893**
Investment in subsidiaries	-	-	(51,638)	(51,638)
Eligible Tier 1 Capital	**449,831**	**390,996**	**233,055**	**240,255**
Tier 2 capital				
Fair value reserve for securities measured at FVOCI	122,807	117,408	123,421	117,995
Subordinated liabilities	-	30,048	-	30,048
Less: limit of tier 2 to tier 1 capital	(28,523)	(50,745)	(28,523)	(50,745)
Qualifying Tier 2 Capital Before Deductions	**94,284**	**96,711**	**94,898**	**97,298**
Less: Investment in subsidiaries	-	-	(51,638)	(51,889)
Net Tier 2 Capital	**94,284**	**96,711**	**43,260**	**45,409**
Qualifying capital				
Net Tier I regulatory capital	449,831	390,996	233,055	240,255
Net Tier II regulatory capital	94,284	96,711	43,260	45,409
Total qualifying capital	**544,115**	**487,707**	**276,315**	**285,664**
Composition of risk-weighted assets:				
Risk-weighted amount for credit risk	1,685,209	1,276,098	991,245	918,586
Risk-weighted amount for operational risk	732,958	704,752	396,319	369,284
Risk-weighted amount for market risk	16,160	38,148	15,390	40,361
Total Basel II Risk-weighted assets	**2,434,326**	**2,018,998**	**1,402,955**	**1,328,231**
Basel II Capital ratios				
Risk Weighted Capital Adequacy Ratio	**22%**	**24%**	**20%**	**22%**

5.3 Capital allocation

The allocation of capital between specific operations and activities is to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives.

6 Fair value measurement

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.
For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

6.1 Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

• Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily quoted equity and debt investments classified as trading securities or available for sale.

• Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.
Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

• Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rate, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. The Group's valuation methodology for securities uses a discounted cash flow methodology and dividend discount methodology. The methodologies are often used by market participants to price similar securities.

6 Fair value measurement - Continued

6.1 Valuation models - continued

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa such as interest rate swaps, fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgment in determining appropriate portfolio-level adjustments such as bid-ask spreads and relevant risk premiums.

6.2 Valuation framework

The Group has an established control framework with respect to the measurement of fair values. This framework includes an Investor Relations and Portfolio Investments Management Unit which is independent of front office management and reports to the Group Chief Financial Officer, and which has overall responsibility for valuations. There is also the Risk Measurement unit responsible for independent independently verifying the results of third party valuation. Specific controls include:

• Verification of observable pricing;
• Re-performance of model valuations;
• A review and approval process for new models and changes to models involving both Product Control and Group Market Risk;
• periodic calibration and back-testing of models against observed market transactions;
• Analysis and investigation of significant daily valuation movements; and
• Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous month, by a committee of senior Product Control and Group Market Risk personnel.

When third party information, such as broker quotes or pricing services, is used to measure fair value, the risk measurement unit assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

• Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
• Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
• When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
• If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements are recurring.

Group:

31 December 2020

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	23				
Government bonds		-	38,153	-	38,153
Promissory notes			75		75
Treasury bills		-	176,172	-	176,172
Derivative assets measured at fair value through profit and loss:	33(a)	-	53,148	-	53,148
Investment securities at FVOCI	26				
Treasury bills		-	1,142,908	-	1,142,908
Bonds		-	150,822	-	150,822
Equity investments		4,041	-	123,756	127,797
Total assets		**4,041**	**1,561,278**	**123,756**	**1,689,075**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	508	-	508

Bank:

31 December 2020

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	23				
Government bonds		-	2,948	-	2,948
Promissory notes			75	-	75
Treasury bills		-	168,035	-	168,035
					-
Derivative assets measured at fair value through profit and loss:	33(a)	-	53,148	-	53,148
					-
Investment securities at FVOCI	26				-
Treasury bills		-	1,101,232	-	1,101,232
Bonds		-	5,592	-	5,592
Equity investments		4,041	-	122,819	126,860
		4,041	**1,331,030**	**122,819**	**1,457,890**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	508	-	508

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value

Group:

31 December 2019

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	23				
Government bonds		-	7,719	-	7,719
Promissory notes			59,038		59,038
Treasury bills		-	35,631	-	35,631
Derivative assets measured at fair value through profit and loss:	33(a)		48,131	-	48,131
		-			
Investment securities at FVOCI	26				-
Treasury bills		-	678,243		678,243
Bonds		-	108,697	-	108,697
Equity investments		2,612	3,088	108,408	114,108
Total assets		**2,612**	**3,088**	**108,408**	**1,015,936**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**852**	**-**	**852**

Bank:

31 December 2019

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	23				
Government bonds		-	7,719	-	7,719
Promissory notes			59,038	-	59,038
Treasury bills		-	35,631	-	35,631
Derivative assets measured at fair value through profit and loss:	33(a)	-	48,131	-	48,131
Investment securities at FVOCI	26				
Treasury bills		-	634,209	-	634,209
Bonds		-	24,931	-	24,931
Equity investments		2,612	3,088	107,818	113,518
		2,612	**812,747**	**107,818**	**923,177**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**852**	**-**	**852**

The following table presents the changes in level 3 instruments during the year. Level 3 instruments are all unquoted equities.

In millions of Nigerian Naira	**Group Dec. 2020**	**Group Dec. 2019**	**Bank Dec. 2020**	**Bank Dec. 2019**
Balance, beginning of year	108,408	97,998	107,818	97,487
Addition during the year	347	79	-	-
Gain recognised in other comprehensive income (under fair value gain on FVOCI)	10,875	9,223	10,875	9,223
Translation differences	4,126	1,108	4,126	1,108
Balance, end of year	123,756	108,408	122,819	107,818

Fair value measurement (continued)

(i) The fair value of the Group's equity investment in CSCS Limited was previously categorised as level 3 in the fair value hierarchy. This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares. In 2015 however, CSCS shares became available for over-the-counter (OTC trades). The fair value measurement was therefore transferred from level 3 to level 2. Also in 2019, the fair value of MTN shares was transferred from level 2 to level 1 in the fair value hierarchy due to the listing and trading of the shares of MTN Nigeria on the Nigerian Stock Exchange (NSE) and the interests was eventually disposed in Dec-20. There were no transfers from level 2 to level 3 in 2020.

(ii) Level 2 fair value measurements

These prices are a reflection of the actual fair value of the investments, as transactions consummated under the OTC trades were arms length transactions. The Group's Level 2 derivative contracts were valued using interest rate parity method discounted to present value due to time value of money. Inputs to the valuation models are all based on market conditions existing at the end of each reporting period. These derivative contracts are not traded in active markets.

(iii) Level 3 fair value measurements - Unobservable inputs used in measuring fair value

All valuation processes and techniques are subject to review and approval by the Finance and General Purpose Committee of the Board of Directors. There was no change in the Group's valuation technique during the period.

The table below sets out information about significant unobservable inputs used as at 31 December 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 31 December 2020 N'million	Fair value as at 31 December 2019 N'million	Valuation technique	Unobservable input	Range of estimates for unobservable inputs (31 December 2020)	Range of estimates for unobservable inputs (31 December 2019)	Relationship of unobservable inputs to fair value
Unquoted equity securities	122,718	101,216	Income Approach (Discounted cash flow method)	Cost of equity	12.7% - 17.5%	8.00% - 23.40%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	1.7%-2.4%	2.5%-2.6%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
	-	-	Income Approach (Dividend discount model)	Cost of equity	-	0	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	-	0	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values.

(iv) Level 3 fair value measurements - Unobservable inputs used in measuring fair value (continued)

Significant unobservable inputs are developed as follows:

Discounted cash flow

• The Group used the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.
• The risk free rate was determined using the yield on 30-year US treasury bond (for unquoted securities denominated in USD) and longest tenured Federal Government of Nigeria bond (for unquoted securities denominated in Nigerian naira).
• Equity risk premium was determined using market returns obtained from PricewaterhouseCoopers and KPMG industry surveys.
• Beta estimates were obtained from Damodaran Online.

Fair value measurement (continued)

Dividend discount model

• The Group used the build-up approach to determine cost of equities for its various unquoted equities which were fair valued using dividend discount model at year end.
• The risk free rate was determined using the yield on the longest tenured sovereign bonds.
• The dividend growth rate was determined using the historical five years weighted average growth rate of dividends paid by the respective entities
• Equity risk premium were obtained from Damodaran Online (with specific focus on emerging markets data), adjusted for size premium.

(v) Level 3 fair value measurements - Effect of unobservable inputs on fair value measurement

The Group believes that its estimates of fair values are appropriate. However, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the cost of equity or terminal growth rate by a reasonable possible value, in isolation, would have the following effects on other comprehensive income for the period:

In millions of Nigerian Naira

Key Assumption	**Effect on other comprehensive income (OCI)**			
	Dec. 2020		**Dec. 2019**	
	5% Increase	**5% Decrease**	**5% Increase**	**5% Decrease**
Cost of Equity	(5,710)	6,325	(12,996)	14,949
Terminal Growth Rate	113	(113)	3,279	(3,078)

Fair value measurement - continued

6.4 Financial instruments not measured at fair value

The table below sets out the fair values of financial instruments not carried at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Group	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
In millions of Nigerian Naira					
31 December 2020					
Assets					
Cash and bank balances	-	-	1,874,618	1,874,618	1,874,618
Loans and advances to banks	-	-	78,295	78,295	77,419
Loans and advances to customers					
-Individual					
Term loans	-	-	165,663	165,663	161,184
Overdrafts	-	-	22,177	22,177	19,890
-Corporate					
Term loans	-	-	1,830,951	1,830,951	1,813,652
Overdrafts	-	-	575,072	575,072	558,760
Others		-	1,505	1,505	1,489
Investment Securities - Amortised cost					
Treasury bills	-	716,448	-	716,448	716,448
Bonds	-	371,432	-	371,432	443,708
Other assets	-	75,758	-	75,758	75,758
Liabilities					
Deposits from banks	-		418,157	418,157	418,157
Deposits from customers	-	-	5,697,797	5,697,797	5,676,011
Other liabilities	-	-	147,162	147,162	147,162
Borrowings	-	-	727,824	727,824	694,355

Group	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
In millions of Nigerian Naira					
31 December 2019					
Assets					
Cash and bank balances	-	.	1,396,228	1,396,228	1,396,228
Loans and advances to banks	-	-	109,435	109,435	108,211
Loans and advances to customers					
-Individual					
Term loans	-	-	91,432	91,432	88,960
Overdrafts	-	-	18,745	18,745	16,812
-Corporate					
Term loans	-	-	1,540,968	1,540,968	1,526,409
Overdrafts	-	-	438,473	438,473	426,036
Others		-	2,962	2,962	2,930
Investment Securities - Amortised cost					
Treasury bills	-	-	461,353	461,353	461,353
Bonds	-	-	209,645	209,645	209,645
Other assets	-	-	111,912	111,912	111,912
Liabilities					
Deposits from banks	-		267,070	267,070	267,070
Deposits from customers	-	-	3,845,782	3,845,782	3,832,884
Subordinated liabilities	-	30,969	-	30,969	30,048
Other liabilities	-	86,937	-	86,937	86,937
Borrowings	-	-	834,847	834,847	758,682

Fair value measurement - continued

6.4 Financial instruments not measured at fair value - continued

Bank	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
31 December 2020					
Assets					
Cash and bank balances	-	-	1,436,822	1,436,822	1,436,822
Loans and advances to banks	-	-	65,794	65,794	65,058
Loans and advances to customers					-
-Individual					
Term loans	-	-	56,884	56,884	55,346
Overdrafts	-	-	11,429	11,429	10,250
-Corporate					
Term loans	-	-	1,390,946	1,390,946	1,377,804
Overdrafts	-	-	378,378	378,378	367,645
Others	-	-	1,507	1,507	1,491
Investment Securities - Amortised cost					
Treasury bills	-	-	-	-	-
Bonds	-	72,276	-	72,276	72,276
Other assets	-	74,574	-	74,574	74,574
Liabilities					
Deposits from banks	-	-	121,815	121,815	121,815
Deposits from customers	-	-	3,842,187	3,842,187	3,824,143
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	88,456	-	88,456	88,456
Borrowings	-	-	741,767	741,767	688,280
31 December 2019					
Assets					
Cash and bank balances	-	-	1,182,554	1,182,554	1,182,554
Loans and advances to banks	-	-	100,979	100,979	99,849
Loans and advances to customers					-
-Individual					
Term loans	-	-	37,070	37,070	36,068
Overdrafts	-	-	9,887	9,887	8,867
-Corporate					
Term loans	-	-	1,186,219	1,186,219	1,175,012
Overdrafts	-	-	288,692	288,692	280,503
Others	-	-	2,962	2,962	2,930
Investment Securities - Amortised cost					
Treasury bills	-	-	-	-	-
Bonds	-	74,017	-	74,017	74,017
Other assets	-	98,197	-	98,197	98,197
Liabilities					
Deposits from banks	-	-	92,717	92,717	92,717
Deposits from customers	-	-	2,775,120	2,775,120	2,764,388
Subordinated liabilities	-	30,969	-	30,969	30,048
Other liabilities	-	51,421	-	51,421	51,421
Borrowings	-	-	818,794	818,794	744,094

Fair value measurement - continued

6.4 Financial instruments not measured at fair value - continued

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Group's financial statements. These fair values were calculated for disclosure purposes only.

i) Cash and bank balances

The carrying amount of cash and cash equivalents is a reasonable approximation of fair value.

ii) Loans and advances

Loans and advances are net of charges for impairment. To improve the accuracy of the valuation estimate for loans, homogenous loans are grouped into portfolios with similar characteristics. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

iii) Investment securities

The fair value is based on market prices from financial market dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

iv) Other assets

The bulk of these financial assets have short (less than 3months) maturities and their amounts are a reasonable approximation of fair value.

v) Deposits from banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

vi) Other liabilities

The carrying amount of financial liabilities in other liabilities is a reasonable approximation of fair value.

vii) Interest bearing loans and borrowings

The estimated fair value of fixed interest-bearing borrowings not quoted in an active market is based on discounted cash flows using the contractual interest rates for these debts over their remaining maturity.

viii) Subordinated liabilities

The fair value of subordinated liabilities is based on market prices from financial market dealer price quotations.

7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the Group may enter into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances.

The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at the reporting date, and shows in the "Net" column what the impact would be on the Group's statement of financial position if all set off rights were exercised.

Group
31 December 2020

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	201,823	(169,526)	32,297
Financial liabilities			
- Creditors and payables (note 36) (a)	255,269	(169,526)	85,743

Group
31 December 2019

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	89,470	(57,602)	31,868
Financial liabilities			
- Creditors (note 36) (a)	120,908	(57,602)	63,306

Bank
31 December 2020

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	85,716	(68,632)	17,084
Financial liabilities			
- Creditors (note 36) (a)	111,530	(68,632)	42,898

Bank
31 December 2019

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	86,697	(57,602)	29,095
Financial liabilities			
- Creditors (note 36) (a)	89,633	(57,602)	32,031

(a) Standard terms of electronic banking and similar payment transactions allow for net settlement of payments in the normal course of business.

8 Critical accounting estimates and judgments

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities.
Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group’s accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group’s control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below.

These disclosures supplement the commentary on financial risk management (see note 4).

(a) Key sources of estimation uncertainty

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss(ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Details of the inputs, assumptions and estimation methodologies used in measuring ECL are described in note 3.27.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3.27.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 3.11. Further disclosures on the Group's valuation methodology have been made on note 6.1. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future taxable profits based on expected revenues for the next five years. Details of the Group's recognised and unrecognised deferred tax assets and liabilities are as disclosed in note 32.

(iv) Valuation of derivative contracts

The fair value of the Group's derivatives is determined by using valuation techniques. Inputs to the valuation models are all based on market conditions existing at the end of each reporting period. The Group has used interest rate parity method discounted for passage of time in the valuation of its foreign exchange derivative contracts. These derivative contracts are not traded in active markets.
The table below shows the fair value of the Group's derivatives if there is 5% change in interest rates or a 15% change in foreign currency exchange rates.

	Interest rates		Exchange rates	
	5% decrease	**5% increase**	**15% decrease**	**15% increase**
In millions of Nigerian Naira				
Derivative assets	(475)	470	(2,040)	2,040
Derivative liabilities	84	(83)	69	(69)

(b) Critical accounting judgments in applying the Group's accounting policies

Critical accounting judgments made in applying the Group's accounting policies include:

(i) Fair value of equity instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see the Group's accounting policy on valuation of financial instruments in note 6.

(ii) Allowance for credit losses

In estimating credit losses, the Group considers the credit worthiness and financial capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default -PD) , the portion of the loan expected to be irrecoverable at the time of loan default (loss given default - LGD) and Exposure at Default (EAD). The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD.

	31 December 2020		**31 December 2019**	
In millions of Nigerian Naira	**Probability of Default -PD**	**Loss Given Default-LGD**	**Probability of Default -PD**	**Loss Given Default-LGD**
Increase/decrease				
1% increase	128	148	141	136
1% decrease	(125)	(148)	(140)	(136)

(iii) Impairment testing for cash-generating units containing goodwill

On an annual basis, the Group carries out impairment assessments of its cash generating units containing goodwill. The recoverable amounts of the cash-generating units (CGU) are determined based on value-in-use calculations which require the use of estimates including discount rates and terminal growth rates. Management's estimates of the recoverable amounts of these CGU's is sensitive to these estimates. The key assumptions underlying the recoverable amounts as well as sensitivity analysis of these key assumptions are disclosed in note 31.

(iv) Determination of exchange rate used for translation

The Group translates and records its foreign currency transactions and balances based on the exchange rate at which the future cash flows represented by the transactions or balances could have been settled, if those cash flows had occurred at the reporting date. The Nigerian Autonomous Foreign Exchange Fixing (NAFEX) (FMDQ) rate has been used for the translation of foreign currency balances as this remains the main source of foreign currencies for the Bank's transactions.

(v) Determination of incremental borrowing rate used for discounting lease liabilities

The incremental borrowing rate is defined by IFRS 16 as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

The effective borrowing rate used for discounting the future lease payments to present value was determined by using the corresponding FGN Bond/Bill yields of similar maturity profiles with the outstanding lease terms in addition to the Bank's risk premium based on the interest rate of the Bank's quoted subordinated series 3 notes. Hence, the bank applied a single discount rate to a portfolio of leases with reasonably similar characteristics but matched with their relevant lease terms.

9 Operating segments

Segment information is presented in respect of the Group's geographic segments which represents the primary segment reporting format and is based on the Group's management and reporting structure. The Chief Operating Decision Maker (Board of Directors), reviews the Group's performance along these business segments and resources are allocated accordingly.

Geographical segments

The Group operates in the following geographical regions:

- **Nigeria:** This comprises UBA Plc (excluding the branch in New York), UBA Pensions Custodian Limited and FX Mart Limited.
- **Rest of Africa:** This comprises all subsidiaries in Africa, excluding Nigeria. The African subsidiaries have been aggregated into one reportable segment as they are deemed to have similar economic characteristics.
- Rest of the world: This comprises UBA UK Limited and UBA New York branch. Although this part of the business is not large enough to be presented as a separate reporting segment, it has been included here as it is seen as a potential growth segment which is expected to materially contribute to group revenue in the future. The entities within this reporting segment have been aggregated into one reportable segment as they have similar economic characteristics.

Business segments

The Group operates in the following business segments:

Corporate Banking - This business segment provides a broad range of financial solutions to multinationals, regional companies, state-owned companies, non-governmental organisations, international and multinational organisations and financial institutions.

Retail/ Commercial banking – This business segment has presence in all major cities in Nigeria and in nineteen other countries across Africa where the Group has operations . It provides commercial banking products and services to the middle and retail segments of the market.

Treasury and Financial Markets – This segment provides innovative financing and risk management solutions and advisory services to the Group's corporate and institutional customers. The segment is also responsible for formulation and implementation of financial market products for the Group's customers.

No single external customer or group amounts to 10% or more of the Group's revenues.

The revenue from external parties reported to the Chief Operating Decision Maker is measured in a manner consistent with that in the income statement.

Inter-segment transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-segment transactions that are recognised in assets are also eliminated. Transfer prices between operating segments are based on the Group's internal pricing framework.

(a) Geographical segments

(i) 31 December 2020

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
Total revenue[1]	**372,223**	**232,055**	**19,750**	**(3,653)**	**620,375**
Interest expenses	(115,623)	(49,144)	(3,628)	-	(168,395)
Fee and commission expense	(28,660)	(15,527)	(86)	(62)	(44,335)
Impairment loss recognised in income statement	(21,388)	(5,145)	(476)	-	(27,009)
Operating expenses	(153,358)	(88,187)	(8,301)	(1)	(249,847)
Share of gains in equity-accounted investee	-	1,071	-	-	1,071
Profit before tax	**53,194**	**75,123**	**7,259**	**(3,716)**	**131,860**
Income tax expenses	(2,366)	(15,848)	-	119	**(18,095)**
Profit for the year	**50,828**	**59,275**	**7,259**	**(3,597)**	**113,765**
31 December 2020					
Loans and advances	1,799,404	770,289	199,252	(136,551)	**2,632,394**
Deposits from customers and banks	3,965,731	2,170,132	209,548	(251,243)	**6,094,168**
Total segment assets[2]	5,232,415	2,654,320	244,824	(433,579)	**7,697,980**
Total segment liabilities	4,763,277	2,316,525	219,457	(325,427)	**6,973,832**
[1] Includes:					
Recognised at a point in time	49,828	62,320	1,692	-	113,840
Recognised over time	708	515	-	-	1,223
Total revenue within the scope of IFRS 15	**50,536**	**62,835**	**1,692**	-	**115,063**
[2] Includes:					
Investments in associate and accounted for by using the equity method	-	4,504	-	-	**4,504**
Expenditure for reportable segment:					
Depreciation	10,573	4,006	391	-	**14,970**
Amortisation	2,665	172	135	-	**2,972**

9 Operating segments - continued
(a) Geographical segments - continued

31 December 2019

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
Total revenue[1]	**403,219**	**166,267**	**17,771**	**(27,452)**	**559,805**
Interest expenses	(154,743)	(32,965)	(2,950)	7,703	(182,955)
Fee and commission expense	(22,555)	(8,058)	57	(1)	(30,557)
Impairment loss recognised in income statement	(15,686)	(2,309)	(683)	426	(18,252)
Operating expenses	(144,500)	(71,203)	(7,203)	6,152	(216,754)
Share of gains in equity-accounted investee	-	419	-	-	419
Profit before tax	**65,735**	**52,151**	**6,992**	**(13,172)**	**111,706**
Income tax expenses	(8,720)	(10,867)	-	(2,611)	**(22,198)**
Profit for the year	**57,015**	**41,284**	**6,992**	**(15,783)**	**89,508**
31 December 2019					
Loans and advances	1,530,941	554,043	164,323	(79,949)	**2,169,358**
Deposits from customers and banks	2,897,071	1,275,536	153,982	(226,635)	**4,099,954**
Total segment assets[2]	4,176,500	1,580,319	180,895	(333,662)	**5,604,052**
Total segment liabilities	3,734,307	1,358,596	157,945	(244,774)	**5,006,074**
[1] Includes:					
Recognised at a point in time	50,429	49,604	1,228	-	101,261
Recognised over time	708	515	-	-	1,223
Total revenue within the scope of IFRS 15	**51,137**	**50,119**	**1,228**	**-**	**102,484**
[2] Includes:					
Investments in associate and accounted for by using the equity method	-	4,143	-	-	**4,143**
Expenditure for reportable segment:					
Depreciation	8,804	2,903	273	-	**11,980**
Amortisation	1,364	135	128	-	**1,627**

9 Operating segments - continued

(b) Business reporting

The following table presents income and profit and certain asset and liability information for the Group's business segments:

(i) **31 December 2020**

In millions of Nigerian Naira	Corporate	Retail and commercial	Treasury and financial markets	Total
Revenue:				
Derived revenue from external customers	**201,024**	**214,392**	**204,959**	**620,375**
Interest expenses	(41,832)	(21,339)	(105,224)	(168,395)
Fee and commission expense	(358)	(31,977)	(12,000)	(44,335)
Impairment loss recognised in income statement	(20,207)	(4,985)	(1,817)	(27,009)
Operating expenses	(66,330)	(104,609)	(58,904)	(229,842)
Depreciation and amortisation	(1,398)	(17,620)	(987)	(20,005)
Share of profit of equity-accounted investee	-	1,071	-	1,071
Profit before income tax	**70,900**	**34,933**	**26,027**	**131,860**
Taxation	(8,581)	(4,704)	(4,810)	(18,095)
Profit for the period	**62,319**	**30,229**	**21,217**	**113,765**
31 December 2020				
Loans and advances	1,759,083	566,783	306,527	2,632,394
Deposits from customers and banks	1,604,685	3,520,622	968,861	6,094,168
Total segment assets	5,116,892	1,689,449	891,639	7,697,980
Total segment liabilities	1,841,374	4,020,692	1,111,766	6,973,832

31 December 2019

In millions of Nigerian Naira	Corporate	Retail and commercial	Treasury and financial markets	Total
Revenue:				
Derived revenue from external customers	**181,397**	**193,460**	**184,948**	**559,805**
Interest expenses	(39,703)	(85,019)	(58,233)	(182,955)
Fee and commission expense	(209)	(30,347)	(1)	(30,557)
Impairment loss recognised in income statement	(16,209)	(1,974)	(69)	(18,252)
Operating expenses	(42,616)	(136,791)	(22,270)	(201,677)
Depreciation and amortisation	(103)	(15,380)	(7)	(15,490)
Share of profit of equity-accounted investee	26	358	29	413
Profit before income tax	**57,937**	**34,007**	**19,343**	**111,287**
Taxation	(10,034)	(9,652)	(2,512)	(22,198)
Profit for the period	**47,903**	**24,355**	**16,831**	**89,089**
31 December 2019				
Loans and advances	1,449,662	467,087	252,609	2,169,358
Deposits from customers and banks	1,079,579	2,368,558	651,817	4,099,954
Total segment assets	3,725,046	1,229,902	649,104	5,604,052
Total segment liabilities	1,321,806	2,886,201	798,067	5,006,074

10 Interest income

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Interest income on amortised cost and FVOCI securities				
Cash and bank balances	12,089	14,864	4,542	13,786
Interest income on loans and advances to banks	9,521	3,801	594	911
Interest on loans to customers				
- To individuals				
Term loans	15,223	6,714	7,177	3,717
Overdrafts	6,565	2,422	4,003	1,874
- To corporates				
Term loans	166,541	162,274	136,699	136,953
Overdrafts	35,650	36,049	27,536	26,076
Others	1,063	501	1,024	501
Investment securities				
- Treasury bills	134,863	123,470	79,401	89,335
- Bonds	41,140	40,209	8,942	19,754
	422,655	390,304	269,918	292,907
Interest income on financial assets at FVTPL				
- Promissory notes	4,718	14,353	4,718	14,353
- Bonds	489	173	339	173
Total interest income	427,862	404,830	274,975	307,433

1.Interest income at amortized cost and fair value through OCI are calculated using the effective interest method.
2.Interest income includes accrued interest on impaired loans of N710.8 million for the Group (Bank: N517.2 million) for the year ended 31 December 2020 and N786.7million million for the Group (Bank: N368.3 million) for the year ended 31 December 2019

11 Interest expense

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Deposits from banks	16,240	11,018	4,666	5,760
Deposits from customers	103,628	125,046	69,814	106,025
Borrowings	45,506	41,408	39,435	39,370
Subordinated liabilities	2,505	5,207	2,505	5,206
Lease liabilities	516	276	328	219
	168,395	182,955	116,748	156,580

Total interest expense at amortized cost are calculated using the effective interest method

12 Impairment charge for credit losses

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
12a Impairment charge for credit losses on Loans				
Impairment charge for credit losses on loans and advances to customers:				
- impairment for credit losses (Note 25(c))	19,366	14,160	8,250	11,098
Allowance for credit losses on loans and advances to banks:				
- allowance for credit losses/(reversal) ((Note 24)	49	2,741	61	2,675
Write-off on loans and receivables	6,152	1,689	5,966	1,095
Recoveries in allowance for credit loss	(3,124)	(2,254)	(131)	(173)
	22,443	16,336	14,146	14,695
12b Net impairment charge on other financial assets				
Impairment charge /(reversal) on investment securities	385	254	336	217
Impairment charge /(reversal) on off-balance sheet items	1,598	(2,076)	1,301	(1,617)
Impairment charge on other assets (Note 27(a))	2,583	3,738	6,081	3,074
	4,566	1,916	7,718	1,674

13 Fees and commission income

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Credit-related fees and commissions[1]	14,737	10,887	7,279	7,100
Commission on turnover	2,113	1,564	-	-
Account maintenance fee	8,461	7,151	8,461	7,151
Electronic banking income	44,248	38,766	24,988	25,583
Funds transfer fee	10,730	8,582	199	437
Trade transactions income [2]	19,123	14,127	7,687	6,081
Remittance fee	9,232	9,108	4,492	6,636
Commissions on transactional services	12,793	15,155	5,696	6,148
Pension funds custody fees	5,506	5,221	-	-
	126,943	110,561	58,802	59,136

[1] Credit related fees and commission income excludes amount included in determining effective interest rates on financial assets carried at amortized cost

[2]Trade transactions income entails one-off charges as related to letter of credits and other trade businesses which are excluded from those included in determining effective interest rates on those carried at amortized cost

14 Fees and commission expense

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
E-Banking expense	35,303	28,454	24,968	21,042
Trade related expenses	8,599	1,541	3,639	1,400
Funds transfer expense	433	562	53	114
	44,335	30,557	28,660	22,556

15 Net trading and foreign exchange income

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Fixed income securities(i)	19,648	10,641	17,224	10,297
Foreign exchange trading income(ii)	28,267	24,563	12,027	8,270
Foreign currency revaluation gain/(loss)	6,174	(10,171)	5,654	(12,080)
Net fair value gain on derivatives (see note 33 (c))	5,361	12,594	5,361	12,594
	59,450	37,627	40,266	19,081

(i) This comprises gains and losses arising from trading and fair value changes.

(ii) Foreign exchange income comprises trading income on foreign currencies and gains and losses from revaluation of trading position.

16 Other operating income

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Dividend income (i)	2,943	3,305	6,410	20,190
Income on cash handling	2,857	2,810	705	329
Rental income	320	421	318	415
Gain on disposal of property and equipment	-	251	-	16
	6,120	6,787	7,433	20,950

(i) Dividend income of N6.410billion for the Bank includes a sum of N3.678 billion (December 2019: N17.045 billion) being total dividend received from the Bank's subsidiaries. This amount has been eliminated in arriving at the Group's dividend of N2.94 billion income from other equity investments .

17 Employee benefit expenses

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Wages and salaries (note 43)	84,483	72,490	45,853	42,532
Defined contribution plans	3,062	2,609	1,325	1,242
	87,545	75,099	47,178	43,774

18 Depreciation and amortisation

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Depreciation of property and equipment (note 30)	14,970	11,980	10,755	8,842
Depreciation of right-of-use assets (note 30)	2,063	1,883	1,647	1,605
Amortisation of intangible assets (note 31)	2,972	1,627	2,634	1,325
	20,005	15,490	15,036	11,772

19 Other operating expenses

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Fuel, repairs and maintenance	33,998	23,057	14,398	13,274
Banking sector resolution cost [1]	23,129	19,992	22,417	19,992
Contract services	14,689	12,066	12,217	8,530
Deposit insurance premium	11,488	11,243	10,423	9,389
Occupancy and premises maintenance costs	10,109	14,018	1,688	1,917
Advertising, promotions and branding	8,509	7,433	5,119	5,812
Printing, stationery and subscriptions	6,752	6,176	5,563	4,900
IT support and related expenses	6,632	6,052	6,027	5,690
Security and cash handling expenses	4,607	5,485	2,756	2,713
Business travels	4,936	7,062	4,130	5,725
Donations	5,104	753	3,944	650
Communication	4,881	5,821	1,581	2,923
Non-deposit insurance costs	1,921	2,161	927	787
Bank charges	2,882	2,814	747	2,100
Auditors' remuneration	773	608	300	360
Training and human capital development	709	723	293	425
Penalties	719	884	636	69
Loan recovery expenses	232	179	232	179
Directors' fees	64	51	64	51
Loss on disposal of property and equipment	163	-	168	-
	142,297	126,578	93,630	85,486

1. Banking sector resolution cost represents AMCON levy, which is applicable on total balance sheet size of the Bank.
The current applicable rate in Nigeria based on AMCON Act of 2015 is 0.5% of total assets (inclusive of off-balance sheet).

20 Taxation

Recognised in the statement of comprehensive income

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
(a) Current tax expense				
Current period	15,506	23,454	1,449	7,313
(b) Deferred tax expense/(credit)				
Origination and reversal of temporary differences (Note 32)	2,589	(1,256)	-	-
Total income tax expense/(credit)	18,095	22,198	1,449	7,313

(c) Current income tax payable

	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Balance, beginning of period	9,164	8,892	722	706
Tax paid	(14,688)	(23,182)	(693)	(7,297)
Income tax charge	15,506	23,454	1,449	7,313
Balance, end of period	9,982	9,164	1,478	722

(d) Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the Bank (Parent). The reconciliation of amount reported as tax expense in the statement of comprehensive income to the income tax using the domestic corporation tax rate is presented below:

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Domestic corporation tax rate	30%	30%	30%	30%
Profit before income tax	131,860	106,766	58,360	55,350
Income tax using the domestic corporation tax rate	39,558	33,386	17,508	21,019
Tax effects of :				
Information Technology Levy	578	1,102	578	694
Nigerian Police Trust Fund Levy	3	4	3	4
Education tax	-	87	-	-
Minimum tax/excess dividend tax adjustment	870	2,407	870	2,210
Prior Year under Provision of Current Tax	-	4,864	-	4,486
Effect of Permanent differences - Income not subject to tax	(36,895)	(45,741)	(31,269)	(45,698)
Effect of Permanent differences - Expenses not deductible	13,605	16,770	7,145	16,000
Losses/(Relief) not recognised in Deferred Tax	376	9,319	6,614	8,598
Total income tax expense in comprehensive income	18,095	22,198	1,449	7,313
Effective tax rate	14%	21%	2%	13%

21 Earnings per share

The calculation of basic earnings per share as at 31 December 2020 was based on the profit attributable to ordinary shareholders of the Parent of N109.327 billion (Bank: N56.911 billion) and the weighted average number of ordinary shares outstanding of 34.199 billion (Bank: 34.199 billion). The Bank had no dilutive instruments as at period end (December 2019 : nil). Hence the basic and diluted earnings per share are equal.

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Profit attributable to equity holders of the parent	109,327	86,220	56,911	62,750
Weighted average number of ordinary shares outstanding *(in millions)*	34,199	34,199	34,199	34,199
Basic and diluted earnings per share (Naira)	3.20	2.52	1.66	1.83

22 Cash and bank balances

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Cash	121,140	104,669	70,896	74,467
Current balances with banks	291,225	192,522	176,665	168,775
Unrestricted balances with central banks	231,533	113,574	65,930	5,688
Money market placements(note (c) below)	126,832	153,355	51,237	117,646
Restricted balances with central banks (note (i) below)	1,103,888	832,108	1,072,094	815,978
	1,874,618	1,396,228	1,436,822	1,182,554
Current	1,874,618	1,396,228	1,436,822	1,182,554
	1,874,618	1,396,228	1,436,822	1,182,554

(i) Restricted balances with central banks comprise:

In millions of Nigerian Naira				
Mandatory reserve deposits with central banks (note (a) below)	1,049,170	777,390	1,017,376	761,260
Special Intervention Reserve (note (b) below)	54,718	54,718	54,718	54,718
	1,103,888	832,108	1,072,094	815,978

(a) This represents amounts held as cash reserve requirement with central banks of the countries in which the Bank and its subsidiaries operate, and is not available for use in the Group's day-to-day operations.

(b) This represents the Bank's contribution to the Central Bank of Nigeria's (CBN) Real Sector Support Facility (RSSF), warehoused in the Special Intervention Reserve held with the CBN. The Real Sector Support Facility is to be channeled towards providing credit to priority sectors of the Nigerian economy.

(ii) Cash and cash equivalents for the purposes of the statements of cash flows include the following :

	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Cash and current balances with banks	412,365	297,191	247,561	243,242
Unrestricted balances with central banks	231,533	113,574	65,930	5,688
Money market placements (less than 90 days)	141,648	130,633	66,053	94,924
Financial assets held for trading (less than 90 days)	75,101	18,073	75,101	18,073
Cash and cash equivalents	860,647	559,471	454,645	361,927

23 Financial assets at fair value through profit or loss

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Government bonds	38,153	7,719	2,948	7,719
Promissory notes	75	59,038	75	59,038
Treasury bills (less than 90 days maturity) (note (i) below)	75,101	18,073	75,101	18,073
Treasury bills (above 90 days maturity)	101,071	17,558	92,934	17,558
	214,400	102,388	171,058	102,388
Current	214,400	102,388	171,058	102,388

Note 23 continued

(i) This represents treasury bills measured at fair value through profit or loss, with maturity within three months from the date of purchase. They are highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are included as cash and cash equivalents for the purpose of the statement of cash flows.

24 Loans and advances to banks

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Gross amount	79,394	110,123	67,020	101,746
Less: Allowance for credit losses				
Stage 1 loans	(1,975)	(1,912)	(1,962)	(1,897)
	77,419	108,211	65,058	99,849
Current	77,419	108,211	65,058	99,849
	77,419	108,211	65,058	99,849

(a) Allowance for credit losses on loans and advances to banks

31 December 2020

Group

Allowance for credit loss

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	1,912	-	-	1,912
Charge for the year	49	-	-	49
Exchange difference	14	-	-	14
Balance, end of year	**1,975**	**-**	**-**	**1,975**

Bank

Allowance for credit loss

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	1,897	-	-	1,897
Charge for the year	61	-	-	61
Exchange difference	4	-	-	4
Balance, end of year	**1,962**	**-**	**-**	**1,962**

31 December 2019

Group

Allowance for credit loss

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	350	-	-	350
Charge for the year	2,741	-	-	2,741
Exchange difference	(1,179)	-	-	(1,179)
Balance, end of year	**1,912**	**-**	**-**	**1,912**

Bank

Allowance for credit loss

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	343	-	-	343
Charge for the year	2,675	-	-	2,675
Exchange difference	(1,121)	-	-	(1,121)
Balance, end of year	**1,897**	**-**	**-**	**1,897**

25 Loans and advances to customers

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Gross amount	2,666,322	2,147,283	1,874,858	1,557,358
Allowance for credit losses	(111,347)	(86,136)	(62,322)	(53,978)
	2,554,975	2,061,147	1,812,536	1,503,380
Current	1,607,445	1,113,617	1,055,852	746,696
Non-current	947,530	947,530	756,684	756,684
	2,554,975	2,061,147	1,812,536	1,503,380

(a) 31 December 2020

Loans and advances to customers

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Gross amount	2,666,322	2,147,283	1,874,858	1,557,358
Allowance for credit losses:				
- Impairment loss on Stage 1 loans	(48,585)	(33,863)	(32,521)	(24,541)
- Impairment loss on Stage 2 loans	(11,680)	(16,200)	(7,868)	(8,222)
- Impairment loss on Stage 3 loans	(51,082)	(36,073)	(21,933)	(21,215)
Total provision for credit losses	(111,347)	(86,136)	(62,322)	(53,978)
Carrying amount	**2,554,975**	**2,061,147**	**1,812,536**	**1,503,380**

Loans and advances to individuals

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Gross amount	200,392	116,640	79,480	52,166
Provision for credit losses:				
- Impairment loss on Stage 1 loans	(4,762)	(1,535)	(3,335)	(824)
- Impairment loss on Stage 2 loans	(413)	(855)	(589)	-
- Impairment loss on Stage 3 loans	(14,144)	(8,478)	(9,960)	(6,407)
Total provision for credit losses	(19,319)	(10,868)	(13,884)	(7,231)
Carrying amount	**181,073**	**105,772**	**65,596**	**44,935**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Group Dec. 2020	Bank Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Gross amount	2,465,930	2,030,643	1,795,378	1,505,192
Provision for credit losses:				
- Impairment loss on Stage 1 loans	(43,823)	(32,108)	(29,186)	(23,717)
- Impairment loss on Stage 2 loans	(11,267)	(15,345)	(7,279)	(8,222)
- Impairment loss on Stage 3 loans	(36,938)	(27,815)	(11,973)	(14,808)
Total provision for credit losses	(92,028)	(75,268)	(48,438)	(46,747)
Carrying amount	**2,373,902**	**1,955,375**	**1,746,940**	**1,458,445**

31 December 2020

Group

Loans and advances to individuals	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Overdrafts	33,209	(100)	(99)	(13,120)	(13,319)	19,890
Term loans	167,184	(4,662)	(314)	(1,024)	(6,000)	161,184
	200,392	**(4,762)**	**(413)**	**(14,144)**	**(19,319)**	**181,074**

Loans and advances to corporate entities and other organizations						
Overdrafts	600,759	(7,886)	(2,692)	(31,421)	(41,999)	558,760
Term loans	1,863,651	(35,907)	(8,575)	(5,518)	(49,999)	1,813,652
Others	1,519	(30)	-	-	(30)	1,489
	2,465,930	**(43,823)**	**(11,267)**	**(36,938)**	**(92,028)**	**2,373,901**

Bank

Loans and advances to individuals	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Overdrafts	19,723	(60)	(8)	(9,405)	(9,473)	10,250
Term loans	59,757	(3,275)	(581)	(555)	(4,411)	55,346
	79,480	**(3,335)**	**(589)**	**(9,960)**	**(13,884)**	**65,596**
Loans and advances to corporate entities and other organizations						
Overdrafts	383,028	(3,378)	(141)	(11,864)	(15,383)	367,645
Term loans	1,410,831	(25,780)	(7,138)	(109)	(33,027)	1,377,804
Others	1,519	(28)	-	-	(28)	1,491
	1,795,378	**(29,186)**	**(7,279)**	**(11,973)**	**(48,438)**	**1,746,940**

31 December 2019
Group

	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Loans and advances to individuals						
Overdrafts	24,208	(59)	(117)	(7,220)	(7,396)	16,812
Term loans	92,432	(1,476)	(738)	(1,258)	(3,472)	88,960
	116,640	**(1,535)**	**(855)**	**(8,478)**	**(10,868)**	**105,772**
Loans and advances to corporate entities and other organizations						
Overdrafts	459,515	(4,828)	(1,996)	(26,655)	(33,479)	426,036
Term loans	1,568,177	(27,259)	(13,349)	(1,160)	(41,768)	1,526,409
Others	2,951	(21)	-	-	(21)	2,930
	2,030,643	**(32,108)**	**(15,345)**	**(27,815)**	**(75,268)**	**1,955,375**

Bank

	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Loans and advances to individuals						
Overdrafts	14,643	(35)	-	(5,741)	(5,776)	8,867
Term loans	37,523	(789)	-	(666)	(1,455)	36,068
	52,166	**(824)**	**-**	**(6,407)**	**(7,231)**	**44,935**
Loans and advances to corporate entities and other organizations						
Overdrafts	297,251	(3,150)	(154)	(13,444)	(16,748)	280,503
Term loans	1,204,990	(20,546)	(8,068)	(1,364)	(29,978)	1,175,012
Others	2,951	(21)	-	-	(21)	2,930
	1,505,192	**(23,717)**	**(8,222)**	**(14,808)**	**(46,747)**	**1,458,445**

(c) Allowance for credit losses on loans and advances to customers

31 December 2020

(i) Group

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	33,643	16,200	36,293	86,136
Impairment charge/(write back) in the year	10,292	(5,767)	14,842	19,366
Transfer between stages	2,375	151	(2,526)	-
Exchange difference	2,275	1,096	2,472	5,843
Balance, end of year	**48,585**	**11,680**	**51,081**	**111,347**

25 Loans and advances to customers - continued

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	1,535	855	8,478	10,868
Impairment charge/(write back) in the year	3,199	(969)	5,457	7,687
Transfer between stages	(80)	467	(387)	-
Exchange difference	108	60	594	762
Balance, end of year	**4,762**	**413**	**14,142**	**19,319**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	32,108	15,345	27,815	75,268
Impairment charge/(write back) in the period	7,092	(4,798)	9,384	11,679
Transfer between stages	2,455	(316)	(2,139)	-
Exchange difference	2,168	1,036	1,878	5,081
Balance, end of year	**43,823**	**11,267**	**36,938**	**92,028**

(ii) Bank

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	24,541	8,222	21,215	53,978
Impairment charge/(write back) in the year	5,511	(505)	3,244	8,250
Transfer between stages	2,375	151	(2,526)	-
Exchange difference	94	-	-	94
Balance, end of year	**32,521**	**7,868**	**21,933**	**62,322**

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	824	-	6,407	7,231
Impairment charge/(write back) in the year	2,509	122	3,940	6,571
Transfer between stages	(80)	467	(387)	-
Exchange difference	82			82
Balance, end of year	**3,335**	**589**	**9,960**	**13,884**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	23,717	8,222	14,808	46,747
Impairment charge/(write back) in the year	3,002	(627)	(696)	1,679
Transfer between stages	2,455	(316)	(2,139)	-
Exchange difference	12			12
Balance, end of year	**29,186**	**7,279**	**11,973**	**48,438**

31 December 2019

(iii) Allowance for credit losses on loans and advances to customers

Group

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	24,947	6,010	61,151	92,108
Impairment charge in the year	7,276	10,595	(3,711)	14,160
Write offs	-	-	(20,132)	(20,132)
Transfer between stages	1,420	(405)	(1,015)	-
Balance, end of year	**33,643**	**16,200**	**36,293**	**86,136**

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	1,091	60	10,202	11,353
Impairment charge in the year	664	795	(1,507)	(48)
Write offs	-	-	(437)	(437)
Transfer between stages	(220)	-	220	-
Balance, end of year	**1,535**	**855**	**8,478**	**10,868**

25 Loans and advances to customers - continued

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	23,856	5,950	50,949	80,755
Impairment charge in the year	6,612	9,800	(2,204)	14,208
Write offs	-	-	(19,695)	(19,695)
Transfer between stages	1,640	(405)	(1,235)	-
Balance, end of year	**32,108**	**15,345**	**27,815**	**75,268**

(iv) Bank

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	17,961	5,399	36,951	60,311
Impairment charge in the year	4,658	3,228	3,212	11,098
Write offs	-	-	(17,431)	(17,431)
Transfer between stages	1,922	(405)	(1,517)	-
Balance, end of year	**24,541**	**8,222**	**21,215**	**53,978**

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	201	1	6,566	6,768
Impairment charge in the year	642	(1)	259	900
Write offs	-	-	(437)	(437)
Transfer between stages	(19)	-	19	-
Balance, end of year	**824**	**-**	**6,407**	**7,231**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period (IFRS 9)	17,760	5,398	30,385	53,543
Impairment charge in the year	4,016	3,229	2,953	10,198
Write offs		-	(16,994)	(16,994)
Transfer between stages	1,941	(405)	(1,536)	-
Balance, end of year	**23,717**	**8,222**	**14,808**	**46,747**

26 Investment securities

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Investment securities at FVOCI comprise (see note (i)):				
Treasury bills	1,142,908	678,243	1,101,232	634,209
Bonds	150,822	108,697	5,592	24,931
Equity investments	127,797	114,108	126,860	113,518
	1,421,527	901,048	1,233,684	772,658
Investment securities at amortised cost comprise (see note (i)):				
Treasury bills	716,448	461,353	-	-
Bonds	443,708	209,645	72,276	74,017
Gross amount	1,160,156	670,998	72,276	74,017
Allowance for credit losses on FOCI and amortised cost securities	(892)	(496)	(797)	(461)
Net carrying amount	1,159,264	670,502	71,479	73,556
Carrying amount	**2,580,791**	**1,571,550**	**1,305,163**	**846,214**

	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
(a) Movement in allowance for credit losses				
Balance, beginning of year	496	909	461	244
Charge for the year	385	254	336	217
Exchange difference	11	(667)	-	-
Balance, end of year	892	496	797	461

(i) (i) Included in investment securities at FVOCI , amortised cost and FVTPL instruments are pledged financial assets which cannot be re-pledged or resold by counterparties, and these securities are stated as follows:

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Treasury bills (at FVTPL)	121,459	-	121,459	-
Bonds (at FVOCI)	-	10,102	-	10,102
Treasury bills (at FVOCI)	155,435	400,625	155,435	400,625
Bonds (at amortised cost)	35,378	44,175	35,378	44,175
Total Pledged assets	312,272	454,902	312,272	454,902

(ii) Unquoted equity securities at FVOCI are analysed below:

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Africa Finance Corporation	102,014	92,592	102,014	92,592
SMEEIS investment	9,728	6,588	9,728	6,588
Unified Payment Services Limited	6,061	5,147	6,061	5,147
MTN Nigeria	-	2,612	-	2,612
Central Securities Clearing System limited	4,041	3,088	4,041	3,088
Nigeria Interbank Settlement System Plc.	2,330	2,021	2,330	2,021
African Export-Import Bank	1,733	815	1,733	815
FMDQ OTC Plc	641	455	641	455
Credit Reference Company	210	150	210	150
NG Clearing Limited	101	50	101	50
Others[1]	937	590	-	-
	127,797	**114,108**	**126,860**	**113,518**

[1] This constitutes other unquoted equity investments (in enties such as GIM UEMOA, The Insurance and Reinsurance Company of the Gulf of Guinea (ARGG) and others) held by various subsidiaries.

27 Other assets

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Financial assets				
Electronic payments receivables	32,297	31,868	17,084	29,095
Accounts receivable	65,545	96,635	55,432	53,298
Intercompany receivables	-	-	16,718	13,143
Dividends receivable	347	-	7,580	12,739
Pension custody fees receivable	913	693	-	-
Allowance for impairment on accounts receivable (a)	(11,672)	(8,642)	(11,120)	(5,039)
	87,430	120,554	85,694	103,236
Non-financial assets				
Prepayments	14,218	10,913	4,026	4,343
Repossessed collaterals (4.2(f))	2,755	-	2,755	-
Recoverable taxes	5,898	2,796	1,364	718
Stock of consumables	5,131	5,622	2,685	3,310
	28,002	19,331	10,830	8,371
	115,432	139,885	96,524	111,607

(a) *Movement in impairment for other assets*	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
At start of year	8,642	8,642	5,039	5,039
Charge for the year (Note 12)	2,583	3,738	6,081	3,074
Balances written off	-	(3,074)	-	(3,074)
Exchange difference	447	(664)	-	-
	11,672	8,642	11,120	5,039

(b)	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Current	110,159	136,041	93,778	108,622
Non-current	5,273	3,844	2,746	2,985
	115,432	**139,885**	**96,524**	**111,607**

28 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 31 December 2020. The Associate Company (UBA Zambia Limited) with a financial reporting date of 31 December, has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of the Group's ownership interest is the same as the proportion of voting rights held.

There are no published price quotations for the Group's investment in the Associate Company. There are no restrictions on the ability of the Associate Company to transfer funds to the Group in the form of cash dividends or repayment of loans and advances neither are there any contingent liabilities relating to the Group’s interest in the Associate Company.

(a) Movement in investment in equity-accounted investee

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Balance, beginning of the year	4,143	4,610	2,715	2,715
Share of current period's result	1,071	413	-	-
Share of foreign currency translation differences	(711)	(881)	-	-
Balance, end of the year	**4,504**	**4,143**	**2,715**	**2,715**

(i) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the interest in associates is shown below :

In millions of Nigerian Naira	Dec 2020	Dec 2019
Opening net assets	4,103	4,103
Profit for the year	2,186	837
Foreign currency translation differences	(1,452)	(838)
Closing net assets	**4,837**	**4,103**
Group's interest in associate (49%)	2,370	2,010
Notional goodwill	2,134	2,133
Carrying amount	**4,504**	**4,143**

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(b) Nature of investment in associates

Name of entity	Country of incorporation	Place of business	Nature of business	% of ownership interest	Measurement method
UBA Zambia Bank Limited	Zambia	Zambia	Banking	49*	Equity method

*'The Group's interest in UBA Zambia did not change during the year.

(c) Summarised financial information for associate

(i) Summarised Statement of Financial Position

In millions of Nigerian Naira	Dec 2020	Dec 2019
Assets		
Cash and cash equivalents	18,555	4,815
Other current assets	33,021	29,408
Non-current assets	3,267	1,639
Total assets	**54,843**	**35,862**
Financial liabilities	46,535	24,383
Other current liabilities	3,470	7,376
Total liabiliities	**50,006**	**31,759**
Net assets	**4,837**	**4,103**

(ii) Summarised statement of comprehensive income

	Dec 2020	Dec. 2019
Operating income	5,950	4,664
Operating expense	(3,764)	(3,902)
Net impairment (loss)/reversal on financial assets	0.3	75
Profit for the year	**2,186**	**837**
Total comprehensive income	**2,186**	**837**

The information above reflects the amounts presented in the financial statements of the Associate Company. There are no differences in the accounting policies of the Associate Company and the Group's accounting policies.

29 Investment in subsidiaries

(a) Holding in subsidiaries

In millions of Nigerian Naira

Bank subsidiaries (see note (i) below):	Year of acquisition/ Commencement	Holding	Non-controlling interests	Country	Industry	Bank Dec 2020	Bank Dec 2019
UBA Ghana Limited	2004	91%	9%	Ghana	Banking	8,048	8,048
UBA Cameroun (SA)	2007	100%	0%	Cameroun	Banking	1,845	1,845
UBA Cote d'Ivoire	2008	100%	0%	Cote d'Ivoire	Banking	12,295	12,295
UBA Liberia Limited	2008	100%	0%	Liberia	Banking	2,330	2,330
UBA (SL) Limited	2008	100%	0%	Sierra Leone	Banking	1,269	1,269
UBA Uganda Limited	2008	69%	31%	Uganda	Banking	3,705	3,705
UBA Burkina Faso	2008	64%	36%	Burkina Faso	Banking	5,352	5,352
UBA Benin	2008	86%	14%	Benin Republic	Banking	11,451	11,451
UBA Kenya Bank Limited	2009	81%	19%	Kenya	Banking	3,744	3,744
UBA Chad (SA)	2009	89%	11%	Chad	Banking	2,440	2,440
UBA Senegal (SA)	2009	86%	14%	Senegal	Banking	2,400	2,400
UBA Tanzania Limited	2010	82%	18%	Tanzania	Banking	4,332	4,332
UBA Gabon	2010	100%	0%	Gabon	Banking	2,760	2,760
UBA Guinea (SA)	2010	100%	0%	Guinea	Banking	1,475	1,475
UBA Congo DRC (SA)	2011	100%	0%	Congo DRC	Banking	10,375	10,375
UBA Congo Brazzaville (SA)	2011	100%	0%	Congo Brazzaville	Banking	3,024	3,024
UBA Mozambique (SA)	2011	96%	4%	Mozambique	Banking	8,156	8,156
UBA Mali	2017	100%	0%	Mali	Banking	6,300	6,300
UBA UK Limited (see (ii) below)	2012	100%	0%	United Kingdom	Banking	9,974	9,974
Non-Bank Subsidiaries:							
UBA Pensions Custodian Limited (see (iii) below)	2004	100%	0%	Nigeria	Pension custody	2,000	2,000
						103,275	**103,275**

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

29 Investment in subsidiaries - continued

(i) UBA Ghana, UBA Cameroon SA, UBA Cote d'ivoire, UBA Liberia, UBA Uganda, UBA Burkina Faso, UBA Chad SA, UBA Senegal SA, UBA Benin, UBA Kenya, UBA Tanzania, UBA Gabon, UBA Guinea, UBA Sierra Leone, UBA Mozambique, UBA Congo DRC, UBA Mali and UBA Congo Brazzaville are engaged in the business of banking and provide corporate, commercial, consumer and international banking, trade services, cash management and treasury services.

(ii) UBA UK Limited is a UK bank regulated by the Prudential Regulation Authority and the Financial Conduct Authority and received its banking licence in March 2018. Prior to gaining its bank status, the firm was authorised in the UK to undertake investment business and was originally incorporated on September 25, 1995. The bank is primarily engaged in wholesale banking, with a focus on facilitating trade and treasury flows between Europe and Africa. The bank offers trade finance, corporate banking and treasury solutions to corporate and institutional clients.

(iii) UBA Pension Custodian Limited obtained an operating license on 20 February 2006 and commenced operations in Nigeria on 3 May 2006. It principally operates as a custodian of pension assets, to hold and deal in such assets as directed by the Pension Fund Administrators and in line with regulations of the National Pension Commission in conformity with the Pensions Reforms Act 2004 and as amended in 2014.

Significant restrictions:
There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of any member of the Group to the extent that regulation does not inhibit the Group from having access, and in liquidation scenario, this restriction is limited to its level of investment in the entity .

(b) Non-controlling interests

(i) The total non-controlling interests at the end of the year is N29.08 billion (2019: N19.41 billion) is attributed to the following non-fully owned subsidiaries:

	Dec 2020	**Dec 2019**
UBA Ghana Limited	6,298	3,709
UBA Burkina Faso	9,487	6,038
UBA Benin	2,923	1,990
UBA Uganda Limited	2,492	1,401
UBA Kenya Bank Limited	1,612	1,633
UBA Senegal (SA)	3,727	2,769
UBA Mozambique (SA)	279	342
UBA Chad (SA)	1,536	1,046
UBA Tanzania Limited	726	477
	29,080	19,405

29 Investment in subsidiaries - continued

(ii) Set out below is summarised financial information for each subsidiary that has non-controlling interests as at 31 December 2020. The amounts disclosed for each subsidiary are before inter-company eliminations.

In millions of Nigerian Naira	**UBA Ghana Limited**		**UBA Burkina Faso**		**UBA Benin**	
	Dec 2020	**Dec 2019**	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
Summarised statement of financial position						
Cash and bank balances	66,099	32,320	36,969	11,708	38,656	24,553
Other financial assets	202,623	214,027	315,280	175,519	206,296	88,707
Non-financial assets	4,754	2,579	3,960	2,970	2,841	2,016
Total assets	**273,476**	**248,926**	**356,209**	**190,197**	**247,793**	**115,276**
Financial liabilities	198,714	198,131	326,355	171,326	222,301	99,253
Non-financial liabilities	6,525	10,616	3,690	2,220	3,999	3,734
Total liabilities	**205,239**	**208,747**	**330,045**	**173,546**	**226,300**	**102,987**
Net assets	**68,237**	**40,179**	**26,164**	**16,651**	**21,493**	**12,289**
Summarized statement of comprehensive income	**Dec 2020**	**Dec. 2019**	**Dec 2020**	**Dec. 2019**	**Dec 2020**	**Dec. 2019**
Revenue	**43,667**	**47,892**	**19,095**	**14,002**	**15,086**	**13,478**
Profit for the year	10,425	11,093	3,834	1,796	3,018	1,097
Other comprehensive income	58	-	-	-	-	-
Total comprehensive income	**10,483**	**11,093**	**3,834**	**1,796**	**3,018**	**1,097**
Total comprehensive income allocated to non-controlling interest	962	1,024	1,389	651	410	178
Summarized cash flows						
Cash flows (used in)/ from operating activities	24,701	4,861	66,978	(72,938)	90,439	(9,810)
Cash flows(used in)/ from financing activities	5,626	1,956	5,872	(1,603)	9,469	2,343
Cash flows (used in)/ from investing activities	(20,982)	(3,777)	(60,563)	61,567	(69,979)	23,293
Net (decrease)/increase in cash and cash equivalents	**9,345**	**3,040**	**12,287**	**(12,974)**	**29,929**	**15,826**

29 Investment in subsidiaries - continued
Summarised financial information of subsidiaries with non-controlling interest (continued)

In millions of Nigerian Naira	UBA Uganda Limited		UBA Kenya Bank Limited		UBA Senegal (SA)	
	Dec 2020	Dec 2019	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Summarised statement of financial position						
Cash and bank balances	26,195	18,290	14,694	13,489	4,455	14,653
Other financial assets	27,427	15,187	52,907	42,675	191,176	124,270
Non-financial assets	1,121	534	1,386	1,558	1,022	1,601
Total assets	**54,743**	**34,011**	**68,987**	**57,722**	**196,653**	**140,524**
Financial liabilities	43,996	29,471	58,310	33,762	130,869	113,860
Non-financial liabilities	2,673	-	2,192	15,364	38,207	6,172
Total liabilities	**46,669**	**29,471**	**60,502**	**49,126**	**169,076**	**120,032**
Net assets	**8,074**	**4,540**	**8,485**	**8,596**	**27,577**	**20,492**
Summarized statement of comprehensive income	**Dec 2020**	**Dec. 2019**	**Dec 2020**	**Dec. 2019**	**Dec 2020**	**Dec. 2019**
Revenue	**7,532**	**4,326**	**7,176**	**6,233**	**14,762**	**11,526**
Profit/(loss) for the year	2,024	651	411	812	5,100	2,799
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**2,024**	**651**	**411**	**812**	**5,100**	**2,799**
Total comprehensive income allocated to non-controlling interest	625	201	78	154	689	378
Summarized cash flows						
Cash flows (used in)/ from operating activities	26,023	13,028	43,540	17,658	41,611	(4,442)
Cash flows(used in)/ from financing activities	1,760	(404)	1,210	15,504	9,920	(323)
Cash flows (used in)/ from investing activities	(11,625)	(4,371)	(32,369)	(21,986)	(74,191)	(7,697)
Net increase/(decrease) in cash and cash equivalents	**16,158**	**8,253**	**12,381**	**11,176**	**(22,660)**	**(12,462)**

29 Investment in subsidiaries - continued
Summarised financial information of subsidiaries with non-controlling interest (continued)

	UBA Mozambique (SA)		UBA Chad		UBA Tanzania	
In millions of Nigerian Naira	Dec 2020	Dec 2019	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Summarised statement of financial position						
Cash and bank balances	18,418	10,129	9,443	12,290	14,519	11,040
Other financial assets	4,096	8,515	105,897	38,343	14,492	17,789
Non-financial assets	236	218	1,436	629	342	206
Total assets	**22,750**	**18,862**	**116,776**	**51,262**	**29,353**	**29,035**
Financial liabilities	15,968	10,706	92,225	40,379	23,929	26,247
Non-financial assets	301	202	10,589	1,371	1,372	119
Total liabilities	**16,269**	**10,908**	**102,814**	**41,750**	**25,301**	**26,366**
Net assets	**6,481**	**7,954**	**13,962**	**9,512**	**4,052**	**2,669**
Summarized statement of comprehensive income	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
Revenue	**1,724**	**2,289**	**8,831**	**6,588**	**3,766**	**2,750**
(Loss)/Profit for the year	(343)	(234)	1,769	2,229	578	266
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(343)**	**(234)**	**1,769**	**2,229**	**578**	**266**
Total comprehensive income allocated to non-controlling interest	(15)	(10)	195	245	103	48
Summarized cash flows						
Cash flows (used in)/ from operating activities	5,201	630	55,617	14,126	6,822	12,165
Cash flows(used in)/ from financing activities	(1,140)	224	2,402	(2,509)	(61)	(1,131)
Cash flows (used in)/ from investing activities	10,408	5,326	(62,102)	(12,853)	797	(6,955)
Net increase/(decrease) in cash and cash equivalents	**14,469**	**6,180**	**(4,083)**	**(1,236)**	**7,558**	**4,079**

30 Property and equipment

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Property and equipment	141,286	122,290	117,632	102,009
Right-of-use assets	11,905	6,209	5,803	5,439
Carrying amount	**153,191**	**128,499**	**123,435**	**107,448**

(a) Property and equipment
As at December 31, 2020
Group

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2020	34,365	37,396	15,596	8,564	14,959	13,188	43,744	49,335	15,867	233,014
Additions	215	947	88	-	595	378	14,252	6,994	9,957	33,426
Reclassifications	101	1,008	(1,260)	-	1,376	(136)	(1,845)	3,011	(2,256)	-
Disposals	-	(526)	(1,296)	-	(1,156)	(146)	(480)	(810)	(38)	(4,453)
Transfers	-	-	-	-	-	-	-	-	(86)	(86)
Write-off	(3)	(8)	(6)	-	(200)	(306)	(208)	(130)	-	(862)
Exchange difference (note i)	-	490	799	-	369	303	414	74	110	2,558
Balance at 31 December 2020	**34,677**	**39,307**	**13,921**	**8,564**	**15,943**	**13,281**	**55,877**	**58,474**	**23,553**	**263,597**
Accumulated depreciation										
Balance at 1 January 2020	-	15,035	7,773	2,334	12,066	9,543	31,311	32,662	-	110,724
Charge for the period	-	597	1,540	408	1,047	1,331	5,001	5,047	-	14,970
Reclassifications	-	26	(26)	-	1	198	(1,686)	1,487	-	-
Disposals	-	(316)	(752)	-	(832)	(144)	(458)	(749)	-	(3,250)
Write-off	-	(2)	(4)	-	(199)	(298)	(194)	(129)	-	(826)
Exchange difference (note i)	-	127	44	35	16	21	160	289		693
Balance at 31 December 2020	**-**	**15,467**	**8,575**	**2,778**	**12,100**	**10,651**	**34,135**	**38,607**	**-**	**122,311**
Carrying amounts										
Balance at 31 December 2020	**34,677**	**23,840**	**5,346**	**5,786**	**3,843**	**2,630**	**21,742**	**19,867**	**23,553**	**141,286**
Balance at 31 December 2019	**34,365**	**22,361**	**7,823**	**6,230**	**2,893**	**3,645**	**12,433**	**16,673**	**15,867**	**122,290**

(i) Exchange differences arise from the translation of the property and equipment of the Group's foreign operations.

(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2019: nil)

Group
December 31, 2019

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2019	34,390	36,956	13,259	8,564	14,367	11,640	41,936	44,910	11,452	217,474
Additions	381	833	1,016	-	646	1,776	1,320	1,844	11,350	19,167
Reclassifications	(406)	466	1,921	-	419	108	742	3,149	(6,399)	-
Disposals	-	(0)	(9)	-	(240)	(101)	(191)	(242)	(213)	(996)
Transfers	-	-	41	-	-	27	239	28	(112)	223
Write-off	-	(8)	(169)	-	(107)	(54)	(139)	(107)	(6)	(590)
Exchange difference	-	(851)	(463)	-	(126)	(208)	(163)	(247)	(206)	(2,264)
Balance at 31 December 2019	**34,365**	**37,396**	**15,596**	**8,564**	**14,959**	**13,188**	**43,744**	**49,335**	**15,867**	**233,014**
Accumulated depreciation										
Balance at 1 January 2019	-	14,461	7,542	1,666	11,567	9,201	28,783	28,279	-	101,499
Charge for the year	-	934	515	668	850	1,191	3,048	4,774	-	11,980
Reclassifications	-	(13)	13	-	-	2	(44)	42	-	-
Disposals	-	(0)	(2)	-	(235)	(80)	(187)	(221)	-	(725)
Transfers	-	-	-	-	-	-	5	-	-	5
Write-off	-	(1)	(160)	-	(66)	(55)	(131)	(103)	-	(516)
Exchange difference	-	(346)	(135)	-	(50)	(716)	(163)	(109)	-	(1,519)
Balance at 31 December 2019	**-**	**15,035**	**7,773**	**2,334**	**12,066**	**9,543**	**31,311**	**32,662**	**-**	**110,724**
Carrying amounts										
Balance at 31 December 2019	**34,365**	**22,361**	**7,823**	**6,230**	**2,893**	**3,645**	**12,433**	**16,673**	**15,867**	**122,290**
Balance at 31 December 2018	**34,390**	**22,495**	**5,717**	**6,898**	**2,800**	**2,439**	**13,153**	**16,629**	**11,452**	**115,973**

(b) Right-of-use assets
December 31, 2020
Group

In millions of Nigerian Naira	**Land**	**Buildings**	**Total**
			-
Right-of-use assets			
Balance - 1 January 2020	166	7,926	8,092
New lease contracts	337	7,422	7,759
Balance - 31 December 2020	503	15,348	15,851
Accumulated depreciation			
Balance - 1 January 2020	23	1,860	1,883
Depreciation charge for the year	21	2,042	2,063
Balance - 31 December 2020	44	3,902	3,946
Carrying amounts			
Balance at 31 December 2020	459	11,446	11,905
Balance at 31 December 2019	143	6,066	6,209

December 31, 2019
Group

In millions of Nigerian Naira	**Land**	**Buildings**	**Total**
			-
Right-of-use assets			
Balance - 1 January 2019	115	4,735	4,850
New lease contracts	51	3,191	3,242
Balance - 31 December 2019	166	7,926	8,092
Accumulated depreciation			
Balance - 1 January 2019	-	-	-
Depreciation charge for the year	23	1,860	1,883
Balance - 31 December 2019	23	1,860	1,883
Carrying amounts			
Balance at 31 December 2019	143	6,066	6,209
Balance at 31 December 2018	-	-	-

Bank
(c) **As at December 31, 2020**

In millions of Nigerian Naira	**Land**	**Buildings**	**Leasehold improvements**	**Aircraft**	**Motor vehicles**	**Furniture and fittings**	**Computer hardware**	**Equipment**	**Work in progress**	**Total**
Cost										
Balance at 1 January 2020	33,347	26,815	4,489	8,564	10,425	8,181	37,261	42,517	12,402	184,001
Additions	200	127	8	-	633	228	13,940	2,354	9,184	26,674
Reclassifications	101	904	338	-	1,376	470	(1,345)	3,011	(4,855)	-
Disposals	-	(5)	(0)	-	(990)	(91)	(223)	(460)	(38)	(1,807)
Transfers	-	-	-	-	-	-	-	-	(86)	(86)
Write-off	(3)	(8)	(6)	-	(200)	(306)	(208)	(130)	-	(862)
Exchange difference (note i)	-	-	35	-	29	18	60	35	208	385
Balance at 31 December 2020	**33,645**	**27,833**	**4,864**	**8,564**	**11,273**	**8,500**	**49,485**	**47,328**	**16,814**	**208,305**
Accumulated depreciation										
Balance at 1 January 2020	-	9,488	1,751	2,075	8,773	6,287	26,506	27,112	-	81,992
Charge for the year	-	430	132	408	600	615	4,403	4,167	-	10,755
Reclassifications	-	26	(26)	-	1	198	(1,686)	1,487	-	-
Disposals	-	(1)	(0)	-	(667)	(90)	(214)	(421)	-	(1,392)
Write-off	-	(2)	(4)	-	(199)	(298)	(194)	(129)	-	(826)
Exchange difference (note i)	-	-	15	-	30	17	46	36	-	144
Balance at 31 December 2020	**-**	**9,942**	**1,867**	**2,483**	**8,537**	**6,730**	**28,862**	**32,253**	**-**	**90,673**
Carrying amounts										
Balance at 31 December 2020	**33,645**	**17,891**	**2,997**	**6,081**	**2,736**	**1,770**	**20,623**	**15,075**	**16,814**	**117,632**
Balance at 31 December 2019	**33,347**	**17,327**	**2,738**	**6,489**	**1,652**	**1,894**	**10,755**	**15,405**	**12,402**	**102,009**

(i) Exchange differences arise from the translation of property and equipment of the UBA New York branch.
(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2019: nil)

(d) **December 31, 2019**

Bank

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2019	33,372	26,316	4,034	8,564	10,227	7,815	35,336	37,776	7,706	171,146
Additions	381	41	5	-	287	313	873	1,527	9,990	13,417
Reclassifications	(406)	466	446	-	41	83	1,211	3,427	(5,268)	-
Disposals	-	(0)	(2)	-	(83)	(33)	(173)	(206)	(213)	(710)
Transfers	-	-	-	-	-	-	-	-	187	187
Write-off	-	(8)	-	-	(48)	(0)	(1)	(7)	-	(64)
Exchange difference	-	-	6	-	1	3	15	-	-	25
Balance at 31 December 2019	**33,347**	**26,815**	**4,489**	**8,564**	**10,425**	**8,181**	**37,261**	**42,517**	**12,402**	**184,001**
Accumulated depreciation										
Balance at 1 January 2019	-	9,082	1,626	1,666	8,364	5,733	24,096	23,077	-	73,644
Charge for the year	-	420	109	409	530	571	2,616	4,187	-	8,842
Reclassifications	-	(13)	13	-	-	2	(44)	42	-	-
Disposals	-	(0)	(1)	-	(78)	(22)	(169)	(186)	-	(456)
Write-off	-	(1)	-	-	(43)	(0)	(1)	(6)	-	(51)
Exchange difference	-	-	4	-	-	3	8	(2)	-	13
Balance at 31 December 2019	**-**	**9,488**	**1,751**	**2,075**	**8,773**	**6,287**	**26,506**	**27,112**	**-**	**81,992**
Carrying amounts										
Balance at 31 December 2019	**33,347**	**17,327**	**2,738**	**6,489**	**1,652**	**1,894**	**10,755**	**15,405**	**12,402**	**102,009**
Balance at 31 December 2018	**33,372**	**17,234**	**2,408**	**6,898**	**1,863**	**2,082**	**11,240**	**14,699**	**7,706**	**97,502**

Exchange differences arise from the translation of the property and equipment of the UBA New York branch.

(e) Right-of-use assets

December 31, 2020

Bank

In millions of Nigerian Naira	Land	Buildings	Total
			-
Right-of-use assets			
Balance - 1 January 2020	166	6,878	7,044
New lease contracts	-	2,011	2,011
Balance - 31 December 2020	166	8,889	9,055
Accumulated depreciation			
Balance - 1 January 2020	23	1,582	1,605
Depreciation charge for the year	21	1,626	1,647
Balance - 31 December 2020	44	3,208	3,252
Carrying amounts			
Balance at 31 December 2020	122	5,681	5,803
Balance at 31 December 2019	143	5,296	5,439

December 31, 2019

Bank

In millions of Nigerian Naira	Land	Buildings	Total
Right-of-use assets			
Balance - 1 January 2019	115	4,160	4,275
New lease contracts	51	2,718	2,769
Balance - 31 December 2019	166	6,878	7,044
Accumulated depreciation			
Balance - 1 January 2019	-	-	-
Depreciation charge for the year	23	1,582	1,605
Balance - 31 December 2019	23	1,582	1,605
Carrying amounts			
Balance at 31 December 2019	143	5,296	5,439
Balance at 31 December 2018	-	-	-

31 Intangible assets

(a) (i) As at December 31, 2020

Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress[2]	Total
Cost				
Balance at 1 January 2020	9,558	20,022	5,047	34,627
Additions	-	13,279	1,654	14,933
Reclassifications	-	2,708	(2,708)	(0)
Disposal	-	-	(293)	(293)
Transfers[1]	-	86	(86)	-
Exchange difference	1,160	(169)	0	991
Balance at 31 December 2020	10,718	35,926	3,614	50,258
Amortization				
Balance at 1 January 2020	-	16,956	-	16,956
Amortisation for the year	-	2,972	-	2,972
Exchange difference	-	1,430	-	1,430
Balance at 31 December 2020	-	21,358	-	21,358
Carrying amounts				
Balance at 31 December 2020	10,718	14,568	3,614	28,900
Balance at 31 December 2019	9,558	3,066	5,046	17,671

(ii) December 31, 2019

Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress[2]	Total
Cost				
Balance at 1 January 2019	9,735	20,092	3,710	33,537
Additions	-	177	1,670	1,847
Reclassifications	-	135	(135)	-
Disposal	-	-	(11)	(11)
Transfers[1]	-	(37)	(187)	(224)
Exchange difference	(177)	(345)	(0.19)	(522)
Balance at 31 December 2019	9,558	20,022	5,047	34,627
Amortization				
Balance at 1 January 2019	-	15,369	-	15,369
Amortisation for the year	-	1,627	-	1,627
Exchange difference	-	(40)	-	(40)
Balance at 31 December 2019	-	16,956	-	16,956
Carrying amounts				
Balance at 31 December 2019	**9,558**	**3,066**	**5,047**	**17,671**
Balance at 31 December 2018	**9,735**	**4,723**	**3,710**	**18,168**

(b) (i) Bank

	Purchased software	Work in progress[2]	Total
Cost			
Balance at 1 January 2020	15,023	5,044	20,067
Additions	10,605	1,488	12,093
Reclassifications	2,723	(2,723)	-
Disposal	-	(293)	(293)
Transfers[1]	86	(86)	-
Exchange difference	5	-	5
Balance at 31 December 2020	28,442	3,430	31,872
Amortization			
Balance at 1 January 2020	12,997	-	12,997
Amortisation for the year	2,634	-	2,634
Exchange difference	4	-	4
Balance at 31 December 2020	15,635	-	15,635
Carrying amounts			
Balance at 31 December 2020	12,807	3,430	16,237
Balance at 31 December 2019	2,026	5,044	7,070

31 Intangible assets - continued

(ii) **Bank**

Cost	**Purchased software**	**Work in progress[2]**	**Total**
In millions of Nigerian Naira			
Balance at 1 January 2019	14,886	3,697	18,583
Additions	14	1,669	1,683
Reclassifications	123	(123)	-
Disposal	-	(12)	(12)
Transfers[1]	-	(187)	(187)
Balance at 31 December 2019	15,023	5,044	20,067
Amortization			
Balance at 1 January 2019	11,672	-	11,672
Amortisation for the year	1,325	-	1,325
Balance at 31 December 2019	12,997	-	12,997
Carrying amounts			
Balance at 31 December 2019	**2,026**	**5,044**	**7,070**
Balance at 31 December 2018	**3,214**	**3,697**	**6,911**

There were no capitalised borrowing costs related to the internal development of software during the period (December 2019: nil). Computer software has a definite useful life of not more than five years while goodwill has an indefinite useful life and is annually assessed for impairment.

[1] Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets - purchased software (work in progress) during the period as disclosed in Note 30.

[2] Work in progress represents software implementation projects that were currently in their development phase as at reporting date.

(c) **Impairment testing for cash-generating units containing Goodwill**

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash generating units (CGUs) as the goodwill is monitored at the level of the individual cash generating units. UBA Benin and UBA UK Limited have been identified as individual cash generating units. UBA Benin and UBA UK Limited operate under Rest of Africa and Rest of the World geographic segments respectively. The recoverable amounts of the CGUs have been determined based on value-in-use calculations; using cash flow projections based on financial forecasts covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated economic growth rates for the respective CGUs. These growth rates are consistent with forecasts included in industry reports specific to the economic environment in which each of the CGU's operates.

The following table sets out the key assumptions used in the value-in-use calculations:

	UBA Benin		**UBA UK Limited**	
	Dec. 2020	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Gross earnings (% annual growth rate)	12.4	13.2	8.0	9.0
Deposits (% annual growth rate)	6.0	15.0	10.0	5.0
Loans and advances (% annual growth rate)	12.0	15.0	11.0	10.0
Operating expenses (% annual growth rate)	3.0	10.0	3.0	5.0
Terminal growth rate (%)	1.2	1.5	3.6	1.0
Discount rate (pre-tax) (%)	13.9	18.9	4.6	5.4

The values assigned to each of the above key assumptions were determined as follows:

Assumption	**Approach used in determining values**
Gross earnings	This is the average annual growth rate over the five-year period. Based on past performance, expectations of market development and the expected positive impact of deposits and loan growth in the forecast period.
Deposits	This is the average annual growth rate over the five-year period. Deposits have been determined to be the key value driver for the CGUs. Projected deposits growth is based on past performance of the CGUs as well as management's plans to expand the businesses and deepen customer base.
Loans and advances	This is the average annual growth rate over the five year period. It is based partly on past performance but largely on the expected positive impact of the forecasted growth in deposits.
Operating expenses	This is the average annual growth rate over the five year period. It is based on the current structure of business of the respective CGUs, adjusting for expected inflationary increases but not reflecting any future restructurings or cost saving measures.
Terminal growth rate	This is the average growth rate used to extrapolate cash flows beyond the five-year period. Based on estimated economic growth rates for the respective CGUs.
Discount rate	The discount rate was a pre-tax measure based on the longest tenured government bond issued by the governments in Benin and United Kingdom respectively adjusted for a risk premium to reflect both the increased risk of investing in equities and generally and the systematic risk of the specific CGU.

31 Intangible assets - continued

Below is the result of the impairment test:

In millions of Nigerian Naira	UBA Benin Dec. 2020	UBA Benin Dec. 2019	UBA UK Limited Dec. 2020	UBA UK Limited Dec. 2019
Recoverable amount	40,136	58,534	46,732	59,886
Less: Carrying amount				
Goodwill	(6,553)	(5,537)	(4,343)	(4,021)
Net assets	(21,493)	(12,289)	(16,513)	(16,358)
Total carrying amount	(28,046)	(17,826)	(20,856)	(20,379)
Excess of recoverable amount over carrying amount	**12,090**	**40,708**	**25,876**	**39,507**

The key assumptions described above may change as economic and market conditions change. The results of the value-in-use calculations are most sensitive to changes in the deposit growth rates, terminal growth rates and discount rates applied. The recoverable amounts of the respective CGUs would equal their carrying amounts if these key assumptions were to change as follows:

	Dec. 2020 % From	Dec. 2020 % To	Dec.2019 % From	Dec.2019 % To
UBA Benin				
Deposit growth rate	6.0	15.0	15.0	15.0
Discount rate	13.9	18.9	5.3	18.5
UBA UK Limited				
Deposit growth rate	10.0	5.0	5.0	5.0
Discount rate	4.6	5.4	6.6	6.6

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

32 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(a)

In millions of Nigerian Naira *31 December 2020*	Group Assets	Group Liabilities	Group Net	Bank Assets	Bank Liabilities	Bank Net
Property, equipment, and software	23,273	125	23,148	22,406	-	22,406
Allowances for loan losses	3,890	-	3,890	3,728	-	3,728
Financial assets at FVOCI	1,151	13,475	(12,323)	-	13,475	(13,475)
Tax losses carried forward	7,816	294	7,522	7,816	-	7,816
Other liabilities	882	-	882	882	-	882
Prior year DTL written-off in FY2020	-	(119)	119	-	-	-
Fair value gain on derivatives	-	3,218	(3,218)	-	3,179	(3,179)
Loss on revaluation of investment securities	59	-	59	59	-	59
Foreign currency revaluation gain	-	-	-	3,624	-	3,624
Others	3,532	-	3,532	-	-	-
Net deferred tax assets /liabilities	40,602	16,992	23,610	38,515	16,653	21,862

In millions of Nigerian Naira *31 December 2019*	Group Assets	Group Liabilities	Group Net	Bank Assets	Bank Liabilities	Bank Net
Property, equipment, and software	25,670	119	25,551	22,406	-	22,406
Allowances for loan losses	3,849	61	3,788	3,728	-	3,728
Impairment on account receivable	1,454	9	1,445	1,454	-	1,454
Financial assets at FVOCI	-	13,475	(13,475)	-	13,475	(13,475)
Tax losses carried forward	7,433	-	7,433	6,362	-	6,362
Other liabilities	882	-	882	882	-	882
Fair value gain on derivatives	-	3,179	(3,179)	-	3,179	(3,179)
Loss on revaluation of investment securities	59	-	59	59	-	59
Foreign currency revaluation Loss	3,624	-	3,624	3,624	-	3,624
Others	83	131	(48)	-	-	-
Net deferred tax assets /liabilities	43,054	16,974	26,080	38,515	16,653	21,862

Movements in temporary differences during the period

(b) ***31 December 2020***

Group

In millions of Nigerian Naira	**Opening**	**Recognised in profit or loss**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	25,551	(2,403)	-	23,148
Allowances for loan losses	3,788	102	-	3,890
Impairment on account receivable	1,445	(1,445)	-	-
Financial assets at FVOCI	(13,475)	1,152	-	(12,323)
Tax losses carried forward	7,433	89	-	7,522
Prior year DTL written-off in FY2020	882	(763)	-	119
Tax losses on fair value gain on derivatives	(3,179)	(39)	-	(3,218)
Foreign currency revaluation Loss	3,624	(3,624)	-	-
Loss on revaluation of investment securities	59	0	-	59
Others	71	3,461	-	3,532
	26,199	(2,589)	-	23,610

Bank

In millions of Nigerian Naira	**Opening**	**Recognised in profit or loss balance**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	22,406	-	-	22,406
Allowances for loan losses	3,728	-	-	3,728
Impairment on account receivable	1,454	-	-	-
Financial assets at FVOCI	(13,475)	-	-	(13,475)
Tax losses carried forward	6,362	-	-	7,816
Prior year DTL written-off in FY2020	882	-	-	882
Tax losses on fair value gain on derivatives	(3,179)	-	-	(3,179)
Foreign currency revaluation Loss	3,624	-	-	3,624
Loss on revaluation of investment securities	59	-	-	59
	21,862	-	-	21,861

31 December 2019

Group

In millions of Nigerian Naira	**Opening**	**Recognised in profit or loss balance**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	17,706	7,845	-	25,551
Allowances for loan losses	7,111	(3,323)	-	3,788
Account receivable	695	750	-	1,445
Financial assets at FVOCI	-	(13,475)	-	(13,475)
Tax losses carried forward	(3,601)	11,034	-	7,433
Other liabilities	-	882	-	882
Tax losses on fair value gain on derivatives	(8,069)	4,890	-	(3,179)
Foreign currency revaluation Loss	1,440	2,184	-	3,624
Loss on revaluation of investment securities	9,368	(9,309)	-	59
Others	293	(222)	-	71
	24,943	1,256	-	26,199

Bank

In millions of Nigerian Naira	**Opening**	**Recognised in profit or loss balance**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	22,406	-	-	22,406
Allowances for loan losses	3,728	-	-	3,728
Account receivable	1,454	-	-	1,454
Financial assets at FVOCI	(13,475)	-	-	(13,475)
Tax losses carried forward	6,362	-	-	6,362
Other liabilities	882	-	-	882
Tax losses on fair value gain on derivatives	(3,179)	-	-	(3,179)
Foreign currency revaluation Loss	3,625	-	-	3,624
Loss on revaluation of investment securities	59	-	-	59
	21,862	-	-	21,862

Unrecognised deferred tax assets

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Unused tax losses of the Bank for which no deferred tax asset has been recognized was N135 billion (2019: N23.75 billion)

Deferred tax assets relating to the group's deductible temporary differences is N58 billion (2019: N152.8billion). The deferred tax arising from the temporary differences above will not be recognized due to uncertainties relating to the periods we expect the assets to be realized.

33 Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount which is recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are indicative of neither the market risk nor the credit risk.

In millions of Nigerian Naira

	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Derivative assets				
Carrying value	53,148	48,131	53,148	48,131
Notional amount	529,782	438,130	529,782	438,130
Derivative liabilities				
Carrying value	508	852	508	852
Notional amount	77,923	129,236	77,923	129,236

(a) **Derivative assets**

In millions of Nigerian Naira

	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Instrument type:				
Cross-currency swaps	53,148	40,779	53,148	40,779
Foreign exchange forward contracts	0	7,352	0	7,352
	53,148	48,131	53,148	48,131
The movement in derivative assets is as follows:				
Balance, beginning of year	48,131	34,784	48,131	34,784
Derivatives derecognised	(48,131)	(34,784)	(48,131)	(34,784)
Derivatives acquired	53,148	48,131	53,148	48,131
Balance, end of year	53,148	48,131	53,148	48,131

Derivative assets are current in nature

(b) **Derivative liabilities**

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Instrument type:				
Cross-currency swap	393	599	255	599
Foreign exchange forward contracts	115	253	253	253
	508	852	508	852
The movement in derivative liability is as follows:				
Balance, beginning of year	852	99	852	99
Derivatives derecognised	(852)	(99)	(852)	(99)
Derivatives acquired	508	852	508	852
Balance, end of year	508	852	508	852

Derivative liabilities are current in nature (c) **Fair value gain on derivatives**

	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Derivative assets :				
Fair value gain on additions in the year	53,148	48,131	53,148	48,131
Fair value loss on maturities in the year	(48,131)	(34,784)	(48,131)	(34,784)
Net fair value gain on derivative assets	5,017	13,347	5,017	13,347
Derivative liabilities:				
Fair value loss on additions in the year	(508)	(852)	(508)	(852)
Fair value gain on maturities in the year	852	99	852	99
Net fair value gain/(loss) on derivative liabilities	344	(753)	344	(753)
Net fair value gain/(loss) on derivative assets and liabilities (See note 15)	**5,361**	**12,594**	**5,361**	**12,594**

34 Deposits from banks

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Money market deposits	334,146	140,509	103,705	2,882
Due to other banks	84,011	126,561	18,110	89,835
	418,157	**267,070**	**121,815**	**92,717**
Current	418,157	267,070	121,815	92,717

35 Deposits from customers

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Retail customers:				
Term deposits	144,720	385,635	65,422	298,426
Current deposits	815,250	483,714	569,288	318,213
Savings deposits	1,447,514	855,079	1,199,738	711,516
Corporate customers:				
Term deposits	890,012	630,358	603,361	529,830
Current deposits	2,378,515	1,478,098	1,386,334	906,403
	5,676,011	**3,832,884**	**3,824,143**	**2,764,388**
Current	5,669,628	3,832,757	3,823,985	2,764,261
Non-current	6,383	127	158	127
	5,676,011	3,832,884	3,824,143	2,764,388

36 Other liabilities

	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
In millions of Nigerian Naira				
Financial liabilities				
Creditors and payables	85,743	63,306	42,898	32,031
Managers cheques	4,475	5,942	4,465	4,300
Unclaimed dividends (note (i))	7,678	5,885	7,678	5,885
Customers' deposit for foreign trade (note (ii))	23,950	10,174	23,678	8,096
Accrued expenses[1]	25,316	18,447	9,737	4,258
	147,162	103,754	88,456	54,570
Provisions (note (iv))	252	252	147	147
Lease liabilities (note (iii))	6,929	1,630	2,462	1,109
Allowance for credit losses on off-balance sheet items (note (v))	2,807	1,157	2,363	1,062
Deferred income	677	462	241	262
	10,665	3,501	5,213	2,580
Total other liabilities	**157,827**	**107,255**	**93,669**	**57,150**
Non-current	3,423	1,070	1,050	853
Current	154,404	106,185	92,619	56,297
	157,827	**107,255**	**93,669**	**57,150**

(i) The amount represents unclaimed dividends due to UBA Plc's shareholders which have been returned by the Bank's Registrar.

(ii) Customers' deposit for foreign trade represents the naira value of foreign currencies held to cover letter of credit transactions. The corresponding balance is included in current balances with banks in note 22.

(iii) Finance cost on the lease liabilities is included in'Interest expense' in note 11.
The movement in lease liabilities balance during the year is as follows:

Balance - 31 December 2020		**Group**			**Bank**	
In millions of Nigerian Naira	**Land**	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Lease liabilities						
Balance - 1 January 2020	83	1,547	1,630	83	1,026	1,109
Additions (new lease contracts) during the year	163	5,341	5,504	6	1,426	1,432
Principal repayments/cashflows during the year	(2)	(493)	(495)	-	(191)	(191)
Interest repayments/cashflows during the year	(11)	(215)	(227)	(4)	(212)	(217)
Interest accrued (note 11)	38	478	516	14	314	328
Balance - 31 December 2020	**271**	**6,658**	**6,929**	**99**	**2,363**	**2,462**

Maturity analysis for Lease Liabilities

	Less than 1 month	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**More than 1 year**	**Gross nominal amount**	**Total**
Group	1,021	590	1,604	4,836	3,423	**11,474**	**6,929**
Bank	602	221	481	326	1,050	**2,680**	**2,462**

Balance - 31 December 2019		**Group**			**Bank**	
In millions of Nigerian Naira	**Land**	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Lease liabilities						
Balance - 1 January 2019	53	1,976	2,029	53	1,626	1,679
Additions (new lease contracts) during the year	23	401	424	23	272	295
Principal repayments/cashflows during the year	(2)	(998)	(1,000)	(2)	(986)	(988)
Interest repayments/cashflows during the year	(1)	(98)	(99)	(1)	(95)	(96)
Interest accrued (note 11)	10	266	276	10	209	219
Balance - 31 December 2019	**83**	**1,547**	**1,630**	**83**	**1,026**	**1,109**

Maturity analysis for Lease Liabilities

	Less than 1 month	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**More than 1 year**	**Gross nominal amount**	**Total**
Group	14	22	380	378	1070	**1,864**	**1,630**
Bank	9	0	297	220	853	**1,379**	**1,109**

(iv) The amount represents a provision for certain legal claims. The provision charge is recognised in profit or loss within 'other operating expenses'. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2020. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

The movement in provision during the year is as follows:

In millions of Nigerian Naira	**Group Dec 2020**	**Group Dec 2019**	**Bank Dec 2020**	**Bank Dec 2019**
At 1 January	252	252	147	147
Additional provisions	-	-	-	-
Used during the period	-	-	-	-
At 31 December	252	252	147	147
Analysis of total provisions:				
Current	252	252	147	147

(v) This represents allowance for credit loss for off-balance sheet loan commitments and financial guarantees recognised upon adoption of IFRS 9.

The movement in allowance for credit lossess on off-balance sheet items during the year is as follows:

In millions of Nigerian Naira	**Group Dec 2020**	**Group Dec 2019**	**Bank Dec 2020**	**Bank Dec 2019**
Balance, beginning of the year	1,157	3,264	1,062	2,679
Charge to profit or loss	1,598	(2,076)	1,301	(1,617)
Exchange difference	52	(31)	-	-
Balance, end of the year	**2,807**	**1,157**	**2,363**	**1,062**

37	**Borrowings**	Group	Group	Bank	Bank
	In millions of Nigerian Naira	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
	Long Term Borrowings				
	- Central Bank of Nigeria (note 37.1)	70,117	83,663	70,117	83,663
	- Bank of Industry (BoI) (note 37.2)	4,879	6,292	4,879	6,292
	- European Investment Bank (EIB) (note 37.3)	20,811	23,356	20,811	23,356
	- Africa Trade Finance Limited (note 37.4)	32,004	32,846	32,004	18,258
	- Eurobond debt security (note 37.5)	199,256	181,022	199,256	181,022
	- African Development Bank (note 37.6)	40,422	46,385	40,422	46,385
	- Agence Francaise de Development (AFD) (note 37.7)	7,971	-	7,971	-
	- Proparco (note 37.8)	34,048	-	34,048	-
		409,508	**373,564**	**409,508**	**358,976**
	Short Term Borrowings				
	- Sumitomo Mitsui Banking Corporation (note 37.9)	44,056	36,608	44,056	36,608
	-Mashreqbank psc (note 37.13)	16,192	18,277	16,192	18,277
	-Rand Merchant Bank (note 37.14)	40,438	55,280	40,438	55,280
	-ABSA Bank Limited (note 37.15)	30,264	27,380	30,264	27,380
	- Credit Suisse	-	110,509	-	110,509
	- CitiBank (note 37.10)	20,241	-	20,241	-
	- African Export-Import Bank (note 37.11)	119,566	-	119,566	-
	-Abu Dhabi Commercial Bank (ADCB)(note 37.12)	8,014	-	8,014	-
	- JP Morgan Securities Limited	-	73,185	-	73,185
	-Societe Generale Bank	-	63,879	-	63,879
	-Others (note 37.16)	6,075	-	-	-
		284,847	**385,118**	**278,772**	**385,118**
		694,355	**758,682**	**688,280**	**744,094**
	Current	284,847	385,118	278,772	385,118
	Non-current	409,508	373,564	409,508	358,976
		694,355	**758,682**	**688,280**	**744,094**

37	**Borrowings - continued**				
	Movement in borrowings during the period:				
	Opening balance	758,682	758,682	744,094	744,094
	Additions	487,475	140,708	472,887	126,120
	Interest expense	45,506	41,408	39,435	39,370
	Interest paid	(56,085)	(50,103)	(55,760)	(49,778)
	Repayments (principal)	(582,713)	(64,062)	(556,315)	(37,664)
	Exchange difference	41,490	(67,951)	43,939	(78,048)
		694,355	758,682	688,280	744,094

37.1 This represents on-lending facilities provided by the Central Bank of Nigeria (CBN):

(a) N18.859 billion of this facility represents the outstanding balance on the Commercial Agriculture Credit Scheme granted to the Bank for the sole purpose of granting loans, at subsidised rates, to the agricultural sector. Interest on the facility cannot exceed 5% per annum inclusive of all charges and is to be shared between the Bank and CBN at 4% and 1% respectively. The facility will terminate on 30 September 2025. The Bank is the primary obligor to CBN and assumes the risk of default.

(b) N34.980 billion of this facility represents the outstanding balance on the concessionary loans granted by the Central Bank of Nigeria to some State Governments. The facility attracts an interest rate of 1% and the Bank is under obligation to lend to participating states at a maximum rate of 5% per annum (inclusive of all charges). The principal is repayable monthly and the tenor of the facility is 20 years.

(c) N16.279billion of this facility represents the outstanding balance on the loan granted by the Central Bank of Nigeria with respect to Real Sector Support Facility (RSSF) initiative to support the Federal Government's Special Fertilizer Intervention programme. The Central Bank shall lend to the Bank at 1% while the Bank shall on-lend to the customer at a maximum interest rate of 3.5% per annum, all charges inclusive. The 1% interest shall be remitted to CBN on a quarterly basis. The principal is repayable quarterly (after a one year moratorium) and the tenor of the facility is 7 years.

(d) N1.46billion of this facility represents the outstanding balance on loan granted by the Central Bank of Nigeria with respect to the Anchor Borrower's Programme (ABP) for smallholder farmers to boost agricultural production and non-oil exports. The interest rate is guided by the rate on the Micro, Small and Medium Enterprise Development Fund (MSMEDF) which is currently at 9% per annum, all charges inclusive. The Central Bank shall lend to the Bank at 2% while the Bank shall on-lend to the customer at a maximum interest rate of 9% per annum, all charges inclusive. The tenor of the loan is 6 months at which time the principal is repayable.

37.2 This represents an intervention credit granted to the Bank by the Bank of Industry (BOI) for the purpose of refinancing/restructuring existing loans to Small and Medium Scale Enterprises (SMEs), manufacturing companies and companies in the power and aviation industries. The maximum tenor of term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum, deductible at source in the first year and quarterly in arrears thereafter, is paid by the Bank under the intervention programme and the Bank is under obligation to on-lend to customers at an all-interest rate of 5% per annum. The Bank is the primary obligor to CBN/BOI and assumes the risk of default.

37.3 The $52.195million outstanding loan facility was granted under the Nigeria Private Enterprise Finance Facility extended by the European Investment Bank to a group of financial institutions located in Nigeria. The purpose of the facility is to finance capital expenditure for development of intermediation capacities and support small and medium sized enterprises in Nigeria. The facility is for a tenor of 9 years. The interest rate on the facility is six months USD LIBOR plus 343 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 36 months. Facility matures December 2025.

37.4 This represents facilities provided by Africa Trade Finance Limited (ATF):

(a) 'This represents the outstanding balance on the $55million term loan facility arranged by Africa Trade Finance Limited, United Kingdom in June 2020. The facility is a trade-related term loan with a tenor of six (6) months and interest rate of six months USD LIBOR plus 545 basis points. The interest and principal repayments are due upon maturity in December 2020.

(b) 'The second tranche outstanding balance on the $25million term loan facility arranged by Africa Trade Finance Limited, United Kingdom in July 2020. The facility is a trade-related term loan with a tenor of six (6) months and interest rate of six months USD LIBOR plus 530 basis points. The interest and principal repayments are due upon maturity in January 2021.

37.5 This represents the amortised cost of the Eurobond issued by the Bank on June 8, 2017. The $500million Notes have a tenor of 5 years with a maturity date of June 8, 2022 and a yield of 7.875%. The rate of interest (coupon) is 7.75% payable semi-annually with bullet repayment of the Principal sum at maturity.

37.6 This represents the amount granted under a $150million line of credit by African Development Bank in December 2016. The first tranche of $120million was disbursed to the Bank in December 2016 while the second tranche of $30 million was disbursed to the Bank in November 2017. The facility oustanding balance is $100million for a tenor of 8 years and is to be used for medium term financing and on-lending to infrastructure projects, small and medium sized enterprises and women-owned enterprises in the Federal Republic of Nigeria. The interest rate on the facility is six months USD LIBOR plus 471basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 2 years. Facility matures December 2024.

37.7 This represents the amount granted under a $20 million trade loan facility granted by Agence Francaise de Development (AFD) in May 2020. The facility is for a tenor of ten (10) years and Interest rate is six (6) months USD LIBOR plus 327 basis points. The interest repayments are payable semi-annually while the principal repayment will commence on a semi-annual basis following the 3 year grace period, final maturity is in May 2029.

37.8 This represents the amount granted under a $85 million trade loan facility granted by Proparco in April 2020. The facility is for a tenor of seven (7) years and Interest rate is six (6) months USD LIBOR plus 331 basis points. The interest repayments are payable semi-annually while the principal repayment will commence on a semi-annual basis following the 2 year grace period, final maturity is in April 2027.

37.9 This represents the amount granted under a $60 million and $50 million trade loan facilities granted by Sumitomo Mitsui Banking Corporation in March 2020 and December 2020 respectively. The tranche 1 facility is for a tenor of one (1) year and Interest rate is three (3) months USD LIBOR plus 275 basis points while second tranch is for a a tenor of Six (6) months and Interest rate is three (3) months USD LIBOR plus 404 basis points whose the principal repayment is due upon maturity in June 2021.

37.10 This represents the amount granted under a $50 million trade finance loan facility granted by Citi Bank in September 2020. The facility is for a tenor of six (6) months and Interest rate is three (3) months USD LIBOR plus 350 basis points. The interest and principal repayments are due upon maturity in January 2021.

37.11 This represents facilities provided by African Export-Import Bank (Afrexim):

a This represents the amount granted under a $100 million trade loan facility granted by African Export-Import Bank in May 2020. The facility is for a tenor of one (1) year and Interest rate is three (3) months USD LIBOR plus 450 basis points. The interest repayments were on a quarterly basis while the principal repayment is due upon maturity in May 2021.

b The second tranche from this lender represents the amount granted under a $150 million and $50 million loan facilities granted by African Export-Import Bank in November 2020 with two (2) and three (3) years tenor respectively. The facilities' Interest rate is three (3) months USD LIBOR plus 350 basis points and 349 basis points respectively. The interest repayments were on a quarterly basis while the principal repayment is due upon maturity in November 2022 and November 2023 respectively.

37.12 This represents the amount granted under a $20 million trade finance loan facility granted by Abu Dhabi Commercial Bank (ADCB) in December 2020. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 375 basis points. The interest and principal repayments are due upon maturity in June 2021.

37.13 'This represents the amount granted under a $40 million trade finance loan facilities granted by Mashreq Bank in September 2020. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 350 basis points . The interest and principal repayments are due upon maturity in March 2021.

37.14 This represents the amount granted under a $50 million trade finance loan facility granted by Rand Merchant Bank in September 2020. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 375 basis points. The interest and principal repayments are due upon maturity in March 2021.

37.15 This represents the amount granted under a $75 million trade finance loan facility granted by ABSA Bank Ltd in September 2020. The facility is for a tenor of Six (6) months and Interest rate is Six (6) months USD LIBOR plus 365 basis points. The interest and principal repayments are due upon maturity in March 2021.

37.16 This represents the outstanding borrowings in Cameroon and Guinea subsidiary books as at 31 December 2020.These borrowings are short term of not more than one(1) year and whose rates hover between 2%- 11.5%. Significant of these subsidiaries funding was the one from Guinea which totalled $10.01million which would mature by 7th January, 2021.

38 Subordinated liabilities

In millions of Nigerian Naira	**Group Dec 2020**	**Group Dec 2019**	**Bank Dec 2020**	**Bank Dec 2019**
Medium term notes - series 3	-	30,048	-	30,048
	-	**30,048**	**-**	**30,048**
Current	-	5,017	-	5,017
Non-current	-	25,031	-	25,031
	-	30,048	-	30,048

Subordinated liabilities represent medium-term bonds issued by the Bank in December 2014 at coupon rate of 16.45% and was extinguished during 2020FY.

Movement in subordinated liabilities:

In millions of Nigerian Naira	**Group Dec 2020**	**Group Dec 2019**	**Bank Dec 2020**	**Bank Dec 2019**
Opening balance	30,048	29,859	30,048	29,859
Interest accrued	2,505	5,206	2,505	5,206
Interest paid	(2,495)	(5,017)	(2,495)	(5,017)
Repayments	(30,058)	-	(30,058)	-
	-	30,048	-	30,048

39 Capital and reserves

(a) **Share capital**

Share capital comprises:

	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
(i) Authorised - 45,000,000,000 Ordinary shares of 50k each	22,500	22,500	22,500	22,500
(ii) Issued and fully paid - 34,199,421,366 Ordinary shares of 50k each	17,100	17,100	17,100	17,100

The movement in the share capital account during the period is as follows:

In millions				
Number of shares in issue at end of the period	34,200	34,200	34,200	34,200

(b) **Share premium**

Share premium is the excess paid by shareholders over the nominal value for their shares.

(c) **Retained earnings**

Retained earnings is the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

(d) **Other Reserves**

Other reserves include the following:

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Translation reserve (note (i))	40,512	7,823	-	-
Statutory reserve (note (ii))	115,379	102,248	97,451	86,068
Fair value reserve (note (iii))	122,807	117,408	123,421	117,995
Regulatory (Credit) risk reserve (note (iv))	45,496	50,594	45,773	36,554
	324,194	278,073	266,645	240,617

(i) **Translation reserve**

Translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

(ii) **Statutory reserve**

Statutory reserve includes:

- Statutory reserve: this represents the cumulative appropriation from earnings in accordance with existing legislation that require the Bank to make an annual appropriation, In the current period, the Bank transferred N8.537billion representing 15% (2019: 15%) of its profit after taxation to statutory reserves.

- Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves of 2.635 billion as at 31 December 2020 (December 2019: N2.635 billion) . The Bank has since suspended further appropriation to SMEEIS reserve in line with the directives of the Central Bank of Nigeria.

- Agriculture/Small and Medium Enterprises Equity Investment Scheme (AGSMEEIS) reserves of N9.397 billion as at 31 December 2020 (December 2019: N6.551). The reserve was set aside in compliance with Central Bank of Nigeria's directive of April 2017.

(iii) **Fair value reserve**

The fair value reserve includes the net cumulative change in the fair value of investments at fair value through other comprehensive income. The net cumulative fair value change on equity instruments is transferred to retained earnings when the investment is derecognised while the net cummulative fair value change on debt instruments is recycled to the income statement.

(iv) **Regulatory (Credit) risk reserve**

The regulatory (credit) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the various Central Banks of the various operating jurisdictions compared with the expected credit loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the expected credit loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

40 Dividends

The Board of Directors have proposed a final dividend of N0.35 per share which in addition to the N0.17 per share paid as interim dividend, amounts to a total dividend of N0.52 per share (2019: N1.00 per share) from the retained earnings account as at 31 December 2020.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2020 and 31 December 2019 respectively.

Payment of dividend to shareholders is subject to withholding tax at a rate of 10%.

41 Contingencies

(i) Litigation and claims

The Group, in the ordinary course of business is currently involved in 1000 legal cases (2019: 644). The total amount claimed in the cases against the Group is estimated at N385.07billion (2019: N472.04 billion). The directors having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

41 Contingencies - continued

(ii) Contingent liabilities

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given to third parties as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk. There are no guarantees, commitments or other contingent liabilities arising from related party transactions.

In millions of Nigerian naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Performance bonds and guarantees	170,988	48,692	163,793	47,019
Allowance for credit losses	(941)	(118)	(756)	(118)
Net carrying amount	170,047	48,574	163,037	46,901
Letters of credits	687,841	595,896	194,880	299,756
Allowance for credit losses	(1,866)	(944)	(1,607)	(944)
Net carrying amount	685,975	594,952	193,273	298,812
Gross amount	858,829	644,588	358,673	346,775
Total allowance for credit losses	(2,807)	(1,062)	(2,363)	(1,062)
Total carrying amount for performance bonds and guarantees	856,022	643,526	356,310	345,713

(iii) Loan commitments

Loan commitments are irrevocable commitments to provide credits under pre-specified terms and conditions. The Group's loan commitments are usually conditioned on the maintenance of a satisfactory financial standing by the customer and absence of defaults on other covenants. At the reporting date, the Group had loan commitments amounting to N95 billion (December 2019: N87 billion) in respect of various loan contracts.

(iv) Capital commitments

Capital commitments are irrevocable contractual commitments for the acquisition of items of property and equipment or intangible assets. At the balance sheet date, the Group had capital commitments amounting to N5.247 billion (December 2019: N4.204 billion) in respect of authorised and contracted capital projects.

	Group Dec 2020	Group Dec 2019
In millions of Nigerian naira		
Property and equipment	3,458	1,664
Intangible assets	1,789	2,540
	5,247	4,204

42 Related parties and insider related credits

United Bank for Africa Plc (UBA Plc) is the ultimate parent/controlling party of the Group. The shares of UBA Plc are listed on the Nigerian Stock Exchange and held by widely varied investors.

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures as well as key management personnel.

(a) Subsidiaries

Transactions between United Bank for Africa Plc and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements but are disclosed in the books of the Bank. The Bank's transactions and balances with its subsidiaries during the period and at period end are as follows:

(i) Interest income:

(i) Cash and cash equivalents with the following subsidiaries are:

Name of Subsidiary	Nature of Balance	Dec 2020	Dec 2019
In millions of Nigerian naira			
UBA UK Limited	Money market placement	35,989	39,969
UBA UK	Nostro Balances	25,620	-
UBA Kenya	Money market placement	4,003	3,663
UBA Ghana	Money market placement	-	26,631
		65,612	70,639

(ii) Loan and advances

Name of Subsidiary	Type of Loan	Dec 2020	Dec 2019
In millions of Nigerian naira			
UBA Cameroun	Overdraft	15,978	18,055
UBA Burkina Faso	Overdraft	2,994	3,324
UBA Congo Brazzaville	Overdraft	2,888	1,512
UBA Chad	Overdraft	2,307	3,383
UBA Benin	Overdraft	1,970	1,968
UBA Senegal	Overdraft	183	1
UBA Gabon	Overdraft	73	1,719
UBA Tanzania	Term Loans	-	547

42 Related parties and insider related credits - continued

UBA Cote D'Ivoire	Overdraft	-	120
		26,392	30,629

Term loans to subsidiaries are unsecured.

(iii) Deposits

Name of Subsidiary	**Type of Deposit**	**Dec 2020**	**Dec 2019**
In millions of Nigerian naira			
UBA Mali	Current	6,104	17
UBA Congo DRC	Current	1,709	2
UBA Uganda	Current	887	637
UBA Congo Brazzaville	Current	125	9
UBA Sierra Leone	Current	71	-
UBA Kenya	Current	60	135
UBA Ghana	Current	55	22
UBA Mozambique	Current	55	11
UBA Senegal	Current	29	9
UBA Guinea	Current	20	5
UBA Liberia	Current	20	18
UBA Burkina Faso	Current	16	18
UBA Benin	Current	12	46
UBA Cameroun	Current	8	-
UBA Cote D'Ivoire	Current	4	16
UBA Pension Custodian	Current	8	12
UBA Tanzania	Current	-	47
UBA Gabon	Current	-	8
UBA Cameroon	Current	-	93
UBA Liberia	Domicilliary	13,760	4,671
UBA Ghana	Domicilliary	6,663	357
UBA Guinea	Domicilliary	1,279	114
UBA Senegal	Domicilliary	798	75
UBA Sierra Leone	Domicilliary	406	-
UBA Benin	Domiciliary	339	19
UBA Burkina Faso	Domicilliary	299	207
UBA Uganda	Domicilliary	248	84
UBA Kenya	Domicilliary	100	73
UBA Cote D'Ivoire	Domicilliary	66	39
UBA Chad	Domicilliary	64	91
UBA Gabon	Domicilliary	78	2
UBA Tanzania	Domicilliary	35	91
UBA Cameroon	Domicilliary	-	336
UBA Congo DRC	Domicilliary	-	526
UBA Congo Brazzaville	Domicilliary	-	222
UBA Mozambique	Domicilliary	-	9
UBA Mali	Domicilliary	-	308
UBA Burkina Faso	Money market deposit	-	1,638
UBA Ghana	Money market deposit	14	-
UBA Tanzania	Money market deposit	-	730
UBA Sierra Leone	Money market deposit	-	730
UBA Pension Custodian	Money market deposit	-	3,241
UBA UK Limited	Money market deposit	22,315	35,383
		55,649	50,051

42 Related parties and insider related credits - continued

(iv) Accounts receivable from the following subsidiaries are:

In millions of Nigerian naira		Dec 2020	Dec 2019
UBA Ghana	Accounts receivable	4,796	3,065
UBA Cote D'Ivoire	Accounts receivable	2,148	1,206
UBA Cameroon	Accounts receivable	1,449	387
UBA Burkina Faso	Accounts receivable	805	1,652
UBA Benin	Accounts receivable	971	838
UBA DRC Congo	Accounts receivable	630	160
UBA Zambia	Accounts receivable	596	-
UBA Gabon	Accounts receivable	591	825
UBA Congo Brazzaville	Accounts receivable	585	650
UBA Senegal	Accounts receivable	539	627
UBA Guinea	Accounts receivable	822	587
UBA Uganda	Accounts receivable	583	348
UBA Chad	Accounts receivable	751	346
UBA Liberia	Accounts receivable	134	206
UBA Sierra Leone	Accounts receivable	159	182
UBA Pension Custodian	Accounts receivable	69	172
UBA Tanzania	Accounts receivable	280	154
UBA Kenya	Accounts receivable	418	148
UBA Mali	Accounts receivable	184	67
UBA Mozambique	Accounts receivable	298	23
UBA Angola	Accounts receivable	14	-
		16,821	11,643

In millions of Nigerian naira	Dec 2020	Dec 2019
(v) Dividend receivable from the following subsidiaries are:		
UBA Pension Custodian	2,500	3,240
UBA Ghana	1,129	7,265
UBA Gabon	1,069	973
UBA Chad	878	799
UBA Sierra Leone	851	774
UBA Liberia	807	394
UBA Senegal	-	410
	7,233	13,855
(vi) Interest income from the following subsidiaries are:		
UBA UK Limited	1,746	1,845
UBA Ghana	246	251
UBA Kenya	187	288
UBA Guinea	10	11
UBA Tanzania	7	102
UBA Gabon	-	1
UBA Congo Brazzaville	-	2
UBA Cote D'Ivoire	-	44
UBA Senegal	-	23
	2,196	2,567
(vii) Interest expense to the following subsidiaries are:		
UBA New York	5,145	310
UBA UK Limited	2,021	1,905
UBA Congo DRC	356	16
UBA Ghana	232	14
UBA Uganda	77	39
UBA Sierra Leone	72	-
UBA Mozambique	51	-
UBA Congo Brazzaville	26	-
UBA Liberia	61	-
UBA Guinea	38	-
UBA Tanzania	54	-
UBA Pension Custodian	50	63
UBA Kenya	15	19
UBA Burkina Faso	-	3
UBA Chad	-	11
	8,200	2,380

42 Related parties and insider related credits - continued

(viii) Dividend income from the following subsidiaries are:

UBA Pension Custodian	2,500	3,240
UBA Burkina Faso	1,179	1,352
UBA Ghana	-	6,236
UBA Chad	-	800
UBA Gabon	-	973
UBA Liberia	-	394
UBA Senegal	-	4,048
	1,179	13,803

	Dec 2020	Dec 2019
(ix) Internal transfer pricing charges from the following subsidiaries are:		
UBA Ghana	1,010	914
UBA Burkina Faso	735	582
UBA Cote d' Ivoire	712	529
UBA Benin	531	496
UBA Cameroun	501	844
UBA Senegal	383	339
UBA Congo DRC	302	157
UBA Liberia	280	209
UBA Sierra Leone	271	175
UBA Zambia	239	150
UBA Chad	265	295
UBA Kenya	228	144
UBA Congo Brazaville	192	182
UBA Gabon	192	384
UBA Guinea Conakry	171	130
UBA Tanzania	74	82
UBA Mozambique	68	61
UBA Pension	129	152
UBA Uganda	164	152
UBA Mali	156	46
	6,604	6,023

(b) Investment in equity accounted investee

Transactions between United Bank for Africa Plc and UBA Zambia meet the definition of related party transactions. The following transactions and balances are held with respect to the associate.

	Dec 2020	Dec 2019
Money market deposit	-	-
	-	-

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of UBA Plc, directly or indirectly, including any director (whether executive or otherwise) of the Bank, and their close family members. Close family members are those family who may be expected to influence, or be influenced by that individual in their dealings with UBA Plc and its subsidiaries.

Key management personnel and their close family members engaged in the following transactions with the Bank during the period:

Loans and advances to key management personnel	**Dec 2020**	**Dec 2019**
In millions of Nigerian Naira		
Loans and advances as at year end	206	297

	Dec 2020	Dec 2019
Interest income earned during the year	68	84

Loans to key management personnel are granted on the same terms and conditions as loans to other employees. Related party loans are secured over real estate, equity and other assets of the respective borrowers. No impairment losses (2019: Nil) have been recorded against related party loans.

42 Related parties and insider related credits - continued

Loans and advances to key management personnel's related persons and entities as at 31 December 2020

In millions of Nigerian naira

Name of company/ individual	Name of Director	Facility Type	Security	Status	Rate	Currency	Dec 2020	Dec 2019
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	10.0%	NGN	17,196	19,682
Bridge House College	Mrs. Foluke Abdulrazaq	Term loan (Under CBN MSMEDF)	Real Estate	Performing	9.0%	NGN	-	2
							17,196	39,366

	Dec 2020	Dec 2019
Interest income earned during the year	1,772	2,837

Deposit liabilities

Deposit liabilities relating to key management personnel and their related persons and entities as at end of the period is as follows:

In millions of Nigerian Naira	Dec 2020	Dec 2019
Deposits as at year end	815	1,340
Interest expense during the year	15	27

Compensation

Aggregate remuneration to key management staff during the period is as follows:	Dec 2020	Dec 2019
In millions of Nigerian Naira		
Executive compensation	698	814
Defined contribution plan	20	23
	718	837

43 Compensation to Employees and Directors

(i) The number of persons in the employment of the Group and the Bank as at period end is as follows:

(In absolute units)	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Group executive directors	7	9	7	9
Management	88	99	68	90
Non-management	10,729	13,129	7,241	9,697
	10,824	13,237	7,316	9,796

Compensation for the above personnel (including executive directors):	Dec 2020	Dec 2019	Dec 2020	Dec 2019
In millions of Nigerian Naira				
Salaries and wages	84,483	72,490	45,853	42,532
Defined contribution plans	3,062	2,609	1,325	1,242
	87,545	75,099	47,178	43,774

43 Compensation to Employees and Directors - continued

(ii) The number of employees of the Group and the Bank, other than Directors, who received emoluments in the following ranges (excluding pension contributions) were:

(In absolute units)

	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
N300,001 - N2,000,000	4,200	7,426	2,198	5,150
N2,000,001 - N2,800,000	628	2,168	222	1,821
N2,800,001 - N3,500,000	1,516	294	1,257	1
N3,500,001 - N4,000,000	1,439	730	1,311	667
N4,000,001 - N5,500,000	740	565	537	331
N5,500,001 - N6,500,000	394	60	221	-
N6,500,001 - N7,800,000	564	628	452	554
N7,800,001 - N9,000,000	409	410	334	380
N9,000,001 - above	927	956	777	883
	10,817	13,237	7,309	9,787

(iii) Directors

In millions of Nigerian naira

	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	64	51	64	51
Executive compensation	698	814	698	814
Defined contribution plan	20	23	20	23
	782	888	782	888
Fees and other emoluments disclosed above includes amounts paid to:				
The Chairman	3	3	3	3
The highest paid Director	143	143	143	143

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

(In absolute units)

	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
N1,000,001 - N5,000,000	10	10	10	10
N5,500,001 and above	9	9	9	9
	19	19	19	19

44 Non-audit services

During the year, the Bank's external auditors (Ernst & Young) rendered the following non-audit service to the Bank:

(i) Consultancy service on the validation of UBA's 2020 Recovery and Resolution Plan (RRP). The total amount paid by UBA Plc for this service was N4,500,000. This amount is included as part of contract services expense in "other operating expenses" in note 19.

(ii) Ernst & Young was also engaged to conduct the assessment of UBA's risk management practices and whistleblowing compliance level. The total amount agreed for this service is N17,000,000. No payment has been made yet.

Note: These non-audit services are being undertaken by different E&Y teams which were contracted ealier before the audit engagement was signed in Q1-2020.

45 Compliance with banking regulations

During the year, the bank incurred the following penalties from Central Bank of Nigeria for various contraventions:

In millions of Nigerian Naira

	Description	Amount
1	Late refund to customer	2
2	Incomplete documentation on customer account opening	3
3	Penalty related to corporate social responsibility donations	8
4	Review of operation of customers' domiciliary accounts relating to FX transactions on textile importation	623

46 Evaluation of the impact of COVID-19

The COVID-19 pandemic has caused disruptions to global economic and social activities during the period ended 31 December 2020. The direct impact in our markets was experienced in the second quarter of the interim reporting period, by way of reduction in social interactions and disruptions in economic activities. The Group has reviewed the current uncertainty as a result of this pandemic and nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

The Group responded as appropriate by activating its Business Continuity Plans across the different entities to ensure continuous service to its stakeholders. The Group has also assessed on a line-by-line basis the impact of Covid-19 on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statement. Whilst the Group continues to monitor the situation as more new information becomes available and necessary adjustment will be reflected in the appropriate period.

47 Events after the reporting date

There were no events after the reporting date that could have material effect on the financial condition of the Group and the Bank as at 31 December 2020 and the profit and other comprehensive income for the year ended which have not been adjusted or disclosed.

48 Securities Trading Policy

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule)United Bank for Africa Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's shares. The Policy undergoes periodic reviews by the Board and is updated accordingly. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the period.

49 Free Float Declaration

United Bank for Africa Plc with a free float percentage of 80.66% (and a free float value of N238,605,016,032) as at 31 December 2020, is compliant with free float requirements for companies listed on the Premium Board of The Nigerian Stock Exchange.

50 Condensed result of consolidated subsidiaries

For the year ended 31 December 2020

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	43,658	4,661	21,206	14,762	7,181	7,277	9,741	14,484
Total operating expenses	(24,148)	(3,218)	(12,524)	(8,764)	(5,812)	(4,406)	(7,389)	(11,915)
Net impairment gain/(reversal) on financial assets	(4,183)	(134)	(1,935)	(572)	(821)	(231)	1,386	606
Profit before income tax	**15,327**	**1,309**	**6,747**	**5,426**	**548**	**2,640**	**3,738**	**3,175**
Income tax expense	(4,902)	(326)	(369)	(326)	(137)	(812)	(1,326)	(157)
Profit for the year from continuing operations	**10,425**	**983**	**6,378**	**5,100**	**411**	**1,828**	**2,412**	**3,018**
Profit for the year	**10,425**	**983**	**6,378**	**5,100**	**411**	**1,828**	**2,412**	**3,018**
Condensed statements of financial position								
Assets								
Cash and bank balances	66,099	26,858	46,179	4,455	14,694	20,701	9,869	38,656
Loans and Advances to Banks	-	-	9,402	7,381	-	-	-	-
Loans and advances to customers	77,037	11,146	140,862	60,598	9,897	12,642	31,549	60,705
Investment securities	119,678	12,888	178,662	111,647	38,809	40,574	56,195	143,899
Other assets	5,908	12,331	6,881	11,550	4,201	95	7,774	1,692
Property and equipment	4,679	327	408	896	225	454	4,028	2,830
Intangible assets	49	1	47	126	10	16	62	11
Deferred tax assets	26	44	829	-	1,151	-	-	-
Total assets	273,476	63,595	383,270	196,653	68,987	74,482	109,477	247,793
Financed by:								
Deposits from banks	5,035	-	62,987	4,145	29,816	346	400	46,932
Deposits from customers	193,679	49,304	270,744	126,724	28,494	61,936	79,543	175,369
Other liabilities	6,525	6,413	19,172	37,847	2,058	1,757	17,411	3,372
Current income tax liabilities	-	680	-	360	134	-	-	627
Borrowings	-	-	-	-	-	4,007	-	-
Deferred tax liability	-	41	395	-	-	-	-	-
Total Equity	68,237	7,157	29,972	27,577	8,485	6,436	12,123	21,493
Total liabilities and equity	273,476	63,595	383,270	196,653	68,987	74,482	109,477	247,793
Condensed cash flows								
Net cash from/(used in)operating activities	38,991	14,685	172,072	41,611	43,540	32,961	36,050	90,439
Net cash from /(used in)financing activities	17,557	928	14,023	9,920	1,210	3,096	(1,865)	9,469
Net cash from/(used in) investing activities	(29,949)	(6,963)	(150,052)	(74,191)	(32,369)	(24,601)	(33,588)	(69,979)
Increase/(decrease) in cash and cash equivalents	**26,599**	**8,650**	**36,043**	**(22,660)**	**12,381**	**11,456**	**597**	**29,929**
Cash and cash equivalents at beginning of the year	39,500	18,208	10,136	27,115	2,313	9,245	9,272	8,727
Cash and cash equivalents at end of the year	**66,099**	**26,858**	**46,179**	**4,455**	**14,694**	**20,701**	**9,869**	**38,656**

Condensed result of consolidated subsidiaries continued
For the year ended 31 December 2020

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	8,069	19,095	8,494	7,518	21,026	1,724	31,495	6,211	4,565
Total operating expenses	(3,221)	(15,058)	(5,761)	(5,166)	(11,721)	(1,793)	(19,872)	(2,690)	(5,175)
Net impairment gain/(reversal) on financial assets	8	(78)	(965)	7	(613)	(55)	1,611	-	-
Profit before income tax	4,856	3,959	1,768	2,359	8,692	(124)	13,234	3,521	(610)
Income tax expense	(1,235)	(125)	-	(335)	-	(219)	(5,521)	(917)	(44)
Profit for the year	3,621	3,834	1,768	2,024	8,692	(343)	7,713	2,604	(654)
Condensed statements of financial position									
Assets									
Cash and bank balances	15,465	36,969	9,443	26,195	53,863	18,418	56,499	18	16,055
Financial assets at FVTPL	-	-	-	-	43,310	-	-	-	-
Loans and advances to customers	2,361	114,798	36,296	5,011	60,587	1,597	99,179	-	12,736
Investment securities	32,922	197,823	68,644	16,421	2	2,423	187,780	7,678	11,930
Other assets	163	2,659	957	5,995	9,814	76	10,737	1,309	2,776
Property and equipment	741	3,824	1,415	1,097	1,148	189	1,658	98	-
Intangible assets	-	136	21	24	7	47	184	92	-
Deferred tax assets	-	-	-	-	-	-	-	38	-
Total assets	51,652	356,209	116,776	54,743	168,731	22,750	359,033	9,233	43,497
Financed by:									
Deposits from banks	2,960	72,462	66	5,564	35,686	3,603	11,471	-	80
Deposits from customers	31,257	253,893	92,159	38,432	86,905	12,365	282,049	-	33,641
Other liabilities	6,966	3,690	10,589	2,673	7,851	301	14,726	2,915	1,889
Current income tax liabilities	-	-	-	-	-	-	6,174	953	13
Borrowings	-	-	-	-	-	-	2,068	-	-
Deferred tax liability	10	-	-	-	-	-	-	13	-
Total Equity	10,459	26,164	13,962	8,074	38,289	6,481	42,545	5,352	7,874
Total liabilities and equity	51,652	356,209	116,776	54,743	168,731	22,750	359,033	9,233	43,497
Condensed cash flows									
Net cash from/(used in)operating activities	24,701	66,978	55,617	26,023	15,992	5,201	113,354	994	7,458
Net cash from /(used in)financing activities	5,626	5,872	2,402	1,760	13,120	(1,140)	18,293	(1,761)	1,947
Net cash from/(used in) investing activities	(20,982)	(60,563)	(62,102)	(11,625)	13,969	10,408	(115,055)	693	2
Increase/(decrease) in cash and cash equivalents	**9,345**	**12,287**	**(4,083)**	**16,158**	**43,081**	**14,469**	**16,592**	**(74)**	**9,407**
Cash and cash equivalents at beginning of the year	6,120	24,682	13,526	10,037	10,782	3,949	39,907	92	6,648
Cash and cash equivalents at end of the year	**15,465**	**36,969**	**9,443**	**26,195**	**53,863**	**18,418**	**56,499**	**18**	**16,055**

Condensed result of consolidated subsidiaries continued
For the year ended 31 December 2020

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA UK Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income						
Operating income	3,766	3,351	4,455	266,210	(17,625)	491,324
Total operating expenses	(3,148)	(2,920)	(5,866)	(155,844)	66,564	(249,847)
Net impairment gain/(reversal) on financial assets	(27)	-	-	(14,146)	(6,867)	(27,009)
Share of loss of equity-accounted investee	-	-	-	-	1,071	1,071
(Loss)/Profit before income tax	591	431	(1,411)	96,220	42,072	131,860
Income tax expense	(12)	-	-	(1,449)	(29,142)	(18,095)
Profit/(loss) for the year from continuing operations	**579**	**431**	**(1,411)**	**94,771**	**12,930**	**113,765**
(Loss)/Profit for the year	**579**	**431**	**(1,411)**	**94,771**	**12,930**	**113,765**
Condensed statements of financial position						
Assets						
Cash and bank balances	14,519	41,710	16,762	1,436,822	(95,631)	1,874,618
Financial assets at FVTPL	-	-	-	171,058	32	214,400
Derivative assets	-	-	-	53,148	(2,996)	53,148
Loans and Advances to Banks	-	-	31,023	65,058	(38,441)	77,419
Loans and advances to customers	9,661	16,590	920	1,812,536	(1,142,204)	2,554,975
Investment securities	4,145	-	46,931	1,305,163	(3,423)	2,580,791
Other assets	686	20,606	415	96,524	(87,717)	115,432
Investments in equity-accounted investee	-	-	-	2,715	1,789	4,504
Investments in Subsidiaries	-	-	-	103,275	(103,275)	-
Property and equipment	341	835	1,131	123,435	3,432	153,191
Intangible assets	1	-	932	16,237	10,897	28,900
Deferred tax assets	-	-	-	21,862	16,652	40,602
Total assets	**29,353**	**79,741**	**98,114**	**5,207,833**	**(1,440,885)**	**7,697,980**
Financed by:						
Derivative liabilities	-	-	-	508	-	508
Deposits from banks	4,122	629	69,470	121,815	(59,432)	418,157
Deposits from customers	19,807	51,359	6,678	3,824,143	(42,470)	5,676,011
Other liabilities	1,372	20,862	5,453	93,669	(109,684)	157,827
Current tax liability	-	-	-	1,478	(437)	9,982
Subordinated liabilities	-	-	-	-	(2,068)	-
Borrowings	-	-	-	688,280	-	694,355
Deferred tax liability	-	-	-	-	16,533	16,992
Total Equity	4,052	6,891	16,513	477,940	(121,928)	724,148
Total liabilities and equity	**29,353**	**79,741**	**98,114**	**5,207,833**	**(319,486)**	**7,697,980**
Condensed cash flows						
Net cash from/(used in)operating activities	6,822	25,914	39,224	735,114	(71,289)	1,522,452
Net cash from /(used in)financing activities	(61)	2,764	2,271	(205,322)	(117,881)	(217,772)
Net cash from/(used in) investing activities	797	2,929	(36,725)	(483,597)	77,751	(1,105,792)
Increase/(decrease) in cash and cash equivalents	**7,558**	**31,607**	**4,770**	**46,195**	**(111,419)**	**198,888**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	46,522	55,766	102,288
Cash and cash equivalents at beginning of the year	6,961	10,103	11,992	361,927	(71,771)	559,471
Cash and cash equivalents at end of the year	**14,519**	**41,710**	**16,762**	**454,644**	**(127,424)**	**860,647**

50 Condensed result of consolidated subsidiaries

For the year ended 31 December 2019

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	33,637	4,166	13,364	11,397	6,226	3,447	7,238	9,970
Total operating expenses	(16,849)	(3,206)	(8,081)	(7,698)	(5,212)	(3,512)	(4,323)	(10,817)
Net impairment (loss)/gain on financial assets	(238)	(159)	(286)	(259)	(198)	(54)	(99)	1,944
Profit/(loss) before income tax	**16,550**	**801**	**4,997**	**3,440**	**816**	**(119)**	**2,816**	**1,097**
Income tax expense	(5,457)	-	-	(642)	-	-	-	-
Profit for the year	**11,093**	**801**	**4,997**	**2,798**	**816**	**(119)**	**2,816**	**1,097**
Condensed statements of financial position								
Assets								
Cash and bank balances	32,320	18,208	29,945	14,653	13,489	4,158	9,272	24,553
Financial assets at FVTPL	-	-	-	-	-	-	-	-
Loans and advances to customers	52,542	8,690	92,098	80,305	13,158	13,272	16,540	35,798
Investment securities	159,872	5,593	50,371	44,574	28,363	23,547	24,154	51,452
Other assets	1,613	3,084	4,643	(609)	1,154	(9)	2,829	1,457
Property and Equipment	2,447	644	478	1,574	281	1,259	2,496	2,478
Intangible assets	11	16	16	27	17	26	47	(462)
Deferred tax asset	121	-	-	-	1,260	-	-	-
	248,926	36,235	177,551	140,524	57,722	42,253	55,338	115,276
Financed by:								
Deposits from banks	68,590	333	1,309	3,501	9,251	-	397	15,230
Deposits from customers	129,541	28,991	150,387	110,359	24,511	36,570	37,477	84,023
Other liabilities	10,532	1,624	9,769	6,172	776	2,038	7,214	3,734
Borrowings	-	-	-	-	14,588	-	-	-
Total Equity	40,179	5,287	16,086	20,492	8,596	3,645	10,250	12,289
	248,926	36,235	177,551	140,524	57,722	42,253	55,338	115,276
Condensed cash flows								
Net cash from operating activities	71,862	837	40,486	(4,442)	17,658	4,245	7,387	(9,810)
Net cash from financing activities	(11,170)	(818)	1,123	(323)	15,504	(943)	(1,629)	2,343
Net cash from investing activities	(67,873)	(1,827)	(21,800)	(7,697)	(21,986)	(8,389)	(9,951)	23,293
Increase/(decrease) in cash and cash equivalents	**(7,181)**	**(1,808)**	**19,809**	**(12,462)**	**11,176**	**(5,087)**	**(4,193)**	**15,826**
Effects of exchange rate	1	(748)	-	-	-	-	-	-
Cash and cash equivalents at beginning of the year	39,500	20,764	10,136	27,115	2,313	9,245	13,465	8,727
Cash and cash equivalents at end of the year	**32,320**	**18,208**	**29,945**	**14,653**	**13,489**	**4,158**	**9,272**	**24,553**

Condensed result of consolidated subsidiaries-continued
For the year ended 31 December 2019

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	5,466	12,594	6,089	4,299	16,306	2,271	22,482	6,916	1,362
Total operating expenses	(2,448)	(10,391)	(3,718)	(3,560)	(10,165)	(2,148)	(12,204)	(1,382)	(2,277)
Net impairment gain/(loss) on financial assets	(3)	(326)	(142)	-	(655)	(12)	(1,591)	-	3
Profit before income tax	3,015	1,877	2,229	739	5,486	111	8,687	5,534	(912)
Income tax expense	(762)	(81)	-	(85)	-	(345)	(3,495)	(1,407)	-
Profit for the year	2,253	1,796	2,229	654	5,486	(234)	5,192	4,127	(912)
Condensed statements of financial position									
Assets									
Cash and bank balances	9,156	11,708	12,290	18,290	17,328	10,129	22,367	3,262	3,422
Loans and advances to customers	3,163	97,292	16,682	3,395	29,540	279	62,040	-	5,918
Investment securities	15,934	76,683	20,202	9,754	40,429	7,523	112,864	6,493	6,099
Other assets	382	1,544	1,459	2,038	3,604	713	21,766	1,164	1,657
Property and Equipment	524	2,880	620	504	483	159	1,114	148	756
Intangible assets	-	90	9	30	27	59	18	120	-
Deferred tax asset	2	-	-	-	-	-	-	55	-
	29,161	190,197	51,262	34,011	91,411	18,862	227,342	11,242	17,852
Financed by:									
Deposits from banks	1,489	25,649	1	3,305	-	2,942	36,105	-	4
Deposits from customers	18,139	145,677	40,378	26,166	58,330	7,764	152,460	(2)	11,596
Other liabilities	2,735	2,220	1,371	-	3,369	202	10,302	4,371	1,102
Current tax liability	9	-	-	-	-	-	3,527	1,408	-
Total Equity	6,789	16,651	9,512	4,540	29,712	7,954	24,948	5,465	5,150
	29,161	190,197	51,262	34,011	91,411	18,862	227,342	11,242	17,852
Condensed cash flows									
Net cash from operating activities	4,861	(72,938)	14,126	13,028	24,610	630	20,740	4,541	(1,953)
Net cash from financing activities	1,952	(1,603)	(2,509)	(404)	7,749	224	3,217	(3,171)	(519)
Net cash from investing activities	(3,777)	61,567	(12,853)	(4,371)	(25,813)	5,326	(41,497)	1,800	(754)
(Decrease)/Increase in cash and cash equivalents	**3,036**	**(12,974)**	**(1,236)**	**8,253**	**6,546**	**6,180**	**(17,540)**	**3,170**	**(3,226)**
Cash and cash equivalents at beginning of the year	6,120	24,682	13,526	10,037	10,782	3,949	39,907	92	6,648
Cash and cash equivalents at end of the year	**9,156**	**11,708**	**12,290**	**18,290**	**17,328**	**10,129**	**22,367**	**3,262**	**3,422**

Condensed result of consolidated subsidiaries -continued

For the year ended 31 December 2019

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA UK Limited	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income								
Operating income	2,739	3,214	-	5,773	-	233,488	(65,738)	426,710
Total operating expenses	(2,413)	(3,204)	-	(5,558)	-	(147,056)	49,055	(197,342)
Net impairment gain/(loss) on financial assets	(60)	(174)	-	-	-	(16,369)	426	(4,529)
Share of loss of equity-accounted investee	-	-	-	-	-	-	1,071	1,071
(Loss)/Profit before income tax	266	(164)	-	215	-	70,063	(15,186)	111,287
Income tax expense	-	-	-	-	-	(7,313)	(23,202)	(22,198)
(Loss)/Profit for the year	**266**	**(164)**	**-**	**215**	**-**	**62,750**	**(18,868)**	**89,089**
Condensed statements of financial position								
Assets								
Cash and bank balances	11,040	11,934	-	8,450	455	1,182,554	(72,755)	1,396,228
Financial assets at FVTPL	-	-	-	-	-	102,388	-	102,388
Derivative assets	-	-	-	-	-	48,131	(7,173)	48,131
Loans and Advances to Banks	-	-	-	36,727	-	99,849	(35,538)	108,211
Loans and advances to customers	5,345	16,731	-	4,340	2	1,503,380	(1,119,834)	2,061,147
Investment securities	12,033	2,879	-	29,071	-	846,214	(2,554)	1,571,550
Other assets	411	6,094	-	122	114	111,607	(26,952)	139,885
Investments in equity-accounted investee	-	-	-	-	-	2,715	1,428	4,143
Investments in Subsidiaries	-	-	-	-	-	103,275	(103,275)	-
Property and Equipment	202	649	-	1,151	203	107,448	1	128,499
Intangible assets	4	42	-	947	-	7,070	9,557	17,671
Deferred tax asset	-	-	-	-	-	21,862	2,899	26,199
	29,035	**38,329**	**-**	**80,808**	**774**	**4,136,493**	**(1,354,196)**	**5,604,052**
Financed by:								
Derivative liabilities	-	-	-	-	-	852	-	852
Deposits from banks	9,595	-	-	57,008	-	92,717	(60,356)	267,070
Deposits from customers	16,652	22,945	-	3,812	70	2,764,388	(37,350)	3,832,884
Other liabilities	119	5,526	-	3,630	36	57,150	(26,737)	107,255
Current tax liability	-	2	-	-	-	722	3,497	9,164
Subordinated liabilities	-	-	-	-	-	30,048	-	30,048
Borrowings	-	-	-	-	-	744,094	-	758,682
Deferred tax liability	-	45	-	-	-	-	(11)	119
Total Equity	2,669	9,811	-	16,358	668	446,522	(105,595)	597,978
	29,035	**38,329**	**-**	**80,808**	**774**	**4,136,493**	**(226,552)**	**5,604,052**
Condensed cash flows								
Net cash from operating activities	12,165	(4,642)	-	14,868	-	(317,453)	(37,399)	(196,593)
Net cash from financing activities	(1,131)	6,279	-	490	-	3,507	(26,815)	(8,643)
Net cash from investing activities	(6,955)	194	-	(18,900)	-	215,429	55,201	108,367
Increase/(decrease) in cash and cash equivalents	**4,079**	**1,831**	**-**	**(3,542)**	**-**	**(98,517)**	**(9,013)**	**(96,869)**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	10,381	(15,535)	(5,905)
Cash and cash equivalents at beginning of the year	6,961	10,103	-	11,992	455	450,063	(64,334)	662,245
Cash and cash equivalents at end of the year	**11,040**	**11,934**	**-**	**8,450**	**455**	**361,927**	**(88,882)**	**559,471**

UNITED BANK FOR AFRICA PLC

OTHER ADDITIONAL DISCLOSURES

Statement of Value Added

	2020 N'million	%	2019 N'million	%
Group				
Gross revenue	620,375		559,805	
Interest paid	(168,395)		(182,955)	
	451,980		376,850	
Administrative overheads:				
- local	(187,625)		(153,641)	
- foreign	(2,502)		(3,081)	
Value added	**261,853**	**100**	**220,128**	**100**
Distribution				
Employees				
- Salaries and benefits	87,545	33	75,099	34
Government				
- Current Income tax	18,095	7	22,198	10
The future				
- Asset replacement (depreciation and amortization)	20,005	8	15,490	7
- Asset replacement (provision for losses)	22,443	9	18,252	8
- Expansion (transfer to reserves and non-controlling interests)	113,765	43	89,089	40
	261,853	**100**	**220,128**	**100**

	2020 N'million	%	2019 N'million	%
Bank				
Gross revenue	381,476		412,624	
Interest paid	(116,748)		(156,580)	
	264,728		256,044	
Administrative overheads:				
- local	(129,035)		(113,902)	
- foreign	(973)		(164)	
Value added	**134,720**	**100**	**141,978**	**100**
Distribution				
Employees				
- Salaries and benefits	47,178	35	43,774	31
Government				
- Taxation	1,449	1	7,313	5
The future				
- Asset replacement (depreciation and amortization)	15,036	11	11,772	8
- Asset replacement (provision for losses)	14,146	11	16,369	12
- Expansion (transfer to reserves and non-controlling interests)	56,911	42	62,750	44
	134,720	**100**	**141,978**	**100**

Value added represents the additional wealth which the Group has been able to create by its own and employees efforts.

UNITED BANK FOR AFRICA PLC

Five - Year Financial Summary-Group

Statement of financial position

In millions of Nigerian Naira	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
ASSETS					
Cash and bank balances	1,874,618	1,396,228	1,220,596	898,083	760,930
Financial assets at fair value through profit or loss	214,400	102,388	19,439	31,898	52,295
Derivative assets	53,148	48,131	34,784	8,227	10,642
Loans and advances to banks	77,419	108,211	15,797	20,640	22,765
Loans and advances to customers	2,554,975	2,061,147	1,715,285	1,650,891	1,505,319
Investment securities					
- At fair value through other comprehensive income	1,421,527	901,048	1,036,653	-	-
- Available-for-sale	-	-	-	593,299	276,758
- At amortised cost	1,159,264	670,502	600,479	-	-
- Held to maturity	-	-	-	622,754	693,634
Other assets	115,432	139,885	63,012	86,729	37,849
Investments in equity-accounted investee	4,504	4,143	4,610	2,860	2,925
Property and equipment	153,191	128,499	115,973	107,636	93,932
Intangible assets	28,900	17,671	18,168	16,891	14,361
Deferred tax assets	40,602	43,054	24,942	29,566	33,060
TOTAL ASSETS	**7,697,980**	**5,620,907**	**4,869,738**	**4,069,474**	**3,504,470**
LIABILITIES					
Derivative liabilities	508	852	99	123	14
Deposits from banks	418,157	267,070	174,836	134,289	109,080
Deposits from customers	5,676,011	3,832,884	3,349,120	2,733,348	2,485,610
Other liabilities	157,827	107,255	120,764	98,277	110,596
Current income tax liabilities	9,982	9,164	8,892	7,668	5,134
Borrowings	694,355	758,682	683,532	502,209	259,927
Subordinated liabilities	-	30,048	29,859	65,741	85,978
Deferred tax liabilities	16,992	16,974	28	40	62
TOTAL LIABILITIES	**6,973,832**	**5,022,929**	**4,367,130**	**3,541,695**	**3,056,401**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	115,815	135,514
Reserves	579,253	462,758	367,654	393,733	299,337
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	695,068	578,573	483,469	509,548	434,851
Non-controlling interests	29,080	19,405	19,139	18,231	13,218
TOTAL EQUITY	724,148	597,978	502,608	527,779	448,069
TOTAL LIABILITIES AND EQUITY	**7,697,980**	**5,620,907**	**4,869,738**	**4,069,474**	**3,504,470**

Summarized Statement of Comprehensive Income

In millions of Nigerian Naira	2020	2019	2018	2017	2016
Net operating income	407,645	346,293	308,218	326,565	270,889
Operating expenses	(249,847)	(217,167)	(197,342)	(189,652)	(152,501)
Net impairment loss on loans and receivables	(27,009)	(18,252)	(4,529)	(32,895)	(27,683)
Share of profit/(loss) of equity-accounted investee	1,071	413	419	204	(63)
Profit before income tax expense	**131,860**	**111,287**	**106,766**	**104,222**	**90,642**
Income tax expense	(18,095)	(22,198)	(28,159)	(26,674)	(18,378)
Profit after taxation	**113,765**	**89,089**	**78,607**	**77,548**	**72,264**
Profit for the year	**113,765**	**89,089**	**78,607**	**77,548**	**72,264**
- Non-controlling interests	4,438	2,869	3,248	2,544	2,860
- Equity holders of the parent	109,327	86,220	75,359	75,004	69,404
Other comprehensive income for the year	43,326	35,350	(33,273)	27,769	65,886
Total comprehensive income for the year	**157,091**	**124,439**	**45,334**	**105,317**	**138,150**

UNITED BANK FOR AFRICA PLC

Five -Year Financial Summary-Bank

Statement of financial position

In millions of Nigerian Naira	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
ASSETS					
Cash and bank balances	1,436,822	1,182,554	1,015,199	727,546	610,910
Financial assets at fair value through profit or loss	171,058	102,388	19,439	31,898	52,295
Derivative assets	53,148	48,131	34,784	7,911	10,642
Loans and advances to banks	65,058	99,849	15,516	19,974	23,850
Loans and advances to customers	1,812,536	1,503,380	1,213,801	1,173,214	1,090,355
Investment securities					
- At fair value through other comprehensive income	1,233,684	772,658	925,892	-	-
- Available for sale	-	-	-	423,293	244,424
- At amortised cost	71,479	73,556	84,265	-	-
- Held to maturity	-	-	-	242,185	288,592
Other assets	96,524	111,607	49,642	77,949	31,192
Investments in subsidiaries	103,275	103,275	103,777	103,777	70,702
Investments in equity-accounted investee	2,715	2,715	2,715	1,770	1,770
Property and equipment	123,435	107,448	97,502	89,285	80,252
Intangible assets	16,237	7,070	6,911	5,846	4,905
Deferred tax assets	21,862	21,862	21,862	27,178	29,696
TOTAL ASSETS	**5,207,833**	**4,136,493**	**3,591,305**	**2,931,826**	**2,539,585**
LIABILITIES					
Derivative liabilities	508	852	99	123	14
Deposits from banks	121,815	92,717	30,502	15,290	30,484
Deposits from customers	3,824,143	2,764,388	2,424,108	1,877,736	1,698,859
Current income tax liabilities	1,478	722	706	1,108	522
Subordinated liabilities	-	30,048	29,859	65,741	85,978
Borrowings	688,280	744,094	657,134	502,209	259,927
Other liabilities	93,669	57,150	84,299	68,759	72,901
TOTAL LIABILITIES	**4,729,893**	**3,689,971**	**3,226,707**	**2,530,966**	**2,148,685**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	115,815	135,514
Reserves	362,125	330,707	248,783	285,045	255,386
TOTAL EQUITY	477,940	446,522	364,598	400,860	390,900
TOTAL LIABILITIES AND EQUITY	**5,207,833**	**4,136,493**	**3,591,305**	**2,931,826**	**2,539,585**

Summarized statement of comprehensive income

In millions of Nigerian Naira	2020	2019	2018	2017	2016
Net operating income	236,068	227,464	191,144	209,279	190,231
Operating expenses	(155,844)	(141,032)	(131,537)	(126,051)	(107,061)
Net impairment loss on loans and receivables	(21,864)	(16,369)	(4,257)	(30,433)	(25,521)
Profit before income tax expense	**58,360**	**70,063**	**55,350**	**52,795**	**57,649**
Income tax expense	(1,449)	(7,313)	(14,303)	(11,399)	(10,108)
Profit for the period	**56,911**	**62,750**	**41,047**	**41,396**	**47,541**
Other comprehensive income for the period	5,427	48,244	(12,009)	15,668	26,896
Total comprehensive income for the period	**62,338**	**110,994**	**29,038**	**57,064**	**74,437**