Union Bank of Nigeria Plc

Annual Report

31 December 2021

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CORPORATE INFORMATION

Directors

Beatrice Hamza Bassey (Mrs.)	-	Board Chair
Emeka Okonkwo*	-	Chief Executive Officer
Omolola Cardoso (Mrs.)	-	Executive Director
Joseph Mbulu	-	Executive Director/Chief Financial Officer/Executive Compliance Officer
Aisha Abubakar (Mrs.)[1]	-	Independent Non-Executive Director
Obafunke Alade-Adeyefa (Mrs.)	-	Independent Non-Executive Director
Richard Burrett	-	Non-Executive Director
Ian Clyne	-	Non-Executive Director
Kenroy Dowers	-	Non-Executive Director
Paul Kokoricha	-	Non-Executive Director
Taimoor Labib	-	Non-Executive Director
Emeka Ogbechie	-	Non-Executive Director
Mark Patterson	-	Non-Executive Director

** Appointed CEO with effect from 1st April 2021*
[1] Appointed with effect from 9th September 2021

Emeka Emuwa – Chief Executive Officer
Retired with effect from 31st March 2021

Adekunle Sonola – Executive Director
Retired with effect from 30th March 2021

Company Secretary
Somuyiwa Adedeji Sonubi
FRC/2013/NBA/00000002061

Registered office
Union Bank of Nigeria Plc
Stallion Plaza
36 Marina
Lagos

Auditor
Ernst and Young
UBA House (10th & 13th Floors),
57 Marina,
Lagos.

Registrar & Transfer Office
CardinalStone Registrars Limited
335/337 Herbert Macaulay Way
Yaba
Lagos

Board Appraiser
DCSL Corporate Services Limited
235, Ikorodu Road, Ilupeju
Lagos

	Management Team	
1	Emeka Okonkwo	Chief Executive Officer
2	Omolola Cardoso	Head, Retail Banking/Chief Digital and Innovation Officer
3	Joseph Mbulu	Chief Financial Officer (CFO)/Executive Compliance Officer (ECO)
4	Abolade Jegede	Regional Executive
5	Olusola Olubi	Head, Corporate Banking
6	Ogochukwu Ekezie-Ekaidem	Chief Brand and Marketing Officer
7	Abigail Duopama-Obomanu	Chief Compliance Officer
8	Miyen Swomen	Chief Talent Officer
9	Olajumoke Sherifat Odulaja	Chief Risk Officer
10	Olatayo Baruwa	Chief Credit Officer
11	Chidi Ileka	Regional Executive
12	Ikechukwuka Emerole	Head, Treasury
13	Gloria Omereonye	Area Business Executive
14	Morenike Olabisi	Head, CBG Food and Beverages
15	Ali Kadiri	Head, CBG General
16	Helen Brume	Head, Oil and Gas/Specialized Markets
17	Mobolade Ojeahere	Head, Transaction Banking
18	Oluwagbenga Adeoye	Head, Financial Control
19	Prince Akamadu	Chief Audit Executive
20	Sesan Sobowale	Head, Legal
21	Oluwayomi Ibosiola	Chief Data and Analytics Officer
22	Ayotunde Ojo-Awosika	Area Business Executive
23	Somuyiwa Sonubi	Company Secretary
24	Dupe Ogunbiyi	Head, Services
25	Tiwa Ademoyega	Head, Assets and Liability Management
26	Francis Mojoyinola	Head, Internal Control
	Subsidiaries	
27	David Forster	Managing Director, Union Bank (UK) Plc
28	Tosin Osikoya	Managing Director, UBN Property Company Plc

CORPORATE GOVERNANCE REPORT

Corporate Governance practice in Union Bank of Nigeria Plc ("UBN" or "the Bank") are as codified in the Central Bank of Nigeria's ("CBN") Code of Corporate Governance of 2014, the Securities and Exchange Commission ("SEC") Code of Corporate Governance of 2011, the Nigerian Code of Corporate Governance of 2018 by the Financial Reporting Council of Nigeria ("FRCN"), the Banks and Other Financial Institutions Act of 2020 (as amended) and other relevant statutes. All these provide guidance for the governance of the Bank, compliance with regulatory requirements and form the basis of the core values upon which the Bank is run. These codes and statutes are geared towards ensuring the accountability of the Board of Directors **("the Board")** and Management to the stakeholders of the Bank and emphasize the need to meet and address the interests of a range of stakeholders, to promote the long-term sustainability of the Bank.

UBN is committed to the best corporate governance practices and believes that adherence and commitment to high governance principles and standards is the panacea for effective control and management of the Bank. The principle of good corporate governance practices remains one of our core values and an important ingredient in creating, protecting, promoting, and sustaining shareholders' interests, rights and values, as well as delivering excellent service to our customers. The Bank is committed to the highest ethical standards and transparency in the conduct of its business.

In compliance with the requirements of the CBN, the Bank undertakes internal reviews of its compliance with defined corporate governance practices and submits reports on the Bank's compliance status to the CBN. Also, an annual Board appraisal review is conducted by an independent consultant appointed by the Bank, DCSL Corporate Services Limited, whose report is submitted to the CBN and presented to shareholders at the Annual General Meeting (AGM) of the Bank, in compliance with the provisions of the CBN Code of Corporate Governance.

Securities Trading Policy

To further demonstrate its commitment to transparency and ensure compliance with regulatory requirements, the Bank has a Securities Trading Policy in line with the Codes of Corporate Governance of the CBN and SEC respectively, and Section 14 of the Amendment to the Listings Rules of the Nigerian Exchange Group (NGX). The Policy sets out the process by which directors, staff, shareholders, key management personnel, third party service providers or any other connected persons who have direct or indirect access to the Bank's insider information can deal in the Bank's securities. It also prohibits the trading of the Bank's securities during 'Closed Periods'. The policy is designed to ensure that its compliance is monitored on an ongoing basis.

CORPORATE GOVERNANCE REPORT (CONT'D)

Complaints' Management Policy

The Bank's Complaints' Management Policy has been prepared pursuant to the rules relating to the Complaints' Management Framework of the Nigerian Capital Market issued by the SEC on 16th February 2015. The Policy applies strictly to the Bank's shareholders and provides an avenue for them to make complaints regarding their shareholding and relationship with the Bank.

The Complaints' Management Policy aims to promote and safeguard the interest of the Bank's shareholders and investors, with its primary objective of ensuring that the activities of the Board and management are in the best interest of the Bank and its shareholders. The policy, jointly implemented by the Registrar and the Company Secretary, sets out the process and channels through which shareholders can submit their complaints, and the process for managing these complaints.

Whistle Blowing Procedures

In line with the Bank's commitment to instill the best corporate governance practices, the Bank's anonymous whistle-blowing channel is independently managed by **Deloitte.** This is to uphold commitment to the highest standards of openness, integrity, accountability, and ethical standards. To this end, access is provided via a toll-free hotline, a dedicated e-mail address, web portal and a mobile app on Android and iOS devices. The hotline number is **08008476337** and the email address is tip-offs@deloitte.com.ng. There is a direct link to the web portal https://tip-offs.deloitte.com.ng on the Bank's website and intranet to enable stakeholders, including members of staff, report all suspected breaches of the Bank's Code of Corporate Governance.

Remuneration Policy for Directors and Senior Management

The Bank's Remuneration Policy for directors and senior management is geared towards attracting, retaining and motivating the best talent and enables the Bank to achieve its financial, strategic, and operational objectives. The policy sets out amongst others, the structure, and components of the remuneration packages for Executive and Non-Executive Directors and ensures that the remuneration packages comply with the CBN and SEC codes of corporate governance.

In line with the provisions of the extant regulations and codes of corporate governance, the remuneration of directors and senior management is set at levels, which are fair and competitive, and take into consideration the economic realities in the financial services sector and the Bank's financial performance.

CORPORATE GOVERNANCE REPORT (CONT'D)

Governance Structure

The following governance bodies are in place:

A. Board of Directors

The Board of Directors oversees the management of the Bank. At the close of FY 2021, the Board comprised a Non-Executive Board Chair, two (2) Independent Non-Executive Directors, seven (7) other Non-Executive Directors, the Chief Executive Officer and two (2) Executive Directors as listed below:

S/N	NAME	23/02/ 2021	12/03/ 2021	30/03/ 2021	04/05/ 2021 (52nd AGM)	03/06/ 2021	14/07/ 2021	22/07/ 2021	21/09/ 2021	14/11/ 2021	15/11/ 2021	07/12/ 2021	16/12/ 2021	17/12/ 2021	29/12/ 2021	31/12/ 2021
1	**Hamza,** Bassey Beatrice	X	X	X	XX	X	X	X	X	X	X	X	X	X	X	X
2	**Okonkwo,** Emeka*	X	X	X	XX	X	X	X	X	X	X	X	X	X	X	X
3	**Emuwa,** Emeka[1]	X	X	X	R	R	R	R	R	R	R	R	R	R	R	R
4	**Cardoso, Omolola**	X	X	X	XX	X	X	X	X	X	X	X	X	X	X	X
5	**Mbulu Joseph**	X	X	X	XX	X	X	X	X	X	X	X	X	X	X	X
6	**Abubakar,** Aisha (Ms)[2].	NA	NA	NA	NA	NA	NA	NA	X	X	X	X	X	X	X	X
7	**Alade-Adeyefa,** Obafunke	X	X	X	XX	X	X	X	X	X	X	X	X	X	X	X
8	**Burrett,** Richard	X	X	X	XX	X	X	X	X	X	X	AB	X	X	X	X

CORPORATE GOVERNANCE REPORT (CONT'D)

S/N	NAME	23/02/2021	12/03/2021	30/03/2021	04/05/2021 (52nd AGM)	03/06/2021	14/07/2021	22/07/2021	21/09/2021	14/11/2021	15/11/2021	07/12/2021	16/12/2021	17/12/2021	29/12/2021	31/12/2021
9	**Clyne,** Ian	X	X	X	XX	X	AB	X	X	X	X	X	AB	X	X	X
10	**Dowers,** Kenroy	X	X	X	XX	X	X	X	X	X	X	X	X	X	X	X
11	**Kokoricha,** Paul	X	X	X	XX	X	X	AB	X	X	X	X	X	AB	X	X
12	**Labib,** Taimoor	X	X	X	XX	X	X	X	X	X	AB	X	X	AB	X	X
13	**Ogbechie,** Emeka	X	X	X	XX	X	X	X	X	X	X	X	X	X	X	X
14	**Patterson,** Mark	X	X	X	XX	X	X	X	X	X	X	X	X	X	X	X
15	**Sonola,** Adekunle [3]	X	X	X	R	R	R	R	R	R	R	R	R	R	R	R

X Present
AB Absent
NA Not Yet Appointed
R Retired/Resigned
XX AGM
**Appointed CEO with effect from 1st April 2021*
[1] Retired with effect from 31sth March 2021
[2] Appointed with effect from 9th September 2021
[3] Retired with effect from 30th March 2021

CORPORATE GOVERNANCE REPORT (CONT'D)

Responsibilities of the Board of Directors

The Board, the highest decision-making body approved by the shareholders, met fifteen (15) times during the year to provide strategic direction, policies, and leadership in attaining the objectives of the Bank.

The Board monitors the activities of the Chief Executive Officer and Executive Directors and the accomplishment of set objectives through reports at its meetings. In performing its oversight function over the Bank's business, the Board operates through the following Board and Management Committees.

B. Standing Board Committees

The Board of Directors has six (6) standing committees and a sub-committee, which deal with specific operations of the Bank, namely:

1. Board Credit Committee
2. Board Finance and General-Purpose Committee
3. Board Governance Committee
4. Board Risk Management Committee
5. Board Nomination and Remuneration Sub-Committee
6. Board Audit Committee
7. Statutory Audit Committee

CORPORATE GOVERNANCE REPORT (CONT'D)

1. Board Credit Committee

The Committee met sixteen (16) times during the year. It comprised the following members:

1	BOARD CREDIT COMMITTEE																
S/N	NAME	26/01/2021	17/02/2021	03/03/2021	12/03/2021	07/04/2021	06/05/2021	01/06/2021	24/06/2021	22/07/2021	25/08/2021	15/09/2021	18/10/2021	29/10/2021	17/11/2021	01/12/2021	13/12/2021
1	Burrett, Richard	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2	Okonkwo, Emeka[1]	X	X	AB	X	X	X	X	X	X	X	X	X	X	X	X	X
3	Emuwa, Emeka[2]	X	X	X	X	R	R	R	R	R	R	R	R	R	R	R	R
4	Alade-Adeyefa, Obafunke	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
5	Dowers, Kenroy	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6	Kokoricha, Paul	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7	Patterson, Mark	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
8	Sonola, Adekunle[3]	X	X	X	X	R	R	R	R	R	R	R	R	R	R	R	R

X *Present*
AB *Absent*
R *Retired*

[1]*Appointed CEO with effect from 1st April 2021*
[2]*Retired with effect from 31st March 2021*

[3]*Retired with effect from 30th March 2021*

Its responsibilities include the following, amongst others:

- Consider and approve credits and other credit-related matters within its set limit;
- Review and recommend credits and other credit-related matters above its limit to the Board for consideration and approval;
- Review the credit portfolio; and
- Serve as a catalyst for the Bank's credit policy changes from the Credit Committee to the Board.

CORPORATE GOVERNANCE REPORT (CONT'D)

2. Board Finance and General-Purpose Committee

The Committee met ten (10) times during the year. It comprised the following members:

S/N	NAME	26/01/ 2021	17/02/ 2021	26/04/ 2021	02/06/ 2021	14/07/ 2021	22/07/ 2021	20/09/ 2021	25/10/ 2021	15/11/ 2021	13/12/ 2021
1	**Dowers,** Kenroy	X	X	X	X	X	X	X	X	X	X
2	**Okonkwo,** Emeka[1]	NA	NA	X	X	X	X	X	X	X	X
3	**Emuwa,** Emeka[2]	X	X	R	R	R	R	R	R	R	R
4	Cardoso, Omolola	X	X	X	X	X	X	X	X	X	X
5	**Mbulu** Joseph	X	X	X	X	X	X	X	X	X	X
6	**Alade-Adeyefa,** Obafunke	X	X	X	X	X	X	X	X	X	X
7	**Burrett,** Richard	X	X	X	X	X	X	X	X	X	X
8	**Clyne,** Ian	X	X	X	X	AB	X	X	X	X	X
9	**Labib,** Taimoor	X	X	X	X	X	X	X	X	AB	X
10	**Ogbechie,** Emeka	X	X	X	X	X	X	X	X	X	X

X Present
AB Absent
NA Not Yet Appointed
R Retired

[1]*Appointed CEO with effect from 1st April 2021*
[2]*Retired with effect from 31st March 2021*

Its responsibilities include the following, amongst others:

- Review and report to the Board on, the Bank's financial projections, capital and operating budgets, progress of key initiatives, including actual financial results against targets and projections.
- Review and recommend to the Board, the Bank's capital structure, including, but not limited to, allotment of new capital, debt limits and any changes to the existing capital structure.
- Review and recommend to the Board the Bank's annual plan for the allocation of capital and material changes during the year.
- Formulate guidelines from time to time on cost control and reduction, consistent with maximum efficiency, and make appropriate recommendations to the Board.
- Review major expense lines, as warranted, and approve expenditures within the Committee's approved limits, review and recommend for Board approval, expenditures beyond the Committee's approved limits.
- Review and recommend for Board approval any associated expenditures beyond that delegated to management.
- Review and provide feedback to the Board on the development of the Bank's strategic planning process and performance objectives to ensure the achievement of the financial targets expected by shareholders.

CORPORATE GOVERNANCE REPORT (CONT'D)

- Review and report to the Board on the effectiveness of the Bank's strategic planning and implementation monitoring process.
- Review and provide feedback to the Board on high-impact initiatives not otherwise managed by another committee that may have a material impact on the Bank's finances, regulatory relationships, customers and/or infrastructure.
- Review and recommend for Board approval any transactions associated with high-impact initiatives and any associated expenditures beyond that delegated to management.
- Review and recommend for Board approval any change to the delegation of authorities to management and management committees on financial matters.
- Review and recommend for Board approval the Bank's dividend policy, including amount, nature and timing.

3. Board Governance Committee

The Committee met five (5) times during the year. It comprised the following members:

S/N	NAME	22/02/2021	12/03/2021	01/06/2021	15/09/2021	01/12/2021
1	**Kokoricha,** Paul	X	X	X	X	X
2	**Burrett,** Richard	X	X	X	X	X
3	**Okonkwo,** Emeka[1]	NA	NA	X	X	X
4	**Emuwa,** Emeka[2]	X	X	R	R	R
5	**Cardoso, Omolola**	X	X	X	X	X
6	**Patterson,** Mark	X	X	X	X	X
7	**Sonola,** Adekunle[3]	X	X	R	R	R

X Present
NA Not Yet Appointed
R Retired/Resigned

[1] Appointed CEO with effect from 1st April 2021
[2] Retired with effect from 31st March 2021
[3] Retired with effect from 30th March 2021

Its responsibilities include the following, amongst others:

- Consider and approve recruitment, appointments, promotions, severance and discipline of Principal Managers ("PM").
- Review and recommend recruitment, appointments, promotions, severance and discipline of Assistant General Managers ("AGM"), Deputy General Managers ("DGM") and General Managers ("GM") to the Board for consideration and approval.
- Consider and recommend compensation increments for Principal Managers ("PM") to General Managers ("GM") to the Board for consideration and approval.
- Consider and review staff compensation, welfare, service conditions and industrial relations matters and make appropriate recommendations to the Board from time to time.
- Articulate and recommend strategic and succession plans for the Bank, to the Board from time to time.
- Review and report to the Board, annually, on the broad key performance indicators set by executive management for staff groups below the executive management level ("Staff") to achieve that year's business and financial goals.

CORPORATE GOVERNANCE REPORT (CONT'D)

- Review and report to the Board annually, on broad key performance indicators set by Executive Management for staff groups below the Executive Management level ("Staff") to achieve business and financial goals.
- Review and report to the Board annually, the overall training policy and program for Staff and any changes as they arise to achieve business and financial goals.
- Review and report to the Board, on the annual performance evaluation of Staff conducted by Management for the prior year's performance and overall outcome of the annual performance process.
- Review and recommend to the Board, approval of the remuneration policy, annual quantum, structure, and distribution of compensation (including base, overall, annual bonus pool and awards, and benefits-in-kind) for Staff and changes thereto.
- Review and report to the Board annually, the total cash compensation package for Staff to ensure it will attract, retain and motivate key talent who add value to the Bank based on individual and team contributions.
- Review and recommend for approval of the Board, the severance policy for Staff.
- Review and recommend for Board approval, the Bank's organizational structure, key human capital policies and practices, including those affecting compensation, welfare, performance management, career management and transfer to ensure the optimal mix of talent.
- Review and recommend for Board approval, the Bank's staff optimization plan and strategy.
- Review and recommend for Board approval, revision of salaries and service conditions for Staff.
- Review and recommend for Board approval, the Bank's succession plan for senior officers in the AGM, DGM and GM grades and any proposed amendments.
- Review and recommend for Board approval, any policies not otherwise contemplated herein relating to Staff and Support Staff, as necessary and appropriate.
- Review and recommend for Board approval, the Bank's Culture Program, including mission statements, core values, and the incentives to align Staff towards the Bank's near and medium-term strategic objectives.
- Review and report to the Board annually or as needed, the progress of the Culture Program and its effectiveness in driving the desired Staff behaviors and performance.
- Review and recommend for Board approval annually or as needed, the overall strategies with Staff Unions and relationships with the Bank's Staff.
- Review and advise the Board annually or as needed, the strategy for and engagement of service providers of Support Staff, including the overall cost, performance and effectiveness of these service providers in delivering cost-effective, high-quality service to the Bank and or its customers.
- Review and report to the Board annually or as needed, the progress of outsourcing solutions and their effectiveness in delivering against the Bank's Transformation strategy.

CORPORATE GOVERNANCE REPORT (CONT'D)

4. Board Risk Management Committee

The Committee met four (4) times during the year. It comprised the following members:

S/N	NAME	22/02/2021	02/06/2021	20/09/2021	06/12/2021
1	**Clyne,** Ian	X	X	X	X
2	**Okonkwo**, Emeka[1]	X	X	X	X
3	**Emuwa,** Emeka[2]	X	R	R	R
4	**Mbulu,** Joseph	X	X	X	X
5	**Ogbechie,** Anthony Chukwuemeka	X	X	X	X
6	**Patterson,** Mark	X	X	X	X

X Present

R Retired/Resigned

[1] Appointed CEO with effect from 1st April 2021
[1] Retired with effect from 31st March 2021

Its responsibilities include the following, amongst others:

- Develop an organization-wide risk management framework.
- Exercise a board oversight function on all risk related issues.
- Review the Bank's internal control systems and processes.
- Ensure compliance with the Bank's organization-wide policies and framework covering all risk types (credit, market, assets and liabilities, strategic, legal, human resources etc.).
- Ensure compliance with all statutory and regulatory requirements.
- Consider departmental reports and advise management on risks.

5. Board Nomination and Remuneration Sub-Committee

The Sub-Committee met five (5) times during the year. It comprised the following members:

S/N	NAME	22/02/2021	26/02/2021	02/06/2021	20/09/2021	06/12/2021
1	**Burrett,** Richard	X	X	X	X	AB
2	**Clyne,** Ian Barton	X	X	X	X	X
3	**Dowers, Kenroy**	X	X	X	X	X
4	**Kokoricha,** Paul	X	X	X	X	X
5	**Labib,** Taimoor	X	X	X	X	X
6	**Patterson,** Mark	X	X	X	X	X

X Present
AB Absent

CORPORATE GOVERNANCE REPORT (CONT'D)

The Committee's responsibilities include, amongst others:

- Consider and recommend the appointment of Executive Management and Non-Executive Directors for Board consideration and approval.
- Consider and approve the performance parameters and the performance of Executive Management.
- Consider and recommend compensation for Executives and Executive Management.
- Consider and review the performance of the Chief Executive Officer.

6. Board Audit Committee

The Committee met four (4) times during the year. It comprised the following members:

S/N	NAME	17/02/2021	01/06/2021	15/09/2021	01/12/2021
1	**Alade-Adeyefa,** Obafunke	X	X	X	X
2	**Clyne,** Ian	X	X	X	X
3	**Dowers,** Kenroy	X	X	X	X
4	**Ogbechie,** Emeka	X	X	X	X

X Present
AB Absent
R Resigned/Retired
NA Not Yet Appointed

The Committee's responsibilities include, amongst others:

- Review the Bank's accounting and financial reporting functions.
- Review the Bank's accounting system.
- Review the Bank's internal audit structures.
- Review the Bank's internal audit systems and processes.
- Recommend the appointment, remuneration and removal of external auditors to the Board.
- Review and recommend the audited financial statements to the Board for approval.

7. Statutory Audit Committee

The Committee is constituted at the Bank's Annual General Meeting (AGM). The Committee met five (5) times during the year. It consists of the following members:

- Matthew Akinlade - Chairman
- Marcel Ojinka - Member
- Obafunke Alade-Adeyefa (Mrs.) - Member
- Emeka Ogbechie - Member
- Akinsanya Adeolu - Member

S/N	NAME	17/02/2021	24/04/2021	22/07/2021	25/10/2021	09/12/2021
1	**AKINLADE**, Matthew	X	X	X	X	X
2	**AKINSANYA**, Adeolu	X	X	X	X	X
3	**ALADE-ADEYEFA**, Obafunke (Mrs.)	X	X	X	X	X
4	**OGBECHIE** Emeka	X	X	X	X	X
5	**OJINKA**, Marcel	X	X	X	X	X

CORPORATE GOVERNANCE REPORT (CONT'D)

X *Present*
AB *Absent*
NA *Not Yet Appointed*

The Statutory Audit Committee has responsibility for the following:

- Oversight responsibility for the Bank's accounting and financial reporting functions.
- Oversight responsibility for the Bank's accounting systems.
- Oversight responsibility for the Bank's internal audit and control structures.
- Recommending the appointment, remuneration and removal of external auditors to the Board.
- Reviewing and recommending the audited financial statements to the Board and Shareholders for approval.

C. Management Committees

The Bank has the following Management Committees:

1. Executive Management Committee
2. Assets and Liabilities Committee
3. Information Technology Steering Committee
4. Credit Committee
5. Risk Management Committee
6. New Product Committee
7. Disciplinary Committee
8. Digital and Innovation Council
9. Information Security Steering Committee

1. Executive Management Committee

The Executive Management Committee meets as required. It comprises the Chief Executive Officer (Chair); Chief Financial Officer; Chief Risk Officer; Head of Retail & Digital Banking; Head of Corporate Banking; Regional Executive South, Regional Executive Lagos/West; Regional Executive North; Head of SME Banking; Head of Treasury; Chief Operations & Technology Officer; Chief Brand and Marketing Officer; Head of Transaction Banking; and Chief Talent Officer (Secretary).

The roles and responsibilities of the Committee are as follows, amongst others:

- Propose to the Board of Directors policies, objectives and corporate strategies of the Bank.
- Drive and review financial performance of the Bank.
- Ensure efficient deployment and management of the Bank's resources.
- Ensure compliance with applicable laws and regulations and maintain the corporate governance structure of the Bank.
- Develop, refine and cascade the human capital vision, strategy and culture of the Bank.

CORPORATE GOVERNANCE REPORT (CONT'D)

- Oversee all aspects of human capital management including talent management (recruitment, career progression/management and succession planning), leadership development and retention strategy for the Bank.
- Conduct periodic review of the governance handbook, including committee charters.
- Provide and discuss general business updates (provided by the various business /function heads).

2. Assets and Liabilities Committee

The Assets and Liabilities Committee meets monthly or as required. It comprises the Chief Executive Officer (Chair), Chief Financial Officer, Chief Risk Officer, Head, Corporate Banking, , Head, Retail & Digital Banking, Regional Executive – South; Regional Executive – North; Regional Executive - Lagos/West; Head, SME Banking, Chief Credit Officer, Head, Market Risk, Head, Treasury, Head, Financial Control and Head, Assets and Liabilities Management (*Secretary*). In attendance are the Front Office Unit Heads, Chief Dealer and Head, Treasury Sales, Head, Loan Products.

The roles and responsibilities of the Committee are as follows:

- Establish, review and monitor the profitability plan of the Bank's asset & liability management and recommend the same for Board approval.
- Approve the Bank's market risk management strategies, policies and procedures for identifying, measuring, managing and reporting of market risk and liquidity risk.
- Direct acquisition and allocation of funds effectively within the ambit of the Bank's liquidity strategies, liquidity ratio targets and funding source thresholds.
- Manage asset and liquidity volumes, maturity, mix, rates and yields to achieve desired net interest margin within the boundaries of regulatory prescriptions and market dynamics.
- Approve risk control limits with regard to counterparty, currency concentration, position, etc.
- Establish and ensure effective implementation of liquidity strategies.
- Review and monitor liquidity risk and interest rate risk in banking books and foreign exchange risk in Bank's Statement of Financial Position.
- Provide relevant input, as needed, into capital planning, monitoring capital adequacy and suggesting strategy for capital augmentation.
- Design, implement and monitor Contingency Funding Plan (CFP) and recommend for Board approval.
- Design methodology and implementation of fund transfer pricing (FTP), profitability of business units and create incentives for business units through FTP.
- Establish appropriate processes, resources and systems across the Bank for effective pricing mechanism.
- Determine a profitable and optimal risk-return pricing for the Bank's financial products.

CORPORATE GOVERNANCE REPORT (CONT'D)

3. Information Technology ("IT") Steering Committee

The IT Steering Committee meets quarterly or as required. It comprises the Chief Executive Officer (Chair); Chief Risk Officer; Chief Financial Officer; Chief Operations and Technology Officer (*Secretary*); Head, Corporate Banking; Head, Treasury; Head, Transaction Banking, Head, Retail and Digital Banking; Chief Data & Analytics Officer; Chief Brand & Marketing Officer; Head, SME Banking, Regional Executive - South, Regional Executive - North, Regional Executive -Lagos/West, Chief Talent Officer; Head, IT for Business (Secretary); Chief Compliance Officer and Chief Audit Executive. In attendance are the Head, Channels; Head, Customer Experience, Head, Innovation; Head, Strategy & & Investor Relations; Head, Digital Ventures; Head, IT Governance and Head, Internal Control.

The roles and responsibilities of the Committee are as follows:

- Align IT investments and priorities more closely with business strategy.
- Ensure IT delivers on its plans, budgets and commitments.
- Manage, evaluate, prioritise, fund, measure and monitor requests for IT services and the resulting work /deliverables towards optimising returns to the business.
- Improve IT organisational performance, compliance, maturity and staff development.
- Review and endorse recommendations for purchases, allocation and commitment of resources, annual information systems, capital budgets and large projects to appropriate decision making authorities.
- Ensure UBN is able to continue critical operations during a crisis i.e. business continuity and disaster recovery.

4. Credit Committee

The Credit Committee meets weekly or as required. It comprises the Chief Risk Officer (Chair); Chief Executive Officer; Head, Corporate Banking; Head, Retail and Digital Banking; Head, SME Banking; Regional Executive - South, Regional Executive - North, Regional Executive -Lagos/West; Chief Credit Officer and one senior member of Corporate Bank. In attendance are the Head, Credit Documentation and Control (Secretary); Head, Risk Analysis (Corporate Bank); Head, Risk Analysis (Business Banking and SME); Head, Legal and Head, Business Support and Recovery.

The roles and responsibilities of the Committee are as follows:

- Review and recommend for Board Risk Management Committee (BRMC) approval of the Bank's credit risk appetite and portfolio strategy and ensure it is in line with the overall corporate strategy and risk appetite of the Bank.
- Review and provide updates to the BRMC on the Bank's credit portfolio and related credit control processes through periodic review covering credit and asset quality trends and statistics, business lending activities, areas of increasing/decreasing risks, etc.

CORPORATE GOVERNANCE REPORT (CONT'D)

- Approve credit facility requests and proposals within limits for the Committee and review and recommend for Board approval credit facility requests beyond the Committee's limits.
- Review and approve decisions escalated from regional stressed asset deliberations by the remedial team. These include major accounts (N100m and above) classified as non -performing or with early warning signs.
- Review and update the BRMC, on an annual basis on the administration, effectiveness and compliance with the Bank's credit policies.

5. Risk Management Committee

This Committee meets monthly or as required. It comprises the Chief Risk Officer (Chair); Chief Audit Executive, Chief Compliance Officer; Head, Legal Services; Chief Talent Officer; Chief Digital & Innovation Officer; Head, Service Assurance; Chief Operations and Technology Officer; Chief Brand and Marketing Officer; Head, Operations; Head, Internal Control; Head, Financial Control; Head, Customer Experience; Regional Executive - South, Regional Executive - North, Regional Executive - Lagos/West; Head, Operational Risk Management (Secretary).

The roles and responsibilities of the Committee are as follows:

- Provide central oversight of risk management across the Bank to ensure that the spectrum of risks within the purview of the committee are properly identified, measured, monitored and controlled in order to minimise adverse outcome.
- Propose policies and standards for the management of relevant risks in the Bank.
- Monitor implementation of risk policies for risks under its purview.
- Ensure that effective operational risk assessment processes are carried out by all major business units and results aggregated to identify and monitor hot spots for effective remedial actions in respect of people, process and systems.
- Ensure that operational risk management tools and processes like RCSA, KRI and loss data collections are implemented and reviewed effectively.
- Implement relevant Board decisions across the Bank.
- Perform with the support of relevant functions research & quality assurance and provide analytical support to the business.

6. New Product Committee

This Committee meets as required. It comprise the Chief Risk Officer (Chair); Chief Audit Executive; Chief Compliance Officer; Chief Credit Officer; Head, Strategy & & Investor Relations; Chief Brand & Marketing Officer; Head, SME Products; Head, Retail Lending; Head, Retail Deposits; Head, Loan Products; Head, Operations; Head, Legal Services; Chief Operations and Technology Officer; Head, Financial Control; and Head, Operational Risk Management (Secretary).

CORPORATE GOVERNANCE REPORT (CONT'D)

The roles and responsibilities of the Committee are as follows:

- Establish guidelines on the requirements applicable for Product Design Document in respect of any new financial product sought to be introduced.
- Ensure the policies and procedures for managing product risk are formally endorsed by the Board and documented.
- Ensure to set out policies regarding the Bank's financial product design, pricing methodologies, competitive positioning, risk-reward philosophy and financial capacity to absorb losses.
- Review and recommend/approve (as applicable) new product programs or changes to the existing product programs; and
- Review activities of the product initiation teams and ensure that they:
    - Adopt suitable processes, systems and personnel to support effective management of the product through its life cycle and the risks associated with same.
    - Establish the provision of adequate funding by ALCO and the approvals for pricing.
    - Obtain and review reports on finances, including accounting procedures and tax implication.
    - Obtain and review all regulatory compliance matters applicable to the product and target customers.
    - Approve launch of new products.
    - Receive and review reports on challenged products.

7. Disciplinary Committee

The Central and Regional Disciplinary Committees meet bi-weekly or as required, depending on cases for review.

The Central Committee is constituted in the Head Office, it comprises the following members:

An EXCO Member (Chair), Chief Talent Officer, Chief Audit Executive, Head, Legal, Head, Operations, Head, Operational Risk Management, and Discipline Officer -Human Resources (Secretary).

The Regional Committee is constituted in four (4) regions – North, South-South/South-East, South-West and Lagos and it comprises the following members:

Regional Executive (Chair), Human Resources (Secretary), Regional Control Manager, Zonal/Regional Service Manager, and Group Head Retail.

The roles and responsibilities of the Committees are as follows:

- Investigate identified cases where acts or practices are not compliant with laws, accepted banking practices, ethical principles or others (assisted by the Internal Audit Department, as required).
- Carry out appropriate administrative sanctions as set out in the communicated disciplinary and sanction grid.

CORPORATE GOVERNANCE REPORT (CONT'D)

- Develop and communicate precautionary measures with respect to acts and practices that may lead to the Bank's reputation and image being harmed in view of laws, public opinion and customers.
- Ensure appropriate measures are taken by relevant departments to eliminate future occurrence of identified disciplinary cases.

8. Digital and Innovation Council

This Committee was set up to oversee digital and innovation related initiatives towards a truly Digital Union and ensure successful delivery of "Digital Union" strategy within set budget and timelines while ensuring sustainability and relevance over the years. The Committee meets monthly with interim updates provided as needed.

It comprises the Chief Executive Officer (Chair); Head, Retail and Digital Banking (Secretary); Chief Operations and Technology Officer; Chief Risk Officer; Chief Financial Officer; Head of Corporate Bank; Head of Operations; Head, SME Banking; Head, Channels; Chief Talent Officer; Head, IT for Business; Head, Transaction Banking; Head, Retail Products & Retail Segments; Chief Compliance Officer; Chief Brand and Marketing Officer; Head, Service Assurance; Head Digital Ventures , Head; Strategy & Investor Relations; Head, Treasury; Business Representatives from Corporate and Retail.

The roles and responsibilities of the Committee are as follows:

- Guide and review regularly the digital strategy for the Bank including new initiatives and amendments to existing initiatives.
- Monitor progress of key digital and innovation initiatives and projects.
- Track and review all digital projects bank wide and set priorities based on resources required, cost/benefit and implementation requirements.
- Ensure the Bank is well positioned for current and emerging developments in the digital space.

9. Information Security Committee

The Information Security Committee meets monthly or as needed. This Committee is set up to oversee and provide strategic direction on the governance of Union Bank's Information Security efforts towards protection of its systems, networks and data. It also ensures that the Bank's security policies, processes and investments align with the business objectives.

It comprises the Chief Risk Officer (Chair); Chief Audit Executive; Chief Compliance Officer; Head, Operations; Head, Legal Services; Chief Talent Officer; Head, Retail and Digital Banking; Chief Data & Analytics Officer; Head, Service Assurance; Chief Operations and Technology Officer; Chief Brand and Marketing Officer; Head, Internal Control; Head, Financial Control; Head, Customer Experience and Head, Operational Risk Management (*Secretary)*.

CORPORATE GOVERNANCE REPORT (CONT'D)

The roles and responsibilities of the Committee are as follows:

- Be the custodian and governance body of the Bank's security program by ensuring visible executive support, as well as monitoring progress and achievements.
- Review and approve security services by ensuring due diligence, risk assessment, and effective continuous assessment.
- Evaluate, approve, and sponsor institution-wide security investment.
- Enforce the implementation of policies for investment prioritization and security risk management.
- Coordinate and validate external security related corporate communications plans and activities (e.g., in the event of a high-profile, publicised security breach).
- Representing the Bank in all activities related to UBN security programs and investments.

Directors' Report

For the year ended 31st December 2021

The Directors present their report on the affairs of Union Bank of Nigeria Plc ("the Bank") and its subsidiaries ("the Group"), together with the audited consolidated and separate financial statements and auditor's report for the year ended 31st December 2021.

Legal Form and Principal Activity

The Bank commenced operations in Nigeria in 1917 as a branch of Barclays Bank Dominion Colonial Overseas (DCO) and was incorporated as a private company limited by shares in Nigeria in 1969. It became a public company limited by shares in 1970, with the Bank's shares quoted on the Nigerian Exchange Group (NGX).

The principal activity of the Bank is the provision of banking and related financial services to corporate and individual customers. Such services include the granting of loans and advances, acceptance of deposits and money market activities.

The Group Financial Statements comprise the results of Union Bank of Nigeria Plc and UBN Property Company Plc, whilst Union Bank (UK) Plc has been accounted for as "Discontinued Operations".

Operating Results

Highlights of the Group's operating results (Continuing and Discontinued operations) for the year are as follows:

	Group 31 Dec. 2021 ₦ million	Group 31 Dec. 2020 ₦ million	**Bank 31 Dec. 2021 ₦ million**	Bank 31 Dec. 2020 ₦ million
Gross earnings	177,269	164,063	175,006	160,656
Profit before Income tax expense	20,690	25,974	20,532	25,425
Income tax expense	(1,319)	(845)	(1,352)	(772)
Profit after tax	19,371	25,129	19,180	24,653
Discontinued operations				
Loss before income tax expense	(2,452)	(6,457)	-	-
Income tax expense	-	-	-	-
Loss after tax from Discontinued operations	(2,452)	(6,457)	-	-
Continuing and discontinued operations:				
Profit before income tax expense	18,238	19,517	20,532	25,425
Income tax expense	(1,319)	(845)	(1,352)	(772)
Profit after tax	16,919	18,672	19,180	24,653

Directors' Report (cont'd)

	Group 31 Dec. 2021 N' million	Group 31 Dec. 2020 N' million	Bank 31 Dec. 2021 N' million	Bank 31 Dec. 2020 N' million
Total non-performing loans and advances	38,660	29,445	38,660	29,445
Total non-performing loans to total gross loans and advances	4.30%	4.00%	4.30%	4.00%

Directors and their interests

The direct interests of Directors in the issued share capital of the Bank, as recorded in the register of Directors' shareholding and for the purposes of Sections 301 and 302 of the Companies and Allied Matters Act 2020 and the listing requirements of Nigerian Exchange Limited, are as follows:

		Direct Holding		Indirect Holding	
S/N	Names	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
1.	BASSEY, Beatrice Hamza (Mrs.)	-	-	-	-
2.	OKONKWO, Emeka	9,614,705	5,662,831	-	-
3.	EMUWA, Emeka	196,086,583	196,086,583	20,936,551	20,936,551
4.	CARDOSO, Omolola (Mrs.)	-	-	-	-
5.	MBULU, Joseph	1,904,857	1,904,857	-	-
6.	ABUBAKAR, Aisha (Ms.)				
7.	ALADE-ADEYEFA, Obafunke (Mrs.)	-	-	-	-
8.	BURRETT, Richard	-	-	-	-
9.	CLYNE, Ian	-	-	-	-
10.	DOWERS, Kenroy	-	-	-	-
11.	KOKORICHA, Paul	146,226	146,226	-	-
12.	LABIB, Taimoor				
13.	OGBECHIE, Emeka	807	807		
14.	PATTERSON, Mark	-	-	-	-
15.	SONOLA, Adekunle	2,514	5,396,673	-	-

Directors' Report (cont'd)

Directors' Appointment

Since the last Annual General Meeting, the following Director was appointed to the Board and being eligible, offers herself for election:

1. Ms. Aisha Abubakar

Directors' Retirement

The Directors who retire by rotation and being eligible, offer themselves for re-election in accordance with Article 66 of the Bank's Articles of Association are:

1. Mr. Ian Clyne
2. Mr. Kenroy Dowers
3. Obafunke Alade-Adeyefa (Mrs.)

Directors' Interest in Contracts

In accordance with the provisions of Section 303 of the Companies and Allied Matters Act, there were no contracts in which Directors had any direct interest.

Property and Equipment

Information relating to changes in property and equipment is given in Note 29 to the financial statements. In the Directors' opinion, the disclosures regarding the Group's properties are in line with the related statement of accounting policies of the Group.

Shareholding Analysis

The shareholding pattern of the Bank as of 31 December 2021 is as stated below:

YEAR	*AUTHORISED (N/£)*		*ISSUED AND PAID-UP (N/£)*		*CONSIDERATION*
	INCREASE/ DECREASE	*CUMULATIVE*	*INCREASE/DECREASE*	*CUMULATIVE*	
1969	-	*£10,000,000*	-	-	
1969	-	*£10,000,000*	-	*£5,000,000*	*Assets*
1969	-	*£10,000,000*	*£5,000,000*	*£10,000,000*	*Assets*
1969	*£10,000,000*	*£20,000,000*	-	*£10,000,000*	
1970	-	*£20,000,000*	*£1,000,000*	*£11,000,000*	*Assets*

YEAR	AUTHORISED (N/£)		ISSUED AND PAID-UP (N/£)		CONSIDERATION
	INCREASE/ DECREASE	CUMULATIVE	INCREASE/ DECREASE	CUMULATIVE	
1971	-	£20,000,000	-	N11,000,000	Conversion of Currency (2 ordinary shares of N1.00 each for 1 ordinary share of £1)
1971	-	N20,000,000	1,000,000	12,000,000	Cash
1975	-	20,000,000	2,400,000	14,400,000	Bonus (1 for 5)
1976	-	20,000,000	2,880,000	17,280,000	Bonus (1 for 5)
1977	10,000,000	30,000,000	4,320,000	21,600,000	Bonus (1 for 4)
1978	20,000,000	50,000,000	8,640,000	30,240,000	Bonus (2 for 5)
1979	-	50,000,000	6,048,000	36,288,000	Bonus (1 for 5)
1982	50,000,000	100,000,000	18,144,000	54,432,000	Bonus (1 for 2)
1987	-	100,000,000	9,072,000	63,504,000	Bonus (1 for 6)
1989	-	100,000,000	-	63,504,000	Stock Split (N1 to N0.25)
1991	100,000,000	200,000,000	15,876,000	79,380,000	Bonus (1 for 4)
1992	50,000,000	250,000,000	-	79,380,000	
1994	250,000,000	500,000,000	79,380,000	158,760,000	Bonus (1 for 1)
1995	-	500,000,000	39,690,000	198,450,000	Bonus (1 for 4)

YEAR	AUTHORISED (N/£)		ISSUED AND PAID-UP (N/£)		CONSIDERATION
	INCREASE/ DECREASE	CUMULATIVE	INCREASE/ DECREASE	CUMULATIVE	
1996		500,000,000	-	198,450,000	Stock Consolidation (N0.25 to N0.50)
1996	-	500,000,000	198,450,000	396,900,000	Bonus (1 for 1)
1998	500,000,000	1,000,000,000	132,300,000	529,200,000	Bonus (1 for 3)
1998	-	1,000,000,000	100,000,000	629,200,000	Cash/Public Offer (200 million ordinary shares of N 0.50)
1999	-	1,000,000,000	-	629,200,000	
2000	-	1,000,000,000	-	629,200,000	
2001	2,000,000,000	3,000,000,000	209,750,000	838,950,000	Bonus (1 for 3)
2002	-	3,000,000,000	419,475,000	1,258,425,000	Rights Issue (1 for 2)
2003	-	3,000,000,000	419,475,000	1,677,900,000	Bonus (1 for 3)
2004	2,000,000,000	5,000,000,000	559,300,000	2,237,200,000	Bonus (1 for 3)
2005	-	5,000,000,000	745,715,500	2,982,915,500	Bonus (1 for 3)
2006	2,500,000,000	7,500,000,000	313,490,400	3,296,405,900	Bonus (1 for 10)
2006	-	7,500,000,000	1,376,507,661	4,672,913,561	Public Offer/Rights Issue
2006	-	7,500,000,000	152,030,090	4,824,943,651	Bank Acquisition
2007	2,500,000,000	10,000,000,000	-	4,824,943,651	
2007	-	10,000,000,000	965,159,545	5,790,103,196	Bonus (1 for 5)
2008	5,000,000,000	15,000,000,000	965,000,000	6,755,103,196	Bonus (1 for 6)
2009	-	15,000,000,000	-	6,755,103,196	
2010	-	15,000,000,000	-	6,755,103,196	
2011	(5,488,437,500)	9,511,562,500	1,705,525,249	8,467,903,235	Capital Reorganisation & Reduction

YEAR	AUTHORISED (N/£)		ISSUED AND PAID-UP (N/£)		CONSIDERATION
	INCREASE/ DECREASE	CUMULATIVE	INCREASE/ DECREASE	CUMULATIVE	
2012	-	9,511,562,500	-	8,467,903,235	
2013	-	9,511,562,500	-	8,467,903,235	
2014	-	9,511,562,500	-	8,467,903,235	
2015	-	9,511,562,500	-	8,467,903,235	
2016	7,988,437,500	17,500,000,000	-	-	Share Capital Increase
July 2017	-	17,500,000,000	25,649,661	8,493,552,896	Allotment of LTTIP Shares
Dec. 2017	-	17,500,000,000	6,066,823,498	14,560,376,394	Rights Issue
Dec 2018		17,500,000,000	-	14,560,376,394	
Dec 2019	-	17,500,000,000	25,941,112	14,586.317,506	Allotment of LTTIP Shares
Dec 2019	-	17,500,000,000	20,150,763	14,606,468,269	
Dec 2020		17,500,000,000	25,774,158	14,632,242,427	Allotment of LTTIP Shares.
Dec 2021		17,500,000,000	25,774,158	14,632,242,427	Allotment of LTTIP Shares.

Directors' Report (cont'd)

Shareholding Analysis

The shareholding pattern of the Bank as of 31st December 2021 is as stated below:

PAID UP SHARE CAPITAL: **29,264,484,854 Ordinary Shares of N0.50 Each**

RANGE			HOLDERS	%HOLDERS	HOLDINGS	%HOLDINGS
1	-	1,000	305,189	67.56	105,983,262	0.36
1,001	-	5,000	109,617	24.27	236,326,159	0.81
5,001	-	10,000	19,891	4.40	135,126,802	0.46
10,001	-	50,000	14,209	3.15	275,920,624	0.94
50,001	-	100,000	1,425	0.32	100,300,945	0.34
100,001	-	500,000	1,104	0.24	224,172,839	0.77
500,001	-	1,000,000	144	0.03	101,525,300	0.35
1,000,001	-	5,000,000	133	0.03	282,366,289	0.96
5,000,001	-	100,000,000	26	0.01	557,929,636	1.91
100,000,001	-	500,000,000	6	0.00	2,001,487,953	6.84
			451,744	**100.00**	**4,021,139,809**	**13.74**
FOREIGN SHAREHOLDERS						
500,000,001	-	29,264,484,854	2	0.00	25,243,345,045	86.26
Grand-Total			451,746	100.00	29,264,484,854	100.00

The shareholding pattern of the Bank as of 31st December 2020 is as stated below:

RANGE			HOLDERS	%HOLDERS	HOLDINGS	%HOLDINGS
1	-	1,000	305,775	67.51	106,230,425	0.36
1,001	-	5,000	110,163	24.32	237,573,116	0.81
5,001	-	10,000	19,977	4.41	135,650,950	0.46
10,001	-	50,000	14,311	3.16	277,431,988	0.95
50,001	-	100,000	1,383	0.31	96,487,480	0.33
100,001	-	500,000	1,038	0.23	210,441,597	0.72
500,001	-	1,000,000	121	0.03	83,910,772	0.29
1,000,001	-	5,000,000	110	0.02	232,972,228	0.80
5,000,001	-	100,000,000	27	0.01	570,216,285	1.95
100,000,001	-	500,000,000	4	0.00	823,894,189	2.82
			452,909	**100.00**	**2,774,809,030**	**9.48**
FOREIGN SHAREHOLDERS						
500,000,001	-	29,264,484,854	2	0.00	26,489,675,824	90.52
Grand-Total			452,911	100.00	29,264,484,854	100.00

Directors' Report (cont'd)

According to the register of members as of 31st December 2021, no individual shareholder held more than 5% of the issued share capital of the Bank, except the following:

	31st December 2021		31st December 2020	
Shareholder	Shares Held	% of Shareholding	Shares Held	% of Shareholding
Atlas Mara Limited	6,225,421,974	21.27	7,471,752,753	25.53
Union Global Partners Limited	19,017,923,071	64.99	17,969,515,984	61.40

Creating Value Through Sustainable Impact

As the world began to recover from the effects of the coronavirus pandemic on economies, organisations and communities, we sought to drive sustainable impact through our corporate social responsibility endeavours. Our 2021 initiatives contributed towards achieving the Global Goals and amplify our support for, and commitment to, children, women, social entrepreneurs, and other worthy causes.

Our approach to citizenship is to create an enabling work environment for employees to thrive as well as develop programs with direct impact on the society.

Through our initiatives, we made notable contributions towards many Global Goals covering material themes such as: Poverty and Hunger (SDG 1 & 2), Good Health & Well-Being (SDG 3), Education (SDG 4), Gender Equality (SDG 5), Clean Water and Sanitation (SDG 6), Economic Growth (SDG 8), Reduced Inequalities (SDG 10), Sustainable Cities (SDG 11), and Life on Land (SDG 15) made possible through Partnerships (SDG 17).

Employee Wellbeing and Engagement

Employee Volunteering – It Starts With U: Since 2019, our employees, through donations and executed projects have continued to reinforce Union Bank's commitment to driving sustainable social impact in Nigeria.

In 2021, we had the 3rd Employee Volunteer Day, themed "It Starts With U", a timely reminder that each one of us has a critical role to play in making our Bank - and our communities – better and stronger than ever before. Our employees donated their resources including time and money, to implement 20 projects across 3 regions - the North, South-East/South-South, and Lagos/South-West. These projects, ranging across education, healthcare, environmental preservation, sanitation and welfare, impacted over 250,000 people across the country.

UnionCares: With rising food insecurity in the country due to high food inflation, we partnered with food relief platforms including FoodClique, Lagos Food Bank and Give Food, to donate food boxes to vulnerable communities across the country. These food boxes contain food items to provide up to 20 meals per box distributed to seniors, children and people with special needs across these communities. Our employees across the locations volunteered their resources to support the distribution efforts.

FitFeb – Fit & Turbocharged: Every year, particularly in the month of February, we encourage healthy living and fitness while supporting employee wellness and balance through our employee health awareness initiative, 'FitFeb'. In 2021, our employees nationwide participated in healthy lifestyle events and activities such as yoga and meditation classes, nutrition masterclasses, breathing and stretch exercises, as well as dance and aerobics classes.

Directors' Report (cont'd)

We also launched a FitFeb newsletter to share healthy living tips, news, and wellness ideas with our employees. We continue to work closely with our health benefits providers and internal teams to offer employees and their families health and wellness programs.

Workplace Safety: As part of our response to Covid-19 in the workplace, we continued to ensure that all our facilities were fitted with sanitisers and hand washing stations and Covid-19 health precautions were strictly observed in our facilities.

Education, Talent Development and Special Projects

Edu360: In 2021, we partnered with Awarri, an artificial intelligence company, for the second edition of 'The Next Robotics Legend', to train 40 children in a robotics programme to provide students with an introductory course in Robotics, Artificial Intelligence and 3D printing.

During the entry period, over 1,000 entries were received from 11 to 16-year-olds across the country. After the shortlisting stage, 40 students with the most creative and passionate entries were admitted into an intensive 2-week bootcamp programme.

14-year-old Famidah Yussuf emerged overall winner of the programme for designing a robotic solution to tackle the shortage of medical personnel and reduce direct contact between medical personnel and patients, especially in cases of transmissible diseases.

Two runners-up, Munachiso Okeoma and Oluwatimilehin Oke, designed a multifunctional smart health robot for conducting medical scans as well as performing surgical operations; and an agricultural robotic solution for weed identification and removal, monitoring soil conditions, and controlling the spread of diseases, respectively.

MamaMoni Innovation Hub: As part of our women empowerment efforts, we continued our partnership with Mamamoni Empowerment Foundation to train and empower women from low-income communities with sustainable livelihood skills. In 2021, over 200 young girls and women were trained in various vocational skills which include fashion designing, catering, arts and crafts as well as make-up.

LEAP Africa Social Innovators Programme: Since 2013, Union Bank has partnered with LEAP Africa to empower and equip over 170 young social innovators and entrepreneurs with requisite skills and effective tools for building sustainable enterprises. In 2021, the programme nurtured 40 changemakers with the skills and resources to scale their enterprises sustainably. Cash prizes were awarded to outstanding fellows and new fellows from across Africa were inducted into the programme for 2021/2022 cohort.

Pearls Africa Girls Coding Summer Camp: Since 2016, we have partnered with Pearls Africa Youth Foundation to execute its Girls Coding Summer Camp. In 2021, the Girls Coding Summer Camp impacted 70 girls by equipping them with digital skills through its virtual summer camp. The virtual summer camp which held over the course of two months had lessons on coding, leadership and personal development. Our female employees participated in mentoring sessions with the girls over the course of the camp to encourage and inspire them.

Financial Literacy Programs: We commemorated the 2021 Financial Literacy Day and World Savings Day by visiting schools nationwide to teach students about the importance of money matters. Over 4,000 students were impacted through these initiatives.

Donations and Charitable Gifts
Our donations and sponsorships support causes that align with our core values such as education, women empowerment, good nutrition, and the health and well-being of children.

Directors' Report (cont'd)

S/N	Organisation	Amount
1	SUPPORT TO POLICE EQUIPMENT FUND	1,000,000,000.00
2	RENOVATION OF POLICE STATIONS DAMAGED DURING THE NATIONAL UNREST AS AGREED BY BANKERS COMMITTEE	124,177,500.00
3	Arrow of God Orphanage	750,000.00
4	Atunda Olu School (For physically handicapped children)	750,000.00
5	Awarri Limited	20,000,000.00
6	Babban Gona - Give Food Ng	5,000,000.00
7	Bethesda Child Support Agency	500,000.00
8	Care Organization Public Enlightenment (COPE)	2,500,000.00
9	Cerebral Palsy Foundation	500,000.00
10	Child Lifeline Foundation	1,500,000.00
11	Children Emergency Relief Fund	500,000.00
12	Down Syndrome Foundation Nigeria	750,000.00
13	FoodClique Support Initiative	3,000,000.00
14	Foundation for Rescue of Abandoned African Children	250,000.00
15	Hearts of Gold Children's Hospice	500,000.00
16	Junior Achievement Nigeria	6,908,171.00
17	Lagos Food Bank Initiative	1,000,000.00
18	LEAP Africa	10,000,000.00
19	MamaMoni Empowerment Foundation	4,000,000.00
20	Modupe Cole Memorial Child Care and Treatment Home	1,000,000.00
21	National Orthopaedic Special School (Igbobi)	750,000.00
22	Nigeria Conservation Foundation	400,000.00
23	Nigeria Police Force	5,000,000.00
24	Pacelli School (For the Blind)	750,000.00
25	Pearls Africa Youth Foundation	4,925,000.00
26	Sickle Cell Foundation	500,000.00
27	Slum2School	1,000,000.00
28	SOS Children's Villages, Nigeria	750,000.00
29	Special Olympics Nigeria	1,000,000.00
30	Start Right Consulting	500,000.00
31	The Samaritans Project	500,000.00
32	Wesley School 1 (For deaf children)	750,000.00
33	Wesley School 2 (For deaf children)	750,000.00
34	Beeta Universal Arts Foundation	750,000.00
	Total	**1,201,910,671.00**

Directors' Report (cont'd)

Sustainability

Our sustainability governance model provides oversight on sustainability matters to ensure our goals are met while complementing the Bank's corporate governance structure. We have built a robust sustainability working group with representation of various internal departments to ensure that our sustainability strategy, policy and delivery are consistent across the Bank.

We believe that good business is strongly linked to sustainable practices, and we strive to become increasingly sustainable in our business operations and practices. Accordingly, our lending decisions consider economic, environmental and social criteria as we are aware that the business activities of our clients can impact the environment and communities in which they operate.

We adopt environmentally friendly business practices and operations, participate actively in industry initiatives and support women empowerment. Our sustainability activities contributed positively to many SDGs: SDG 1 (No Poverty), SDG 4 (Education), SDG 5 (Gender Equality), SDG 7 (Clean Energy), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 14 (Life below Water), and SDG 15 (Life on Land).

Sustainability Initiatives

Alternative Energy and Sustainable Architecture

As part of our commitment to being an environmentally responsible bank, we have made strides to reduce diesel consumption and deploy alternative power solutions to our locations. We have adopted alternative energy/energy reduction strategies within our branches. These include - efficient light bulbs and elevators, motion-sensor lighting and escalators, water meters, energy efficient air-conditioning systems and generators, etc.

Across our alternative channels, we have also ensured that we are as energy efficient as possible. There are currently over 140 solar powered branches and 500 solar powered ATMs with a total of 8 container buildings.

World Environment Day

To commemorate World Environment Day 2021, our employees, together with the Nigerian Conservation Foundation, visited two schools in Lagos for a tree planting exercise. The schools visited were Eko Akete Senior Grammar School, Lagos Island and Akande Dahunsi Memorial Senior Grammar School, Ikoyi, where over 15 employee volunteers planted 20 trees and created awareness on environmental responsibility among the students in line with the global theme, 'Ecosystem Restoration', a call to take action to reimagine, recreate and restore our world.

Sustainability Awareness Week – Together for Sustainability

In 2021, we held our first Sustainability Awareness Week, themed 'Together for Sustainability', to spotlight the Bank's sustainability initiatives, showcase why sustainability remains integral to the Bank's success, and help employees contribute to a cleaner, more prosperous and more inclusive world. SAW held across the Bank between Monday, November 1, 2021, and Friday, November 5, 2021, and focused on educating and encouraging our employees to be sustainability conscious through a series of initiatives including human rights training, a sustainability pledge challenge, and a series of quizzes and trivia games.

Directors' Report (cont'd)

Industry Collaborations

In 2021, we continued to actively contribute towards industry initiatives through our roles as members of the Financial Literacy and Public Enlightenment (FLPE) Sub-committee, Steering Committee on Nigerian Sustainability Banking Principles, and the Steering and Technical Committee on National Financial Inclusion Strategy. In this capacity, we participated in industry financial literacy and inclusion programs and collaborated with other financial services stakeholders to drive literacy and inclusion agenda as well as the adoption of the Nigerian sustainable banking principles.

We are dedicated to fostering alliances and partnerships at both institutional and sectoral levels while building international affiliations with global entities with shared sustainable development goals: such as the United Nations Global Compact (UNGC), Business Call to Action (BCtA), and the Nigerian Economic Summit Group (NESG).

Women Empowerment

alpher

Since we launched **alpher** as a full-fledged proposition in January 2020 to enable women owned and led businesses enjoy access to low cost long tenor funding, business advisory services, and capacity building, we have impacted over 50,000 women and businesses through our various initiatives. We remain committed to enabling enterprise and empowering women, their businesses, and careers.

Wehub

As part of our activities to empower our female employees through our internal women's network, Wehub, we held the first edition of our Wehub Café Conversations series, where we had illuminating and inspiring discussions about harnessing our authenticity as women and leaders in the workplace. Over 250 women were impacted through this initiative. We also launched a Wehub newsletter to strengthen the Wehub community by providing them with relevant information they need to grow and develop personally and professionally.

International Women's Day

As part of our long-standing commitment to women empowerment and gender equality, we commemorated International Women's Day 2021 with a virtual event impacting over 20,000 people. In line with the global theme, 'Choose to Challenge', the event sought to celebrate women, engage in conversations about gender equality and remind us of our individual roles in demanding for equality by choosing to challenge the status quo.

LEAD Camp 2021

Over the past seven years, we have partnered with Junior Achievement Nigeria to impact the lives of over 400 young girls through the annual Leadership, Empowerment, Achievement and Development (LEAD) Camp. In 2021, over 100 outstanding girls actively participated in the various sessions including leadership workshops, empowerment sessions with leading women from various sectors, vision boarding, critical thinking and self-development lessons on important topics ranging from personal hygiene to sexual reproductive health.

Reporting

As an organisation committed to sustainable practices, we are continually improving our business operations to ensure long-term resource availability through environmental, socially sensitive, and transparent performances in relation to our stakeholders.

Directors' Report (cont'd)

- **Nigerian Sustainable Banking Principles (NSBP) Report**
  Banks in Nigeria adopted the Nigerian Sustainable Banking Principles (NSBP) in 2012 in recognition of the banking sector's responsibility to the positive and sustainable development of Nigeria. Bi-annually, we submit a report on our progress in the implementation of the NSBPs.

- **Citizenship, Sustainability and Innovation (CSI) Report**
  We published our fifth CSI report showing our activities and accomplishments across these key areas. These are accessible to the public on our website.

- **United Nations Global Compact (UNGC) Communication on Progress**
  In 2021, to demonstrate our commitment and ensure our activities comply with local and international standards, we submitted our third UNGC report (Communication of Progress) on the United Nations website. We are pleased that our progress in sustainability can now be seen on this global forum.

Snapshot of NSBP Performance

Principles	Description	Info gr
Principle 1	Our Business Activities	We utilise a robust risk management framework which applies to all financial products and services, and we continuously build on clearly defined environmental and social processes and procedures guided by our E&S policy.
Principle 2	Our Business Operations	We are committed to the prevention of pollution, continuous improvement in our environmental performance and compliance with regulatory requirements. In our effort to further increase our progress in sustainability, we ensure that we continue to adopt environmentally friendly practices. • Over 140 solar powered branches and 500 solar powered ATMs. • Our efforts also include the use of energy efficient equipment; light bulbs, air-conditioning systems, motion-sensor lighting and escalators. • We currently recycle plastic, glass, paper and metal items in over 50 recycling locations.
Principle 3	Human Rights	Our employment policies and management practices support our customer needs, are aligned with an inclusive workplace culture and guided by our human rights policy. Our employment practices address gender diversity, indigenous employment, and support for persons with disabilities, including providing relevant learning and development opportunities for our people. • We have 3 physically challenged employees with 118 branches friendly to physically challenged individuals. • Over 13,000 retired employees granted access to free healthcare. • Independently managed grievance mechanism for employees.

Directors' Report (cont'd)

Principles	Description	Info gr
Principle 4	Women's Economic Empowerment	We strongly believe that the empowerment of women translates to the empowerment of the nation, and by supporting and partnering with women-focused organisations and activities, we are truly able to make a difference. From our product and service offerings to the nature of collaborative partnerships, we have demonstrated that we are a Bank with an investment-led approach to female economic empowerment. • 40% of our total employees are female with 25% of management positions filled by women. • Female representation on the board of directors is at 23%. • Over 30% of total capacity building expenditure was spent on female employees. Over 350 women and girls received vocational and leadership training through partnerships with women-focused organisations.
Principle 5	Financial Inclusion	We are dedicated to the provision of a broad range of high-quality products that are relevant, appropriate and affordable to the entire Nigerian populace, particularly the under-banked and un-banked. • 118 branches are easily accessed by physically challenged individuals. • Over 30,000 agent banks nationwide. • Over 4,000 students impacted through our financial literacy initiatives in schools.
Principle 6	Environmental and Social Governance	We are dedicated to ensuring that we have transparent governance practices in place, especially in assessing the impact that our people, ideas and capital can have on supporting economic growth, addressing social challenges and promoting environmental sustainability. • We have Board level oversight of our E&S activities and plans. • 13 departments work together to ensure we meet our goals and targets. In 2021, we conducted internal and external sustainability audits.
Principle 7	Capacity Building	We are committed to continuous and iterative capacity development of our employees. We ensure that relevant general and specialist skills are developed and transferred to all employees on an ongoing basis. In 2021, we conducted: • Human rights training deployed for all employees. • Sustainability Awareness Week. We also impacted 40 social entrepreneurs through the Social Innovators Programme and Awards.
Principle 8	Collaborative Partnerships	We are dedicated to forming alliances and partnerships at both institutional and sector level and fostering international relationships with global entities that have similar environmental and social development goals. We have strong representation on the following local & international industry level committees: • United Nations Global Compact (UNGC) • Business Call to Action (BCtA) • Nigerian Economic Summit Group (NESG) • Bankers' Committee Sub-Committees on Financial Literacy and Public Enlightenment • Steering Committee on Nigerian Sustainability Banking Principles Technical and Steering Committee on National Financial Inclusion Strategy

Directors' Report (cont'd)

Human Resources

Employment of physically challenged persons

The Bank operates a non-discriminatory policy in the consideration of applications for employment, including those received from physically challenged persons. The Bank's policy is that the most qualified and experienced persons are recruited for appropriate job levels, irrespective of an applicant's state of origin, ethnicity, religion or physical condition. In the event of any employee becoming disabled in the course of employment, the Bank is able to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. **Currently, the Bank has five (5) persons on its staff list with physical challenges**.

Health, safety and welfare of employees

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, the Bank provides medical facilities to its employees and their immediate families at its expense. Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises. The Bank operates a Group Personal Accident Insurance Scheme in accordance with the provisions of the Employee Compensation Act, 2010 for the benefit of its employees and operates a contributory pension plan for the benefit of its employees in line with the Pension Reform Act 2014 as amended.

Diversity of employment

The Bank is an equal opportunity employer that is committed to maintaining a positive workforce that facilitates high level of professional efficiency at all times. The Bank's policy prohibits discrimination by gender, disability or health status in the recruitment, training and career development of its employees.

(i) *Persons with Disability*

The Bank continues to maintain a policy of giving fair consideration to applications for employment received from disabled persons with due regard to their abilities and aptitude.

(ii) *Gender Diversity within the Bank*

The Bank operates a non-discriminatory policy in the consideration of applications for employment. The Bank's policy is that the most qualified and experienced persons are recruited for appropriate job levels, irrespective of an applicant's state of origin, ethnicity, religion, gender or physical condition.

Directors' Report (cont'd)

	DEC, 2021		DEC, 2020	
	Workforce	%	Workforce	%
Total workforce				
Women	871	40	927	40
Men	1322	60	1,415	60
	2193		2,342	100
Recruitment during the year				
Women	119	40	94	41
Men	173	60	136	59
	292		230	100
Diversity of Senior Management – Assistant General Manager to General Manager:				
Women	8	33	8	25
Men	16	67	24	75
	24		32	100
	DEC, 2021		DEC, 2020	
	Workforce	%	Workforce	%
Diversity of Board Members				
Women	4	31	3	21
Men	9	69	11	79

Employee involvement and training

The Bank encourages the participation of employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Bank provides opportunities for employees to deliberate on issues affecting the Bank and employees' interests.

The Bank places a high premium on the development of its manpower. Consequently, the Bank sponsored its employees for various training courses, both locally and overseas, and engaged staff in e-learning activities during the year under review.

Directors' Report (cont'd)

Credit Ratings

CBN mandates all banks to be rated by a credit rating agency. The ratings are to be conducted on a regular basis i.e. updated on a continuous basis from year to year. In 2021, the Bank engaged four rating agencies to rate the Bank:

Agusto & Co.

Rating (Local Currency): A-(NG) (2021: A-(NG)
Outlook: Stable (2021: Negative)

Global Credit Ratings
Long term: BBB+(NG) (2020: BBB+(NG)
Outlook: Stable (2020: Negative)
Short term: A2(NG) (2020: A2(NG)

Fitch Ratings
Long-Term Issuer Default Rating (IDR): B- (2020: B-)
Outlook: Stable (2020: Negative)
Viability Rating (VR): b- (2020: b-)
Support Rating: 5 (2020: 5)

Datapro
Long Term: A –(NG) (2020: A-(NG)
Short Term: A2 (NG) (2020: A2(NG)
Outlook: Positive (2020: Stable)

Directors’ Report (cont’d)

Compliance with Central Bank of Nigeria's Regulation on the Scope of Banking Activities

Section 6(1) of the Central Bank of Nigeria Regulation on the Scope of Banking Activities and Ancillary Matters ("Regulation 3") requires every bank operating under a universal banking license to submit to the Central Bank of Nigeria (CBN), for approval, a compliance plan duly approved by the Bank's Board of Directors. Three broad alternative options were available to banks to comply with Regulation 3, namely retaining portfolio companies by restructuring into a holding company structure, absorption of permissible activities by the Bank or full divestment from portfolio companies.

The Bank's Board and shareholders approved a Compliance Plan which involves the Bank divesting of its interests in all its portfolio companies.

The Bank has successfully completed the divestment of its interests in the following subsidiaries: Union Capital Markets Limited, Union Assurance Company Limited, UBN Insurance Brokers Limited, Union Registrars Limited, Union Trustees Limited and Union Homes Savings and Loans Plc.

Union Pension Custodians Limited has been liquidated, with the necessary regulatory approvals obtained. Divestment of the Bank's interest in UBN Property Company Plc ("UPCP") has been suspended by the Bank due to pending litigation instituted by some shareholders of UPCP and would be concluded as soon as the litigation is resolved.

Events after reporting date

At an extra-ordinary general meeting held on 29 March 2022, the shareholders of the Bank approved the divestment of the Bank’s entire shareholding (direct and indirect) in Union Bank UK to the shareholders of the Bank on a pro rata basis subject to regulatory approvals.

Auditor

Messrs. Ernst and Young having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditor of the Bank. In accordance with Section 401 (2) of the Companies and Allied Matters Act 2020 therefore, the auditor will be re-appointed at the next Annual General Meeting of the Bank without any resolution being passed.

BY ORDER OF THE BOARD

Somuyiwa Adedeji Sonubi
FRC/2013/NBA/00000002061
Company Secretary
Lagos Nigeria

14 February 2022

Statement of Directors' Responsibilities in the preparation of the consolidated and separate financial statements for the year ended 31st December 2021

The Directors accept responsibility for the preparation of the consolidated and separate financial statements that gives a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act 2020 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have assessed the Group and Bank's ability to continue as a going concern and have no reason to believe that the Group and Bank will not remain a going concern for 12 months from the date of this statement.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Emeka Okonkwo
Chief Executive Officer
FRC/2021/003/00000023088
14 February 2022

Beatrice Hamza Bassey
Board Chair
FRC/2020/003/00000020477
14 February 2022

Statement of Corporate Responsibility for the Financial Statements for the Year Ended 31st December 2021

In line with the provision of Section 405 of Companies and Allied Matter Act 2020, we have reviewed the audited financial statements of the Group and the Bank for the year ended 31st December 2021 based on our knowledge confirm as follows:

(i) The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading.

(ii) The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Group and the Bank as of and for the year ended 31st December 2021.

(iii) The Bank's internal controls for the year 2021 have been designed to ensure that all material information relating to the Bank and its subsidiaries is received and provided to the Auditors in the course of the audit.

(iv) The Bank's and subsidiary internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31st December 2021.

(v) That we have disclosed to the Bank's Auditor and Audit Committee the following information:

(a) there are no significant deficiencies in the design or operation of the group internal controls which could adversely affect the bank's ability to record, process, summarise and report financial data, and have discussed with the auditor any weaknesses in internal controls observed in the cause of Audit.

(b) there is no fraud involving management or other employees which could have any significant role in the group internal control.

(vi) There are no significant changes in internal controls or in the other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.

Joseph Mbulu	Emeka Okonkwo
Chief Financial Officer	Chief Executive Officer
FRC/2014/ICAN/00000006110	FRC/2021/003/00000023088
14 February 2022	14 February 2022

Report of the Statutory Audit Committee
For the year ended 31st December 2021

To the members of Union Bank of Nigeria Plc

In accordance with the provisions of Section 404 (7) of the Companies and Allied Matters Act of 2020, the members of the Statutory Audit Committee of Union Bank of Nigeria Plc hereby report as follows:

(i) We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters Act, 2020 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

(ii) We are of the opinion that the accounting and reporting policies of the Bank and Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31st December 2021 were satisfactory and reinforce the Group's internal control systems.

(iii) We are satisfied that the Bank has complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks". The balances have been disclosed in Note 49 to the Financial Statement.

(iv) We have deliberated with the External Auditor, who has confirmed that necessary cooperation was received from management in the course of the statutory audit and we are satisfied with management's responses to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.

Mr. Matthew Akinlade
Chairman
Statutory Audit Committee
FRC/2013/ICAN/00000002111
14 February 2022

Members of the Statutory Audit Committee are:

- Matthew Akinlade - Chairman
- Marcel Ojinka - Member
- Obafunke Alade-Adeyefa (Mrs.) - Member
- Adeolu Akinsanya - Member
- Emeka Ogbechie - Member

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February 2022

REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS OF UNION BANK OF NIGERIA PLC FOR THE YEAR-ENDED DECEMBER 31, 2021

DCSL Corporate Services Limited (DCSL) was appointed to undertake an appraisal of the Board of Directors of Union Bank of Nigeria Plc ("UBN" "the Bank") for the year-ended December 31, 2021, in line with the provisions of **Section 2.8.3 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria ("CBN Code")** and **Principle 14.1 of the Nigerian Code of Corporate Governance ("NCCG").** The evaluation entailed a comprehensive review of the Bank's corporate and statutory documents, the Minutes of Board and Committee meetings, policies and other ancillary documents made available to us, to ascertain the level of the Board's compliance with corporate governance practices with particular reference to the provisions of the CBN Code, NCCG and SEC Corporate Governance Guidelines, and was conducted using the following seven key corporate governance parameters.

1. Board Structure and Composition
2. Strategy and Planning
3. Board Operations and Effectiveness
4. Measuring and Monitoring of Performance
5. Risk Management and Compliance
6. Corporate Citizenship; and
7. Transparency and Disclosure.

We also conducted an evaluation of the performance of the Board Committees and deployed Peer Review Forms to assess the performance of individual directors and the Chairman.

Following a review of the policies and processes put in place by the Board, we confirm that the Board of Directors is committed to ensuring best corporate governance practices and adherence to the principles enshrined in the CBN Code, NCCG, and the SCGG as well as globally accepted best practices. Our review also indicated that Board is devoted to setting the pace for the observance of highest ethical standards and transparency in the conduct of the Bank's business and continued to maintain quality relationships with the executive management, shareholders, and other stakeholders of the Bank.

We confirm that the Bank has fully complied with the prior year's recommendations and has appointed an additional Independent Director as recommended.

We have noted a few areas that require improvement and proffered appropriate recommendations in our detailed report, which we trust that the Board will take steps to address and implement.

Yours faithfully,
For: DCSL Corporate Services Limited

Bisi Adeyemi
Managing Director
FRC/2013/NBA/00000002716

Ernst & Young
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57, Marina
Lagos, Nigeria

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNION BANK OF NIGERIA PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Union Bank of Nigeria Plc ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year ended, and a summary of significant accounting policies and notes to the consolidated and separate financial statements.

In our opinion, the accompanying 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 2021 and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act 2020, the Banks and Other Financial Institutions Act (BOFIA) 2020, and relevant circulars issued by the Central Bank of Nigeria (CBN) and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011.

Basis for opinion

We conducted our audit in accordance with the 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 (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year ended. 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 the 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.

Key audit matters – continued

The Key Audit Matters apply equally to the audit of the consolidated and separate financial statements.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the matter</th></tr>
<tr><td>

Impairment allowance of loans and advances to customers

As at 31 December 2021, the gross balance of loans and advances to customers was ₦899.1 billion (2020: ₦736.7 billion) representing 35% (2020: 34%) of total assets, with the associated impairment allowance of ₦30.3 billion (2020: ₦43.9 billion).

The assessment of impairment allowance for loans and advances involve significant management judgement and estimates, and also the use of assumptions and complex model. The Bank adopted both the individual and collective approach in the assessment of the impairment allowance.

The model involves the following assumptions:

methodology for the weighting of the multiple economic scenarios used in the ECL model;
determining criteria for a significant increase in credit risk (SICR);
determination of the credit quality of facilities and measurement of the default risk of obligors;
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 the collateral valuation.

Impairment of loans and advances has been identified as key audit matter due to the significance of the amount involved, the complexity of the model and the significant judgments and assumptions applied in the estimation process.

Refer to significant accounting policies in Note 3(j), critical accounting estimates and judgements in Note 6(a), disclosure to credit risk and loan impairment in Note 5(f) and Note 23 to the consolidated and separate financial statements.

</td><td>

We adopted combined control reliance and substantive approach in assessing the adequacy of impairment allowance of loans and advances and performed the following procedures:

We obtained an understanding of how the Probability of Default (PD) and Loss Given Default (LGDs) and Exposure at Default (EAD) were derived.
We assessed and tested the design and operating effectiveness of the controls over impairment calculations including the quality of underlying data and systems.
We tested management review of credit risk grades allocated to counterparties and inspected a sample of credit files to test the accuracy of loan staging.
We obtained the Bank's loan listing and selected facilities for checking customer information and account history and assessing whether events or changes have occurred that may affect the performance and the stage allocation of the loans.
In addition, for stage 3 exposures, we assessed all the assumptions considered in the estimation of recovery cash flows, collateral valuation, and timing of realization.
We evaluated the appropriateness of the accounting policies and the disclosure based on the requirements of IFRS 9, and our business understanding and industry practice.

We involved our financial risk management specialists to review the adequacy of the Bank's allowance for impairment. Our financial risk management specialists carried out the following procedures:

Validated the key inputs in the Bank's model for ECL computation.
Reviewed the changes in the Bank's IFRS 9 impairment model and methodology. This review covered the Bank's stage allocation, transfer logic, assumptions made by the Bank in incorporating forward-looking macroeconomic indices in its expected credit loss (ECL) computation, and changes in the estimation of ECL parameters namely: Probability of Default (PD), Exposure at Default (EAD) and Loss given default (LGD).

</td></tr>
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNION BANK OF NIGERIA PLC - Continued

Key audit matters – continued

The Key Audit Matters apply equally to the audit of the consolidated and separate financial statements.

Key audit matters	How our audit addressed the matter
Assessment of contingent liabilities The Bank is involved in various legal actions in the ordinary course of business, which has resulted in contingent liabilities amounting to ₦1.98 trillion as of 31 December 2021 (2020: ₦7.13 trillion). The most significant is a case with total claim of ₦1.54 trillion (2020: ₦6.89 trillion) in which judgement had been awarded against the Bank and other co-defendants by a Federal High Court in prior years. The Bank appealed against the judgement, which is currently pending before the supreme court. In the case of Petro Union, while the Bank's appeal was pending before the Supreme Court, its application for leave to amend its notice of appeal, to appeal on grounds of mixed law and fact, and to extend the time to apply for leave was dismissed. The Bank subsequently filed another application seeking the leave of the Supreme Court to appeal the judgement of the lower court. On 22 December 2021, the Supreme Court unanimously granted leave to the Bank to appeal the judgement of the Court of Appeal and to file its Notice of Appeal. This matter was considered to be a key audit matter due to the size of the potential liability and the significant judgement made by the directors in determining that no provision is required in the consolidated and separate financial statements. Refer to significant accounting policies in Note 3(z) and Note 46 to the consolidated and separate financial statements.	Our procedures included the following: ▪ We obtained an understanding of the process for the identification and assessment of legal claims and litigation. ▪ We evaluated the Bank's assessment of the nature and status of the reported litigation, claims and provision made. ▪ We circularized and obtained responses from the Bank's external legal counsel in order to ensure the completeness of litigations and claims. ▪ We paid attention to the matters relating to the most significant court proceedings. ▪ Where the Bank has appealed to a higher court for unsuccessful litigation, we evaluated management's assessment of probable outflow of resources based on responses received from independent external legal counsel. ▪ We obtained relevant independent legal opinions and assessed the conclusion therein. ▪ We assessed whether the extent of disclosures in the consolidated and separate financial statements is in accordance with the relevant accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Union Bank of Nigeria Plc Annual Report for the year ended 31 December 2021", which includes the Corporate Information, the Management Team, the Directors' Report, Statement of Directors' Responsibilities in the preparation of the Consolidated and Separate Financial Statements, Statement of Corporate Responsibility for the Financial Statements, Report of the Statutory Audit Committee, Independent Board Evaluation Report, and Other National Disclosures as required by the Companies and Allied Matter Act, 2020 and the Financial Reporting Council of Nigeria Act No. 6, 2011, and the Corporate Governance report as required by the Central Bank of Nigeria and the Nigerian Securities and Exchange Commission, which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNION BANK OF NIGERIA PLC - Continued

Other information - continued

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, and the relevant provisions of the Companies and Allied Matters Act, 2020, and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2020 and Central Bank of Nigeria guidelines and 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 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNION BANK OF NIGERIA PLC - Continued

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

- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNION BANK OF NIGERIA PLC - Continued

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the 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 the 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 of profit or loss and other comprehensive income are in agreement with the books of account; and

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.

In compliance with 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 49 to the consolidated and separate financial statements.

ii. As disclosed in Note 50 to the consolidated and separate financial statements, the Bank contravened certain circulars of the Central Bank of Nigeria.

Babayomi Ajijola
FRC/2013/ICAN/00000001196
For: Ernst & Young
Lagos, Nigeria

Date: 30 March 2022

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Gross earnings	9(a)	**177,269**	164,063	**175,006**	160,656
Continued operations					
Interest revenue calculated using the effective interest method	9(b)	**114,049**	113,157	**114,049**	112,920
Interest expense calculated using the effective interest method	9(c)	**(38,210)**	(26,770)	**(38,429)**	(27,039)
Other interest and similar expense	9(d)	**(31,370)**	(28,985)	**(31,370)**	(28,985)
Net interest income		**44,469**	57,402	**44,250**	56,896
Net impairment reversal for credit losses	14(a)	**34**	2,253	**34**	2,253
Net interest income after impairment charge for credit losses		**44,503**	59,655	**44,284**	59,149
Fee and commission income	10(a)	**18,936**	14,272	**18,936**	**14,272**
Fee and commission expense	10(b)	**(5,238)**	(3,771)	**(5,238)**	(3,771)
Net fee and commission income		**13,698**	10,501	**13,698**	10,501
Net trading income	11	**8,627**	11,156	**8,627**	11,156
Recoveries	13(d)	**15,866**	7,240	**15,866**	7,240
Net income from other financial instruments at fair value through profit or loss	12	**8,183**	7,597	**8,183**	7,597
Other operating income	13	**9,589**	7,985	**9,345**	7,471
Non interest income		**55,963**	44,479	**55,719**	43,965
Operating income		**100,466**	104,134	**100,003**	103,114
Net impairment reversal on other financial assets	14(b)	**(325)**	307	**(320)**	306
Net operating income after net impairment reversal on other financial assets		**100,141**	104,441	**99,683**	103,420
Personnel expenses	15	**(30,893)**	(32,587)	**(30,759)**	(32,454)
Depreciation of property and equipment and right of use asset	29(c)	**(6,321)**	(5,816)	**(6,311)**	(5,805)
Amortisation of intangible assets	30	**(1,912)**	(1,893)	**(1,912)**	(1,893)
Other operating expenses	16	**(40,325)**	(38,171)	**(40,169)**	(37,843)
Total expenses		**(79,451)**	(78,467)	**(79,151)**	(77,995)
Profit before income tax		**20,690**	25,974	**20,532**	25,425
Income tax expense	17	**(1,319)**	(845)	**(1,352)**	(772)
Profit for the year from continued operations		**19,371**	25,129	**19,180**	24,653
Discontinued operations					
Loss for the year from discontinued operations net of tax	43(a)	**(2,452)**	(6,457)	**-**	-
Continuing and discontinued operations:					
Profit before tax		**18,238**	19,517	**20,532**	25,425
Income tax expense		**(1,319)**	(845)	**(1,352)**	(772)
Profit after tax		**16,919**	18,672	**19,180**	24,653

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

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Other comprehensive income, net of income tax					
Items that will not be reclassified to profit or loss					
Fair value (loss)/gain on equity instruments at fair value through other comprehensive income	25(a)	**(334)**	107	**(334)**	107
Remeasurement of defined benefit obligations	39(a)	**480**	(112)	**480**	(112)
Items that will be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		**862**	2,077	**-**	-
Fair value losses on debt instruments at FVTOCI	25(a)(iii)	**(7,941)**	(2,102)	**(7,924)**	(1,653)
Changes in allowance for expected credit losses of debt instruments at FVTOCI	5(o)	**(92)**	363	**(92)**	363
Changes in allowance for expected credit losses on pledged assets at FVTOCI	5(o)	**(29)**	36	**(28)**	36
Other comprehensive (loss)/income for the year		**(7,054)**	369	**(7,898)**	(1,259)
Total comprehensive income for the year		**9,865**	19,041	**11,282**	23,394
Profit attributable to:					
Equity holders of the Bank		**16,795**	18,535	**19,180**	24,653
Non-controlling interests	45	**124**	137	**-**	-
Profit for the year		**16,919**	18,672	**19,180**	24,653
Total comprehensive income attributable to:					
Equity holders of the Bank		**9,741**	18,904	**11,282**	23,394
Non-controlling interests	45	**124**	137	**-**	-
Total comprehensive income for the year		**9,865**	19,041	**11,282**	23,394
Earnings per share for profit from continuing operations attributable to equity holders of bank					
Basic and diluted (Kobo)	18	66	85	66	84
Loss per share for loss from discontinued operations attributable to equity holders of Bank					
Basic and diluted (Kobo)	18	(8)	(22)	-	-

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

Consolidated and Separate Statements of Financial Position

as at 31 December 2021

	Notes	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
ASSETS					
Cash and cash equivalents	19	407,143	270,707	445,804	262,730
Financial assets held for trading	20	1,485	52,212	1,485	52,212
Pledged assets	21	110,226	100,007	110,226	100,007
Derivative assets held for risk management	22	9,640	520	9,640	520
Loans and advances to customers at amortised cost	23	868,840	692,803	868,840	692,803
Investment securities	25	387,508	351,862	387,508	351,862
Trading properties	26	187	187	187	187
Investment properties	27	5,226	4,817	-	-
Investment in subsidiaries	28	-	-	2,195	2,195
Right-of-use assets	31	2,777	2,740	2,777	2,740
Property and equipment	29	57,673	57,364	57,653	57,342
Intangible assets	30	3,783	5,212	3,782	5,211
Deferred tax assets	32	95,688	95,595	95,875	95,875
Other assets	33	571,553	439,952	571,536	440,227
Defined benefit assets	39(a)	1,561	1,475	1,561	1,475
		2,523,290	2,075,453	2,559,069	2,065,386
Assets classified as held for sale	43(b)	72,479	115,293	8,372	8,372
TOTAL ASSETS		2,595,769	2,190,746	2,567,441	2,073,758
LIABILITIES					
Derivative liabilities held for risk management	22	8,684	2	8,684	2
Deposits from banks	34	-	4,018	-	4,018
Deposits from customers	35	1,355,910	1,126,287	1,361,323	1,131,116
Current income tax liabilities	36	1,420	797	1,356	778
Other liabilities	37	699,819	425,718	697,996	425,117
Lease liabilities	38	1,895	1,812	1,895	1,812
Employee benefit obligations	39	1,069	996	1,068	996
Debt securities issued	40	38,798	48,629	38,798	48,629
Long term subordinated bonds	41	29,716	29,546	29,716	29,546
Other borrowed funds	42	175,118	184,223	175,118	184,223
		2,312,429	1,822,028	2,315,954	1,826,237
Liabilities classified as held for sale	43(c)	16,473	104,400	-	-
TOTAL LIABILITIES		2,328,902	1,926,428	2,315,954	1,826,237
EQUITY					
Share capital	44(b)	14,632	14,632	14,632	14,632
Share premium	44(c)	133,458	133,458	133,458	133,458
Retained earnings	44(j)	13,723	23,399	24,112	31,403
Other reserves	44(d)	98,250	86,149	79,285	68,028
TOTAL EQUITY EXCLUDING NON-CONTROLLING INTERESTS		260,063	257,638	251,487	247,521
Non-controlling interests	45	6,804	6,680	-	-
TOTAL EQUITY		266,867	264,318	251,487	247,521
TOTAL LIABILITIES AND EQUITY		2,595,769	2,190,746	2,567,441	2,073,758

The consolidated and separate financial statements were approved by the Board of directors on 14 February, 2022 and signed on its behalf by:

Emeka Okwonkwo	Joseph Mbulu	Beatrice Hamza Bassey
Group Managing Director	Chief Financial Officer	Board Chair
FRC/2021/003/00000023088	FRC/2014/ICAN/00000006110	FRC/2020/003/00000020477

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Group	Note	Share capital	Share premium	Statutory reserve	Fair value reserve	Regulatory risk reserve	AGSMEIS Reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		₦ million	₦ million	₦ million	₦ million	₦ million	N million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2021		14,632	133,458	36,151	19,079	7,674	3,577	19,668	23,399	257,638	6,680	264,317
Total comprehensive income												
Profit for the year									16,795	16,795	124	16,919
Other comprehensive income, net of tax												
Items that will not be reclassified to profit or loss:												
Net change in fair value of equity instruments at FVOCI	25(a)	-	-	-	(334)	-	-	-	-	(334)	-	(334)
Remeasurement of defined benefit obligations	39(a)	-	-	-	-	-		480	-	480	-	480
Items that are or may be reclassified subsequently to profit or loss:										-		-
Net change in fair value of debt instruments at FVOCI	25(a)(iii)	-	-	-	(7,941)	-	-	-	-	(7,941)	-	(7,941)
Changes in allowance for expected credit losses on debt instrument at FVTOCI	5(o)	-	-	-	-	-	-	(92)	-	(92)	-	(92)
Changes in allowance for expected credit losses on pledged asset at FVTOCI	5(o)	-	-	-	-	-		(29)	-	(29)	-	(29)
Foreign currency translation difference		-	-	-	-	-	-	862	-	862	-	862
Total comprehensive income				-	(8,275)	-	-	1,221	16,795	9,741	124	9,865
Appropriation:												
Transfer from regulatory risk reserve	2(e)	-	-	-	-	18,160	-	-	(18,160)	-	-	-
Transfer to/(from) other reserves		-	-	2,877	(2,841)	-	959	-	(995)	-	-	-
		-	-	2,877	(2,841)	18,160	959	-	(19,155)	-	-	-
Transactions with equityholders of the Bank												
Distributions to owners												
Dividends paid		-	-	-	-	-	-	-	(7,316)	(7,316)	-	(7,316)
Total distributions to owners		-	-	-	-	-	-	-	(7,316)	(7,316)	-	(7,316)
Balance at 31 December 2021		14,632	133,458	39,028	7,963	25,834	4,536	20,889	13,723	260,063	6,804	266,867

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Group	Note	Share capital	Share premium	Statutory reserve	Fair value reserve	Regulatory risk reserve	AGSMEIS Reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		₦ million	₦ million	₦ million	₦ million	₦ million	N million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2020		14,607	133,235	32,453	21,074	3,331	2,358	17,304	21,437	245,799	6,543	252,342
Total comprehensive income												
Profit for the year		-	-		-	-	-	-	18,535	18,535	137	18,672
Other comprehensive income, net of tax												
Items that will not be reclassified to profit or loss:												
Net change in fair value of equity instruments at FVOCI	25(a)	-	-	-	106	-	-	-	-	106	-	106
Remeasurement of defined benefit obligations	39(a)	-	-	-	-	-	-	(112)	-	(112)	-	(112)
Items that are or may be reclassified subsequently to profit or loss:												
Net change in fair value of debt instruments at FVOCI	25(a)(iii)	-	-	-	(2,101)	-	-	-	-	(2,101)	-	(2,101)
Changes in allowance for expected credit losses on debt instrument at FVTOCI	5(o)	-	-	-	-	-	-	363	-	363	-	363
Changes in allowance for expected credit losses on pledged asset at FVTOCI	5(o)	-	-	-	-	-		36	-	36	-	36
Foreign currency translation difference		-	-	-	-	-	-	2,077	-	2,077	-	2,077
Total comprehensive income		-	-	-	(1,995)	-	-	2,364	18,535	18,904	137	19,041
Appropriation:												
Transfer from regulatory risk reserves	2(e)	-	-	-	-	4,343	-	-	(4,343)	-	-	-
Transfer to/(from) other reserves		-	-	3,698	-	-	1,219	-	(4,917)	-	-	-
		-	-	3,698	-	4,343	1,219	-	(9,260)	-	-	-
Transactions with equityholders of the Bank												
Contributions by and distributions to owners												
Dividends paid		-	-	-	-	-		-	(7,313)	(7,313)	-	(7,313)
Equity-settled share-based payment	44(h)	25	223	-	-	-		-	-	248	-	248
Total contribution and distributions to owners		25	223	-	-	-	-	-	(7,313)	(7,065)	-	(7,065)
Balance at 31 December 2020		14,632	133,458	36,151	19,079	7,674	3,577	19,668	23,399	257,638	6,680	264,317

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

Separate Statement of Changes in Equity

For the year ended 31 December 2021

Bank	Note	Share capital	Share premium	Statutory reserve	Fair value reserves	Regulatory risk reserve	AGSMEIS Reserve	Other reserves	Retained earnings	Total
		₦ million	₦ million	₦ million	₦ million	₦ million	N million	₦ million	₦ million	₦ million
Balance at 1 January 2021		14,632	133,458	36,151	18,414	7,674	3,577	2,212	31,403	247,520
Total comprehensive income										
Profit or loss		-	-		-	-	-	-	19,180	19,180
Other comprehensive income, net of tax										
Items that will not be reclassified to profit or loss:										
Net change in fair value of equity instruments at FVOCI	25(a)	-	-	-	(334)	-	-	-	-	(334)
Remeasurement of defined benefit obligations	39(a)	-	-	-	-	-	-	480	-	480
Items that will be reclassified subsequently to profit or loss:										
Net change in fair value of debt instruments at FVOCI	25(a)(iii)	-	-	-	(7,924)	-	-	-	-	(7,924)
Changes in allowance for expected credit losses on debt instrument at FVTOCI	5(o	-	-	-	-	-	-	(92)	-	(92)
Changes in allowance for expected credit losses on pledged asset at FVTOCI	5(o	-	-	-	-	-	-	(28)	-	(28)
Total comprehensive income for the year		-	-	-	(8,258)	-	-	360	19,180	11,283
Appropriation:										
Transfer to regulatory risk reserves	2(e	-	-	-	-	18,160	-	-	(18,160)	-
Transfer to/(from) other reserves		-	-	2,877	(2,841)	-	959	-	(995)	-
		-	-	2,877	(2,841)	18,160	959	-	(19,155)	-
Transactions with equityholders of the Bank										
Distributions to owners										
Dividends paid		-	-	-	-	-	-	-	(7,316)	(7,316)
Total distributions to owners		-	-	-	-	-	-	-	(7,316)	(7,316)
Balance at 31 December 2021		14,632	133,458	39,028	7,315	25,834	4,536	2,572	24,112	251,487

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

Separate Statement of Changes in Equity

For the year ended 31 December 2020

Bank	Note	Share capital	Share premium	Statutory reserve	Fair value reserve	Regulatory risk reserve	AGSMEIS Reserve	Other reserves	Retained earnings	Total
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2020		14,607	133,235	32,453	19,960	3,331	2,358	1,925	23,323	231,192
Total comprehensive income										
Profit or loss		-	-	-	-	-	-	-	24,653	24,653
Other comprehensive income, net of tax										
Items that will not be reclassified to profit or loss:										
Net change in fair value of equity instruments at FVOCI	25(a)	-	-	-	107	-	-	-	-	107
Remeasurement of defined benefit obligations	39(a)	-	-	-	-	-	-	(112)	-	(112)
Items that are or may be reclassified subsequently to profit or loss:										
Net change in fair value of debt instruments at FVOCI	25(a)(iii)	-	-	-	(1,653)	-	-	-	-	(1,653)
Changes in allowance for expected credit losses on debt instrument at FVTOCI	5(o)	-	-	-	-	-	-	363	-	363
Changes in allowance for expected credit losses on pledged asset at FVTOCI	5(o)	-	-	-	-	-	-	36		36
Total comprehensive income for the year		-	-	-	(1,546)	-	-	287	24,653	23,394
Appropriation:										
Changes in allowance for expected credit losses on debt instrument at FVTOCI	2(e)	-	-	-	-	4,343		-	(4,343)	-
Transfer to/(from) other reserves		-	-	3,698	-	-	1,219	-	(4,917)	-
		-	-	3,698	-	4,343	1,219	-	(9,260)	-
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Dividends paid		-	-	-	-	-	-	-	(7,313)	(7,313)
Equity-settled share-based payment	44(h)	25	223	-	-	-	-	-	-	248
Total contribution and distributions to owners		25	223	-	-	-	-	-	(7,313)	(7,065)
Balance at 31 December 2020		**14,632**	**133,458**	**36,151**	**18,414**	**7,674**	**3,577**	**2,212**	**31,403**	**247,520**

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

Consolidated and Separate Statements of Cash Flows

For the year ended 31 December 2021

	Notes	Group December 2021 ₦ million	Group December 2020 ₦ million	Bank December 2021 ₦ million	Bank December 2020 ₦ million
Cash flows from operating activities					
Profit before tax from continuing operations		20,690	25,974	20,532	25,425
Loss before tax from discontinued operations		(2,452)	(6,457)	-	-
Adjustments for:					
Impairment charge/(reversal) on loans and advances to customers	52(iii)	157	(2,401)	157	(2,401)
Impairment charge/(reversal) on cash and cash equivalents	14(a)	28	(74)	28	(74)
Impairment (write-back)/charge on debt securities at amortised cost	14(a)	(91)	62	(91)	62
Impairment (write-back)/charge on debt securities at FVOCI	14(a)	(93)	363	(93)	363
Impairment (reversal)/charge on pledged assets at FVOCI	14(a)	(28)	36	(28)	36
Impairment (reversal)/charge on pledged assets at amortised cost	14(a)	(7)	14	(7)	14
Impairment (reversal) on financial guarantee	14(a)	-	(253)	-	(253)
Fair value (gain) on investment properties	27	(30)	(364)	-	-
Fair value loss on derivatives	52(v)	91	2,617	91	2,617
Foreign exchange revaluation gain	13	(3,826)	(3,820)	(3,826)	(3,820)
Reversal of impairment on other assets	14(b)	325	(307)	320	(306)
Gain on sale of property and equipment	13	(2,236)	(1,308)	(2,166)	(1,274)
Gain on disposal of investment property	13(c)	-	(38)	-	-
Depreciation of property and equipment	29	5,609	5,304	5,599	5,293
Depreciation of right-of-use assets	31	712	512	712	512
Amortisation of intangible assets	30	1,912	1,893	1,912	1,893
Share based payment expenses	15	-	248	-	248
Dividend income from equity investment	13	(1,037)	(1,033)	(1,037)	(1,033)
Interest expenses on other borrowings	52(x)	38,429	26,770	38,429	27,039
Interest on lease liabilities	9(d)	168	232	168	232
Current and past service costs on long service awards	39(b)	(109)	195	(109)	197
Current and past service costs defined benefits pension scheme	39(a)(iii)	(110)	(189)	(110)	(189)
Contribution paid to defined benefits pension plan	39(a)(iii)	(1)	(3)	(1)	(3)
		58,101	47,973	60,480	54,578
Changes in					
Net lease liabilities/(right-of-use asset)		27	(295)	27	(295)
Financial assets held for trading	52(i)	50,727	(28,890)	50,727	(28,890)
Pledged assets	52(ii)	(10,212)	(79,871)	(10,212)	(79,871)
Loans and advances to customers	52(iii)	(176,194)	(139,789)	(176,194)	(139,789)
Other assets	52(iv)	(131,926)	(77,934)	(131,629)	(77,948)
Derivative financial instruments-assets	52(v)	(9,211)	3,944	(9,211)	3,944
Derivative financial instruments-liabilities	52(v)	8,682	(2,109)	8,682	(2,109)
Deposits from banks	52(vi)	(4,018)	4,018	(4,018)	4,018
Deposits from customers	52(vii)	229,623	240,024	230,207	244,788
Other liabilities	52(viii)	274,101	(7,143)	272,879	(10,892)
		289,700	(40,072)	291,738	(32,466)
Income tax paid	36	(789)	(480)	(774)	(374)
Payment for long service awards	39(b)(i)	(76)	(41)	(76)	(41)
Net cash from/(used in) operating activities		288,835	(40,593)	290,888	(32,881)

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

Consolidated and Separate Statements of Cash Flows

For the year ended 31 December 2021

	Notes	**Group December 2021**	Group December 2020	**Bank December 2021**	Bank December 2020
		₦ million	₦ million	**₦ million**	₦ million
Cash flows from investing activities					
Proceeds from disposal of investment properties	27	**125**	1,286	**-**	-
Acquisition of investment properties	27	**(504)**	-	**-**	-
Proceeds from sale of property and equipment	13(b)	**2,716**	4,915	**2,630**	4,878
Acquisition of investment securities	52(ix)	**(43,829)**	(96,835)	**(43,812)**	(99,837)
Acquisition of property and equipment	29	**(6,582)**	(8,396)	**(6,558)**	(8,394)
Acquisition of intangible assets	30	**(299)**	(1,634)	**(299)**	(1,634)
Dividend received	13	**1,037**	1,033	**1,037**	1,033
Net cash flows used in investing activities		**(47,336)**	(99,631)	**(47,002)**	(103,954)
Cash flows from financing activities					
Proceeds from other borrowings	52(x)	**158,649**	81,321	**158,649**	81,321
Repayment of borrowings	52(x)	**(177,096)**	(7,048)	**(177,096)**	(7,048)
Payment for lease liabilities	31	**(99)**	(107)	**(99)**	(107)
Interest paid on borrowings	52(x)	**(38,748)**	(27,061)	**(38,748)**	(27,331)
Proceed from debt securities issued		**-**	35,000	**-**	35,000
Proceed from bond issued		**-**	442	**-**	442
Dividend paid during the year	44(j)	**(7,316)**	(7,313)	**(7,316)**	(7,313)
Net cash (used in)/generated from financing activities		**(64,610)**	75,234	**(64,610)**	74,964
Effect of exchange rate fluctuations on cash held	13	**3,826**	3,820	**3,826**	3,820
Net increase/ (decrease) in cash and cash equivalents		**180,715**	(61,170)	**183,102**	(58,051)
Cash and cash equivalents at beginning of year		**270,715**	320,385	**262,738**	320,789
Net change in cash and cash equivalents from discontinued operations		**(44,251)**	11,500	**-**	-
Cash and cash equivalents at end of year	19	**407,179**	270,715	**445,840**	262,738

The accompanied notes and significant accounting policies are an integral part of these consolidated and separate financial statements.

1 Reporting entity

Union Bank of Nigeria Plc ("the Bank") is a company domiciled in Nigeria. The address of the Bank's registered office is Stallion Plaza, 36 Marina, Lagos. The consolidated financial statements of the Group as at and for the year ended 31st December 2021 comprise the Bank and its subsidiaries (together referred to as "the Bank" or "the Group" and individually as 'Group entities'). The Group is primarily involved in investment, corporate, commercial and retail banking.

The Bank has completed the divestment process from all non-banking businesses within the Group, in line with the CBN Regulation on the scope of Banking Activities and Ancillary Matters; with the exception of UBN Property Company Limited which has been put on hold as a result of shareholder litigation initiated by one of the subsidiary's shareholders.

2 Basis of preparation

(a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and in the manner required by the Financial Reporting Council of Nigeria Act 2011, Companies and Allied Matters Act (CAMA) 2020, the Banks and Other Financial Institutions Act 2020 and relevant Central Bank of Nigeria guidelines and circulars.

The Consolidated and separate financial statements were authorised for issue by the Board of Directors on 14 February 2022.

(b) Basis of measurement

These consolidated and separate financial statements are prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss (FVTPL) are measured at fair value.
- financial assets at fair value through other comprehensive income (FVTOCI) are measured at fair value.
- investment property is measured at fair value.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total value of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.
- derivatives financial instrument held for risk management are measured at fair value.
- assets and liabilities held for sale measured at lower of carrying amount and fair value less cost to sale.
- trading properties measured at lower of cost and net realizable value.

(c) Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 5(p)

The Bank has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.
The Group 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 judgements 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 ongoing basis. Revisions to accounting estimates are recognised in the year/period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are included in note 6.

(e) Determination of regulatory risk reserve

Provisions under Prudential Guidelines are determined using the time based provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the requirements of the International Financial Reporting Standards. As a result of the differences in the methodology/provision regime, there may be variances in the impairment 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 and other financial assets as prescribed in the relevant IFRS standards when IFRS is adopted. However, Banks would be required to comply with the following:

(i) Provisions for loans and other financial assets recognised in the statement of profit or loss should be determined based on the requirements of IFRS. However, the IFRS impairments should be compared with provisions determined under Prudential Guidelines and the expected impact/changes in general reserves should be treated as follows:

- If Prudential provisions are greater than IFRS impairments, the resultant excess provision should be transferred from the retained earnings account to a "regulatory risk reserve".
- If Prudential provisions are less than IFRS impairments; IFRS determined impairments are charged to profit or loss. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings account.

The Bank has complied with the requirements of the Prudential Guidelines.

The reconciliation of the impairment based on relevant IFRS standards and CBN Prudential Guidelines provision is shown in the statement below:

Statement of Prudential Adjustments		Bank	Bank
		Dec. 2021	Dec. 2020
	Notes	₦ million	₦ million
IFRS-based impairments:			
Impairment on Cash and cash equivalents	19	36	8
Impairment on pledged assets	21	7	14
Impairment on loans to customers	23	30,266	43,909
Impairment on equity accounted investee	24	91	91
Impairment on investment securities	25	4	95
Impairment on other assets	33	6,787	6,176
Impairment on Letters of credit and financial guarantees	37	4	4
Provision for claims and contingencies	37	4,283	3,717
Provision for fraud and forgeries	37	59	102
		41,537	54,116
Prudential provisions:			
Impairment on cash and cash equivalents		36	8
Impairment on pledged assets		7	14
Specific provision on loans to customers		-	-
General provision on loans to customers		55,855	51,070
Interest in suspense		-	-
Impairment on equity accounted investee		91	91
Impairment on investment securities		4	95
Specific provision on other assets		7,417	6,728
Impairment on Letters of credit and financial guarantees		4	4
Provision for claims and contingencies		3,898	3,657
Provision for fraud and forgeries		59	123
		67,371	61,790
Regulatory risk reserve		25,834	7,674

The movement in the Regulatory risk reserve during the year is shown below:

	Dec. 2021	Dec. 2020
	N million	₦ million
Balance, beginning of the year	7,674	3,331
Transfer during the year	18,160	4,343
Balance, end of the year	25,834	7,674

3 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated and separate financial statements.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2021. Union Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Bank may still exercise control with a less than 50% shareholding, or may not be able to exercise control even with ownership over 50% of an entity’s shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights

Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.
Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Bank and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank’s accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Bank are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Given the level of judgement required regarding consolidation of structured entities, these considerations are described further in the Significant accounting judgements in Note 6.

Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to the Group. Consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.
The Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Other contingent consideration is measured at fair value at each reporting date and subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interest

Non-controlling interests (NCI) 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.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control and if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The consolidated financial statements include the Group's share of the total recognised net assets of associates on an equity-accounted basis from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Loss of control

The Group assesses whether there is loss of control in a variety of ways which includes:
- sale of all or part of its ownership interest in its subsidiary;
- expiry of a contractual agreement that gave control of the subsidiary to the Group;
- issue of shares to third parties by the subsidiary, thereby reducing the Group's ownership interest in the subsidiary so that it no longer has control of the subsidiary;
- distribution of its ownership interest in the subsidiary by the Group;
- when the subsidiary becomes subject to the control of a government, court, administrator or regulator.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and the other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The amount recognised in profit or loss on the loss of control of a subsidiary is measured as the difference between:

(i) The sum of:
- the fair value of the consideration received, if any;
- the recognised amount of the distribution of shares, if applicable;
- the fair value of any retained non-controlling investment (NCI); and
- the carrying amount of the NCI in the former subsidiary, including the accumulated balance of each class of other comprehensive income (OCI) attributable to the NCI

(ii) The carrying amount of the former subsidiary's net assets, together with any profit or loss reclassifications.

From the Group's perspective, the loss of control of a subsidiary results in derecognition of the individual assets and liabilities of the subsidiary. On disposal, components of OCI related to the subsidiary's assets and liabilities are accounted for on the same basis as would be required if the individual assets and liabilities had been disposed of directly. As a result, the following amounts are reclassified to profit or loss:
- exchange differences that were recognised in OCI;
- changes in the fair value of financial assets at Fair value through other comprehensive income previously recognised in OCI; and
- the effective portion of gains and losses on hedging instruments in a cash flow hedge previously recognised in OCI.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains or losses or income 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.

(b) Foreign currency translation

Functional and presentation currency

These consolidated and separate financial statements are presented in Nigerian Naira, which is the Bank's functional and presentation currency. For each entity in the Group, the Bank determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Bank uses the direct method of consolidation.

All amounts have been rounded to the nearest millions, except where otherwise indicated.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the statement of profit or loss, with the exception of the effective portion of the differences on foreign currency borrowings that are accounted for as an effective hedge against a net investment in a foreign entity. These differences are recognised in OCI until the disposal of the net investment, at which time, they are recognised in the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Foreign currency differences arising on translation of monetary items are generally recognised in profit or loss. However, foreign currency differences arising from the translation of FVTOCI financial assets and monetary assets are recognised in profit or loss.

Group companies and foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into naira at spot exchange rates at the reporting date. The income and expenses and other comprehensive income of foreign operations are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at spot exchange rates on the dates of the transactions.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations, and are translated at the closing rate of exchange.

Foreign exchange differences on translation of foreign operations are recognised in other comprehensive income, and presented in other reserves in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation differences is allocated to non-controlling interests. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income and presented in the translation reserve in equity.

(c) Recognition of interest income

i Effective interest rate

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

ii Amortised cost and gross carrying amount

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

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

iii Calculation of interest income and expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the statement profit or loss and other comprehensive income for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments that are set out in Note 3C(i) above.
The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired, and therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

Presentation

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- interest on debt instruments measured at FVTOCI calculated on an effective interest basis; and
- interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.
- Interest expense on lease liabilities

(d) Fees and Commission

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is

recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service
provided over time.

The Bank has concluded that it is the principal in its revenue arrangements because it controls the services before transferring them to the customer.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period; otherwise, the loan commitment fee is deferred and recognised as an adjustment to effective interest rate.

Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 6.

Performance obligations and revenue recognition policies:

Fees and commission income from contracts with customers is measured based on the consideration specified in the contract with the customer. The Group recognises revenue when it transfers control over a service to a customer.

The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees.
Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers on a periodic basis.
Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.
Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.

Revenue recognition under IFRS 15: Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

(e) Net trading income

Net trading income comprises gains and losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(f) **Net income from other financial instruments at fair value through profit or loss**

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(g) **Dividends**

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other operating income and are recognised net of withholding tax, and are recognized as part of net trading income.

(h) **Operating expense**

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized on an accrual bases regardless of the time of spending cash. Expenses are recognized in the statement of profit or loss and other comprehensive income when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably. Expenses are measured at historical cost.

Only the portion of cost of a previous period that is related to the income earned during the reporting period is recognized as an expense. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statement as assets. The portion of assets which is intended for earning income in the future periods shall be recognized as an expense when the associated income is earned.

Expenses are recognized in the same reporting year when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting year and when they are not expected to generate any income during the coming years.

(i) **Income tax**

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

i. Current tax

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period.

ii. Deferred tax

Deferred tax is computed using the exposure method, providing for 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 taxes are 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.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences 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. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary difference.

These amounts are generally recognised in profit or loss because they relate to income arising from transactions that were originally recognised in profit or loss. The unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

The measurement of deferred tax reflects the tax consequence that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale and the Group has not rebutted this presentation.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

iii. Tax exposure

In determining the amount of current and deferred tax, the Group considers the impact of tax exposure, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expenses in the period in which such a determination is made.

(j) Financial instruments - initial recognition

1. ***Date of recognition***

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

2. ***Initial measurement of financial instruments***

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

3. ***Day 1 profit or loss***

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

4. ***Measurement categories of financial assets and liabilities***

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

The Bank classifies and measures its derivative and trading portfolio at FVPL, as explained in Notes 3(k) The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

v. ***Determination of fair value***

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments — Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the reporting date.

Level 2 financial instruments — Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

Level 3 financial instruments — Those that include one or more unobservable input that is significant to the measurement as whole.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Bank manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments.

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Group and Bank				Fair value measurement using		
				Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
				Level 1	Level 2	Level 3
31 December 2021	*Note*	Carrying amount	Fair value amount	₦ million	₦ million	₦ million
Assets measured at fair value:						
Financial assets held for trading	20	1,485	1,485	-	1,485	-
Pledged assets	21	105,541	105,541	-	105,541	-
Derivative assets held for risk management	22	9,640	9,640	-	9,640	-
Investment securities:				-	-	-
Quoted equity	25	1,777	1,777	1,777	-	-
Unquoted equity	25	57,945	57,945	-	-	49,528
Debt instrument at FVOCI	25	297,554	297,554	-	297,554	-
Liabilities measured at fair value:						
Derivative liabilities held for risk management	22	8,684	8,684	-	8,684	-
Assets for which fair values are disclosed:						
Pledged assets	21	4,685	4,685	-	4,685	-
Loans and advances to customers	23	868,840	899,106	-	899,106	-
Investment securities: at amortised cost	25	30,232	30,232	-	30,232	-

Group and Bank				Fair value measurement using		
				Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
				Level 1	Level 2	Level 3
31 December 2020	*Note*	Carrying amount	Fair value amount	₦ million	₦ million	₦ million
Assets measured at fair value:						
Financial assets held for trading	20	52,212	52,212	-	52,212	-
Pledged assets	21	100,007	100,007	-	100,007	-
Derivative assets held for risk management	22	520	520	-	520	-
Investment securities:				-	-	-
Quoted equity	25	1,973	1,973	1,973	-	-
Unquoted equity	25	49,528	49,528	-	-	49,528
Debt instrument at FVOCI	25	269,112	269,112	-	269,112	-
Liabilities measured at fair value:						
Derivative liabilities held for risk management	22	2	2	-	2	-
Assets for which fair values are disclosed:						
Pledged assets	21	100,007	99,717	-	99,717	-
Loans and advances to customers	23	736,712	664,676	-	664,676	-
Investment securities: at amortised cost	25	31,249	31,249	-	31,249	-

The carrying value of cash and cash equivalents, other receivables, deposit from banks, deposit from customers, other borrowed funds, other liabilities are equivalent of their fair value as a result of their short term maturity periods.

Quoted equity in level 1 relates to Investment in REIT, which is quoted in Nigerian Exchange Group (NGX)

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities. The table does not equally cover those financial instruments whose carrying amounts are reasonable approximations of fair values.

	Carrying amount		Fair value	
	₦ million	N million	**₦ million**	N million
	31 Dec, 2021	31 Dec, 2020	**31 Dec, 2021**	31 Dec, 2020
Pledged assets	**4,685**	100,007	**4,685**	99,717
Loans and advances to customers	**868,840**	736,712	**868,840**	664,676
Investment securities at amortised cost	**30,232**	31,249	**30,232**	31,249
	903,757	867,968	**903,757**	795,642

Fair value of financial assets and liabilities

Below are the methodologies and assumptions used to determine fair values for those financial instruments in the financial statements:

Assets for which fair value approximates carrying value

The management assessed that cash and cash equivalents, other receivables, deposit from banks, deposit from customers, other borrowed funds, other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Derivatives assets and liability held for risk management

Where the Group's derivative assets and liabilities are not traded on an exchange, they are valued using the discounted cash flow model. The future cash flow to be received is discounted using the appropriate Libor rates. The Group estimated the fair value of its Foreign exchange derivatives as at 31 December 2021 using the Discounted Cash Flow Model and disclosed it under Level 2 Fair Value Hierarchy.

Financial investments – Debt instrument at amortised cost and FVTOCI, Pledged assets and Financial assets held for trading

These are Federal Government of Nigeria securities which are fair valued based on quoted yield-to-maturity and days to maturity rates. The fair value of treasury bills is determined by reference to quoted yield to maturities of the instrument as published on the Financial Market Dealer Quatation (FMDQ) website. The fair values of the Nigerian Treasury Bills are classified under Level 2 in the fair value hierarchy. The FMDQ publishes the market yields on a daily basis, and the unadjusted yields are used to determine the prices.

Loans and advances

The fair values of loans and advances are based on cash flows discounted using a rate based on the market interest rate of borrowings. The discount rate equals the prime lending rate as set by the Central Bank of Nigeria at the reporting dates. The fair values are within Level 2 of the fair value hierarchy

Unquoted equity instruments

Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components.

Level 3 fair value measurements

(a) Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy for the group.

31 December 2021 *In millions of naira*	Investment Securities	Total
Balance at 1 January 2021	49,528	49,528
Total gains/(loss) recognised in profit or loss	10,040	10,040
Total gains recognised in OCI	210	210
Balance at 31 December 2021	49,528	59,778

31 December 2020 *In millions of naira*	Investment Securities	Total
Balance at 1 January 2020	38,248	38,248
Total gains recognised in profit or loss	38,138	38,138
Total gains recognised in OCI	(37,108)	(37,108)
Balance at 31 December 2020	49,528	38,248

Unobservable inputs used in measuring fair value

Information about the fair value measurement using significant unobservable inputs (Level 3)

The equity sensitivity measures the impact of a +/-500bps movement in the comparative companies. The sensitivity of the fair values of investment in unlisted equities to changes in the price/book (P/B) multiples of the comparative companies as at 31 December 2021 is as shown in the table below:

Description	Valuation technique	Assumption	P/B Multiple	Fair Values
AFREXIM Bank	P/B multiples	Base	1.5x	7,183
		Sensitivity of +5%		7,542
		Sensitivity of -5%		6,823
AFC	P/B multiples	Base	1.7x	49,591
		Sensitivity of +5%		52,070
		Sensitivity of -5%		47,111

(E) Recognition of deferred tax assets: availability of future taxable profits against which carry-forward tax losses can be used when it is probable the Group will be able to generate sufficient taxable profits in future.

(F) Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources:

The financial reporting of provisions involves a significant degree of judgement and is complex. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the outflows that may arise from past events requires judgements to be made based on the specific facts and circumstances relating to individual events and often requires specialist professional advice. When matters are at an early stage, accounting judgements and estimates can be difficult because of the high degree of uncertainty involved. Management continues to monitor matters as they develop to re-evaluate on an ongoing basis whether provisions should be recognised, however there can remain a wide range of possible outcomes and uncertainties, particularly in relation to legal, competition and regulatory matters, and as a result it is often not practicable to make meaningful estimates even when matters are at a more advanced stage. The complexity of such matters often requires the input of specialist professional advice in making assessments to produce estimates. Customer redress, legal, competition and regulatory matters are areas where a higher degree of professional judgement is required. The amount that is recognised as a provision can also be very sensitive to the assumptions made in calculating it. This gives rise to a large range of potential outcomes which require judgement in determining an appropriate provision level.

(G) Fair valuation of assets and liabilities under IFRS 5 - Non current Assets Held for Sale and Discontinued Operations
The Group has determined that for the purpose of assets held for sale, the carrying value of the assets and liabilities approximates the fair value less costs to sell. The financial instruments on the financial statements are measured at fair value for the purpose of assets held for sale under IFRS 5.

(k) **Financial assets and liabilities per financial statement line**

1. ***Balances with banks, Loans and advances to customers, Financial investments at amortised cost***

The Bank measures Balances with banks, Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

i. **Business model assessment**

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

ii. **The solely payment of principal and interest (SPPI) assessment**

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2. **Derivatives recorded at fair value through profit or loss**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include FX swaps and forwards on foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fully collateralised derivatives that are settled net in cash on a regular basis are only recognised to the extent of the overnight outstanding balance. The notional amount and fair value of such derivatives are disclosed separately in Note 22. Changes in the fair value of derivatives are included in net trading income.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in financial liability or a non-financial host are separated from the host and accounted for as separate derivatives if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (as defined above); and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Financial assets are classified in their entirety based on the business model and SPPI assessments as outlined in Note 3 (k) (1) (ii).

Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

Debt instruments at FVOCI

The Bank classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in Note 3 (c) (iii). The ECL calculation for debt instruments at FVOCI is explained in Note 6(A)(viii). Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

The Bank has issued financial instruments with equity conversion rights, write-down and call options. When establishing the accounting treatment for these non-derivative instruments, the Bank first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Bank has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for. Disclosures for the Bank's issued debt are set out in Note 41.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

Or

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FTVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FTVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FTVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of the instrument. Interest earned on assets mandatorily required to be measured at FTVPL is recorded using the contractual interest rate, as explained in Note 3(c)(iii). Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and an ECL allowance.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 37.

Reclassifications of financial assets and financial liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from when there are exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Modifications of financial assets and financial liabilities

Modifications of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Bank performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- Whether the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Modifications of financial liabilities
When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original EIR. Any resulting difference is recognised immediately in profit or loss.

For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Derecognition of financial assets and liabilities
Derecognition due to substantial modification of terms and conditions
The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have
been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

In the context of IBOR reform, the Bank's assessment of whether a change to an amortised cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2. This requires the transition from an IBOR to an RFR to be treated as a change to a floating interest rate.

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

Forborne modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Bank also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

Positions that are managed on a Settled-to-market basis, are transactions that are settled in cash before the close of the business day and therefore the balances are no longer recognised on the statement of financial position as an asset or a liability. The relevant notional amounts are still disclosed in Note 22 of the financial statements. The carrying amounts represent the called but not yet settled balances. Products that the Bank manages on a Settled-to-market basis include: exchange traded futuresand over-the-counter foreign currency swaps.

Other instruments, primarily over-the-counter derivatives, are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event and the Bank also intends to settle on a net basis in all the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties

Impairment of financial assets

Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses. The Bank's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- **Stage 1**: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- **Stage 2**: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

- **Stage 3:** Loans considered credit-impaired The Bank records an allowance for the LTECL.

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

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECL

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

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

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 6(A)(viii)
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 6(A)(viii).

- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately, as set out in Note 5(m). It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 6(A)(viii).

When estimating the ECL, the Bank considers three scenarios (a base case, an upside, and a more extreme downside). Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The calculation of ECL (including the ECL related to the undrawn element) of revolving facilities such as credit cards is explained in Note 6(A)(viii)

The mechanics of the ECL method are summarised below:

- **Stage 1:** The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.

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

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

Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Credit cards and other revolving facilities

For retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates
- House price indices

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To

reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(l) *Sale and repurchase agreements*

Securities sold subject to linked repurchase agreements are reclassified in the consolidated and separate financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included in deposit from banks, or other deposits, as appropriate.

(m) **Cash and cash equivalents**

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

(n) **Trading assets and liabilities**

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

(o) **Derivatives held for risk management purposes**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are recognised initially at fair value in the statement of financial position; attributable transaction costs are recognised in statement of profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(p) **Loans and advances**

Loans and advances' captions in the statement of financial position include:

‣ loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

‣ loans and advances mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss; and

‣ finance lease receivables

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

(q) Investment securities

The 'investment securities' caption in the statement of financial position includes:

‣ debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
‣ debt securities measured at FVTOCI; and
‣ equity investment securities designated as at FVTOCI.

For debt securities measured at FVTOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

‣ interest revenue using the effective interest method;
‣ ECL and reversals; and
‣ foreign exchange gains and losses.

When debt security measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Embedded Derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

(r) Property and equipment

Recognition and measurement

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly

(a) the cost of materials and direct labour;
(b) any other costs directly attributable to bringing the assets to working condition for their intended use;
(c) when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and
(d) capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in statement of profit or loss.

Subsequent costs

The cost of replacing part of an item of property or 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 income statement as incurred.

Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated lives. 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.

Depreciation is charged to profit or loss.

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

Land	Not depreciated
Buildings	50 years
Fixtures and fittings	10 years
Leasehold improvements	Over the unexpired lease term
Furniture and office equipments	5 years
Computer hardware	5 years
Motor vehicles	4 years
Capital work-in-progress	Not depreciated

Depreciation methods, useful lives and residual values are re-assessed at each reporting date.

Capital work-in-progress consists of items of property and equipment that are not yet available for use. Capital work-in-progress is carried at cost less any required impairment. Depreciation starts when assets are available for use. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

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 the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

(s) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production of goods and services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.
On Group level trading property of the subsidiary is presented as investment property.

(t) Trading properties

Trading properties represent inventories held by the Group which are designated for resale to customers. Trading properties are measured at the lower of cost and net realisable value. The cost includes expenditure incurred in acquiring the trading properties, production or conversion costs and other costs incurred in bringing them to their existing location.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(u) Intangible assets

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 losses.

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 of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from their use or disposal.

(v) Non-current assets classified as held for sale and discontinued

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

A discontinued operation is a component of the Group's business, the operations and cash flow of which can be clearly distinguished from the rest of the group and which:
- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(w) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

- ***As a lessee***

At commencement or on modification of a contract that contains a lease component, the Group, allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

- ***As a lessor***

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other revenue'.

(x) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and investment properties (IAS 36 does not cover IAS 40 when fair value model applies), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A Cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated pre-tax 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 or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or the cash generating unit exceeds its recoverable amount. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

(y) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective method, except where the Group designates liabilities at fair value through profit or loss.

(z) 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. The unwinding of the discount is recognised as finance cost. Provisions are included in other liabilities in the statement of financial position.

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 losses are not provided for.

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.

(aa) Contingent asset and contingent liabilities

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

Contingent assets are possible assets that arise from past event and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised in the statement of financial position but is disclosed when an inflow of economic benefit is probable. When the realisation of income in virtually certain, then the related asset is not a contingent and its recognition is appropriate. Contingent assets are assessed continually to ensure that new developments are appropriately reflected in the financial statements.

(ab) 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 present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium. Financial guarantees are included within other liabilities.

(ac) Employee benefits

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions of into a separate entity and has no legal or constructive obligation to pay any further amount(s). Obligations for contributions to defined contribution plans are recognised as personnel expenses in the statement of profit or loss in the periods during which related services are rendered. The Group and its employees make respective contributions of 10% and 8% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with employees' nominated Pension Fund Administrators.

Defined benefit plans

The Group’s net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group’s obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reduction in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.
Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when settlement occurs.

When the calculation above results in a benefit to the Group, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefit available in the form of any refunds from the plan or reductions in future contribution to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan or on settlement of the plan liabilities. A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

Termination benefits

Termination benefits are recognised 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 benefit as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are treated as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptance can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

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 provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations where relevant. The calculation is performed using the projected unit credit method. Remeasurements are recognised in profit or loss in the period in which they arise.

(ad) Share capital and reserves

Share issue costs

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

Dividend on ordinary shares

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

Other reserves

Other reserves include statutory reserves, fair value reserve, regulatory risk reserve, translation reserve, SMEEIS reserve and capital reserve.

Share-based payment transactions

The grant-date fair value of share-based payment awards – i.e. stock options – granted to employees is recognised as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

If the Bank pays in cash on settlement rather than issuing equity instruments, that payment shall be applied to settle the liability in full. Any equity component previously recognised shall remain within equity. By electing to receive cash on settlement, the employee forfeited the right to receive equity instruments. However, this requirement does not preclude the Bank from recognising a transfer within equity, i.e. a transfer from one component of equity to another.

(ae) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

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 which comprise share options granted to employees.

(af) 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 Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(ag) Collateral repossessed

In certain circumstances, 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.

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are reported with other assets at their fair value (if financial assets) and fair value less cost to sell for non financial assets at the repossession date in, line with the Bank's policy.

Notes to the Consolidated and Separate financial statements
For the year ended 31 December 2021

4 Changes in accounting policies and disclosures

4.1 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1.1 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

'Phase 2' of the amendments requires that, for financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. A similar practical expedient exists for lease liabilities (see below). These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change). Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised). For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the normal requirements of IFRS 16 are applied to the entire lease modification, including those changes required by IBOR reform.

Interest rate benchmark reform
Overview

A reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). Union Bank has assessed and quantified its exposure to IBORs on its financial instruments that will be reformed as part of this market-driven initiative. Over the course of the transition, the IBOR reform has had operational, risk management, legal and accounting impacts across all of our business lines. From the management point of view, the financial risk is limited mainly to interest rate risk.

Union Bank established a cross-functional IBOR Transition Working Group to manage its transition to alternative rates. The objectives of the Working Group include evaluating the extent to which the entity's financial assets and liabilities reference IBOR cash flows, developing and executing a structured plan for the transition and how to manage communication about IBOR reform with clients and counterparties. The Working Group reports periodically to the Board and ALCO to support the management of interest rate risk and provide relevant information for key decisions relating to the IBOR reform. The Working Group aslo collaborates with other business functions as needed.

No newly originated floating-rate loan or instrument will reference IBOR from 1 January 2022. The IBOR Transition Working Group is working closely with the business teams to establish pricing for new lending products to be indexed to alternative nearly risk-free rates.

For existing contracts that are indexed to an IBOR and mature after the expected cessation of the IBOR rate, the Working Group has established policies to transition the affected contracts either by amending the contractual terms to replace the IBOR rate.

There are no derivatives benchmarked to IBOR as at year end.

Notes to the Consolidated and Separate financial statements
For the year ended 31 December 2021

4 Changes in accounting policies and disclosures - continued

a. Non-derivative financial assets

Union Bank's IBOR exposures on floating-rate loans to customers is predominantly USD LIBOR. For these assets, Union Bank is in the process of reforming them to the Secured Overnight Financing Rate ('SOFR'). This also consists of a change to the underlying calculation methodology. SOFR is a broad measure of the cost of borrowing cash overnight collateralised by U.S. Treasury securities in the repurchase agreement (repo) market. This rate is robust, is not at risk of cessation, and it meets international standards. It is produced by the New York Federal Reserve Bank in cooperation with the Office of Financial Research.

The publication of the one week and two-month USD LIBOR ceased on December 31, 2021 and all other USD LIBOR tenors (e.g., overnight, one month, three-month, six-month and twelve-month) will cease after June 30, 2023 (applicable to legacy contracts only).

Union Bank has revised its internal treasury and risk management systems to support the transition to SOFR. During the course of the transition, Union Bank's IBOR Transition Working Group established policies for amending the interbank offered rates on existing floating-rate loan portfolio indexed to IBORs. Loan products will be amended in a uniform way, while syndicated products, will be amended in bilateral negotiations with syndicated loan partners.

The IBOR Transition Working Group is monitoring the progress of transition from IBORs to SOFR by reviewing the total amounts of impacted contracts. Union Bank also considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, (referred to as an 'unreformed contract').

The following tables show the total amounts of unreformed non-derivative financial assets as at 31 December 2021. The amounts of these assets shown are the nominal and gross carrying amounts.

	USD LIBOR		
In millions of dollars	Nominal Amount	Carrying Value as at 31 December 2021	Of which have yet to be transitioned as at 31 December 2021
Loans and advances to customers	189	189	189
	189	**189**	**189**

b. Non-derivative financial liabilities

Union Bank has floating-rate liabilities indexed to USD LIBOR. The IBOR Transition Working Group and Union Bank's treasury team is in discussions with the counterparties of our financial liabilities to amend the contractual terms in response to IBOR reform.

The following tables show the total amounts of unreformed non-derivative financial liabilities as at 31 December 2021. The amounts shown in the table are the carrying amounts.

	USD LIBOR		
In millions of dollars	Nominal Amount	Carrying Value as at 31 December 2021	Of which have yet to be transitioned as at 31 December 2021
Borrowings	234	234	234
	234	234	234

Notes to the Consolidated and Separate financial statements
For the year ended 31 December 2021

4 Changes in accounting policies and disclosures - continued

4.1.2 Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

4.2 Standards issued but not yet effective

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

(i) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Notes to the Consolidated and Separate financial statements
For the year ended 31 December 2021

4 Changes in accounting policies and disclosures - continued

(ii) Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any 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. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group.

Notes to the Consolidated and Separate financial statements
For the year ended 31 December 2021

4 Changes in accounting policies and disclosures - continued

(v) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment and does not expect this will result in a material impact on its financial statements.

(vi) Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

(vii) Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

(viii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendment will be effective for annual periods beginning on or after 1 January 2023. The Group is currently assessing the impact on its financials.

5 Financial risk management

(a) Introduction and overview

Union Bank of Nigeria Plc and its subsidiary companies ("the Bank" or "the Group") is domiciled in Nigeria with its head office in Lagos, and operations in other States of Nigeria through its branches across the various States. Whilst risk is inherent in the Bank's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, and subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Group have exposures to the following risks:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(b) Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed the Supervisory Board which is responsible for monitoring the overall risk process within the Bank and fulfils the responsibilities of the audit committee.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with and reports to the Risk Committee to ensure that procedures are compliant with the overall framework.

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. Each business group has its own unit which is responsible for the control of risks, including monitoring the actual risk of exposures against authorised limits and the assessment of risks of new products and structured transactions. It is the Bank's policy that this unit also ensures the complete capture of the risks in its risk measurement and reporting systems. The Bank's policy also requires that exceptions are reported on a daily basis, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with them. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Supervisory Board.

(c) Risk mitigation and risk culture

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risks.

(d) Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all of the businesses is processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Supervisory Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

At all levels of the Bank's operations, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up–to-date information.

It is the Bank's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Bank is exposed to that they decide to take on. The Bank's continuous training and development emphasises that employees are made aware of the Bank's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Bank's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

(e) Excessive 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 Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(f) Credit risk

Credit risk is the current or potential risk to earnings and capital arising from the failure of an obligor of the Group to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. This risk is compounded if the assigned collateral only partly covers the claims made to the borrower, or if its valuation is exposed to frequent changes due to changing market conditions (i.e. market risk). Credit risk arises anytime the Group commits its funds with the result that capital or earnings are dependent on borrower's performance.

The Bank's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. Extension of credit in the Bank is guided by its Credit Risk and Portfolio Management Plan, which sets out specific rules for risk origination and management of the loan portfolio. The Plan also sets out the roles and responsibilities of different individuals and committees involved in the credit process.

We recognize the fact that loan assets constitute a significant portion of assets on the statement of financial position. Therefore, we actively safeguard and strive to continually improve the health of our loan portfolio. We scrutinize all applications and weed out potential problem loans during the loan application phase, as well as constantly monitor existing loan portfolio.

The goal of the Group is to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems are the foundation for the application of internal rating-based approach to calculation of capital requirements. The development, implementation and application of these models are guided by the Group's Basel II strategy.

The pricing of each credit granted reflects the level of risks inherent in the credit. Subject to competitive forces, the Group implements a consistent pricing model for loans to its different target markets. The client's interest is guarded at all times, and collateral quality is never the sole reason for a positive credit decision.

The Group's credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

The Stressed Assets Committee (SAC) performs a review of loans with emerging signs of weakness and also classified assets. The Management Credit Committee (CRECO), Board Credit Committee and the Board Risk Management and Control Committee also perform reviews of the quality of our loan portfolio on a weekly/monthly /quarterly basis respectively. These are in addition to daily reviews performed by our Credit Risk Management department.

(g) Settlement risk

The Group's activities may give risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to failure of an entity to honour its obigations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by conducting settlement through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counter party-specific approvals from Group risk.

Principal Credit Policies

The following are the principal credit policies of the Group:

(i) ***Extension of credit:*** Every extension of credit must be approved by at least three officers; two from the Credit Risk function and one from the Business Unit, who must be the Sponsoring Officer of the Credit. A credit officer from the credit risk function must provide the Covering Limit.
(ii) ***Special Approvals:*** Extension of credit to certain sectors may require special approvals or be prohibited altogether.
(iii) ***Annual Review of facilities:*** All extension of credits must be reviewed at least once every 12 months.
(iv) ***Industry Limits:*** The Group utilizes industry limits to maintain a diversified portfolio of risk assets.
(v) ***Tenor Limits:*** The Group also utilizes tenor limits to ensure improvement in quality of risk assets
(vi) ***Problem Recognition:*** There are uniform and consistent standards for recognition of credit migration and remediation across the Group.

(h) Credit process

The Bank's credit process starts with portfolio planning and target market identification. There is preliminary screening of credit facility requests against the Bank's target market and risk acceptance criteria. Screening is the responsibility of the relevant relationship manager. The proposed credits are subjected to review and approvals by applicable credit approval authorities which include the credit analysts. Further to appropriate approvals, loans are disbursed to beneficiaries after documentation review by Credit Risk Management. On-going management and monitoring of loans is undertaken by both relationship management teams and our Credit Risk Management Group. The process is applied at the Head Office and the Subsidiary.

If a preliminary analysis of a loan request by the account manager indicates that it merits further scrutiny, it is then analyzed in greater detail by the credit analyst. If the loan application passes their detailed analysis it is then submitted to the appropriate approval authority for the size of facilities.

The standard credit evaluation process is based both on quantitative figures from the financial statements and on an array of qualitative factors. Factual information on the borrower is collected as well as pertinent macroeconomic data, such as an outlook for the relevant sector, etc. These subjective factors are assessed by the analyst and all individuals involved in the credit approval process, relying not only on quantitative factors but also on extensive knowledge of the company in question, its industry and its management.

(i) Management of credit risk

The Board of directors has delegated responsibility for the oversight of credit risk to its Group Credit Committee. A separate Group Credit department, reporting to the Group Credit Committee is responsible for managing the Group's credit risk, including the following.

- *Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.*
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, the Head of Group Credit, the Group Credit Committee or the board of directors as appropriate.
- Reviewing and assessing credit risk: Group Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Group's risk gradings to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility of setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Group Risk.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular report on the credit quality of local portfolios are provided to Group Credit, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee. Each business unit has a Chief Credit Risk officer who reports on all credit-related matters to local management and the Group Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Group Credit processes are undertaken by internal audit.

(j) Credit risk measurement

(i) *Risk Rating Methodology*

The credit rating of the counterparty plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications. The Group employs a robust credit rating system based on international best practices (including Basel II recommendations) in the determination of the Obligor and Facility risks and thus allows the Bank to maintain its asset quality at a desired level.

The Bank shall assign credit risk ratings for all credit activities, including consumer credits availed under existing credit programs,. Credit risk ratings shall be based on a two tier system of: i) Obligor Risk Rating (ORR) which represents a grade that denotes the Probability of Default (PD) of a borrower or group of borrowers in repaying its obligation over a one-year period, ii) Facility Risk Rating (FRR) which represents a grade that denotes the Loss Given Default (LGD) of a given credit facility. This takes into account transaction specific factors and collateral enhancement in place for a given facility.

The Risk rating policy incorporates credit risk rating models which estimate risk of obligor default and facility risks (covering both recovery as well as Exposure risk). These models are currently based on expert judgment for Retail and Non-Retail Exposures. Our long-term goal is to adopt the Internal Rating Based ("IRB") approach. The data required to facilitate the IRB approach is being gathered.

(ii) *Credit Risk Rating Models*

An Obligor Risk Rating (ORR) model was developed by the Group for corporate and commercial customers. For retail loan risk management, the Bank recently deployed application scorecards to improve loan underwriting process, reduce impairment and align with global best practice.

The use of credit scoring in the retail lending process ensures that customers' requests are aligned to the Bank's risk appetite through a scoring methodology with a predefined benchmark.

This risk based sensitive approach also ensures that loans are availed at an appropriate ticket size and more efficient pricing suitable for individual customer's profile.

(iii) *Risk Rating Process*

In the Group, all businesses must have a documented and approved Risk Rating process for deriving risk ratings for all obligors (including those covered under Credit Programs). The Risk Rating process is the end-to-end process for deriving ORRs and includes models, guidelines, process controls, as well as any other defined processes that a business undertakes in order to arrive at ORRs. Risk rating process of each business must be in compliance with the Group's Risk Rating Policy and deviations must be explicitly approved.

Establishing the Risk Rating process is the responsibility of the Credit Risk function and the process must be documented and approved by the CRO.

The Risk Rating process for each business must be reviewed and approved every three years, unless more frequent review is specified as a condition of the approvals. Interim material changes to the Risk Rating process, as determined by the Credit Risk function, must be re-approved.

(iv) *Responsibility of Credit Risk Management*

In the Group, Credit Risk Management has the responsibility for the overall accuracy of risk ratings assigned to obligors.

Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR assigned to a borrower. This review includes ensuring the ongoing consistency of the Risk Rating process with the Group's Risk Rating Policy; ongoing appropriate application of the Risk Rating process and tools; review of judgmental and qualitative inputs into the Risk Rating process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating process is complete and current.

(v) *Risk Rating Scale and external rating equivalent*

The Group operates a 10-grade numeric risk rating scale. The risk rating scale runs from 1 to 10. Rating 1 represents the best obligors and facilities and rating 9/10 represents the worst obligors and facilities.

The risk rating scale and the external rating equivalent is detailed below

Group Risk Rating	S&P Long term equivalent	Grade
1	AAA	Investment Grade
2	AA	
3	A	
4	BBB	
5	BB	Standard Grade
6	B	Non Investment Grade
7	CCC	
8	CC	
9/10	C/D	

(k) Credit Risk Control & Mitigation policy

(i) *Authority Limits on Credit*

The highest credit approval authority is the Board of Directors, supported by the Board Credit Committee and further by the Management Credit Committee (CRECO). The principle of central management of risk and decision authority is maintained by the Group. This structure gives the Group the possibility to incorporate much needed local expertise, but at the same time manage risk on a global level. The Group has assigned to credit analysts, credit approval limits in line with the Group's criteria for such delegation as set out in its credit policy manual.

The credit approval limits of the principal officers of the Group are shown in the table below:

Authority	Approval Limit	
	Dec. 2021	Dec. 2020
Board of Directors	Above N5bn	Above N5bn
Board Credit Committee	N2,500,000,001 - N5,000,000,000	N2,500,000,01 -
Management Credit Committee	N1,000,000,001 - N2,500,000,000	N1,000,000,01 -
Chief Executive Officer & CCO/CRO	N500,000,001 - N1,000,000,000	N500,000,01 - N1,000,000,000
Business Executive Director & CCO/CRO	N250,000,001 - N500,000,000	N250,000,001 - N500,000,000
Credit Analyst	Up to N250,000,000	Up to N250,000,000

(ii) *Collateral Policies*

It is the Group's policy that all credit exposures are adequately collateralized. Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to a counterparty, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance.

In the Group, strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used by the Group is the collateralization of the exposures, by first priority claims or obtaining a third party guarantee.

However primary consideration when approving credits is always the obligor's financial strength and debt-servicing capacity. The guidelines relating to risk mitigant are to be taken into consideration while using a credit risk mitigant to control credit risk.

The range of collaterals acceptable to the Group include:

(i) Cash / Deposit (domestic and foreign currency) with the Group, including certificates of deposit or comparable instruments issued by the Group
(ii) Commodities.
(iii) Debt securities issued by sovereigns and public-sector enterprises.
(iv) Equities - Stocks / Share Certificates of quoted blue chip companies
(v) Irrevocable Standing Payment Order
(vi) Bank Guarantee
(vii) Mortgage on landed Property
(viii) Asset-backed securities
(ix) Fixed charge on assets
(x) Lien on Asset being financed
(xi) Shipping Documents (for imports)
(xii) Bankers Acceptance
(xiii) Life Assurance Policies

(iii) *Valuation of collateral*

The fair values of collaterals are based upon the latest valuation undertaken by independent valuers on behalf of the Bank. The valuation techniques adopted for properties are based upon fair values of similar properties in the neighbourhood taking into cognizance the advantages and disadvantages of the comparatives over the subject property and any other factor which can have effect on the valuation, after making allowance for dilapidations. The fair values of non-property collaterals (such as equities, bond, treasury bills, etc.) are determined with reference to market quoted prices or market values of similar instrument and other acceptable valuation methodologies.

The same fair value approach is used in determining the collaterals value in the course of sale or realization. The Group does not take physical possession of properties or other assets held as collateral and uses external agents to realize the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower.

(iv) *Master Netting arrangements*

It is the Group's policy that all credit exposures are adequately collateralized. Notwithstanding, our account opening documentation allows the Bank to net off customers' deposits against their exposure to the Bank. Generally, transactions are allowed to run on a gross basis. However, in cases of unfavorable credit migration, the Bank may elect to invoke the netting agreement.

(v) *Loans and advances to corporate customer*

The general credit worthiness of a corporate customer tends to be most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the generally requests that corporate borrowers provide it. The group may take collateral in the form of a fixed charge over real estate, floating charges over all corporate assets and other liens and guarantees. The group updates the valuation of collateral held against all loans to corporate customers within every 3 years. Valuation of collateral is updated when the loan is put on watch list and the loan is monitored more closely. For credit impaired loans, the group obtains appraisals of the collateral because it provides input into the determining the management credit risk actions.

(I) Credit quality Analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVTOCI debt investments and debt securities at fair valuethrough other comprehensive income. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Maximum exposure to credit risk

i) *Loans & advances to customers at amortised cost*

	Group								Bank							
Note 23	2021				2020				2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1-6: Low-fair risk	624,137	-	-	624,137	528,609	-	-	528,609	624,137	-	-	624,137	528,609	-	-	528,609
Grade 7-9: Watch list	-	212,905	23,404	236,309	-	146,208	32,450	178,658	-	212,905	23,404	236,309	-	146,208	32,450	178,658
Grade 10-12: Impaired	-	-	38,660	38,660	-	-	29,445	29,445	-	-	38,660	38,660	-	-	29,445	29,445
Gross amount	624,137	212,905	62,064	899,106	528,609	146,208	61,895	736,712	624,137	212,905	62,064	899,106	528,609	146,208	61,895	736,712
Loss allowance	(4,616)	(12,376)	(13,274)	(30,266)	(8,601)	(12,744)	(22,564)	(43,909)	(4,616)	(12,376)	(13,274)	(30,266)	(8,601)	(12,744)	(22,564)	(43,909)
Carrying amount	619,521	200,529	48,790	868,840	520,008	133,464	39,331	692,803	619,521	200,529	48,790	868,840	520,008	133,464	39,331	692,803

ii) *Investment securities at amortised cost*

	Group								Bank							
Note 25(c)	2021				2020				2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1-6: Low-fair risk	30,236	-	-	30,236	31,344	-	-	31,344	30,236	-	-	30,236	31,344	-	-	31,344
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	30,236	-	-	30,236	31,344	-	-	31,344	30,236	-	-	30,236	31,344	-	-	31,344
Loss allowance	(4)	-	-	(4)	(95)	-	-	(95)	(4)	-	-	(4)	(95)	-	-	(95)
Carrying amount	30,232	-	-	30,232	31,249	-	-	31,249	30,232	-	-	30,232	31,249	-	-	31,249

iii) *Investment securities at fair value through OCI*

	Group								Bank							
	2021				2020				2021				2020			
Note 25(a)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1-6: Low-fair risk	297,554	-	-	297,554	269,112	-	-	269,112	297,554	-		297,554	269,112	-	-	269,112
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount	297,554	-	-	297,554	269,112	-	-	269,112	297,554	-	-	297,554	269,112	-	-	269,112

iv) **Pledged assets**

	Group								Bank							
Note 21	2021				2020				2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1-6: Low-fair risk	110,233	-	-	110,233	100,021	-	-	100,021	110,233	-	-	110,233	100,021	-	-	100,021
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	110,233	-	-	110,233	100,021	-	-	100,021	110,233	-	-	110,233	100,021	-	-	100,021
Changes in allowance for expected	(7)	-	-	(7)	(14)	-	-	(14)	(7)	-	-	(7)	(14)	-	-	(14)
Total carrying amount	110,226	-	-	110,226	100,007	-	-	100,007	110,226	-	-	110,226	100,007	-	-	100,007

v) **Non- Pledged trading assets**

	Group								Bank							
Note 20	2021				2020				2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1-6: Low-fair risk	1,485	-	-	1,485	52,212	-	-	52,212	1,485	-	-	1,485	52,212	-	-	52,212
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	1,485	-	-	1,485	52,212	-	-	52,212	1,485	-	-	1,485	52,212	-	-	52,212
Loss allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount	1,485	-	-	1,485	52,212	-	-	52,212	1,485	-	-	1,485	52,212	-	-	52,212

vi) **Other financial assets ****

	Group								Bank							
	2021				2020				2021				2020			
Note 33	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1-6: Low-fair risk	113,993	-	-	113,993	360,597	-	-	360,597	113,981	-	-	113,981	360,597	-	-	360,597
Grade 7-9: Watch list	1,299	-	-	1,299	46,516	-	-	46,516	1,299	-	-	1,299	45,473	-	-	45,473
Grade 10-12: Impaired	-	-	9,761	9,761	-	-	12,540	12,540	-	-	8,719	8,719	-	-	12,540	12,540
Gross amount	115,292	-	9,761	125,053	407,113	-	12,540	419,653	115,280	-	8,719	123,998	406,070	-	12,540	418,610
Loss allowance	-	-	(7,829)	(7,829)	(42)	-	(7,177)	(7,219)	(973)	-	(5,814)	(6,787)	(42)	-	(6,134)	(6,176)
Carrying amount	115,292	-	1,932	117,224	407,071	-	5,363	412,434	114,307	-	2,905	117,211	406,028	-	6,406	412,434

** Other financial assets excludes prepayment, as prepayments are not considered as financial assets.

vii) **Cash & cash equivalents**

	Group								Bank							
Note 19	2021				2020				2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1-6: Low-fair risk	407,179	-	-	407,179	270,715	-	-	270,715	445,840	-	-	445,840	262,738	-	-	262,738
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	407,179	-	-	407,179	270,715	-	-	270,715	445,840	-	-	445,840	262,738	-	-	262,738
Loss allowance	(36)	-	-	(36)	(8)	-	-	(8)	(36)	-	-	(36)	(8)	-	-	(8)
Carrying amount	407,143	-	-	407,143	270,707	-	-	270,707	445,804	-	-	445,804	262,730	-	-	262,730

viii) **Letters of credit & financial guarantees**

	Group								Bank							
Note 47	2021				2020				2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1-6: Low-fair risk	298,581	-	-	298,581	220,289	-		220,289	298,581	-	-	298,581	220,289	-	-	220,289
Grade 7-9: Watch list	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
Gross amount	298,581	-	-	298,581	220,289	-	-	220,289	298,581	-	-	298,581	220,289	-	-	220,289
Loss allowance	(4)	-	-	(4)	(4)	-	-	(4)	(4)	-	-	(4)	(4)	-	-	(4)
Carrying amount	298,577	-	-	298,577	220,285	-	-	220,285	298,577	-	-	298,577	220,285	-	-	220,285

(ix) **Derivative transactions (See note 22)**
The table below shows an analysis of counter party credit exposures arising from derivative transactions.

	GROUP				BANK			
	2021		2020		2021		2020	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Derivative assets	21,994	9,640	322,472	520	21,994	9,640	322,472	520
Derivative liabilities	28,503	8,684	317,156	2	28,503	8,684	317,156	2

(m) Concentrations of credit risk

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from financial assets at the reporting date is shown below:

Group	Note	Loans and advances to customers		Debt investment securities		Pledged assets		Non Pledged assets		Placements		Other receivables		Loan commitment & financial guarantees	
		Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	23,40,21,20 ,33,19,47	868,840	692,803	327,786	300,361	110,226	100,007	1,485	52,212	274,001	146,332	547,241	430,960	298,577	220,285
Concentration by sector:															
Agriculture		30,557	13,605	-	-	-	-	-	-	-	-	-	-	-	-
Oil and gas		243,381	211,602	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit		66,374	58,139	-	-	-	-	-	-	-	-	-	-	-	-
Manufacture		198,950	129,711	7,575	-	-	-	-	-	-	-	-	-	-	-
Real estate and construction		46,072	35,506	-	-	-	-	-	-	-	-	-	-	-	-
General commerce		103,093	86,073	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		12,957	8,121	1,176	7,236	322	304	-	-	275,203	146,332	490,837	430,960	298,581	220,289
Government		35,523	21,087	318,038	293,186	109,911	99,717	1,485	52,212	-	-	-	-	-	-
Power		62,365	54,196	-	-	-	-	-	-	-	-	-	-	-	-
Other public utilities		-	146	-	-	-	-	-	-	-	-	-	-	-	-
Transportation		1,491	627	-	-	-	-	-	-	-	-	-	-	-	-
Communication		32,222	37,157	-	-	-	-	-	-	-	-	-	-	-	-
Education		2,591	3,632	-	-	-	-	-	-	-	-	-	-	-	-
Others		33,264	33,201	-	-	-	-	-	-	-	-	-	-	-	-
		868,840	692,803	326,789	300,422	110,233	100,021	1,485	52,212	275,203	146,332	490,837	430,960	298,581	220,289
Concentration by location:															
Nigeria		868,840	692,803	326,789	300,422	110,233	100,021	1,485	52,212	197,717	68,846	490,837	430,960	298,581	220,289
United Kingdom		-	-	-	-	-	-	-	-	77,486	77,486	-	-	-	-
		692,803	692,803	326,789	300,422	110,233	20,150	1,485	23,322	275,203	146,332	490,837	430,960	298,581	220,289

Bank	Note	Loans and advances to customers		Debt investment securities		Pledged assets		Non Pledged assets		Placements		Other receivables		Loan commitment & financial guarantees	
		Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
		N million	N million	N million	N million	N million	N million	N million	N million	N million	N million	N million	N million	N million	N million
Carrying amount	23,40,21,20 ,33,19,47	868,840	692,803	327,786	300,361	110,226	100,007	1,485	52,212	274,001	146,332	547,225	430,960	298,577	220,285
Concentration by sector:															
Agriculture		30,557	13,605	-	-	-	-	-	-	-	-	-	-	-	-
Oil and gas		243,381	211,602	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit		66,374	58,139	-	-	-	-	-	-	-	-	-	-	-	-
Manufacture		198,950	129,711	7,575	-	-	-	-	-	-	-	-	-	-	-
Real estate and construction		46,072	35,506	-	-	-	-	-	-	-	-	-	-	-	-
General commerce		103,093	86,073	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		12,957	8,121	1,176	4,773	322	304	-	-	275,203	146,332	490,837	436,453	298,581	220,289
Government		35,523	21,087	318,038	295,650	109,911	99,717	1,485	52,212	-	-	-	-	-	-
Power		62,365	54,196	-	-	-	-	-	-	-	-	-	-	-	-
Other public utilities		-	146	-	-	-	-	-	-	-	-	-	-	-	-
Transportation		1,491	627	-	-	-	-	-	-	-	-	-	-	-	-
Communication		32,222	37,157	1,002	-	-	-	-	-	-	-	-	-	-	-
Education		2,591	3,632	-	-	-	-	-	-	-	-	-	-	-	-
Others		33,264	33,201	-	-	-	-	-	-	-	-	-	-	-	-
		868,840	692,803	327,790	300,423	110,233	100,021	1,485	52,212	275,203	146,332	490,837	436,453	298,581	220,289
Concentration by location:															
Nigeria		868,840	692,803	327,790	300,423	110,233	100,021	1,485	52,212	275,203	146,332	490,837	436,453	298,581	220,289
United Kingdom		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		868,840	692,803	327,790	300,423	110,233	100,021	1,485	52,212	275,203	146,332	490,837	436,453	298,581	220,289

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 Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group risk.

(n) ***Collateral held and other credit enhancements***

The Group holds collateral and other credit enhancements against certain of its credit exposures.
The following tables stratify credit exposures from loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount omitted for loan commitments – to the value of the collateral. The valuation of collateral excludes any adjustments for obtaining and selling the collateral. For credit-impaired loans the value of collateral is based on the most recent appraisals.
The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Group	31 December 2021			31 December 2020		
In millions of Naira	Exposure	Collateral value	LTV	Exposure	Collateral value	LTV
Secured by Real Estate	97,305	323,180	30%	50,684	97,669	52%
Secured by Fixed and Floating Assets	355,618	4,101,528	9%	282,683	2,041,544	14%
Secured by Leased Assets	1,692	1,705	99%	2,485	2,000	124%
Secured by Quoted Shares	-	-	0%	1	7	11%
Secured by Cash Collateral	183,095	92,588	198%	137,183	9,234	1486%
Other secured assets	35,960	30,460	118%	36,444	125,532	29%
Unsecured	225,436	-	>100%	227,232	-	>100%
Total	899,106	4,549,461	20%	736,712	2,275,986	32%

Bank	31 December 2021			31 December 2020		
In millions of Naira	Exposure	Collateral value	LTV	Exposure	Collateral value	LTV
Secured by Real Estate	97,305	323,180	30%	50,684	97,669	51.9%
Secured by Fixed and Floating Assets	355,618	4,101,528	9%	282,683	2,041,544	13.8%
Secured by Leased Assets	1,692	1,705	99%	2,485	2,000	124.2%
Secured by Quoted Shares	-	-	>100%	1	7	10.8%
Secured by Cash Collateral	183,095	92,588	198%	137,183	9,234	1485.6%
Other secured assets	35,960	30,460	118%	36,444	125,532	29.0%
Unsecured	225,436	-	>100%	227,232	-	>100%
Total	899,106	4,549,461	20%	736,712	2,275,986	32%

(o) **Reconciliation of allowance by class of financial instrument.**

The following tables show reconciliations from the opening to the closing balance of loss allowance by class of financial instrument.

Group	2021				2020			
In millions of Naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	8,601	12,744	22,564	43,909	8,529	19,958	16,198	44,685
Transfer to Stage 1	2,270	(533)	(1,737)	-	911	(21)	(890)	-
Transfer to Stage 2	-	762	(762)	-	(19)	1,197	(1,178)	-
Transfer to Stage 3	-	(36)	36	-	(17)	(1)	18	-
Net remeasurement of loss allowance	(9,306)	(3,776)	5,276	(7,806)	(5,455)	(13,443)	7,161	(11,737)
New financial assets originated or purchased	3,051	3,215	1,696	7,962	4,652	996	3,754	9,402
Previously derecognised financial assets	-	-	-	-	-	-	201	201
Write-offs	-	-	(13,975)	(13,975)	-	-	(4,159)	(4,159)
Recoveries of previously written off	-	-	-	-	-	-	(66)	(66)
Foreign exchange and other movements	-	-	176	176	-	4,058	1,525	5,583
Balance at 31 December	**4,616**	**12,376**	**13,274**	**30,266**	**8,601**	**12,744**	**22,564**	**43,909**

Bank	2021				2020			
In millions of Naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	8,601	12,744	22,564	43,909	8,529	19,958	16,198	44,685
Transfer to Stage 1	2,270	(533)	(1,737)	-	911	(21)	(890)	-
Transfer to Stage 2	-	762	(762)	-	(19)	1,197	(1,178)	-
Transfer to Stage 3	-	(36)	36	-	(17)	(1)	18	-
Net remeasurement of loss allowance	(9,306)	(3,776)	5,276	(7,806)	(5,455)	(13,443)	7,161	(11,737)
New financial assets originated or purchased	3,051	3,215	1,696	7,962	4,652	996	3,754	9,402
Previously derecognised financial assets	-	-	-	-	-	-	201	201
Write-offs	-	-	(13,975)	(13,975)	-	-	(4,159)	(4,159)
Recoveries of previously written off	-	-	-	-	-	-	(66)	(66)
Foreign exchange and other movements	-	-	176	176	-	4,058	1,525	5,583
Balance at 31 December	**4,616**	**12,376**	**13,274**	**30,266**	**8,601**	**12,744**	**22,564**	**43,909**

As shown in the above table, the allowance for ECL for loans and advances decreased from N43.91 billion at 31 December 2020 to N30.27 billion at 31 December 2021. The decrease was primarily driven by the interplay of the following: - decrease in net remeasurement of loss allowance by N7.81 billion owing to improved credit quality changes on some previously delinquent loans and impairment gain arising from an intra-group transaction (loan transfer between the Bank and Union Bank UK); - write-offs of N13.98 billion; - ECL of N7.96 billion on new financial assets originated or purchase owing to changes in inputs and assumptions of forecast macroeconomic variables in the ECL model.

Group	2021				2020			
In millions of Naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Investment securities at amortised cost								
Balance at 1 January	95	-	-	95	33	-	-	33
Net remeasurement of loss allowance	(91)	-	-	(91)	62	-	-	62
Balance at 31 December	4	-	-	4	95	-	-	95

Bank	2021				2020			
In millions of Naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Investment securities at amortised cost								
Balance at 1 January	95	-	-	95	33	-	-	33
Net remeasurement of loss allowance	(91)	-	-	(91)	62	-	-	62
Balance at 31 December	4	-	-	4	95	-	-	95

As shown in the above table, the allowance for ECL for Investment securities at amortised cost decreased from N95 million at 31 December 2020 to N4 million at 31 December 2021. The decrease was primarily driven by the impact of remeasurement of year-end ECL which reflects a growth in economic conditions.

Group	2021				2020			
In millions of Naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Investment securities at FVTOCI								
Balance at 1 January	414	-	-	414	51	-	-	51
Net remeasurement of loss allowance	(92)	-	-	(92)	363	-	-	363
Balance at 31 December	322	-	-	322	414	-	-	414

Bank	2021				2020			
In millions of Naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Investment securities at FVTOCI								
Balance at 1 January	414	-	-	414	51	-	-	51
Net remeasurement of loss allowance	(92)	-	-	(92)	363	-	-	363
Balance at 31 December	322	-	-	322	414	-	-	414

As shown in the above table, the allowance for ECL for Investment securities at FVTOCI decreased from N414 million at 31 December 2020 to N322 million at 31 December 2021. The decrease was primarily driven by the impact of remeasurement of year-end ECL which reflects the significant decrease in investment securities at current year end. The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVTOCI is their fair value.

Group	2021	2020
In millions of Naira	12 Month ECL	12 Month ECL
Pledged asset at amortised cost		
Balance at 1 January	14	-
Net remeasurement of loss allowance	(7)	14
Balance at 31 December	**7**	**14**

Bank	2021	2020
In millions of Naira	12 Month ECL	12 Month ECL
Pledged asset at amortised cost		
Balance at 1 January	14	-
Net remeasurement of loss allowance	(7)	14
Balance at 31 December	**7**	**14**

As shown in the above table, the allowance for ECL for pledged assets at amortised cost was recognised in the year. The decrease was primarily driven by N7 million remeasurement of year-end ECL

Group	2021	2020
In millions of Naira	12 Month ECL	12 Month ECL
Pledged asset at FVTOCI		
Balance at 1 January	36	-
Net remeasurement of loss allowance	(29)	36
Balance at 31 December	**7**	**36**

Bank	2021	2020
In millions of Naira	12 Month ECL	12 Month ECL
Pledged asset at FVTOCI		
Balance at 1 January	36	-
Net remeasurement of loss allowance	(29)	36
Balance at 31 December	**7**	**36**

As shown in the above table, the allowance for ECL for pledged assets at FVTOCI was recognised in the year. The reduction was primarily driven by N29 million measurement of year-end ECL. The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVTOCI is their fair value.

Group	2021	2020
In millions of Naira	12 Month ECL	12 Month ECL
Cash and cash equivalents		
Balance at 1 January	8	82
Net remeasurement of loss allowance	28	(74)
Balance at 31 December	**36**	**8**

Bank	2021	2020
In millions of Naira	12 Month ECL	12 Month ECL
Cash and cash equivalents		
Balance at 1 January	8	82
Net remeasurement of loss allowance	28	(74)
Balance at 31 December	**36**	**8**

As shown in the above table, the allowance for ECL for cash and cash equivalents increased from N8 million at 31 December 2020 to N36 million at 31 December 2021. The increase was primarily driven by the impact of remeasurement of year-end ECL which reflects the increase in cash and cash equivalents.

Group	2021			2020		
In millions of Naira	12 Month ECL	Lifetime ECL credit-impaired	Total	12 Month ECL	Lifetime ECL credit-impaired	Total
Other receivables						
Balance at 1 January	42	7,177	7,219	42	7,383	7,425
Net remeasurement of loss allowance	-	325	325	-	(307)	(307)
Foreign exchange and other movements	-	285	285	-	101	101
Balance at 31 December	**42**	**7,787**	**7,829**	**42**	**7,177**	**7,219**

Bank	2021			2020		
In millions of Naira	12 Month ECL	Lifetime ECL credit-impaired	Total	12 Month ECL	Lifetime ECL credit-impaired	Total
Other receivables						
Balance at 1 January	42	6,134	6,176	42	6,189	6,231
Net remeasurement of loss allowance	-	320	320	-	(306)	(306)
Foreign exchange and other movements	-	291	291	-	251	251
Balance at 31 December	**42**	**6,745**	**6,787**	**42**	**6,134**	**6,176**

As shown in the above table, the allowance for ECL for other receivables increased from N7.22 billion and N6.18 billion at 31 December 2020 to N7.83 billion and N6.79 billion at 31 December 2021 for the Group and Bank respectively. The increase was primarily driven by N325 million and N320 million credit quality related changes for both Group and Bank respectively, including impact of remeasurement of year-end ECL.

Group	2021	2020
In millions of Naira	12 Month ECL	12 Month ECL
Loan commitments		
Balance at 1 January	4	257
Net remeasurement of loss allowance	-	(253)
Foreign exchange and other movements	-	-
Balance at 31 December	**4**	**4**

Bank	2021	2020
In millions of Naira	12 Month ECL	ECL
Loan commitments		
Balance at 1 January	4	257
Net remeasurement of loss allowance	-	(253)
Balance at 31 December	**4**	**4**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The following table provides a reconciliation between the opening and closing balances of loss allowances
- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and
- the 'net impairment credit/charge for credit losses on financial instruments' line item in the consolidated and separate statement of profit or loss and other comprehensive income.

Group
31 December 2021

In millions of Naira	Loans and advances to customers at amortised cost	Debt investment securities	Pledged assets	Cash and cash equivalents	Loan commitments and financial guarantee contracts	Net impairment charge/(write-back) for credit losses	Other financial assets	Total
Net remeasurement of loss allowance	(7,806)	(183)	(36)	28	-	(7,997)	325	(7,672)
New financial assets originated or purchased	7,962	-	-	-	-	7,962	-	7,962
Total	156	(183)	(36)	28	-	(35)	325	290

31 December 2020

In millions of Naira	Loans and advances to customers at amortised cost	Debt investment securities	Pledged assets	Cash and cash equivalents	Loan commitments and financial guarantee contracts	Net impairment charge/(write-back) for credit losses	Other financial assets	Total
Net remeasurement of loss allowance	(11,737)	425	50	(74)	(253)	(11,589)	(306)	(559)
New financial assets originated or purchased	9,402	-	-	-	-	9,402	-	9,402
Total	(2,335)	425	50	(74)	(253)	(2,187)	(306)	(2,493)

Bank
31 December 2021

In millions of Naira	Loans and advances to customers at amortised cost	Debt investment securities	Pledged assets	Cash and cash equivalents	Loan commitments and financial guarantee contracts	Net impairment charge/(write-back) for credit losses	Other financial assets	Total
Net remeasurement of loss allowance	(7,806)	(183)	(36)	28	-	(7,997)	320	(7,677)
New financial assets originated or purchased	7,962	-	-	-	-	7,962	-	7,962
Total	**156**	**(183)**	**(36)**	**28**	**-**	(35)	**320**	**285**

31 December 2020

In millions of Naira	Loans and advances to customers at amortised cost	Debt investment securities	Pledged assets	Cash and cash equivalents	Loan commitments and financial guarantee contracts	Net impairment charge/(write-back) for credit losses	Other financial assets	Total
Net remeasurement of loss allowance	(11,737)	425	50	(74)	(253)	(11,589)	(306)	(11,895)
New financial assets originated or purchased	9,402	-	-	-	-	9,402	-	9,402
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
Total	**(2,335)**	**425**	**50**	**(74)**	**(253)**	**(2,187)**	**(306)**	**(2,493)**

The net writeback on impairment during the year is driven by some revisions of specific assessments on impaired loans based on improved recoverable collateral and adoption of modeled ECL results using revised model drivers for stage 2 loans previously specifically assessed (noting the positive impact of the regulatory forbearance provided by the Central Bank of Nigeria to cushion the effects of the COVID-19 pandemic).

(p) Liquidity risk

Union Bank's Asset and Liability Management Policy defines Liquidity Risk as the risk that arises due to inability of the Bank to meet its obligations and fund its asset growth without incurring unacceptable cost arising from borrowing at above market cost and asset sale at off-market prices. The Bank is principally exposed to liquidity risk due to mismatch in fund inflows and outflows arising from its borrowing and lending activities and market operations. Key elements of the Bank's liquidity risk management framework include:

Identification of Liquidity Risk

The Bank's liquidity management framework recognises two major sources of liquidity risk: (i) Funding liquidity Risk and (ii) Market Liquidity Risk.

The risk that Union Bank will be unable to meet its obligations as they become due because of the inability to liquidate assets or obtain adequate funding is viewed as the bank's funding risk. This risk is structural in nature and lies in the mismatches in assets and liabilities of Bank's statement of financial position.

Market liquidity risk however, is the risk that Union bank will be unable to meet its obligations as they become due because it cannot easily unwind or offset specific exposures without significantly lowering market prices due to lack of market depth or market disruptions. This risk could arise due to illiquidity of its assets and weak standing in market to raise fund. Market liquidity risk comes to play in stressed market conditions.

Liquidity Risk Appetite

The Bank views its exposure limits for liquidity risk as an essential component for a prudent liquidity risk management. Consequently, limits for liquidity risk are maintained under the following categories: Maturity mismatches, Liquidity ratios (regulatory and internal), prudent portfolio limits on the mix of balance sheet assets (e.g. loans by credit category, financial instruments, etc.) and concentration limits from funding sources.

Liquidity Risk Measurement, monitoring and reporting

The Bank's Market and Liquidity Risk Management Department is responsible for active management of Union Bank's liquidity risk, guided by the Board approved liquidity risk framework. The Department uses various tools to assess the Bank's liquidity risk, capturing information related to balance sheet structure, cash inflows and outflows, off-balance sheet activities and market operations. Contractual maturity report, Structural liquidity reports, concentration in funding, liquidity ratio reports, liquidity risk stress test reports, etc are prepared in assessing its liquidity risk position and taking risk mitigation measures. All limits are monitored at defined intervals with exceptions escalated at the Bank's ALCO and Board Risk Committees meetings which hold monthly and quarterly respectively.

Contingency Funding Plan

The Bank recognizes the importance of liquidity in the day-to-day operations of its business as a stand-alone bank and also as a parent entity, hence, it believes that it is crucial to have a plan for addressing liquidity in times of crisis. The Bank has a contingency funding plan in place which clearly defines the key Liquidity Risk Indicators to monitor the market conditions and measure its impact on the Bank's liquidity position and funding strategies and It also addresses the reporting, communications and confidence management in the unlikely event of a liquidity crisis caused by unstable market.

Exposure to Liquidity Risk

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	Dec. 2021	Dec. 2020
At 31 December	35%	41%
Average for the year	35%	36%
Maximum for the year	39%	46%
Minimum for the year	31%	22%

As at 31 December 2021, the Group's ratio of net liquid assets to deposits from customers is 500 basis points above the required 30% benchmark.

Residual contractual maturities of financial assets and liabilities

The following table shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

Group 31 December 2021	Note	Carrying amount ₦ million	Gross nominal inflow / (outflow) ₦ million	Less than 3 month ₦ million	3 - 6 months ₦ million	6 - 12 months ₦ million	1 - 5 years ₦ million	More than 5 years ₦ million
Non-derivative assets:								
Cash and cash equivalents	19	407,143	407,179	404,511	2,668	-	-	-
Financial assets held for trading	20	1,485	1,485	1,485	-	-	-	-
Pledged assets	21	110,226	110,233	36,328	31,915	13,765	4,533	23,692
Loans and advances to customers	23	868,840	899,106	341,223	53,827	97,755	264,518	141,783
Investment securities	25	387,508	387,512	182,960	126,958	3,081	16,653	57,860
Other receivables^	33	540,502	548,331	548,331	-	-	-	-
		2,315,704	2,353,846	1,514,838	215,368	114,601	285,704	223,335
Derivative assets:								
Held for Risk Management	22	9,640	9,640	9,640	-	-	-	-
		2,325,344	2,363,486	1,524,478	215,368	114,601	285,704	223,335
Non-derivative liabilities								
Deposits from customers	35	(1,355,910)	(1,358,927)	(675,520)	(60,723)	(622,684)	-	-
Other financial liabilities^^	37	(670,078)	(670,078)	(638,956)	(28,197)	(908)	-	-
Debt securities issued	40	(38,798)	(38,798)	(32,262)	-	-	-	(6,536)
Other borrowed funds	42	(175,118)	(175,118)	(13,339)	(14,278)	(8,775)	(63,786)	(74,940)
		(2,239,904)	(2,242,921)	(1,360,077)	(103,198)	(632,367)	(63,786)	(81,476)
Derivative liabilities:								
Held for Risk Management	22	(8,684)	(8,684)	(938)	(7,046)	(700)	-	-
		(2,248,588)	(2,251,605)	(1,361,015)	(110,244)	(633,067)	(63,786)	(81,476)
Gap (asset - liabilities)		76,756	111,881	163,463	105,124	(518,466)	221,918	141,859
Cumulative liquidity gap			111,881	163,463	268,587	(249,879)	(27,961)	113,898

Although the Group and the Bank has a negative cummulative liquidity mismatch for period less than a year, All of the balances assets/liabilities that give rise to this position have maturities of three months or less. Hence, the balances that give rise to this position would have left the company's books by the end of March 2022.

Group 31 December 2020	Note	Carrying amount ₦ million	Gross nominal inflow / (outflow) ₦ million	Less than 3 month ₦ million	3 - 6 months ₦ million	6 - 12 months ₦ million	1 - 5 years ₦ million	More than 5 years ₦ million
Non-derivative assets:								
Cash and cash equivalents	19	270,707	270,715	270,715	-	-	-	-
Financial assets held for trading	20	52,212	52,212	52,212	-	-	-	-
Pledged assets	21	100,007	100,021	65,129	31,188	3,704	-	-
Loans and advances to customers	23	692,803	693,685	283,831	52,982	57,376	233,039	66,457
Investment securities	25	351,862	352,042	312,764	617	4,182	11,359	23,120
Other receivables^	33	417,092	417,092	417,092	-	-	-	-
		1,884,683	1,885,767	1,401,743	84,787	65,262	244,398	89,577
Derivative assets:								
Held for Risk Management	22	520	520	520	-	-	-	-
		1,885,203	1,886,287	1,402,263	84,787	65,262	244,398	89,577
Non-derivative liabilities								
Deposits from banks	34	(4,018)	(4,018)	(4,018)	-	-	-	-
Deposits from customers	35	(1,126,287)	(1,133,197)	(971,964)	(64,097)	(82,383)	(10,928)	(3,825)
Other financial liabilities^^	37	(316,496)	(316,496)	(292,031)	(21,868)	(2,597)	-	-
Debt Securities issued	40	(48,629)	(78,175)	-	(34,609)	(7,502)	(36,064)	-
Other borrowed funds	42	(184,223)	(186,455)	(40,431)	(40,091)	(29,546)	(76,387)	-
		(1,679,653)	(1,718,341)	(1,308,444)	(160,665)	(122,028)	(123,379)	(3,825)
Derivative liabilities:								
Held for Risk Management	22	(2)	(2)	(2)	-	-	-	-
		(1,679,655)	(1,718,343)	(1,308,446)	(160,665)	(122,028)	(123,379)	(3,825)
Gap (asset - liabilities)		205,548	167,944	93,817	(75,878)	(56,766)	121,019	85,752
Cumulative liquidity gap			167,944	93,817	17,939	(38,827)	82,192	167,944

^ The Group's other receivables exclude prepayment of N4,523million (Dec. 20: N3,630 million) which is not a financial asset and other statutory deductions such as WHT receivables.
^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Bank 31 December 2021	Note	Carrying amount ₦ million	Gross nominal inflow /(outflow) ₦ million	Less than 3 months ₦ million	3 - 6 months ₦ million	6 - 12 months ₦ million	1 - 5 years ₦ million	More than 5 years ₦ million
Non-derivative assets:								
Cash and cash equivalents	19	445,804	445,840	443,172	2,668	-	-	-
Financial assets held for trading	20	1,485	1,485	1,485	-	-	-	-
Pledged assets	21	110,226	110,233	36,328	31,915	13,765	4,533	23,692
Loans and advances to customers	23	868,840	899,106	341,223	53,826	97,755	264,518	141,784
Investment securities	25	387,508	387,512	182,636	126,958	3,081	16,653	58,184
Other receivables^	33	540,964	547,751	547,751	-	-	-	-
		2,354,827	2,391,927	1,552,595	215,367	114,601	285,704	223,660
Derivative assets:								
Held for Risk Management	22	9,640	9,640	9,640	-	-	-	-
		2,364,467	2,401,567	1,562,235	215,367	114,601	285,704	223,660
Non-derivative liabilities								
Deposits from customers	35	(1,361,323)	(1,361,323)	(1,289,972)	(60,723)	(10,628)	-	-
Other financial liabilities	37	(668,265)	(668,265)	(638,956)	(28,197)	(908)	-	-
Debt securities issued	40	(38,798)	(38,798)	(32,262)	-	-	-	(6,536)
Other borrowed funds	42	(175,118)	(175,118)	(13,339)	(14,278)	(8,775)	(63,786)	(74,940)
		(2,243,504)	(2,243,504)	(1,974,529)	(103,198)	(20,311)	(63,786)	(81,476)
Derivative liabilities:								
Held for Risk Management	22	8,684	(8,684)	(938)	(7,046)	(700)	-	-
		(2,234,820)	(2,252,188)	(1,975,467)	(110,244)	(21,011)	(63,786)	(81,476)
Gap (asset - liabilities)		129,647	149,379	(413,232)	105,123	93,590	221,918	142,184
Cumulative liquidity gap			149,379	(413,232)	(308,109)	(214,519)	7,399	149,583

Bank 31 December 2020	Note	Carrying amount ₦ million	Gross nominal inflow /(outflow) ₦ million	Less than 3 month ₦ million	3 - 6 months ₦ million	6 - 12 months ₦ million	1 - 5 years ₦ million	More than 5 years ₦ million
Non-derivative assets:								
Cash and cash equivalents	19	262,730	262,730	262,730	-	-	-	-
Financial assets held for trading	20	52,212	52,212	52,212	-	-	-	-
Pledged assets	21	100,007	100,021	65,129	31,188	3,704	-	-
Loans and advances to customers	23	692,803	693,685	283,831	52,982	57,376	233,039	66,457
Investment securities	25	351,862	352,041	312,763	617	4,182	11,359	23,120
Other receivables^	33	417,092	417,092	417,092	-	-		-
		1,876,706	1,877,781	1,393,757	84,787	65,262	244,398	89,577
Derivative assets:								
Held for Risk Management	22	520	520	520	-	-	-	-
		1,877,226	1,878,301	1,394,277	84,787	65,262	244,398	89,577
Non-derivative liabilities								
Deposits from banks	34	(4,018)	(4,018)	(4,018)	-	-	-	-
Deposits from customers	35	(1,131,116)	(1,131,113)	(969,881)	(64,097)	(82,383)	(10,928)	(3,825)
Other financial liabilities	37	(319,496)	(319,496)	(292,031)	(21,868)	(2,597)	-	-
Debt securities issued	40	(48,629)	(78,175)		(34,609)	(7,502)	(36,064)	-
Other borrowed funds	42	(184,223)	(182,206)	(40,431)	(34,609)	(29,546)	(77,621)	-
		(1,687,482)	(1,715,008)	(1,306,360)	(155,183)	(122,028)	(124,612)	(3,825)
Derivative liabilities:								
Held for Risk Management	22	(2)	(2)	(2)	-	-	-	-
		(1,687,484)	(1,715,010)	(1,306,362)	(155,183)	(122,028)	(124,612)	(3,825)
Gap (asset - liabilities)		189,742	163,291	87,915	(70,396)	(56,766)	119,786	85,752
Cumulative liquidity gap			163,291	87,915	17,519	(39,247)	80,539	166,291

^ The Bank's other receivables exclude prepayment of N4,517 million (Dec. 20: N3,167 million) which is not a financial asset and other statutory deductions such as WHT receivables.
^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

The amounts in the table above have been compiled as follows:

Type of financial instruments	Basis on which amounts are compiled
Non- derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.
Unrecognised loan commitments	Earliest possible contractual maturity.
Issued financial guarantee contracts	For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

(q) Market risk

The Bank's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. The bank's exposure to market risk is through proprietary investments and asset and liability management activities which have direct exposure to adverse movements in market risk factors such as foreign exchange rates and interest rates.

Interest rate risk management and control

Interest rate risk is the potential loss to the income and/or economic value of equity of the bank as a result of adverse movement in interest rates. The Bank is exposed to three dominant interest rate risks; re-pricing risk, basis risk and yield curve risk due to its primary function of borrowing and lending and taking proprietary positions, as part of strategy, to improve earnings.

Re-pricing risk is caused by changes in interest rates at different times due to re-pricing maturities of assets, liabilities and off-balance sheet instruments. Yield curve risk arises due movement of yields (parallel and non-parallel shifts of yield curve) at different times. The re-pricing mismatches of assets and liabilities expose the bank to loss in revenue and economic value due to unanticipated changes in interest rates. Basis risk arises from imperfect correlations between interest rate benchmarks leading to changes in rates earned and paid on different instrument otherwise with similar re-pricing maturities.

One of the integral elements of the Bank's interest rate risk management framework is an articulated appetite for interest rate risk sensitive exposures. Interest rate risk limits are set for Price value per basis point (PV01), value at risk (VaR), stop loss, management action triggers and economic value of equity (EVE). The bank's Market Risk Department is responsible for measuring, monitoring, reporting actual positions against set limits and carrying out stress tests at defined intervals.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

Group		31 December 2021			31 December 2020		
			Market			Market	
In millions of Naira	**Note**	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Assets subject to market risk							
Cash and cash equivalent	19	407,143	-	407,143	270,707	-	270,707
Financial assets held for trading	20	1,485	1,485	-	52,212	52,212	-
Pledged assets	21	110,226	-	110,226	100,007	-	100,007
Derivative assets held for risk management	22	9,640	-	9,640	520	-	520
Loans and advances to customers	23	868,840	-	868,840	692,803	-	692,803
Investment securities	25	387,508	56,774	330,734	351,862	252,364	89,157
Other receivables	33	540,502	-	540,502	417,092	-	417,092

Group		31 December 2021			31 December 2020		
			Market			Market	
In millions of Naira	Note	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
Liabilities subject to market risk							
Derivatives held for risk	22	8,684	-	8,684	2	-	2
Deposit from banks	34	-	-	-	4,018	-	4,018
Deposits from customers	35	1,355,910	-	1,355,910	1,126,287	-	1,126,287
Other financial liabilities	37	670,078	-	670,078	316,496	-	316,496
Debt securities issued	40	38,798	-	38,798	48,629	-	48,629
Other borrowed funds	42	175,118	-	175,118	184,223	-	184,223

Bank		31 December 2021			31 December 2020		
			Market			Market	
In millions of Naira	Note	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
Assets subject to market risk							
Cash and cash equivalents	19	445,804	-	445,804	262,730	-	262,730
Financial assets held for trading	20	1,485	1,485	-	52,212	52,212	-
Pledged assets	21	110,226	-	110,226	100,007	-	100,007
Derivative assets held for risk management	22	9,640	-	9,640	520	-	520
Loans and advances to customers	23	868,840	-	868,840	692,803	-	692,803
Investment securities	25	387,508	56,774	330,734	351,862	252,364	99,498
Other receivables	33	540,964	-	319,681	417,092	-	319,681
Liabilities subject to market risk							
Derivatives held for risk	22	8,684	-	8,684	2	-	2
Deposits from customers	35	1,361,323	-	1,361,323	1,131,116	-	1,131,116
Other financial liabilities	37	668,265	-	668,265	436,262	-	436,262
Debt securities issued	40	38,798	-	38,798	48,629	-	48,629
Long term subordinated bond	41	29,716	-	29,716	29,546	-	29,546
Other borrowed funds	42	175,118	-	175,118	184,223	-	184,223

Exposure to market risk - Trading portfolios

The following is a summary of the VaR position of the Group's trading portfolio at 31 December 2021 and during the period (based on a 99% confidence level and 10-day holding period.

2021 *In millions of Naira*	At 31 December	Average	Maximum	Minimum
Foreign currency risk	6	22	120	3
Interest rate risk	172	118	484	26
Overall	**178**	**140**	**604**	**29**

2020 *In millions of Naira*	At 31 December	Average	Maximum	Minimum
Foreign currency risk	4	28	151	1
Interest rate risk	193	120	425	30
Overall	**197**	**148**	**577**	**31**

Exposure to interest rate risk - non-trading portfolio

The principal risk to which non-trading portfolio are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and having pre-approved limits for repricing bands.

The table below summarizes the Group's interest rate gap positions. Using the re-pricing gap, the Bank is able to measure interest rate risks arising from yield curve, basis and re-pricing risks in its statement of financial position using the Economic value of equity model.

Group

The table below summarizes the Group's interest rate gap positions:

				Re-pricing period				
In millions of Naira	*Note*	Carrying amount	Total amount sensitive to rate	Less than 3 months	6 months	12 months	5 years	More than 5 years
31 December 2021								
Cash and cash equivalents	19	407,143	274,001	271,333	2,668	-	-	-
Financial assets held for trading	20	1,485	1,485	1,485	-	-	-	-
Pledged assets	21	110,226	110,233	36,328	31,915	13,765	4,533	23,692
Derivative assets	22	9,640	9,640	9,640	-	-	-	-
Loans and advances to customers	23	868,840	868,840	341,222	53,826	97,755	234,252	141,785
Investment securities	22	387,508	387,508	182,634	126,958	3,081	16,653	58,182
Other receivables^	33	540,502	244,796	244,796	-	-	-	-
		1,784,842	1,651,707	842,642	215,367	114,601	255,438	223,659
Deposits from customers	34	(1,355,910)	(309,805)	(281,174)	(17,485)	(11,146)	-	-
Derivative liabilities	35	(8,684)	(8,684)	(938)	(7,046)	(700)	-	-
Other financial liabilities^^	37	(670,078)	(95,471)	(53,180)	(40,250)	(1,814)	(227)	-
Debt securities issued	40	(38,798)	(38,798)	(32,262)	-	-	-	(6,536)
Other borrowed funds	42	(175,118)	(175,118)	(13,339)	(14,278)	(8,774)	(63,786)	(74,941)
		(2,248,588)	(627,876)	(380,893)	(79,059)	(22,434)	(64,013)	(81,477)
Total interest re-pricing gap		(463,746)	1,023,831	461,749	136,308	92,167	191,425	142,182

				Re-pricing period				
In millions of Naira	*Note*	Carrying amount	Total amount sensitive to Rate	Less than 3 months	6 months	12 months	5 years	More than 5 years
31 December 2020								
Cash and cash equivalents	19	270,707	270,715	270,715	-	-	-	-
Financial assets held for trading	20	52,212	52,212	52,212	-	-	-	-
Pledged assets	21	100,007	100,021	65,129	31,188	3,704	-	-
Derivative assets	22	520	520	520	-	-	-	-
Loans and advances to customers	23	692,803	735,759	328,486	52,979	57,376	230,694	66,223
Investment securities	22	351,862	376,070	336,793	617	4,182	11,359	23,120
Other receivables^	33	417,092	21,955	21,955	-	-	-	-
		1,885,203	1,557,252	1,075,810	84,784	65,262	242,053	89,343
Deposits from banks	22	(4,018)	(4,018)	(4,018)	-	-	-	-
Deposits from customers	34	(1,126,287)	(1,126,283)	(989,497)	(54,379)	(69,892)	(9,271)	(3,245)
Derivative liabilities	35	(2)	(2)	(2)	-	-	-	-
Other financial liabilities^^	37	(316,496)	(316,496)	(292,031)	(21,868)	(2,597)	-	-
Debt securities issued	40	(48,629)	-	-	-	-	-	-
Other borrowed funds	42	(184,223)	(224,167)	(40,431)	(77,803)	(29,546)	(76,387)	-
		(1,679,655)	(1,670,966)	(1,325,979)	(154,050)	(102,035)	(85,658)	(3,245)
Total interest re-pricing gap		205,548	(113,714)	(250,169)	(69,266)	(36,772)	156,395	86,098

Assets and liabilities are classified into repricing time buckets based on the expected repricing date.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Bank

			Re-pricing period					
In millions of Naira		Carrying	Total amount sensitive to	Less than 3				More than
Bank	*Note*	amount	Rate	months	6 months	12 months	5 years	5 years
31 December 2021								
Cash and cash equivalents	19	445,804	274,001	271,333	2,668	-	-	-
Financial assets held for trading	20	1,485	1,485	1,485	-	-	-	-
Pledged assets	21	110,226	110,233	36,328	31,915	13,765	4,533	23,692
Derivative assets held for risk management	22	9,640	9,640	9,640	-	-	-	-
Loans and advances to customers	23	868,840	868,840	341,222	53,826	97,755	234,252	141,785
Investment securities	25	387,508	387,508	182,634	126,958	3,081	16,653	58,182
Other receivables^	32	540,964	244,796	244,796	-	-	-	-
		1,823,503	1,651,707	842,642	215,367	114,601	255,438	223,659
Derivative liabilities	22	(8,684)	(8,684)	(938)	(7,046)	(700)	-	-
Deposits from customers	34	(1,361,323)	(315,218)	(286,588)	(17,485)	(11,146)	-	-
Other financial liabilities^^	38	(668,330)	(95,471)	(53,181)	(40,250)	(1,814)	(227)	-
Debt securities issued	40	(38,798)	-	-	-	-	-	-
Other borrowed funds	39	(175,118)	(175,118)	(13,339)	(14,278)	(8,775)	(63,786)	(74,941)
		(2,252,253)	(594,491)	(354,046)	(79,059)	(22,434)	(64,013)	(74,941)
Total interest re-pricing gap		(428,750)	1,057,216	488,597	136,308	92,167	191,425	148,718

			Re-pricing period					
		Carrying	Total amount sensitive to	Less than 3				More than 5
In millions of Naira	*Note*	amount	Rate	months	6 months	12 months	5 years	years
31 December 2020								
Cash and cash equivalents	19	262,730	262,730	262,730	-	-	-	-
Financial assets held for trading	20	52,212	52,212	52,212	-	-	-	-
Pledged assets	21	100,007	100,021	65,129	31,188	3,704	-	-
Derivative assets	22	520	520	520	-	-	-	-
Loans and advances to customers	23	692,803	690,334	283,061	52,979	57,376	230,694	66,223
Investment securities	22	351,862	351,821	312,543	617	4,182	11,359	23,120
Other receivables^	33	417,092	417,092	417,092	-	-	-	-
		1,877,226	1,874,730	1,393,288	84,784	65,262	242,053	89,343
Derivative liabilities	22	(2)	(2)	(2)	-	-	-	-
Deposits from banks	34	4,018	4,018	4,018	-	-	-	-
Deposits from customers	35	(1,131,116)	(1,131,113)	(994,327)	(54,379)	(69,892)	(9,271)	(3,245)
Other financial liabilities^^	37	(319,496)	47,121	47,121	-	-	-	-
Debt securities issued	40	(48,629)	(48,629)	-	(34,609)	(7,502)	(6,518)	-
Other borrowed funds	42	(184,223)	(182,206)	(40,431)	(34,609)	(29,546)	(77,621)	-
		(1,679,448)	(1,310,811)	(983,620)	(123,597)	(106,940)	(93,410)	(3,245)
Total interest re-pricing gap		197,778	563,918	409,668	(38,813)	(41,678)	148,643	86,098

Assets and liabilities are classified into repricing time buckets based on the expected repricing date.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

To complement the re-pricing gap, the bank uses the value at risk model for measuring interest rate risk inherent in any trading position or portfolio. The value at risk (VaR) of a position or portfolio is the loss or change in value that is not expected to be exceeded with a given degree of confidence (99%) over a specified time year. VaR is therefore a statistical measure of variability in the value of a portfolio of positions or earnings from economic activity arising from the changes in the market prices of the commodities or other variables underlying the portfolio or activity. Value at Risk measurement is most appropriate for marked-to-market portfolios.

In millions of naira

31 December, 2021

Security	Position	VaR 1-Day	VaR 10-Day	Diversified VaR 1-Day
Treasury Bills	17,223	132	418	102
FGN Bonds	(627)	56	148	41

In millions of naira

31 December, 2020

Security	Position	VaR 1-Day	VaR 10-Day
Treasury Bills	50,871	10	163
FGN Bonds	263	22	343

Exposure to interest rate risk - Non-trading portfolios

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point (bp) parallel fall or a 100bp parallel rise in all yield curves worldwide and a 25bp rise or fall in the greater than 12-month portion of all yield curves. The following is an analysis of the Group's sensitivity to the above increases or decreases in market interest rates. The analysis assumes:

- asymmetrical movements in yield curves to reflect floors of zero in certain financial instruments;
- symmetrical movements in the greater than 12-month portion of yield curves; and a constant financial position.

Sensitivity analysis - interest rates

The following is an analysis of the group's sensitivity to an increase in market interest rates, assuming no asymmetrical movement in yield and a constant financial position.

Sensitivity of projected net interest income		GROUP		BANK	
In millions of Naira		**100bps Increase**	**100bps Decrease**	**100bps Increase**	**100bps Decrease**
31 Dec 2021	Impact on P or L	4,446	(4,446)	4,424	(4,424)
	Impact on equity	4,446	(4,446)	4,424	(4,424)
31 Dec 2020	Impact on P or L	3,067	(3,067)	3,067	(3,067)
	Impact on equity	3,067	(3,067)	3,067	(3,067)

Foreign currency risk

As a licensed foreign exchange dealer and member of the Interbank foreign exchange market, the Bank is exposed to foreign exchange risk, hence the need to effectively identify, assess, monitor and manage foreign exchange rate risk as part of its overall market risk management process.

Foreign exchange rate risk management and control

In line with the bank's overall market risk management framework, an articulated appetite for foreign exchange rate risk is approved by the Board. Limits are set for Foreign exchange net open positions (NOPL) in line with regulation, value at risk (VaR), stop loss and management action triggers. The bank's Market Risk Department is responsible for measuring, monitoring, reporting actual positions against set limits and carrying out stress tests at defined intervals.

The table below summarizes the Group's foreign currency balance sheet as at December 31, 2021:

	Total	US Dollar	Euro	Pound	Others
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2021					
Cash and cash equivalents	224,000	219,125	3,582	1,126	167
Derivative assets held for risk management	7,081	7,081	-	-	-
Loans and advances to customers	270,624	265,706	4,155	616	147
Investment securities	-	-	-	-	-
Other receivables^	26,888	26,888	-	-	-
Total financial assets	528,593	518,800	7,737	1,742	314
Derivative liabilities held for risk management	(2,111)	(2,111)	-	-	-
Deposits from banks	-	-	-	-	-
Deposit from customers	(177,080)	(169,398)	(1,016)	(5,911)	(755)
Other financial liabilities^^	(210,990)	(202,372)	(5,546)	(1,294)	(1,778)
Other borrowed funds	(78,811)	(78,111)	-	-	-
Total financial liabilities	(468,992)	(451,992)	(6,562)	(7,205)	(2,533)
	59,601	66,808	1,175	(5,463)	(2,219)

Group	Total	US Dollar	Euro	Pound	Others
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2020					
Cash and cash equivalents	218,804	207,747	5,773	2,314	2,970
Derivative assets held for risk management	10	10	-	-	-
Loans and advances to customers	355,616	341,673	13,826	72	45
Investment securities	-	-	-	-	-
Other receivables^	21,955	21,955	-	-	-
Total financial assets	596,684	571,685	19,599	2,386	3,015
		-	-	-	-
Derivative liabilities held for risk management	(2)	(2)	-	-	-
Deposits from banks	(4,018)	(4,018)	-	-	-
Deposit from customers	(175,766)	(167,802)	(1,177)	(6,787)	(1)
Other financial liabilities	(195,150)	(176,934)	(15,281)	(236)	(2,698)
Other borrowed funds	(159,704)	(159,704)	-	-	-
Other financial liabilities^^	-	-	-	-	-
Total financial liabilities	(534,640)	(508,459)	(16,458)	(7,023)	(2,699)
	62,045	63,226	3,141	(4,637)	316

^ The Group's other receivables exclude prepayment of N4,523million (Dec. 20: N3,630 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

The Group's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigeria Naira affects reported earnings through revaluation gain or loss through increase or decrease in the revalued amounts of assets and liabilities denominated in foreign currency.

	Total	US Dollar	Euro	Pound	Others
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2021					
Cash and cash equivalents	224,000	219,125	3,582	1,126	167
Derivative assets held for risk management	7,081	7,081	-	-	-
Loans and advances to customers	270,624	265,706	4,155	616	147
Investment securities	-	-	-	-	-
Other receivables^	26,888	26,888	-	-	-
Total financial assets	528,593	518,800	7,737	1,742	314
Derivative liabilities held for risk management	(2,111)	(2,111)	-	-	-
Deposit from customers	(177,080)	(169,398)	(1,016)	(5,911)	(755)
Other financial liabilities^^	(210,990)	(202,372)	(5,546)	(1,294)	(1,778)
Other borrowed funds	(78,811)	(78,811)	-	-	-
Total financial liabilities	(468,992)	(452,692)	(6,562)	(7,205)	(2,533)
Net on-balance sheet position	59,601	66,108	1,175	(5,463)	(2,219)

Bank	Total	US Dollar	Euro	Pound	Others
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2020					
Cash and cash equivalents	218,804	207,747	5,773	2,314	2,970
Derivative assets held for risk management	10	10	-	-	-
Loans and advances to customers	355,616	341,673	13,826	72	45
Investment securities	-	-	-	-	-
Other receivables^	21,955	21,955	-	-	-
Total financial assets	596,685	571,685	19,599	2,386	3,015
Derivative liabilities held for risk management	(2)	(2)	-	-	-
Deposits from banks	(4,018)	(4,018)	-	-	-
Deposit from customers	(175,766)	(167,802)	(1,177)	(6,787)	(1)
Other financial liabilities^^	(195,150)	(176,934)	(15,281)	(236)	(2,698)
Other borrowed funds	(159,704)	(159,704)	-	-	-
Total financial liabilities	(534,640)	(508,459)	(16,458)	(7,023)	(2,699)
Net on-balance sheet position	62,046	63,226	3,141	(4,637)	316

^ The Bank's other receivables exclude prepayment of N4,517 million (Dec. 2020: N3,167 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

The Bank’s exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigeria Naira affects reported earnings through revaluation gain or loss through increase or decrease in the revalued amounts of assets and liabilities denominated in foreign currency.
The 2021 year end spot rate for the dollar is N424.11 (2020: 400.33) and the average rate for dollar in 2021 is N409.49 (2020: N382.07).

Sensitivity Analysis

A reasonable possible strengthening/(weakening) of the US Dollars, Euro and Pounds sterling against the Naira as at 31 December would affect the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables in particular interest rates remain constant.

	Profit or Loss	
Effect in millions of Naira	Strengthening	Weakening
31 December 2021		
USD (10% movement)	(6,611)	6,611
EUR (10% movement)	(118)	118
GBP (10% movement)	546	(546)
31 December 2020		
USD (10% movement)	(6,119)	6,119
EUR (10% movement)	(314)	314
GBP (10% movement)	4,638	(4,638)

Equity price risk

Equity price risk Equity price risk is subject to regular monitoring by Group Market Risk, but is not currently significant in relation to the Group’s overall results and financial position. The impact of equity price movement on the Other Comprehensive Income (OCI) is presented in note 6 (e)

Notes to the Consolidated and Separate financial statements
For the year ended 31 December 2021

Summary of loss allowance by class of financial assets also showing ECL coverage ratio.

Group
31 December 2021

	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial Statement Items									%	%	%	%
In millions of naira												
On balance sheet:												
Cash and cash equivalents	407,179	-	-	407,179	36	-	-	36	0.01	-	-	0.01
Financial assets held for trading	1,485	-	-	1,485	-	-	-	-	-	-	-	-
Pledged assets	110,233	-	-	110,233	7	-	-	7	0.01	-	-	0.01
Loans and advances to customers	624,137	212,905	62,064	899,106	4,616	12,376	13,274	30,266	0.74	5.81	21.39	3.37
Investment securities at amortised cost	30,236	-	-	30,236	4	-	-	4	0.01	-	-	0.01
Investment securities at fair value through OCI	297,554	-	-	297,554	-	-	-	-	-	-	-	-
Other receivables	109,564	-	9,761	119,325	-	-	7,829	7,829	-	-	80.21	6.56
subtotal	1,580,388	212,905	71,825	1,865,118	4,663	12,376	21,103	38,142	0.30	5.81	29.38	2.05
Off balance sheet items:												
Letters of credit and financial guarantees	298,581	-	-	298,581	4	-	-	4	0.00	-	-	0.00
Total	**1,878,969**	**212,905**	**71,825**	**2,163,699**	**4,667**	**12,376**	**21,103**	**38,146**	**0.25**	**5.81**	**29.38**	**1.76**

31 December 2020

	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial Statement Items									%	%	%	%
In millions of naira												
On balance sheet:												
Cash and cash equivalents	270,715	-	-	270,715	8	-	-	8	0.00	-	-	0.00
Financial assets held for trading	52,212	-	-	52,212	-	-	-	-	-	-	-	-
Pledged assets	100,021	-	-	100,021	14	-	-	14	0.00	-	-	0.01
Loans and advances to customers	528,609	146,208	61,895	736,712	8,601	12,744	22,564	43,909	1.63	8.72	36.46	5.96
Investment securities at amortised cost	31,344	-	-	31,344	95	-	-	95	0.00	-	-	0.30
Investment securities at fair value through OCI	269,112	-	-	269,112	-	-	-	-	-	-	-	-
Other receivables	403,614	-	12,540	416,154	42	-	7,177	7,219	0.00	-	57.23	1.73
subtotal	1,655,627	146,208	74,435	1,876,270	8,760	12,744	29,741	51,245	0.53	8.72	39.96	2.73
Off balance sheet items:												
Letters of credit and financial guarantees	220,289	-	-	220,289	4	-	-	4	0.00	-	-	0.00
Total	**1,875,916**	**146,208**	**74,435**	**2,096,559**	**8,764**	**12,744**	**29,741**	**51,249**	**0.47**	**8.72**	**39.96**	**2.44**

Notes to the Consolidated and Separate financial statements
For the year ended 31 December 2021

Bank

31 December 2021

Financial Statement Items	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
In millions of naira									%	%	%	%
On balance sheet:												
Cash and cash equivalents	445,840	-	-	445,840	36	-	-	36	0.01	-	-	0.01
Financial assets held for trading	1,485	-	-	1,485	-	-	-	-	-	-	-	-
Pledged assets	110,233	-	-	110,233	7	-	-	7	0.00	-	-	0.01
Loans and advances to customers	624,137	212,905	62,064	899,106	4,616	12,376	13,274	30,266	0.74	5.81	21.39	3.37
Investment securities at amortised cost	30,236	-	-	30,236	4	-	-	4	0.01	-	-	0.01
Investment securities at fair value through OCI	297,554	-	-	297,554	-	-	-	-	-	-	-	-
Other receivables	115,280	-	8,719	123,998	973	-	5,814	6,787	0.84	-	66.68	5.47
Subtotal	1,624,765	212,905	70,783	1,908,452	5,636	12,376	19,088	37,100	0.35	5.81	26.97	1.94
Off balance sheet items												
Letters of credit and financial guarantees	298,581	-	-	298,581	4	-	-	4	0.00	-	-	0.00
Total	**1,923,346**	**212,905**	**70,783**	**2,207,033**	**5,640**	**12,376**	**19,088**	**37,104**	**0.29**	**5.81**	**26.97**	**1.68**

31 December 2020

Financial Statement Items	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
In millions of naira									%	%	%	%
On balance sheet:												
Cash and cash equivalents	262,738	-	-	262,738	8	-	-	8	0	-	-	0
Financial assets held for trading	52,212	-	-	52,212	-	-	-	-	-	-	-	-
Pledged assets	100,021	-	-	100,021	14	-	-	14	0	-	-	-
Loans and advances to customers	528,609	146,208	61,895	736,712	8,601	12,744	22,564	43,909	2	9	36	10
Investment securities at amortised cost	31,344	-	-	31,344	95	-	-	95	0	-	-	0
Investment securities at fair value through OCI	269,112	-	-	269,112	-	-	-	-	-	-	-	-
Other receivables	406,070	-	12,540	418,610	42	-	6,134	6,176	0	-	49	1
Subtotal	1,650,106	146,208	74,435	1,870,749	8,760	12,744	28,698	50,202	1	9	39	3
Off balance sheet items												
Letters of credit and financial guarantees	220,289	-	-	220,289	4	-	-	4	0	-	-	0
Total	**1,870,395**	**146,208**	**74,435**	**2,091,038**	**8,764**	**12,744**	**28,698**	**50,206**	**0**	**9**	**39**	**2**

(r) Operational risk management

The Group has adopted the Basel II definition of Operational Risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Our overall objective for managing operational risks is to establish and maintain a sound system to adequately identify, assess, control, monitor and report on operational risks across the Bank.

Effective implementation of our Operational Risk Management program guarantees:

- A more risk aware culture amongst staff;
- Better understanding of the Bank's operational risk profile;
- Significant reduction in operational losses, hence improved profitability;
- Improved processes and systems in the Bank; and
- Improved business resilience, which guarantees enhanced responses to business disruptions.

Governance

The Bank's Operational Risk Management function reports to the Chief Risk Officer (CRO) who has primary responsibility for the implementation of Enterprise Risk Management.

The Operational Risk management function is responsible and accountable for the design, implementation and maintenance of the Operational Risk Management Framework.

Operational Risk Management Framework

The Operational Risk Management Framework guides the management of operational risks in the Bank. The framework ensures the identification of various operational risk elements and that relevant risk mitigation measures are determined and implemented.

The framework specifies the use of a number of tools to effectively manage the operational risks in the bank.

Some of the tools used in the Bank in managing operational risks are as follows:
Risk and Control Self-Assessment: The Bank consistently and periodically identifies, measures and monitors the key operational risks which the business is exposed to, in achieving it's objectives. This process is internally driven by conducting workshops across all the business units of the Bank to assess risks and associated controls.

The Bank has successfully conducted Risk and Control Self-Assessments for all functions with key risks identified and associated remedial action plans implemented. The risks identified from these exercises are included in the Bank's risk register and monitored against associated controls.

Key Risk Indicators: The Bank has developed a set of indicators which are being monitored and reflect the operational risk profile of the Bank. Reasonable thresholds have been agreed upon which relevant risk mitigating action is triggered.

Loss Data Collection: The Bank records operational risk incidents which occur in it's various businesses and activities in an internal loss event database. The loss events recorded are analysed in order to determine their root causes which facilitates prevention of future occurrence of such events. These events are reviewed, analysed and reported to different stakeholders on a periodic basis.

The Bank also maintains an external loss database which includes records of losses that have occurred in other similar institutions. The external loss database facilitates learning in order to prevent the occurrence of such events within the Bank.

Business Continuity Planning: The Bank manages it's business continuity risks with it's Business Continuity Management ("BCM") Program. The program outlines core procedures for the relocation or the recovery of operations in response to varying levels of disruption. Within this program, each of our critical business functions maintain and periodically test business continuity plans to promote continuous and reliable service with minimal disruption to service.

Disaster Recovery and Business Continuity Plans (BCP) have been established for critical business functions to ensure continuity of operations. Also developed is an emergency/crisis management plan for handling events which can have an adverse impact on the bank's activities and resources. These plans are tested and reviewed periodically to ensure their effectiveness to mitigate risks arising from disruptions.

The Bank has implemented a robust Operational Risk Management system which has facilitated automation of Operational Risk Management processes in the Bank and led to improved management of operational risks. The Bank is also certified to the ISO22301 (Business Continuity Management Systems); which is the global standard for Business Continuity Management.

(s) **Capital management**

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

(i) To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;

(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes. The required information is filed with the CBN on a monthly basis.

The CBN requires each international bank to:

(i) Hold the minimum level of regulatory capital of N25 billion, and

(ii) Maintain a ratio of total regulatory capital to the risk-weighted assets at a minimum of 15%.

In addition, those individual banking subsidiaries or similar financial institutions not incorporated in Nigeria are directly regulated and supervised by their local banking supervisor; as such, capital requirements may differ from country to country.

In addition, those individual banking subsidiaries or similar financial institutions not incorporated in Nigeria are directly regulated and supervised by their local banking supervisor; as such, capital requirements may differ from country to country.

The Group's regulatory capital as managed by its Financial Control is divided into two tiers:

Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and intangible assets is deducted in arriving at Tier 1 capital; and

Tier 2 capital: preference shares, non-controlling interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, general provisions subject to maximum of 1.25% of risk assets and hybrid instruments – convertible bonds.

As directed by the CBN, the Bank crossed over to the Basel II capital measurement standard by December, 2014, replacing the Basel I Capital Adequacy Ratio (CAR) computation with the Basel II Standardised Approach (Currently, CBN requires all deposit money banks in Nigeria to adopt the Standardised Approach for the computation of Capital Adequacy Ratio under Pillar 1).

In line with the CBN guideline for the Standardised Approach, the Risk Weighted Assets (RWA) are derived using the CBN specified risk weights (RW) for the different asset classes:

(i) 0% for Exposures to Central Governments and Central Banks

(ii) 100% for Exposures to Non-Central Government Public Sector Entities

(iii) Exposures to State Governments and Local Authorities;

20% for State Government bonds that meet the CBN eligibility criteria for classification as liquid assets

100% for other State and Local Government bonds and exposures

(iv) State and Local Governments of other jurisdictions are assigned the Sovereign RW of those jurisdictions.

0% for Exposures to Multilateral Development Banks (MDBs)

(v) Exposures to Supervised Institutions

20% for Short- term exposures to supervised institutions in Nigeria with an original maturity of three months or less

100% for long-term exposures to supervised institutions in Nigeria with an original maturity of three months or less

100% for Exposures to Corporate and Other Persons

75% for Regulatory Retail Portfolio. However, to qualify, such exposures must meet the following criteria:

(vi) Orientation criterion – the exposure is to an individual person or persons or to a small business.

(vii) Product criterion - the exposure takes the form of any of the following: revolving credits and lines of credit (including credit cards and overdrafts), personal term loans and other term loans (for example installment loans, auto financing loans, student and 'educational loans, personal finance) and small business facilities. Investment in debt and equity securities, whether listed or not, are excluded from this portfolio. Mortgage loans are also excluded to the extent that they qualify for treatment as exposures secured by residential property.

(viii) Granularity criterion - the aggregate exposure to one counterpart cannot exceed 0.2% of the overall regulatory retail portfolio;

(ix) Low value of individual exposures - the aggregate retail exposure to one counterparty cannot exceed an absolute threshold of N100 million.

' 100% for Exposures secured by Mortgages on Residential Property.

100% for Exposures secured by Mortgages on Commercial Real Estate.

Qualifying residential mortgage loans that are past due:
(x) 100% when specific provisions are less than 20% of the outstanding amount of the exposure; and
(xi) 50% when specific provisions are 20% or more of the outstanding amount of the exposure.
Other unsecured Past Due Exposures (excluding past due residential mortgages):
(xii) 150% risk weight when specific provisions are less than 20% of the outstanding amount of the exposure;
(xiii) 100% risk weight when specific provisions are no less than 20% of the outstanding amount of the exposure.
Other Assets:
(xiv) Cash in hand and equivalents cash items shall be assigned a 0% risk weight.
(xv) Cheques and Cash items in transit shall be assigned a 20% risk weight.
(xvi) Capital adequacy is assessed at individual subsidiaries level. All Subsidiaries have adequate Capital as at 31st December, 2017
100% risk weight for the following: fixed assets; prepayments; investments in equity or regulatory capital instruments (unless deducted from capital); collective investment schemes; real estate; bank lending to subsidiaries in the same group (but to be deducted from capital where loan is not fully secured).
Off-Balance Sheet Exposures are first converted to credit equivalent amount by multiplying the exposures by the related conversion factors (CCF). The Capital requirement is then derived by multiplying the credit equivalent by the risk weight of the counterparty.

Capital adequacy ratio is assessed at the individual operating entity level. The Subsidiary components have maintained the required level of capital as at 31 December 2021.

(t) **Capital Adequacy Ratio**

The Bank's Basel II capital adequacy ratio was 14.61% as at 31 December 2021 (2020: 17.46%), which is below the CBN minimum requirement of 15%, as computed below.

Bank	*Note*	Impact of IFRS 9 Transitional arrangement Dec. 2021	IFRS 9 Transitional arrangement Impact Dec. 2020
		₦ million	₦ million
Tier 1 Capital			
Ordinary share capital		14,632	14,632
Share premium		133,458	133,458
Retained earnings		24,112	31,403
IFRS 9 Transitional Adjustment		-	12,614
Statutory reserve		39,028	36,151
Other reserves		7,108	5,789
		218,338	234,047
Less: Regulatory risk reserve		-	-
Tier 1 before regulatory deduction		218,338	234,047
Regulatory deductions			
Deferred tax assets	32	(95,875)	(95,875)
Excess exposures over single obligor without CBN approval			(1,574)
Intangible assets	30	(3,783)	(5,211)
Tier 1 after regulatory deduction		118,680	131,387
Other deduction			
Investment in subsidiaries (50%)		1,098	1,098
Eligible Tier 1 Capital		117,582	130,288
Tier 2 Capital			
Fair value reserves		7,315	18,414
Long term subordinated bond		33,637	29,546
Tier 2 capital before deduction		39,556	43,796
(restricted to 33.33% of Tier 1 capital after regulatory deduction)			
Deduction			
Investment in subsidiaries (50%)		1,098	1,098
Eligible Tier 2 Capital		38,458	42,698
Total qualifying Capital		156,040	172,986

Risk weighted assets		
Risk-weighted Amount for Credit Risk	935,510	857,722
Risk-weighted Amount for Operational Risk	120,205	121,149
Risk-weighted Amount for Market Risk	12,420	12,087
Total weighted risk assets	1,068,135	990,958
Risk weighted Capital Adequacy Ratio (CAR)	14.61%	17.46%

Based on the CBN requirements, regulatory risk reserves are excluded from capital adequacy ratio computation. As at 31 December 2021, the regulatory risk reserves was N25,834 million ; (31 Dec 2020: N7,674 million).

Transitional arrangements treatment of IFRS 9 expected credit loss for regulatory purposes by Banks in Nigeria

During the year ended 31 December 2018, the Central Bank of Nigeria (CBN) issued a circular to provide guidance on the treatment of ECL provisions for regulatory purpose and introduce a four-year transitional arrangement to cushion the effect on tier 1 regulatory capital. The summary of the guidance is as follows:

- Utilisation of Regulatory Risk Reserve (RRR) to cushion the impact of IFRS 9 ECL Provisions on Transition Date

  In order to cushion the impact of IFRS 9 on regulatory capital banks are required, in the first instance, to apply the balance in their RRR to reduce the additional ECL provisions to be recognized in the opening retained earnings on January 1, 2018. The amount to be deducted from RRR shall be limited to the excess of ECL provisions over the IAS 39 provisions on the transition date. Accordingly, banks are required to effect appropriate accounting entries to reflect the transfer from RRR to the retained earnings.

- Transitional Arrangement of the ECL Accounting Provisions for Regulatory Capital Purpose

  Where the additional IFRS 9 ECL provision as stated in (1) above is higher than the balance in RRR, Banks are required to amortise the excess in line with the transitional arrangements provided by CBN. For the purpose of the transitional arrangement, the excess of the ECL provisions over IAS 39 provisions adjusted for the RRR is termed "Adjusted Day One Impact", using the Static Approach. This approach requires banks to hold static the Adjusted Day One Impact and amortise on a straight-line basis over the four-year transition period by writing back to the Tier 1 capital as indicated in the table below:

Period	Provisions to be written back
Year 0 (January 1, 2018)	4/5 of Adjusted Day One Impact
Year 1 (December 31, 2018)	3/5 of Adjusted Day One Impact
Year 2 (December 31, 2019)	2/5 of Adjusted Day One Impact
Year 3 (December 31, 2020)	1/5 of Adjusted Day One Impact
Year 4 (December 31, 2021)	Nil

Where the RRR fully absorbs the additional ECL provision, this transitional arrangement shall not apply.

The outcome of the application of the CBN guidance on the treatment of IFRS 9 ECL provisions is as presented in the capital adequacy computation as shown above. Adjusted day one impact for the Bank at 01 January 2018 is N63.086bn and has been fully amortised as at 31 December, 2021 in line with the provisions of the Central Bank of Nigeria. The unamortised amount as at 31 December, 2020 is N12.6bn.

6 Use of estimates and judgements

The preparation of the consolidated and separate financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Management discusses with the Group Audit Committee the development, selection and disclosure of the Group's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated and separate financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see note 5).

(A) Assumptions and estimation uncertainties

(i) *Significant increase in credit risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

(ii) *Generating the term structure of PD*

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

(iii) *Determining whether credit risk has increased significantly*

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or, for [certain types of exposure], more than 15 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2)

(iv) Staging Definition

Stage 1

This includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. Instruments that are included in this category includes:

- A financial instrument that is determined to have low credit risk equivalent to 'investment grade'. Only risk free and gilt-edged securities are considered 'investment grade' and assessed to have low credit risk by the Bank. These instruments are categorised within stage 1 and 12-month ECLs are calculated on them as at each reporting period.
- A credit facility with principal and interest payments up-to-date and are not overdue by more than 30 days. A facility with a single notch Rating downgrade between the last reporting date and the current reporting date, where the revised rating remains an Investment Grade Rating ("AAA to BBB")
- Other instruments that are considered not to have had a significant increase in credit risk at the reporting date when 30 days past due presumption is rebutted.

For these financial instruments, the Bank provides for 12-month expected credit losses (ECLs), i.e. the portion of lifetime ECLs that represents the ECLs that result from default events that are possible within the 12-months after the reporting date and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Stage 2

This includes financial instruments that have had a significant increase in credit risk since initial recognition on an individual or collective basis (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECLs are recognised, i.e. ECLs that result from all possible default events over the expected life of a financial instrument, but interest revenue is still calculated on the gross carrying amount of the asset.

- A financial instrument that is considered to have had a significant increase in credit risk
- A credit facility with principal and interest payments are overdue by more than 30 days.
- A facility with a double notch rating downgrade between the last reporting date and the current reporting date, where the revised Rating remains an Investment Grade Rating ("AAA to BBB") or in other instances a facility with a single notch rating movement A restructured facility or a facility that has been granted forbearance.

Stage 3

This includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECLs are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance). This is done by applying the EIR in subsequent reporting periods to the amortized cost of the financial asset. Instruments included in this bucket are

- Financial instruments that are credit impaired.
- Credit facilities with principal and interest payments overdue by more than 90 days.

(v) *Probationary period for upgrading exposures*

The Group assesses whether there has been a reversal in the significant increase in credit risk since initial recognition on the basis of all reasonable and supportable information that is available without undue cost or effort. This includes historical and forward-looking information and an assessment of the credit risk over the expected life of the financial asset, which includes information about the circumstances that led to the modification.

Stage 2 to Stage 1

The Group determines that financial assets have moved from having significant increase in credit risk to a performing instrument, if the customer has not defaulted for a minimum period of 90 days. The Group assesses the reason for the original transition to stage 2.

Stage 3 to Stage 2

The Group determines if a financial asset has moved from being in default to having a significant increase in credit risk by assessing if the financial asset no longer meets The Group's criteria of default i.e. if the customer has not been in default for a minimum period Of 90 days, but the instrument still exhibits a significant increase in credit risk from its initial recognition date.

Stage 3 to Stage 1

The Group determines if a financial asset has moved from being in default to a performing instrument, if the financial asset no longer meets The Group's criteria of default and the instrument also does not exhibit a significant increase in credit risk from its initial recognition date. The Group assesses each case individually to identify whether it is appropriate to move to stage 1. Generally, upgrading of exposures from stage 3 is expected to move through stage 2 before moving such exposures to stage 1. Movement of exposure from stage 3 to stage 1 is expected to occur sparingly.

(vi) *Modified financial assets*

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. An existing loan whose terms have been substantially modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

(vii) Definition of default

The Group considers a financial asset to be in default when:

‣ the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

‣ the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

‣ qualitative – e.g. breaches of covenant;

‣ quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and

‣ based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

(viii) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

‣ probability of default (PD);

‣ loss given default (LGD);

‣ exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

(ix) Determining the forward looking information (FLI)

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the 6 years . As the years go by, more historical information will be added until a period equivalent to an economic cycle is achieved.

a *Determining fair values*

The fair value of financial assets and 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 traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

b Recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

c Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

d Credit risk grades

(x) *Net defined benefit obligations*

Information about the assumptions on the net defined benefit obligations can be found in note 39 (v).

(B) *Depreciation and carrying value of property and equipment*

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

(C) *Determination of impairment of property and equipment, and intangible assets*

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

(D) *Valuation of financial instruments*

The Group's accounting policy on fair value measurements is discussed in note 3(j)

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

(i) Level 1: Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable either (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 where all significant inputs are directly or indirectly observable from market data.

(iii) Level 3: Inputs that are unobservable. This category includes 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.

7 Operating segments

The Group has the following four strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

(i) Retail Bank
(ii) Commercial Bank
(iii) Corporate Bank
(iv) Treasury

Retail Bank

This segment provides innovative products and solutions to mass market and mass affluent customers as well as small & medium enterprises with a turnover below N250 million per annum. Clients offerings include deposit products, complementary white label and payroll driven asset products.

Commercial Bank

This segment caters to the banking needs of local corporates, usually with a turnover between N500 million - N5 billion in such sectors as General Commerce, Construction, Oil & Gas, Manufacturing, Agriculture, Education, Health and Public Sector. Products and services offered within this segment includes loans and advances, equipment leasing, local purchase order financing, value chain products, trade financing and cash management solutions.

Corporate Bank

This segment provides services to large corporates with a turnover above N5 billion in sectors such as Oil & Gas, Telecoms, Manufacturing, FMCG, General Commerce, Agriculture, Aviation and Maritime. Products and services offered include transactional banking products, cash management solutions, trade, working capital finance, investment management, overdrafts and loans and advances.

Treasury

Treasury supports clients in all segments of the Bank such as affluent and high networth individuals, commercial clients, corporates and non-banking financial institutions. Client offering is composed of a diversified portfolio of products and services including issuance of short term notes, investment management (money market products), fixed income sales and trading.

Group

31 December 2021	Retail banking	Commercial banking	Corporate banking	Treasury	Discontinued Operations	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Revenue:						
Derived from external customers	32,524	24,766	76,128	41,832	2,019	177,269
Fee and commission related expense	(5,216)	(22)	-			(5,238)
Derived from other business segments	11,583	(153)	(16,576)	5,146	-	-
Total Revenue	38,890	24,590	59,553	46,978	2,019	172,031
Interest expenses	(6,219)	(7,420)	(30,571)	(25,370)	(194)	(69,774)
Net impairment on financial assets	(3,967)	(1,466)	4,767	374	-	(291)
Net revenue after impairment	28,704	15,705	33,749	21,983	1,825	101,965
Direct operating expenses	(12,022)	(7,029)	(10,466)	(4,601)	(4,277)	(38,396)
Share of centrally incurred expenses	(16,909)	(10,246)	(14,166)	(4,011)	-	(45,332)
Total operating expenses	(28,931)	(17,275)	(24,633)	(8,611)	(4,277)	(83,728)
Profit/(loss) before income tax	(227)	(1,571)	9,116	13,371	(2,452)	18,238
Income tax expense					-	(1,319)
Profit after tax					(2,452)	16,919
Assets and liabilities:						
Reportable segment assets	68,254	181,499	649,351	1,416,435	-	2,315,540
Reportable segment liabilities	(595,491)	(297,606)	(456,584)	(751,454)	-	(2,101,134)
Net Assets/(Liabilities)	(527,236)	(116,107)	192,767	664,981	-	214,405

31 December 2020	Retail banking	Commercial banking	Corporate banking	Treasury	Discontinued Operations	Total
	₦ million	₦ million	₦ million	₦ million		₦ million
Revenue:						
Derived from external customers	24,104	16,792	56,142	60,598	2,656	160,292
Derived from other business segments	16,393	2,564	(3,186)	(15,772)	-	-
Total Revenue	40,497	19,357	52,957	44,826	2,656	160,292
Interest expenses	(11,681)	(5,641)	(19,372)	(19,061)	-	(55,755)
Net impairment on financial assets	(2,907)	(1,253)	6,414	306		2,560
Net revenue after impairment	25,909	12,463	39,998	26,071	2,656	107,097
Direct operating expenses	(13,022)	(4,372)	(10,801)	(3,067)	(9,113)	(40,376)
Share of centrally incurred expenses	(28,268)	(3,514)	(12,221)	(3,201)	-	(47,204)
Total operating expenses	(41,290)	(7,886)	(23,022)	(6,268)	(9,113)	(87,580)
(Loss)/profit before income tax	(15,381)	4,577	16,976	19,803	(6,457)	19,517
Income tax expense						(845)
Profit after tax					4,491	18,672
Assets and liabilities:						
Reportable segment assets	59,813	112,097	520,892	1,382,931	115,293	2,191,026
Reportable segment liabilities	(604,098)	(204,552)	(422,840)	(590,814)	(104,400)	(1,926,704)
Net Assets/(Liabilities)	(544,285)	(92,455)	98,052	792,117	10,893	264,322

The Group's business activities are carried out mainly in Nigeria.

The Group is currently awaiting the UK regulatory approval to conclude the sale of of its UK subsidiary, Union Bank UK, which has been designated as discontinued operations.

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

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged on these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

Segment report by country:

31 December 2021	Nigeria	United Kingdom (Discontinued operation)	Total
	₦ million	₦ million	₦ million
Derived from external customers	175,250	2,019	177,269
Fee and commission related expense	(5,238)	-	(5,238)
Derived from other segments	-	-	-
Total revenues	170,012	2,019	172,031
Interest and similar expenses	(69,580)	(194)	(69,774)
Operating expenses	(79,451)	(4,277)	(83,728)
Net impairment loss on financial assets	4,403	(4,694)	(291)
(Loss)/profit before tax	25,384	(7,146)	18,238
Income tax expense	(1,319)	-	(1,319)
Profit after taxation	24,065	(7,146)	16,919

	Nigeria	United Kingdom	Total
	₦ million	₦ million	₦ million
Assets and liabilities:			
Total assets	2,200,247	115,293	2,315,540
Total liabilities	(2,004,752)	(96,382)	(2,101,134)
Net assets	195,494	18,911	214,405

31 December 2020	Nigeria ₦ million	United Kingdom (Discontinued operation) ₦ million	Total ₦ million
Derived from external customers	157,636	2,656	160,292
Derived from other segments	-	-	-
Total revenues	157,636	2,656	160,292
Interest and similar expenses	(55,154)	(601)	(55,755)
Operating expenses	(83,762)	(3,818)	(87,580)
Net impairment loss on financial assets	7,254	(4,694)	2,560
Profit/(Loss) before tax	25,974	(6,457)	19,517
Income tax expense	(845)	-	(845)
Profit after taxation	25,129	(6,457)	18,672
Assets and liabilities:			
Total assets	2,075,733	115,293	2,191,026
Total liabilities	(1,830,322)	(96,382)	(1,926,704)
Net assets	245,411	18,911	264,322

8 Financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below sets out the Group's and Bank's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

Group *31 December 2021*	*Note*	Mandatorily at FVTPL ₦ million	Designated as at FVTPL ₦ million	FVTOCI Debt instruments ₦ million	FVTOCI equity instrument ₦ million	Amortised cost ₦ million	Total carrying amount ₦ million	Fair value ₦ million
Cash and cash equivalents	19	-	-	-	-	407,143	407,143	407,143
Non pledged trading assets	20	1,485	-	-	-	-	1,485	1,485
Pledged assets	21	-	-	104,975	-	5,251	110,226	110,226
Derivative assets held for risk management	22	9,640	-	-	-	-	9,640	9,640
Loans and advances to customers	23	-	-	-	-	868,840	868,840	868,840
Investment securities	25	-	56,774	269,112	2,948	30,232	387,508	357,312
Other receivables	33	-	-	-	-	571,553	571,553	571,553
		11,125	56,774	374,087	2,948	1,883,019	2,356,395	2,326,199
Derivative liabilities held for risk management	22	8,684	-	-	-	-	8,684	8,684
Deposits from customers	35	-	-	-	-	1,355,910	1,355,910	1,355,910
Other financial liabilities	37	-	-	-	-	699,819	699,819	699,819
Debt securities issued	40	-	-	-	-	38,798	38,798	38,798
Long term subordinated bond	41	-	-	-	-	29,716	29,716	29,716
Other borrowed funds	42	-	-	-	-	175,118	175,118	175,118
		8,684	-	-	-	2,303,379	2,312,063	2,312,063

31 December 2020	*Note*	Mandatorily at FVTPL ₦ million	Designated as at FVTPL ₦ million	FVTOCI Debt instruments ₦ million	FVTOCI equity instrument ₦ million	Amortised cost ₦ million	Total carrying amount ₦ million	Fair value ₦ million
Cash and cash equivalents	19	-	-	-	-	270,707	270,707	270,707
Non pledged trading assets	20	52,212	-	-	-	-	52,212	52,212
Pledged assets	21	-	-	94,756	-	5,251	100,007	100,007
Derivative assets held for risk management	22	520	-	-	-	-	520	520
Loans and advances to customers	23	-	-	-	-	692,803	692,803	659,841
Investment securities	25	-	48,177	269,112	3,324	31,249	351,862	358,240
Other receivables	33	-	-	-	-	439,952	439,952	439,952
		52,732	48,177	363,868	3,324	1,439,962	1,908,063	1,881,479
Derivative liabilities held for risk management	22	2	-	-	-	-	2	2
Deposits from banks	34	-	-	-	-	4,018	4,018	4,018
Deposits from customers	35	-	-	-	-	1,126,287	1,126,287	1,126,287
Liabilities on investment contracts		-	-	-	-	-	-	-
Other financial liabilities	37	-	-	-	-	425,718	425,718	425,718
Debt securities issued	40	-	-	-	-	48,629	48,629	48,629
Long term subordinated bond	41	-	-	-	-	29,546	29,546	29,546
Other borrowed funds	42	-	-	-	-	184,223	184,223	184,223
		2	-	-	-	1,818,421	1,818,423	1,818,423

Bank *31 December 2021*	*Note*	Mandatorily at FVTPL ₦ million	Designated as at FVTPL ₦ million	FVTOCI Debt instruments ₦ million	FVTOCI equity instrument ₦ million	Amortised cost ₦ million	Total carrying amount ₦ million	Fair value ₦ million
Cash and cash equivalents	19	-	-	-	-	445,804	445,804	445,804
Non pledged trading assets	20	1,485	-	-	-	-	1,485	1,485
Pledged assets	21	-	-	105,534	-	4,692	110,226	110,226
Derivative assets held for risk management	22	9,640	-	-	-	-	9,640	9,640
Loans and advances to customers	23	-	-	-	-	868,840	868,840	868,840
Investment securities	25	-	56,774	297,554	2,948	30,232	387,508	357,312
Other receivables	33	-	-	-	-	436,453	436,453	436,453
		11,125	56,774	403,088	2,948	1,786,021	2,259,956	2,229,760
Derivative liabilities held for risk management	22	8,684	-	-	-	-	8,684	8,684
Deposits from customers	35	-	-	-	-	1,361,323	1,361,323	1,361,323
Other financial liabilities	37	-	-	-	-	697,996	697,996	697,996
Debt securities issued	40	-	-	-	-	38,798	38,798	38,798
Long term subordinated bond	41	-	-	-	-	29,716	29,716	29,716
Other borrowed funds	42	-	-	-	-	175,118	175,118	175,118
		8,684	-	-	-	2,302,951	2,311,635	2,311,635

31 December 2020		At fair value through P/L	Held - to-maturity	Loans and receivables at amortised cost	Available - for sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	19	-	-	-	-	262,730	262,730	262,730
Non pledged trading assets	20	52,212	-	-	-	-	52,212	52,212
Pledged assets	21	-	-	94,756	-	5,251	100,007	102,078
Derivative assets held for risk management	22	520	-	-	-	-	520	520
Loans and advances to customers	23	-	-	-	-	692,803	428,037	395,075
Investment securities	25	-	48,177	269,112	3,324	31,249	351,862	357,312
Other receivables	33	-	-	-	-	436,453	436,453	436,453
		52,732	48,177	363,868	3,324	1,428,486	1,631,821	1,087,055
Derivative liabilities held for risk management	22	2	-	-	-	-	2	2
Deposits from banks	33	-	-	-	-	1,131,116	1,131,116	1,131,116
Deposits from customers	34	-	-	-	-	425,117	425,117	425,117
Other financial liabilities	36	-	-	-	-	48,629	48,629	48,629
Debt securities issued	38					29,546	29,546	29,546
Interest bearing loans and borrowings	39	-	-	-	-	184,223	184,223	184,223
		1,117	-	-	-	1,818,631	1,818,633	1,818,633

9 Net interest income

		Note	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
(a)	*The analysis of gross earnings for the year is as shown below*					
	Interest income	9(b)	114,049	113,157	114,049	112,920
	Non-interest income		61,201	48,250	60,957	47,736
	Gross income from discontinued operations	43(a)	2,019	2,656	-	-
			177,269	164,063	175,006	160,656
(b)	**Interest revenue calculated using the effective interest method**					
	Cash and cash equivalents		12,341	14,085	12,341	14,080
	Loans and advances to customers		89,941	76,350	89,941	76,368
	Investment securities		11,767	22,722	11,767	22,472
	Total interest income		114,049	113,157	114,049	112,920
	Local Currency Balances		81,160	78,418	81,160	78,163
	Foreign Currency Balances		32,889	34,739	32,889	34,757
	Total interest income		114,049	113,157	114,049	112,920
(c)	**Interest expense calculated using the effective interest method**					
	Long term subordinated bond		5,030	4,940	5,030	4,940
	Debt securities issued		4,692	2,206	4,692	2,206
	Other borrowed funds (see (e) below)		28,488	19,624	28,707	19,893
	Total interest expense calculated using the effective interest method		38,210	26,770	38,429	27,039
(d)	**Other interest and similar expense**					
	Deposits from banks		-	887	-	887
	Deposits from customers		31,202	27,866	31,202	27,866
	Lease liability		168	232	168	232
	Total other interest and similar expense		31,370	28,985	31,370	28,985
	Local currency balances		46,334	32,564	46,554	32,564
	Foreign currency balances		23,246	23,191	23,245	23,460
	Total interest expense		69,580	55,755	69,799	56,024
	Net interest income		44,469	57,402	44,250	56,896

Interest expense on financial liabilities not measured at fair value through profit or loss amounted to N69,580 million (Group) and N69,799 million (Bank) for the year ended 31 December 2021 (31 December 2020: N55,755 million (Group); N56,024 million (Bank)).

(e) Interest on other borrowed funds comprises expenses on:

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Bank of Industry (BOI) /Commercial Agricultural Credit Scheme (CACS)	986	622	986	622
Foreign currency denominated borrowings	6,399	6,154	6,399	6,154
Commercial papers	494	972	494	1,241
Negotiated International Trade Facilities (ITFs)	4,413	3,535	4,413	3,535
Security linked note	9,855	4,448	9,855	4,448
Interbank takings	2,567	2,992	2,567	2,992
Open buy back transactions	1,400	901	1,400	901
Medium term borrowings	2,374	-	2,593	-
	28,488	19,624	28,707	19,893

10 Net Fees and commission income

(a) **Fees and commission income:**

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Credit Related fees and commissions income (see note (i))	5,014	4,449	5,014	4,449
Account maintenance fee	2,405	1,630	2,405	1,630
E-business fee income (see note (ii))	8,874	7,041	8,874	7,041
Commission on LCs, invisible trades and guarantees	2,584	949	2,584	949
Other fees and commission	59	203	59	203
	18,936	14,272	18,936	14,272

(b) **Fees and commission expense:**

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
E-business fee charge:				
ATM on-us	1,708	1,092	1,708	1,092
POS	363	256	363	256
E-card maintenance	2,187	1,189	2,187	1,189
Online transfer	367	103	367	103
Bank transaction charges	613	1,131	613	1,131
Fee and commission expense	(5,238)	(3,771)	(5,238)	(3,771)
Net fees and commission income	13,698	10,501	13,698	10,501

(i) Credit related fees and commissions relate to fees charged to corporate customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortised cost.

(ii) *E-business fee income consists of the following:*

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
ATM not-on-us	2,202	1,043	2,202	1,043
POS	1,662	499	1,662	499
E-card maintenance	4,840	1,660	4,840	1,660
Online transfer	95	88	95	88
Card FX gain/(loss)	75	(9)	75	(9)
	8,874	7,041	8,874	7,041

11 Net trading income

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Gain on disposal of fixed income securities	3,842	12,976	3,842	12,976
Net fair value losses on financial assets held for trading	(1,054)	(2,728)	(1,054)	(2,728)
Foreign exchange gain on trading	5,839	908	5,839	908
	8,627	11,156	8,627	11,156

Net trading income includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value

12 Net income from other financial instruments at fair value through profit or loss

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Equity at fair value through profit or loss	8,616	10,040	8,616	10,040
Derivatives held for risk management purposes:				
Net fair value loss on derivatives held at fair value through profit or loss	(91)	(2,617)	(91)	(2,617)
Foreign exchange (loss)/gain	(342)	174	(342)	174
	8,183	7,597	8,183	7,597

13 Other operating income

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
(a) **Other income is comprised of:**				
Foreign exchange revaluation gain	3,826	3,820	3,826	3,820
Gains on disposal of property and equipment (see (b) below)	2,236	1,308	2,166	1,274
Sundry income (see (c) below)	2,176	1,224	2,164	1,186
Dividends	1,037	1,033	1,037	1,033
Rental income	284	236	152	158
Fair value gain on investment property (see note 27)	30	364	-	-
	9,589	7,985	9,345	7,471

(b) **The gain on disposal of property and equipment is arrived at as shown below:**

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Proceeds from disposal	2,716	4,915	2,630	4,878
Disposal - cost (see note (29))	(912)	(4,144)	(870)	(4,179)
Disposal - accumulated depreciation (see note (29))	432	537	406	575
Gain on disposal of property and equipment	2,236	1,308	2,166	1,274

(c) Sundry income

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Termination fee income - Treasury	2,107	395	2,107	395
Custodian charges	57	80	57	80
Other income	12	711	-	711
Gain on disposal of investment property	-	38	-	-
	2,176	1,224	2,164	1,186

(d) Net recoveries on loans

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Cash Recoveries - Loans	16,914	7,959	16,914	7,959
Debt recovery expenses	(1,048)	(719)	(1,048)	(719)
Net recoveries on loans	15,866	7,240	15,866	7,240

14 Net Impairment charge on financial assets

(a) Net impairment credit for credit losses

		Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
		₦ million	₦ million	₦ million	₦ million
Stage 1 impairment - loans and advances		13,243	(2,084)	13,243	(2,084)
Stage 2 impairment - loans and advances		(2,704)	(10,849)	(2,704)	(10,849)
Stage 3 impairment - loans and advances		(10,382)	10,532	(10,382)	10,532
Total impairment charge/(write-back) on loans and advances	23	157	(2,401)	157	(2,401)
Impairment charge/(write back) on cash and cash equivalents	19	28	(74)	28	(74)
Impairment (write-back)/charge on debt securities at amortised cost	25(c)	(91)	62	(91)	62
Impairment (write-back)/charge on debt securities at FVOCI	5(o)	(93)	363	(93)	363
Impairment (write-back)/charge on pledged assets at amortised cost	21	(7)	14	(7)	14
Impairment (write-back)/charge on pledged assets at FVOCI	5(o)	(28)	36	(28)	36
Impairment (write-back) on financial guarantee		-	(253)	-	(253)
Net impairment charge/(write-back) for credit losses		(34)	(2,253)	(34)	(2,253)
(b) Net impairment loss/(write-back) on other assets:					
Impairment charge/(write-back) on other assets		325	(307)	320	(306)
Total impairment write-back on other assets	33(iv)	325	(307)	320	(306)
Total net impairment charge/(write-back) on financial assets		291	(2,560)	286	(2,559)

15 Personnel expenses

	Note	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
		₦ million	₦ million	₦ million	₦ million
Wages and salaries		30,033	31,738	29,899	31,614
Charge to defined contribution plans (see note 39 (a) (i))		969	429	969	420
(Decrease)/increase in liability for defined benefit plans	39(b)	(109)	172	(109)	172
Equity-settled share based payment (see note (i) below)	44(h)	-	248	-	248
		30,893	32,587	30,759	32,454

(i) **Share-based payment arrangements**

In 2014, the shareholders gave the Board of Directors approval to set aside up to 570,693,750 ordinary shares of 50kobo each from the Bank's unissued ordinary shares, representing three percent (3%) of authorized share capital, to fund an Employee Share Incentive Scheme.

No shares of the Bank was awarded to key management personnel of the Bank under the Bank’s share-based incentive scheme during the year ended 31 December 2021.

The terms and conditions of the grants are as follows:

	Group Dec. 2021	Group Dec. 2020	**Bank Dec. 2021**	Bank Dec. 2020
Number of shares (units)	-	226,154,425	-	226,154,425
Unit of shares vested (unit)	-	226,154,425	-	226,154,425
Weighted average of share price at grant date	-	N5.54k	-	N5.54k
Grant date	-	31 Dec. 2017	-	31 Dec. 2017
The share vested yearly when is awarded				

(ii) Movement in the weighted average exercise prices of the shares awarded are as follows:

31 December 2021	**Group**	**Bank**
	Number of shares	Number of shares
Outstanding at the start of the year	-	-
Awarded during the year	-	-
Vested during the year	-	-
Outstanding at year end	-	-

31 December 2020	**Group**	**Bank**
	Number of shares	Number of shares
Outstanding at the start of the year	-	-
Awarded during the year	51,548,316	51,548,316
Vested during the year	(51,548,316)	(51,548,316)
Outstanding at year end	-	-

(iii) Movement in vested shares during the year are as follows:

	Group Dec. 2021	Bank Dec. 2020
Vested shares - opening balance	174,606,109	174,606,109
Vested during the year	-	-
Vested shares - closing balance	174,606,109	174,606,109

16 Other operating expenses

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
		₦ million		₦ million
NDIC Premium	5,404	4,279	5,404	4,279
AMCON surcharge (see note (b) below)	11,470	9,484	11,470	9,484
Non-discretionary regulatory costs	16,874	13,763	16,874	13,763
Software maintenance expenses	6,608	5,818	6,606	5,816
General administrative expenses (see note (a) below)	4,046	6,363	4,036	6,080
Diesel and power	2,440	2,398	2,440	2,398
Professional fees (see note (c))	1,808	1,465	1,791	1,443
Advertising and promotion expenses	1,536	1,474	1,431	1,474
Security expense	1,490	1,517	1,490	1,517
Repair and maintenance	1,328	1,608	1,324	1,607
Donations	1,202	393	1,202	393
Physical cash movement expense	1,199	1,225	1,199	1,225
Fleet management and vehicle-related expenses	598	614	598	611
Insurance	329	295	325	295
Rents and rates	384	545	381	539
Accommodation and travels	296	514	292	510
Auditors' remuneration	187	179	180	172
	40,325	38,171	40,169	37,843

(a) General administrative expenses

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Restitution and other charges	1,000	2,683	1,000	2,683
Stationery, printing, postage and telephone	887	911	886	674
Office cleaning	598	519	598	519
Directors fees and allowances	300	290	297	286
Entertainment	235	205	233	202
Penalties (see note 50)	207	10	207	10
Business meetings and conferences	188	42	188	7
Other expenses (d)	159	1,405	159	1,404
Medical expenses	116	11	116	11
Corporate social responsibilities	112	80	112	80
ATM expense	111	111	111	111
Subscription and sponsorship	58	44	58	44
Local transport expenses	46	30	46	30
Annual general meeting expenses	29	22	25	19
	4,046	6,363	4,036	6,080

(b) AMCON surcharge represents the Bank's contribution to the Banking Sector Stabilization Fund for the year ended 31 December 2021. The applicable rate is 0.5% of total assets and off-balance sheet items, calculated on a preceding year basis. The amount contributed for year end 2021 is N11,924 million which relates to 0.5% of 2020 total assets and off-balance sheet items and N454 million payment with respect to shortfall for years 2016 and 2017.

(c) Professional fees comprises fees paid to tax consultants, solicitors fees and other similar expenses.

(d) Other expenses comprises expenses incurred on printing of annual report, newspapers and magazines and other similar expenses.

(e) The auditor did not provide non-audit service to the Group and the Bank during the year.

17 Income tax expense

(a) Recognised in the profit or loss

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Current tax expense				
Company Income Tax	844	384	844	384
Education tax	37	-	37	-
Current capital gains tax	216	139	216	139
NPTF Levy Expense	1	1	1	1
NASENI levy	51	-	51	-
NITDA Levy	263	267	203	248
	1,412	791	1,352	772
Deferred tax expense				
Origination and reversal of temporary differences (note 32)	(93)	54	-	-
Total income tax expense	1,319	845	1,352	772

The income tax is based on minimum tax assessment in line with the Finance Act 2020.

(b) Reconciliation of effective tax rate

	Group Dec. 2021		Group Dec. 2020		Bank Dec. 2021		Bank Dec. 2020	
		N million		N million		N million		N million
Profit before income tax		25,974		25,974		20,532		25,425
Adjustment for NITDA levy		(263)		(267)		(203)		(248)
Profit after adjustment for NITDA levy		25,711		25,707		20,329		25,177
Income tax using the domestic corporation tax rate	30%	7,792	30%	7,628	30%	6,160	30%	7,628
Non-deductible expenses	7%	1,909	10%	1,595	9%	1,909	6%	1,595
Tax exempt income	-34%	(8,625)	-52%	(12,327)	-42%	(8,625)	-49%	(12,327)
Capital gains tax	1%	216	0%	139	1%	216	1%	139
NITDA levy	1%	263	1%	267	1%	203	1%	248
Education tax levy	0%	37	0%	-	0%	37	0%	-
NPTF Levy Expense	0%	1	0%	-	0%	1	0%	-
NASENI levy	0%	51	0%	-	0%	51	0%	-
Tax losses unutilised	-1%	(325)	14%	3,544	7%	1,400	14%	3,490
Total income tax expense in comprehensive income	5%	1,319	3%	845	6%	1,352	3%	772

The effective income tax rate for the year ended 31 December 2021 is 5% (2020: 3%) for the Group and 6% for the Bank (2020: 3%)

18 Earnings Per Share

(a) Basic earnings per share

Earnings/(loss) per share has been computed based on profit after taxation attributable to the Group ordinary shareholders and the weighted average number of shares in issue during the year is as follows.

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
Issued ordinary shares at beginning of the year	**29,264**	29,264	**29,264**	29,264
Weighted effect of shares issued during the year	**29,264**	29,264	**29,264**	29,264

(b) *Profit attributable to ordinary shareholders*

	Group	Group	**Bank**	Bank
In millions of Nigerian Naira	**Dec. 2021**	Dec. 2020	**Dec. 2021**	Dec. 2020
Changes in allowance for expected credit losses on debt instrument at FVTOCI				
Profit for the year attributable to equity holders	**16,795**	18,535	**19,180**	24,653
Basic earnings per share (in kobo)	**57**	63	**66**	84
Profit from continuing operations attributable to equity holders of parent	**19,247**	24,992	**19,180**	24,653
Basic earnings/(loss) per share (in kobo)	**66**	85	**66**	84
Loss from discontinued operations attributable to equity holders of Parent	**(2,452)**	(6,457)	**-**	-
Basic earnings/(loss) per share (in kobo)	**(8)**	(22)		-

(c) Diluted earnings per share

The Group did not issue additional shares during the year. Therefore, Basic EPS and Diluted EPS are the same for the Group and the Bank.

19 Cash and cash equivalents

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Cash and balances with banks	113,303	118,653	151,964	110,676
Unrestricted balances with central bank (see (a) below)	19,875	5,730	19,875	5,730
Money market placements (see (b))	274,001	146,332	274,001	146,332
Cash and cash equivalent as presented in Cash flow statements	407,179	270,715	445,840	262,738
Allowance for ECL on cash and cash equivalents	(36)	(8)	(36)	(8)
	407,143	270,707	445,804	262,730

a) Unrestricted balances with central bank comprises balances in current accounts maintained with the Central Bank of Nigeria. These accounts are used for settlement of interbank transactions. Balances in these accounts are available for use by the bank.

b) Money market placements are short-term placements with other foreign banks, Nigerian banks and other financial institutions

Group	2021 Stage 1 Individual			2020 Stage 1 Individual		
	Gross carrying amount	ECL	Total	Gross carrying amount	ECL	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
As at 01 January	270,715	8	270,707	320,385	82	320,303
Assets purchased	136,464	28	136,436	-	-	-
Assets derecognised or matured excluding write-offs	-	-	-	(49,670)	(74)	(49,596)
Balance as at 31 December	407,179	36	407,143	270,715	8	270,707

Bank	2021 Stage 1 Individual			2020 Stage 1 Individual		
	Gross carrying amount	ECL	Total	Gross carrying amount	ECL	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
As at 01 January	262,738	8	262,730	320,789	82	320,707
Assets purchased	183,102	28	183,074	-	-	-
Assets derecognised or matured excluding write-offs	-	-	-	(58,051)	(74)	(57,977)
Balance as at 31 December	445,840	36	445,804	262,738	8	262,730

20 Financial assets held for trading

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Government bonds	1,281	1,358	1,281	1,358
Treasury bills	204	50,854	204	50,854
	1,485	52,212	1,485	52,212

21 Pledged assets

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Treasury bills	79,454	91,099	79,454	91,099
Bonds	30,457	8,618	30,457	8,618
Placement	322	304	322	304
	110,233	100,021	110,233	100,021
Allowance for ECL on pledged assets	(7)	(14)	(7)	(14)
	110,226	100,007	110,226	100,007

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL for pledged assets is as follows:

Group

	2021 Stage 1 Individual			2020 Stage 1 Individual		
	Gross carrying amount	ECL	Total	Gross carrying amount	ECL	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
As at January	100,021	14	100,007	20,150	-	20,150
Assets purchased	10,212	(7)	10,219	79,871	14	79,857
Assets derecognised or matured excluding write-offs	-	-	-	-	-	-
Balance as at December	110,233	7	110,226	100,021	14	100,007

Bank

	2021 Stage 1 Individual			2020 Stage 1 Individual		
	Gross carrying amount	ECL	Total	Gross carrying amount	ECL	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
As at January	100,021	14	100,007	20,150	-	20,150
Assets purchased	10,212	(7)	10,219	79,871	14	79,857
Assets derecognised or matured excluding write-offs	-	-	-	-	-	-
Balance as at December	110,233	7	110,226	100,021	14	100,007

a) Assets pledged as collateral relate to assets pledged to the Federal Inland Revenue Service (FIRS), Unified Payment Systems, Interswitch Nigeria Limited, African Local Currency Fund Bond Ltd, Nigerian Inter-Bank Settlement System Plc and E-Tranzact for collections and other transactions.

b) Assets were also pledged as collateral as part of securities borrowing under terms that are usual and customary for such activities.
The counterparties with whom assets have been pledged for inter-bank takings and borrowings include Access Bank UK, Citi Bank Nominees Ltd, Development Bank of Nigeria and FBN Merchant Bank.

c) Assets pledged as collateral are recognised based on market prices in an active market.

22 Derivative financial instruments

Group

	Dec. 2021		Dec. 2020	
	Assets	Liabilities	Assets	Liabilities
	₦ million	₦ million	₦ million	₦ million
Instrument Type:				
FX swaps	9,640	8,684	520	2
	9,640	8,684	520	2

Bank	Dec. 2021		Dec. 2020	
	Assets	Liabilities	Assets	Liabilities
	₦ million	₦ million	₦ million	₦ million
Instrument Type:				
FX swaps	9,640	8,684	520	2
	9,640	8,684	520	2

The Group enters into derivatives for trading and risk management purposes, as explained in Note 5(c) in the Summary of significant accounting policies.

The Group uses derivatives not designated in a qualifying hedge relationship, to manage its exposure to foreign currency risks. The instruments used include forward contracts and cross currency linked forward contracts.

See below the nominal value and fair value of derivative financial assets and liabilities:

	2021		2020	
	Notional amount	Fair value	Notional amount	Fair value
	₦ million	₦ million	₦ million	₦ million
Derivative assets	21,994	9,640	322,472	520
Derivative liabilities	28,503	8,684	317,156	2

23 Loans and advances to customers at amortised cost

	Group	Group	Bank	Bank
(a) *Net loans and advances to customers*	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Gross amount:				
Local Currency	401,366	381,097	401,366	381,097
Foreign Currency	497,740	355,615	497,740	355,615
Gross Loans	899,106	736,712	899,106	736,712
Impairment				
Stage 1 impairment	(4,616)	(8,601)	(4,616)	(8,601)
Stage 2 impairment	(12,376)	(12,744)	(12,376)	(12,744)
Stage 3 impairment	(13,274)	(22,564)	(13,274)	(22,564)
Total impairment	(30,266)	(43,909)	(30,266)	(43,909)
Carrying amount	868,840	692,803	868,840	692,803

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL for loans and advances to customers is as follows:

Group - 2021

	Stage 1	Stage 2	Stage 3	Total
Gross Carrying Amount	**₦ million**	**₦ million**	**₦ million**	₦ million
As at 1 January 2021	528,609	146,208	61,895	736,712
New asset originated	95,528	66,697	169	162,394
As at 31 December 2021	624,137	212,905	62,064	899,106

	Stage 1	Stage 2	Stage 3	Total
ECL	**₦ million**	₦ million	**₦ million**	₦ million
As at 1 January 2021	8,601	12,744	22,564	43,909
New asset originated	3,051	3,215	1,696	7,962
Transfers to stage 1	2,270	(533)	(1,737)	-
Transfers to stage 2	-	762	(762)	-
Transfers to stage 3	-	(36)	36	-
Net remeasurement of loss allowance	(9,306)	(3,776)	5,276	(7,806)
Movements with impact in the P or L	(3,985)	(368)	4,509	156
Write-offs	-	-	(13,975)	(13,975)
Recoveries of previously written off	-	-	-	-
Foreign exchange and other movements	-	-	176	176
As at 31 December 2021	4,616	12,376	13,274	30,266

Group - 2020

	Stage 1	Stage 2	Stage 3	Total
Gross Carrying Amount	**₦ million**	₦ million	**₦ million**	₦ million
As at 1 January 2021	396,373	140,156.0	58,769	595,298
New asset originated	132,236	6,052	3,126	141,414
Balance as at December 2020	528,609	146,208	61,895	736,712

	Stage 1	Stage 2	Stage 3	Total
ECL	**₦ million**	₦ million	**₦ million**	₦ million
As at 1 January	8,529	19,958	16,198	44,685
New asset originated	4,652	996	3,754	9,402
Transfers to stage 1	911	(21)	(890)	-
Transfers to stage 2	(19)	1,197	(1,178)	-
Transfers to stage 3	(17)	(1)	18	-
Recoveries of previously written off	-	-	(66)	(66)
Net remeasurement of loss allowance	(5,455)	(13,443)	7,161	(11,737)
Movements with impact in the P or L	72	(11,272)	8,799	(2,401)
Previously derecognised financial assets	-	-	201	201
Write-offs	-	-	(4,159)	(4,159)
Foreign exchange and other movements	-	4,058	1,525	5,583
Balance as at December	8,601	12,744	22,564	43,909

Bank - 2021

Gross Carrying Amount	Stage 1 ₦ million	Stage 2 ₦ million	Stage 3 ₦ million	Total ₦ million
As at 1 January	528,609	146,208	61,895	736,712
New asset originated	95,528	66,697	169	162,394
Balance as at December	624,137	212,905	62,064	899,106

Bank - 2021

ECL	Stage 1 ₦ million	Stage 2 ₦ million	Stage 3 ₦ million	Total ₦ million
As at 1 January	8,601	12,744	22,564	43,909
New asset originated	3,051	3,215	1,696	7,962
Transfers to stage 1	2,270	(533)	(1,737)	-
Transfers to stage 2	-	762	(762)	-
Transfers to stage 3	-	(36)	36	-
Net remeasurement of loss allowance	(9,306)	(3,776)	5,276	(7,806)
Movements with impact in the P or L	(3,985)	(368)	4,509	156
Write-offs	-	-	(13,975)	(13,975)
Foreign exchange and other movements	-	-	176	176
Balance as at December	4,616	12,376	13,274	30,266

Bank- 2020

Gross Carrying Amount	Stage 1 ₦ million	Stage 2 ₦ million	Stage 3 ₦ million	Total ₦ million
As at 1 January 2020	396,373	140,156	58,769	595,298
New asset originated	132,236	6,052	3,126	141,414
As at 31 December 2020	528,609	146,208	61,895	736,712

Bank - 2020

ECL	Stage 1 ₦ million	Stage 2 ₦ million	Stage 3 ₦ million	Total ₦ million
As at 1 January	8,529	19,958	16,198	44,685
New asset originated	4,652	996	3,754	9,402
Transfers to stage 1	911	(21)	(890)	-
Transfers to stage 2	(19)	1,197	(1,178)	-
Transfers to stage 3	(17)	(1)	18	-
Recoveries of previously written off	-	-	(66)	(66)
Net remeasurement of loss allowance	(5,455)	(13,443)	7,161	(11,737)
Movements with impact the P or L	72	(11,272)	8,799	(2,401)
Previously recognised financial asset	-	-	201	201
Write-offs	-	-	(4,159)	(4,159)
Foreign exchange and other movements	-	4,058	1,525	5,583
As at 31 December 2020	8,601	12,744	22,564	43,909

Below is the analysis of loans and advances to customers by business segment and by geographic region.

Business segment	**Group Dec. 2021 ₦ million**	Group Dec. 2020 ₦ million	**Bank Dec. 2021 ₦ million**	Bank Dec. 2020 ₦ million
Commercial loans	169,799	118,021	169,799	118,021
Corporate loans	649,216	554,024	649,216	554,024
Retail loans	68,258	61,116	68,258	61,116
Small and medium enterprise loans	11,833	3,552	11,833	3,552
	899,106	736,712	899,106	736,712
Less: Allowance for ECL	(30,266)	(43,909)	(30,266)	(43,909)
	868,840	692,803	868,840	692,803

Region	**Group Dec. 2021 ₦ million**	Group Dec. 2020 ₦ million	**Bank Dec. 2021 ₦ million**	Bank Dec. 2020 ₦ million
Corporate	649,216	554,024	649,216	554,024
Lagos and Western Nigeria	136,013	87,087	136,013	87,087
Northern Nigeria	43,483	35,843	43,483	35,843
Southern Nigeria	70,394	59,758	70,394	59,758
	899,106	736,712	899,106	736,712
Less: Allowance for ECL	(30,266)	(43,909)	(30,266)	(43,909)
	868,840	692,803	868,840	692,803

(b) Loans and advances by stages

Group

Dec.2021

	Stage 1 ₦ million	**Stage 2 ₦ million**	**Stage 3 ₦ million**
Gross loans	624,137	212,905	62,064
Impairment	(4,616)	(12,376)	(13,274)
	619,521	200,529	48,790

Dec.2020

	Stage 1 ₦ million	**Stage 2 ₦ million**	**Stage 3 ₦ million**
Gross loans	528,609	146,208	61,895
Impairment	(8,601)	(12,744)	(22,564)
	520,008	133,464	39,331

Bank

Dec.2021

	Stage 1 ₦ million	**Stage 2 ₦ million**	**Stage 3 ₦ million**
Gross loans	624,137	212,905	62,064
Impairment	(4,616)	(12,376)	(13,274)
	619,521	200,529	48,790

Dec.2020

	Stage 1	Stage 2	Stage 3
Gross loans	528,609	146,208	61,895
Impairment	(8,601)	(12,744)	(22,564)
	520,008	133,464	39,331

Reconciliation of impairment allowance on loans and advances to customers

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	**43,909**	44,685	43,909	44,685
Stage 1	**(6,255)**	(803)	(6,255)	(803)
Stage 2	**(561)**	(12,447)	(561)	(12,447)
Stage 3	**6,972**	10,915	6,972	10,915
Total impairment write-back for the year	**156**	(2,335)	156	(2,335)
Write-off	**(13,975)**	(4,159)	(13,975)	(4,159)
Provision re-instated during the year	**-**	201	-	201
Reclassification to discontinued operation	**-**	-	-	-
Recoveries of previously written off	**-**	(66)	-	(66)
Changes in models/risk parameters	**176**	5,583	176	5,583
Balance, end of year	**30,266**	43,909	**30,266**	43,909

24 Investment in equity accounted investee

This represents the Group's equity investment in Unique Venture Capital Management Company Limited (40%). The movement in investment in equity accounted investee as at 31 December 2021 is as follows:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Cost				
Balance, beginning of the year	**115**	115	**91**	91
Share of current year result	**-**	-	**-**	-
	115	115	**91**	91
Allowance for impairment (see (i) below)	**(115)**	(115)	**(91)**	(91)
Balance, end of the year	**-**	-	**-**	-

(i) Movement in impairment is as follows:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	115	115	91	91
Charge for the year	-	-	-	-
Balance, end of the year	115	115	91	91

The amount recognised in the statement of comprehensive income of the Group for the year is nil (2020: nil).

25 Investment securities

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Investment securities at fair value through other comprehensive income (FVTOCI) (see note (a) below)	**300,502**	272,436	**300,502**	272,436
Investment at fair value through profit or loss (FVTPL) (see note (b)	**56,774**	48,177	**56,774**	48,177
Investment securities at amortised cost (see note (c) below)	**30,232**	31,249	**30,232**	31,249
	387,508	351,862	**387,508**	351,862

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
(a) *Investment securities at fair value through other comprehensive income comprise:*				
- *Investments in debt securities:*				
Treasury bills	**256,918**	247,758	**256,918**	247,758
FGN Bonds	**16,572**	4,587	**16,572**	4,587
State Bonds	**4,036**	4,772	**4,036**	4,772
Commercial Paper	**53**	114	**53**	114
Corporate Bonds	**13,664**	7,236	**13,664**	7,236
FGN Promissory note	**6,311**	4,645	**6,311**	4,645
Total investment in debt securities	**297,554**	269,112	**297,554**	269,112
- *Equity instruments at fair value through other comprehensive income comprise:*				
Equity: Quoted — see Note (i) below	**1,777**	1,973	**1,777**	1,973
Unquoted — see Note (ii) below	**1,171**	1,351	**1,171**	1,351
Total investment in equity	**2,948**	3,324	**2,948**	3,324
Total investment securities at FVTOCI	**300,502**	272,436	**300,502**	272,436

		Group	Group	Bank	Bank
		Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
		₦ million	₦ million	₦ million	₦ million
(i)	Investment in REIT	1,777	1,973	1,777	1,973
(ii)	**Investment in unquoted equities**				
	Nigeria Auto Clearing System (NAC)	682	522	682	522
	Credit Reference Company	119	104	119	104
	NG Clearing Ltd	201	194	201	194
	Sanef Ltd	50	50	50	50
	Unique Venture Funds Ltd	119	481	119	481
		1,171	1,351	1,171	1,351
	Total investment in equity securities at FVTOCI	2,948	3,324	2,948	3,324

		Group	Group	Bank	Bank
(iii)	**Movement in debt securities at FVTOCI**	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
		₦ million	₦ million	₦ million	₦ million
	Balance, beginning of the year	269,112	177,213	269,112	177,213
	Addition in the year	36,383	94,000	36,366	93,552
	Fair value losses on debt instruments at FVOCI	(7,941)	(2,102)	(7,924)	(1,653)
	Balance, end of the year	297,554	269,112	297,554	269,112

		Group	Group	Bank	Bank
(iv)	**Movement in equity securities at FVTOCI**	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
		₦ million	₦ million	₦ million	₦ million
	Balance, beginning of the year	3,324	3,116	3,324	3,116
	(Disposal)/addition in the year	(42)	101	(42)	101
	Fair value (loss)/gain on equity instruments at FVOCI	(334)	107	(334)	107
	Balance, end of the year	2,948	3,324	2,948	3,324

(b)	*Investment at fair value through profit or loss comprise:*				
	Investment in equity				
	Afrexim Bank	7,183	6,102	7,183	6,102
	Africa Finance Corporation (AFC)	49,591	42,075	49,591	42,075
		56,774	48,177	56,774	48,177
(c)	*Investment securities at amortised cost comprise:*				
	Federal Government of Nigeria -Bonds	28,456	28,385	28,456	28,385
	State Government of Nigeria -Bonds	1,780	2,959	1,780	2,959
		30,236	31,344	30,236	31,344
	Stage 1 impairment	(4)	(95)	(4)	(95)
	Net investment securities at amortised cost	30,232	31,249	30,232	31,249
	Net Total -Fixed income securities	327,786	300,361	327,786	300,361

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL for investment securities at amortised cost is as follows:

	2021			2020		
	Stage 1 Individual			Stage 1 Individual		
	Gross carrying amount	ECL	Total	Gross carrying amount	ECL	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
As at January	31,344	95	31,249	35,199	33	35,166
Changes in ECL allowance	-	-	-	-	62	(62)
Assets derecognised or matured excluding write-offs	(1,108)	(91)	(1,017)	(3,855)	-	(3,855)
Balance as at December	30,236	4	30,232	31,344	95	31,249

Bank

	2021			2020		
	Stage 1 Individual			Stage 1 Individual		
	Gross carrying amount	ECL	Net total	Gross carrying amount	ECL	Net total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
As at January	31,344	95	31,249	35,199	33	35,166
Changes in ECL allowance	-	-	-	-	62	(62)
Assets derecognised or matured excluding write-offs	(1,108)	(91)	(1,017)	(3,855)	-	(3,855)
Balance as at December	30,236	4	30,232	31,344	95	31,249

26 Trading properties

This represents the cost of real estate properties held by the Group which are designated for resale. The movement on the trading properties account during the year was as follows:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**187**	187	**187**	187
Additions	**-**	-	**-**	-
Balance, end of year	**187**	187	**187**	187

27 Investment properties

These investment properties were revalued as at the year end 31 December 2021 by Messrs. Bode Adediji Partnership (FRC/2013/NIESV/00000001479), a firm of estate surveyors and valuers, using the open market basis of valuation, and their reports were dated 31 December 2021. The valuation report was signed by Mr. Oyebode Adedeji (FRC/2013/NIESV/00000001517). As at 31 December 2021 Investment properties have been carried at their fair value with the fair value difference recognised in profit or loss.

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	**4,817**	5,701	**-**	-
Additional cost capitalised during the year	**504**	-	**-**	-
Disposal	**(125)**	(1,248)	**-**	-
	5,196	4,453	**-**	-
Fair value gain (Note 13)	**30**	364	**-**	-
Balance, end of the year	**5,226**	4,817	**-**	-

Analysis of the proceeds from disposal of investment properties presented in the statement of cash flows is shown below:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Fair value of investment properties disposed	**125**	1,248	**-**	-
Gains on disposal of investment properties	**-**	38	**-**	-
Proceeds from disposal of investment properties	**125**	1,286	**-**	-

Rental income derived from derived from investment properties in 2021 is N85million (2020: N78million). This has been included in the Group rental income. There are no restrictions on the realisability of the investment properties.

27.1 Fair value hierarchy

Investment property is stated at fair value and has been determined based on valuations performed by Bode Adedeji Partnership, Estate Surveyors, Valuers and Property Consultants (FRC/2013/NIESV/00000001479).They are industry specialists in valuing these types of investment properties.

The fair value is supported by market evidence and represents the amount that would be received to sell the properties in an orderly transaction between market participants at the measurement date in the principal market to which the Group has access at the date of valuation. Valuations are performed on an annual basis and the fair value gains and losses are reported in profit or loss.

The fair value measurement for the investment properties of N5.226billion has been categorised as Level 3 based on the inputs into the valuation technique used.

27.2 Valuation technique and significant unobservable inputs

The following table show the techniques used in measuring the fair value of Investment property, as well as the significant unobservables input used:

Valuation Technique	Significant unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
The comparison method of valuation was employed in determining the current market value. In the Comparison method of valuation, the fair values are determined by applying the direct market evidence.This valuation model reflects the current price on actual transaction for similar properties in the neighborhood in recent time. References were made to prices of land and comparable properties in the neighborhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	-Outright sales price: per square meter N843,529 (2020:832,500) -Level of service and infrastructure provided	The estimated fair value would increase / (decrease) if: - the current rent increases (decreases), - the outright sale Price increases (decreases) - the level of service and infrastructure provided increases (decreases)

27.3 Maturity analysis for lease payment

The Group's lease are within a period of one to five years. UBN Preoperty Company Plc did not recognise any contingent rent as income during the year. (2020: Nil).

27.4 Future minimum lease payment

There are no future minimum lease payments as rent are received in advance by the Group.

28 Investment in subsidiaries

Cost

	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
UBN Property Company Plc	2,195	2,195
Union Bank UK Plc	-	-
	2,195	2,195

(a) The details of the investment in subsidiary/SPV during the year are as follows:

Company Name	Country Incorporation	Nature of business	Direct ownership interest Dec. 2021 Status/%	Direct ownership interest Dec. 2020 Status/%
UBN Property Company Plc (i)		Property Development	39	39

(i) **UBN Property Company Plc (Registered office at 36, Marina, Lagos)**

The Company has 5,626,416,051 ordinary shares of N1.00 each of which 39.01% (December 2020 - 39.01%) is held by the Bank. In line with IFRS 10- Consolidated Financial Statement, Union Bank of Nigeria Plc has control over this entity as it has the power, exposure to variability of returns and a strong link between power and variability of returns. The Bank also governs the financial and operating policies of UBN Property Company Plc.

(ii) **Union Bank UK Plc (Registered office at 1 Kings's Arm Yard, London, EC2R 7AF)**

The Bank directly holds 100% holdings of Union Bank UK's 60,000,000 ordinary shares of US$1 each and 99% of its 50,000 deferred shares of GBP 1 each and 1% indirect holding through Williams Street Trustee Limited, the nominee company of Union Bank of Nigeria Plc. Union Bank UK was incorporated in December, 2004 as an authorised United Kingdom subsidiary to carry out the business conducted by the London Branch of Union Bank of Nigeria Plc. Due to the Group's divestment plan, the cost of the investment Union Bank UK Limited has been classified as Discontinued operations in accordance with IFRS 5.

(b) **Involvement with unconsolidated structured entities**

The Group does not have any unconsolidated structured entity as at 31 December 2021.

(c) Condensed results of consolidated entities
(i) The condensed financial data of the continuing operations as at 31 December 2021, are as follows

Condensed statement of profit or loss and other comprehensive Income

Statement of profit or loss and other comprehensive income	*Group balances*	*Consolidation entries*	*Total*	*Bank*	*Union Properties*
	₦ million	₦ million	₦ million	₦ million	₦ million
Operating income before impairment loss	100,432	2	100,430	99,969	461
Net operating income after net impairment loss	100,141	(2)	100,144	99,683	461
Operating Expenses	(79,451)	(102)	(79,349)	(79,151)	(198)
Net impairment loss on financial assets	(291)	(5)	(286)	(286)	-
Profit before income tax	**20,690**	**(104)**	**20,795**	**20,532**	**263**
Taxation	(1,319)	104	(1,423)	(1,352)	(71)
Profit after income tax	**19,371**	**-**	**19,372**	**19,180**	**192**
Profit/Loss before tax from discontinued operations	**(2,452)**	**(2,452)**	-	-	-
Income tax expense from discontinued operations	-	-	-	-	-
Profit after income tax	**(2,452)**	**(2,452)**	-	-	-

Condensed Statement of financial position

	Group balances	*Consolidation entries*	*Total*	*Bank*	*Union Properties*
	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	407,143	(44,074)	451,217	445,804	5,413
Financial assets held for trading	1,485	-	1,485	1,485	-
Pledged assets	110,226	-	110,226	110,226	-
Derivative financial instruments	9,640	-	9,640	9,640	-
Loans and advances to customers	868,840	-	868,840	868,840	-
Investment securities	387,508	-	387,508	387,508	-
Assets held for sale	72,479	64,107	8,372	8,372	-
Trading properties	187	-	187	187	-
Investment properties	5,226	-	5,226	-	5,226
Investment in subsidiaries	-	(2,195)	2,195	2,195	-
Property and equipment	57,673	2	57,671	57,653	18
Intangible assets	3,783	1	3,782	3,782	-
Right-of-use assets	2,777	-	2,777	2,777	-
Deferred tax assets	95,688	(187)	95,875	95,875	-
Other assets	571,553	(7)	571,560	571,536	24
Defined benefit assets	1,561	-	1,561	1,561	-
Total assets	**2,595,769**	**17,647**	**2,578,122**	**2,567,441**	**10,681**
Financed by:					
Derivative financial instruments	8,684	-	8,684	8,684	-
Deposits from customers	1,355,910	(5,413)	1,361,323	1,361,323	-
Deferred tax liabilities	-	(187)	187	-	187
Current tax liabilities	1,420	-	1,420	1,356	64
Other liabilities	699,819	(9)	699,828	697,996	1,832
Liabilities held for sale	16,473	16,473	-	-	-
Lease Liabilites	1,895	-	1,895	1,895	-
Retirement benefit obligations	1,069	(1)	1,070	1,068	2
Debt securities issued	38,798	-	38,798	38,798	-
Long term subordinated bond	29,716	-	29,716	29,716	-
Other borrowed funds	175,118	-	175,118	175,118	-
Equity and reserves	266,867	6,784	260,083	251,487	8,596
Total liabilities and equity	**2,595,769**	**17,647**	**2,578,122**	**2,567,441**	**10,681**

(ii) The condensed financial data of the continuing operations as at 31 December 2020, are as follows:

Condensed statement of comprehensive income

Statement of profit or loss and other comprehensive income	Group balances	Consolidation entries	Total	Union Bank of Nigeria Plc	Union Properties
	N million	N million	N million	N million	N million
Operating income before impairment loss	101,881	(730)	102,611	100,861	1,750
Net operating income after net impairment loss	104,441	(654)	105,096	103,420	1,676
Operating Expenses	(78,467)	1,034	(79,501)	(77,995)	(1,506)
Net impairment loss on financial assets	2,560	1	2,559	2,559	-
Profit before income tax	**25,974**	**380**	**25,595**	**25,425**	**244**
Taxation	(845)	(54)	(791)	(772)	(19)
	25,129	**326**	**24,804**	**24,653**	**225**
Loss before tax for discontinued operation:	(6,457)	(6,457)	-	-	-
Income tax expense from discontinued operation	-	-	-	-	-
	(6,457)	**(6,457)**	**-**	**-**	**-**

Condensed Statement of financial position

	Group balances	Consolidation entries	Total	Bank	Union Properties
	N million	N million	N million	N million	N million
Cash and cash equivalents	270,707	3,148	267,559	262,730	4,829
Financial assets held for trading	52,212	-	52,212	52,212	-
Pledged assets	100,007	-	100,007	100,007	-
Derivative financial instrument	520	-	520	520	-
Loans and advances to customers	692,803	-	692,803	692,803	-
Investment securities	351,862	-	351,862	351,862	-
Assets held for sale	115,293	106,921	8,372	8,372	-
Trading properties	187	-	187	187	-
Investment properties	4,817	-	4,817	-	4,817
Investment in subsidiaries	-	(2,195)	2,195	2,195	-
Property and equipment	57,364	(1)	57,365	57,342	23
Intangible assets	5,212	1	5,211	5,211	-
Right-of-use assets	2,740	-	2,740	2,740	-
Deferred tax assets	95,595	(280)	95,875	95,875	-
Other assets	439,952	(295)	440,247	440,227	20
Defined benefit assets	1,475	-	1,475	1,475	-
Total assets	**2,190,746**	**107,299**	**2,083,447**	**2,073,758**	**9,689**
Financed by:					
Derivative financial instruments	2	-	2	2	-
Deposits from customers	1,126,287	(4,829)	1,131,116	1,131,116	-
Deferred tax liabilities	-	-	-	-	-
Deposits from BANKS	4,018	(280)	4,298	4,018	280
Current tax liabilities	797	-	797	778	19
Other liabilities	425,718	(336)	426,054	425,117	937
Liabilities held for sale	104,400	104,400	-	-	-
Lease Liabilities	1,812	-	1,812	1,812	-
Retirement benefit obligations	996	-	996	996	-
Debt securities issued	48,629	-	48,629	48,629	-
Long term subordinated bond	29,546	-	29,546	29,546	-
Other borrowed funds	184,223	-	184,223	184,223	-
Equity and reserves	264,318	8,344	255,974	247,521	8,453
Total liabilities and equity	**2,190,746**	**107,299**	**2,083,447**	**2,073,758**	**9,689**

29 Property and equipment

(a) **Group:**

The movement in these accounts during the year was as follows:

	Land	Buildings	Leasehold improvement	Fixtures and fittings	Furniture & equipment	Motor vehicles	Capital work-in-progress	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
(i) Cost								
Balance at 1st January, 2021	10,648	20,115	20,577	5,733	34,562	2,285	1,509	95,429
Additions	-	191	1,161	127	3,386	22	1,695	6,582
Disposals	(229)	(256)	(48)	(254)	(109)	(16)	-	(912)
Reclassification/transfer to intangible assets	-	133	316	138	738	-	(1,509)	(184)
Balance as at 31 December 2021	**10,419**	**20,183**	**22,006**	**5,744**	**38,577**	**2,291**	**1,695**	**100,915**
Balance at 1st January, 2020	12,859	21,633	17,982	4,852	29,075	2,149	2,716	91,266
Additions	17	114	150	503	5,910	192	1,510	8,396
Disposals	(2,257)	(1,711)	267	(8)	(429)	(4)	(2)	(4,144)
Reclassification/transfer to intangible assets	29	79	2,178	386	6	(52)	(2,715)	(89)
Balance as at 31 December 2020	10,648	20,115	20,577	5,733	34,562	2,285	1,509	95,429
(ii) Accumulated depreciation and impairment losses								
Balance at 1st January 2021	-	6,747	2,871	2,802	23,747	1,898	-	38,065
Charge for the year		372	410	491	4,133	203	-	5,609
Disposals		(107)	(6)	(172)	(138)	(9)	-	(432)
Balance as at 31 December 2021	**-**	**7,012**	**3,275**	**3,121**	**27,742**	**2,092**	**-**	**43,242**
Balance at 1st January, 2020	-	6,727	2,560	2,343	20,025	1,643	-	33,298
Charge for the year	-	394	399	462	3,763	286	-	5,304
Disposals		(374)	(88)	(3)	(41)	(31)	-	(537)
Balance as at 31 December 2020		6,747	2,871	2,802	23,747	1,898	-	38,065
(iii) Carrying amount								
Balance as at 31 December 2021	**10,419**	**13,171**	**18,731**	**2,623**	**10,835**	**199**	**1,695**	**57,673**
Balance as at 31 December 2020	10,648	13,368	17,706	2,931	10,815	387	1,509	57,364

(iv) In the opinion of the directors, the market value of the Group's properties is not less than the value shown in the financial statements.

(v) Capital work-in-progress represents construction costs in respect of new offices. On completion of construction, the related amounts are transferred to appropriate categories of property and equipment.

(vi) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2020: Nil)

(vii) There was no capital commitment relating to the acquisition of property and equipment during the year (December 2020:Nil)

(viii) There was no restriction to the use of property and equipment during the year (December 2020:Nil)

(b) **Bank:**

The movement in these accounts during the year was as follows:

	Land	Buildings	Leasehold improvement	Fixtures and fittings	Furniture & equipment	Motor vehicles	Capital work-in-progress	Total
(i) **Cost**	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1st January 2021	10,648	20,115	20,577	5,733	34,542	2,268	1,509	95,392
Additions	(18)	190	1,160	128	3,380	23	1,695	6,558
Disposals	(191)	(247)	(47)	(255)	(130)	-	-	(870)
Reclassification/transfer to intangible assets	-	133	316	138	738	-	(1,509)	(184)
Balance as at 31 December 2021	**10,439**	**20,191**	**22,006**	**5,744**	**38,530**	**2,291**	**1,695**	**100,896**
Balance at 1st January 2020	12,833	21,633	18,318	4,902	28,719	2,147	2,714	91,266
Additions	16	114	151	502	5,910	191	1,510	8,394
Disposals	(2,230)	(1,711)	(70)	(57)	(93)	(18)	-	(4,179)
Reclassification/transfer to intangible assets	29	79	2,178	386	6	(52)	(2,715)	(89)
Balance as at 31 December 2020	10,648	20,115	20,577	5,733	34,542	2,268	1,509	95,392

	Land	**Buildings**	**Leasehold improvement**	**Fixtures and fittings**	**Furniture & equipment**	**Motor vehicles**	**Capital work-in-progress**	**Total**
	₦ million	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**
(ii) **Accumulated depreciation and impairment losses**								
Balance at 1st January 2021	-	6,747	2,871	2,802	23,736	1,894	-	38,050
Charge for the year	-	373	410	492	4,126	198	-	5,599
Disposals	-	(108)	(6)	(172)	(120)	-	-	(406)
Balance as at 31 December 2021	**-**	**7,012**	**3,275**	**3,122**	**27,742**	**2,092**	**-**	**43,243**
Restated balance at 1st January 2020	-	6,755	2,496	2,343	20,106	1,632	-	33,332
Charge for the year	-	394	400	498	3,721	280		5,293
Disposals	-	(402)	(25)	(39)	(91)	(18)		(575)
Balance as at 31 December 2020	**-**	**6,747**	**2,871**	**2,802**	**23,736**	**1,894**	**-**	**38,050**
(iii) **Carrying amount**								
Balance as at 31 December 2021	**10,439**	**13,179**	**18,731**	**2,622**	**10,788**	**199**	**1,695**	**57,653**
Balance as at 31 December 2020	10,648	13,368	17,706	2,931	10,806	374	1,509	57,342

(iv) In the opinion of the directors, the market value of the Bank's properties is not less than the value shown in the financial statements.

(v) Capital work-in-progress represents construction costs in respect of new offices. On completion of construction, the related amounts are transferred to appropriate categories of property and equipment.

(vi) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2020: Nil)

(vii) There was no capital commitment relating to the acquisition of property and equipment during the year (December 2020:Nil)

(viii) There was no restriction to the use of property and equipment during the year (December 2020:Nil)

(c) The analysis of depreciation expense is as follows

		Group Dec. 2021	Group Dec. 2020	**Bank Dec. 2021**	Bank Dec. 2020
		₦ million	₦ million	**₦ million**	₦ million
Property and equipment	(see note 29 (a) and 29 (b))	**5,609**	5,304	**5,599**	5,293
Right of use asset	(see note 31)	**712**	512	**712**	512
		6,321	5,816	**6,311**	5,805

30 Intangible assets

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Cost				
Balance, beginning of the year	14,769	13,046	14,768	13,045
Additions	299	1,634	299	1,634
Transfers from property and equipment	184	89	184	89
Balance, end of year	15,252	14,769	15,251	14,768
Accumulated amortization and impairment losses				
Balance, beginning of the year	9,557	7,664	9,557	7,664
Amortisation for the year	1,912	1,893	1,912	1,893
Balance, end of year	11,469	9,557	11,469	9,557
Carrying amounts as at year end	3,783	5,212	3,782	5,211
Balance as at 1 January	5,212	5,382	5,211	5,381

(i) An amount of N184 million (2020: N89 million) was transferred from capital work-in-progress under property and equipment. In tl directors, the market value of the Group's software is not less than the value shown in the financial statements.

(ii) There were no capitalised borrowing costs related to the acquisition of software during the year (December 2020: nil)

31 Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property.

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Gross Amount	3,781	3,450	3,781	3,450
Addition	889	431	889	431
Derecognition	(140)	(100)	(140)	(100)
	4,530	3,781	4,530	3,781
Accumulated depreciation	1,041	529	1,041	529
Charge in the year	712	512	712	512
	1,753	1,041	1,753	1,041
Carrying Amount at year end	2,777	2,740	2,777	2,740

The Group addition to the right of use assets was N889million (2020: N431 million) while N140million (2020: N100 million) relating to closure of some branches was derecognised from right of use asset, with a further depreciation of N712 million during the year 31 December 2021 (31 December 2020: depreciation was N512 million).

The group had a total cash outflow for leases of N99 million during the year (2020: N107 million).

32 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Group

31 December 2021

	Assets	Liabilities	Net
	₦ million	₦ million	₦ million
Property, equipment, and software	-	7,034	(7,034)
Foreign exchange gains	-	192	(192)
Allowances for loan losses	573	-	573
Tax loss carry forward	100,630	-	100,630
Others	1,711	-	1,711
Net tax assets (liabilities)	102,914	7,226	95,688

31 December 2020

	Assets	Liabilities	Net
	₦ million	₦ million	₦ million
Property, equipment, and software	-	7,127	(7,127)
Foreign exchange gains	-	192	(192)
Allowance for loan losses	573	-	573
Tax loss carry forward	100,630	-	100,630
Others	1,711	-	1,711
Net tax assets (liabilities)	102,914	7,319	95,595

Bank

31 December 2021

	Assets	Liabilities	Net
	₦ million	₦ million	₦ million
Property, equipment, and software	-	6,847	(6,847)
Foreign exchange gains	-	192	(192)
Allowance for loan losses	573	-	573
Tax loss carry forward	100,630	-	100,630
Others	1,711	-	1,711
Net tax assets (liabilities)	102,914	7,039	95,875

Bank

31 December 2020

	Assets	Liabilities	Net
	₦ million	₦ million	N million
Property, equipment, and software	-	6,847	(6,847)
Foreign exchange gains	-	192	(192)
Allowance for loan losses	573	-	573
Tax loss carry forward	100,630	-	100,630
Others	1,711	-	1,711
Net tax assets (liabilities)	102,914	7,039	95,875

Deferred tax assets and liabilities

Movement on the net deferred tax assets/(liabilities) account during the year:

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Deferred tax assets:				
Balance, beginning of the year	95,875	95,875	95,875	95,875
Credit for the year	-	-	-	-
Balance, end of the year	95,875	95,875	95,875	95,875
Deferred tax liabilities:				
Balance, beginning of the year	280	226	-	-
Charge for the year (see note 17 (a))	(93)	54	-	-
Balance, end of the year	187	280	-	-
Net deferred tax assets/(liabilities)	95,688	95,595	95,875	95,875
Made up of				
Deferred tax assets	102,914	102,914	102,914	102,914
Deferred tax liabilities	(7,226)	(7,319)	(7,039)	(7,039)

Recognised and unrecognised deferred tax assets

Recognition of deferred tax assets of N95.688bn (December 2020: N95.595bn) was based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicate that it is probable that the Group's entities will have taxable profits against which these assets can be utilized. As at year end, the Bank and Group have unrecognised deferred tax assets of N109.563billion (2020: N108.038billion).

The Bank and the Group have recognised only a protion of deferred tax assets for which it is probable that there will be future taxable profits for which the asset will be utilised. However, this amount is not sufficient to recognise the full amount of deductible temporary differences.

33 Other assets

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Cash Reserve Requirement (see (i))	454,802	356,452	454,802	356,452
Other assets:				
Clearing	486	333	486	333
Accounts receivable	1,199	1,220	163	177
Prepayments	5,728	3,499	5,727	3,774
Receivable on FX (see (ii))	36,036	21,955	36,036	21,955
Repossessed assets (see (v))	18,584	5,493	18,584	5,493
Sundry assets (see (iii))	62,547	58,219	62,525	58,219
	124,580	90,719	123,521	89,951
Allowance for impairment on other assets (see (iv))	(7,829)	(7,219)	(6,787)	(6,176)
Net other assets	116,751	83,500	116,734	83,775
	571,553	439,952	571,536	440,227

(i) The Bank had restricted balances of N454.80 billion (December 2020: N356.45billion) with the Central Bank of Nigeria (CBN) as at 31 December 2021, representing the cash reserve requirement (CRR). The CRR is a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement. The CRR is non-interest bearing and is not available for use in the Group's day-to-day operations. As at 31 December 2021, the CRR in force was 27.5% (Dec 2020: 22.5%).

(ii) **Receivable on FX**

The balance represents the value of foreign currency receivable from Central Bank of Nigeria (CBN).

(iii) **Other Sundry assets**

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Frauds and losses	**1,493**	1,536	**1,493**	1,536
Advance payments for PPE	**577**	577	**577**	577
Receivable from Union Homes	**2,608**	2,608	**2,608**	2,608
Property under dispute	**1,352**	1,352	**1,352**	1,352
Garnishee Order	**1,291**	1,291	**1,291**	1,291
FX forward receivable	**32,148**	5,933	**32,148**	5,933
ATM receivable	**1,361**	2,080	**1,361**	2,080
Dividend Receivable	**396**	396	**396**	396
Receivable on electronic transfers and collections	**5,422**	894	**5,421**	894
Master/Visa card electronic settlement	**538**	449	**538**	449
Witholding tax receivable	**3,568**	-	**3,568**	-
Asset below capitalisation	**13**	462	**13**	462
Investment in AgriBusiness/SMEEIS	**4,810**	3,577	**4,810**	3,577
Discounted FX receivable	**-**	219	**-**	219
Prepaid inventory items	**-**	28	**-**	28
E-settlement receivable	**2,091**	15	**2,091**	15
Cash in Transit	**123**	-	**123**	-
Prepaid staff benefit	**1,301**	289	**1,301**	289
Stock items	**682**	204	**682**	204
Other account balances	**2,773**	36,309	**2,752**	36,309
Balance, end of year	**62,547**	58,219	**62,525**	58,219

(iv) **Movement in impairment on other assets:**

		Group	Group	**Bank**	Bank
		Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
		₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year		**7,219**	7,425	**6,176**	6,231
Charge/(reversal) for the year	14(b)	**325**	(307)	**320**	(306)
Effect of exchange rate		**285**	101	**291**	251
Balance, end of year		**7,829**	7,219	**6,787**	6,176

Impairment allowances are charged on other sundry assets which are doubtful of recovery.

IFRS 9 expected credit loss was computed only for the components of other assets that qualify for such i.e., the components of other assets that are financial.

(v) Repossessed assets is made of properties 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'.

34 Deposits from banks

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Other deposits from banks	**-**	4,018	**-**	4,018
	-	4,018	**-**	4,018

35 Deposits from customers

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Term deposits	425,436	359,281	430,849	364,110
Current deposits	532,198	398,618	532,198	398,618
Savings	398,276	368,388	398,276	368,388
	1,355,910	1,126,287	1,361,323	1,131,116
Low-cost deposits	930,474	767,006	930,474	767,006
Low-cost deposits as % of total customer deposits	68.62%	68.1%	68.4%	67.8%
Deposits by currency				
Local currency deposits	1,037,538	955,355	1,037,538	955,355
Foreign currency deposits	318,372	170,932	323,785	175,761
Total customers deposits	1,355,910	1,126,287	1,361,323	1,131,116

36 Current income tax liabilities

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Balance, beginning of year	797	486	778	380
Charge for the year	1,412	791	1,352	772
Payments during the year	(789)	(480)	(774)	(374)
Balance, end of year	1,420	797	1,356	778

37 Other liabilities

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Financial liabilities:				
Deposits for foreign currency	482,374	240,886	482,374	240,886
Due to foreign correspondent banks	71,887	57,129	71,887	57,129
Trading liabilities	44,547	70,131	44,547	70,131
Electronic collections and other e-payment liabilities	33,790	22,479	33,790	22,479
Open buy back takings/repurchase transactions	23,585	3,750	23,585	3,750
Accounts payable	6,258	5,095	4,445	4,495
Creditors and accruals (see note (b) below)	4,552	7,171	4,552	7,171
Draft and bills payable	2,173	4,538	2,173	4,538
AMCON contribution payable	908	1,362	908	1,362
Other provisions (see note (a) below)	4	4	4	4
	670,078	412,545	668,265	411,945
Non financial liabilities:				
Provision for fraud	59	102	59	102
Unearned income	1,114	576	1,114	576
PAYE and other statutory deductions	1,207	643	1,197	643
Provision for claims and contingencies (see note (c) below)	4,283	3,717	4,283	3,717
Other credit balances (see note (d) below)	23,078	8,135	23,078	8,134
	29,741	13,173	29,731	13,172
Total other liabilities	699,819	425,718	697,996	425,117

i. Deposits for foreign currency are deposits received from customers which are set aside for the purchase of foreign currencies from CBN and/or other parties.

ii. Trading liabilities are liabilities recognised on collaterals held by the Bank in respect of loans and similar assets issued to customers. The Bank is obligated to return the collaterals back to the customers at maturity of the loans provided the customer has fulfilled its part of the agreement.

iii. Provision for fraud relates to provision made with respect to fraud related transactions on customers account.

(a) Other provisions relate to IFRS 9 provisions on Letters of credit and financial guarantees. See details below:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Allowance on letters of credit	**4**	4	**4**	4
Allowance on guarantees	**-**	-	**-**	-
	4	4	**4**	4

The movement on other provision during the year was as follows:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	**4**	257	**4**	257
(Reversals)/charge during the year	**-**	(253)	**-**	(253)
Balance, end of year	**4**	4	**4**	4

(b) Creditors and Accruals comprise the following:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Accrued IT consumables	**254**	617	**254**	617
Accruals for professional and consultancy fees	**102**	134	**102**	134
Accrual for Industrial Training Fund Levy	**230**	263	**230**	263
Accrual for advertisement	**61**	204	**61**	204
Accrual for staff related allowances	**3,285**	4,129	**3,285**	4,129
Accrual for repairs and maintenance expenses	**174**	238	**174**	238
Accrued donations and subscriptions	**-**	37	**-**	37
Other accruals	**446**	1,549	**446**	1,549
	4,552	7,171	**4,552**	7,171

(c) The movement on provision for claims and contingencies during the year is as follows:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**3,717**	2,595	**3,717**	2,595
Charge/(reversal) during the year	**566**	1,122	**566**	1,122
Balance, end of the year	**4,283**	3,717	**4,283**	3,717

(d) **Other credit balances**

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Vendor retention fee payable	**107**	114	**107**	114
Accrual for Audit Fee	**185**	109	**185**	109
ATM Payable	**208**	-	**208**	-
Franchise collections	**738**	2,012	**738**	2,012
Insurance payable	**352**	-	**352**	-
Interest payable on cash collateral	**320**	-	**320**	-
Others	**1,288**	5,900	**1,288**	5,899
POS payable	**1,710**	-	**1,710**	-
Settlement for e-business transaction	**18,170**	-	**18,170**	-
	23,078	8,135	**23,078**	8,134

Settlement for e-business transaction relates to transactions carried out on all the Bank's e-platforms awaiting settlement as at year end.

38 **Lease Liabilities**

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Lease Liability	**1,895**	1,812	**1,895**	1,812

(i) Lease liabilities are payable as follows

31 December 2021

	Future minimum lease payments ₦ million	Interest expense ₦ million	Present value of minimum lease payments ₦ million
Less than one year	45	0	45
Between one and five years	878	76	802
More than five years	1,140	92	1,048
	2,063	168	1,895

31 December 2020

	Future minimum lease payments ₦ million	Interest expense ₦ million	Present value of minimum lease payments ₦ million
Less than one year	369	42	327
Between one and five years	1,369	153	1,216
More than five years	306	37	269
	2,044	232	1,812

The future minimum lease payments extend over a number of years, analysed as follows:

	Dec. 2021 ₦ million	Dec. 2020 ₦ million
Not later than one year		
< 1 year	**45**	369
Between one and five years		
>1 but <= 5years	**878**	1,369
More than five years		
> 5years	**1,140**	306
Future finance charges	**2,044**	232
Present Value of future minimum lease payments	**1,895**	1,812
The present value of finance lease liabilities is as follows:		
Not later than one year		
< 1 year	**45**	327
Between one and five years		
>1 but <= 5years	**802**	1,216
More than five years		
> 5years	**1,048**	269
As at 31 December	**1,895**	1,812

39 Employee benefit obligations

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Post-employment benefit obligation (see (a) below)	339	81	338	81
Other long-term employee benefits (see (b) below)	730	915	730	915
	1,069	996	1,068	996

(a) Post-employment benefit obligation

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Defined contribution scheme (see (i) below)	339	81	338	81
	339	81	338	81
Defined benefit asset	1,222	1,395	1,223	1,395
Net defined benefit assets (see 39a(iii) below)	1,561	1,475	1,561	1,475

(i) Defined Contribution Scheme

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	81	81	81	81
Charge during the year	969	429	969	420
Contribution remitted during the year	(711)	(429)	(712)	(420)
Balance, end of year	339	81	338	81

The Group and its employees make respective contributions of 10% and 8% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with employees' nominated Pension Fund Administrators.

(ii) Defined benefit obligation

The Management of the Bank, in compliance with the Pension Reform Act 2014 and in line with the Trust Deed guiding the Bank's Pension Fund, bought an annuity programme with Leadway Assurance Company Plc for its Defined Benefit (DB) Scheme Pensioners.

Prior to this, the Bank engaged the Union Bank Pensioners' Association at both the National and Zonal Levels, conducted a roadshow across the country for its Pensioners under the Defined Benefit Scheme to get their buy-in for the Annuity Programme. Over 4,700 DB Pensioners have subscribed to the annuity program.

The benefits of the annuity program include;

- The transfer of risks associated with managing future income
- Longevity Risk: There is no fear of lack of income no matter how long the Annuitant lives
- Investment Risk: The Risk of Investment is borne by Leadway Assurance. This is not the case if the Bank continues to manage the fund.

(iii) The following table shows a reconciliation from opening balances to the closing balances for net defined benefit (asset)/liability and its components for employees' defined benefits pension scheme.

Group

	Gross defined benefit liability		Fair value of plan assets		Net defined benefit (asset) liability	
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	1,652	1,369	(3,127)	(2,764)	(1,475)	(1,395)
Included in profit or loss						
Current service costs and interest	115	169	(225)	(358)	(110)	(189)
	115	169	(225)	(358)	(110)	(189)
Contribution paid to the plan	-	-	(1)	(3)	(1)	(3)
	115	169	(226)	(361)	(111)	(192)
Remeasurement of defined benefit obligation	(438)	321	(42)	(209)	(480)	112
	(438)	321	(42)	(209)	(480)	112
Others						
Benefits paid by the plan	(200)	(207)	705	207	505	-
	(200)	(207)	705	207	505	-
Balance, end of year (see note 39(a) above)	1,129	1,652	(2,690)	(3,127)	(1,561)	(1,475)

Bank

	Gross defined benefit liability		Fair value of plan assets		Net defined Benefit (asset) liability	
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million	**₦ million**	₦ million
Balance, beginning of the year	**1,652**	1,369	**(3,127)**	(2,764)	**(1,475)**	(1,395)
Included in profit or loss						
Current service costs and interest	**115**	169	**(225)**	(358)	**(110)**	(189)
Settlement gain/(loss))	**-**	-	**-**	-	**-**	-
	115	169	**(225)**	(358)	**(110)**	(189)
Contribution paid to the plan	**-**	-	**(1)**	(3)	**(1)**	(3)
	115	169	**(226)**	(361)	**(111)**	(192)
Remeasurement of defined benefit obligation	**(438)**	321	**(42)**	(209)	**(480)**	112
	(438)	321	**(42)**	(209)	**(480)**	112
Others						
Benefits paid by the plan	**(200)**	(207)	**704**	207	**505**	-
	(200)	(207)	**704**	207	**505**	-
Balance, end of year	**1,129**	1,652	**(2,691)**	(3,127)	**(1,561)**	(1,475)

(iv) Plan assets

Plan assets for funded obligations consist of the following:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Quoted Equities	**145**	20	**145**	20
Unquoted Equities	**13**	1,233	**13**	1,233
FGN Bonds	**776**	776	**776**	776
Cash at Bank	**1,757**	1,098	**1,757**	1,098
	2,691	3,127	**2,691**	3,127

(v) Actuarial assumptions

The following were the principal actuarial assumptions at reporting date (expressed as weighted averages).

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
- Discount rate	**13%**	7.5%	**13%**	7.5%
- Average rate of inflation	**12%**	12.0%	**12%**	12.0%

(vi) Sensitivity analysis

Reasonably possibility changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below.

		Group	Group	**Bank**	**Bank**
		Dec. 2021	Dec. 2020	**Dec. 2021**	**Dec. 2020**
	Movement	**₦ million**	₦ million	**₦ million**	₦ million
Discount rate	+1%	**1,083**	1,564	**1,083**	1,564
	-1%	**1,180**	1,750	**1,180**	1,750
Pension Increase Rate	+1%		-		-
	-1%		-		-
Mortality	Future Mortality Improvement (2% p.a)	**1,100**	1,599	**1,100**	1,599
	Future Mortality Improvement (0% p.a)	**1,159**	1,705	**1,159**	1,705

Although this analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

(vii) The weighted average liability duration for the plan is 6.35 years.

(b) Other long-term employee benefits

Other long-term employee benefit represents liability in respect of long service award.

The basis of determining the benefit due to an employee is as stated below:

Length of service	Transaction officer and below	Executive trainee- Manager	Senior Manager - General Manager
10 years	10% of Annual Basic Salary Cash Award of N75,000	10% of Annual Basic Salary and Cash Award of N120,000	10% of Annual Basic Salary Cash Award of
15 years	15% of Annual Basic Salary Cash Award of N100,000	15% of Annual Basic Salary and Cash Award of N175,000	15% of Annual Basic Salary Cash Award of
20 years	20% of Annual Basic Salary Cash Award of N125,000	20% of Annual Basic Salary and Cash Award of N220,000	20% of Annual Basic Salary Cash Award of
25 years	25% of Annual Basic Salary Cash Award of N150,000	25% of Annual Basic Salary and Cash Award of N250,000	25% of Annual Basic Salary Cash Award of
30 years	30% of Annual Basic Salary Cash Award of N175,000	30% of Annual Basic Salary and Cash Award of N300,000	30% of Annual Basic Salary Cash Award of
35 years	35% of Annual Basic Salary Cash Award of N250,000	35% of Annual Basic Salary and Cash Award of N375,000	35% of Annual Basic Salary Annual Basic Salary

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

	Group Dec. 2021	Group Dec. 2020	**Bank Dec. 2021**	Bank Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Present value of unfunded obligation	**730**	915	**730**	915
Total present value of the obligation	**730**	915	**730**	915
Present value of net obligation	**730**	915	**730**	915
Recognized liability for defined benefit obligations	**730**	915	**730**	915

The movement of other long-term employee benefit is as stated below:

	Group Dec. 2021	Group Dec. 2020	**Bank Dec. 2021**	Bank Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	**915**	761	**915**	759
Included in profit or loss				
Current service costs and interest	**197**	361	**197**	361
Remeasurement gain or loss	**(306)**	(166)	**(306)**	(164)
Curtailment	**-**	-	**-**	-
	(109)	195	**(109)**	197
Others				
Benefits paid by long service award plan	**(76)**	(41)	**(76)**	(41)
	(76)	(41)	**(76)**	(41)
Balance, end of year	**730**	915	**730**	915

(i) Current service cost, interest cost and remeasurement recognised in profit or loss

The current service cost, interest cost and long-service award is recognised as personnel expenses, while the remeasurement gain on defined benefit obligation is recognised in other comprehensive income. See break-down below:

	Group Dec. 2021	Group Dec. 2020	**Bank Dec. 2021**	Bank Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Defined benefit obligation (see note 39(a)(iii) above)	**(110)**	(189)	**(110)**	(189)
Long service award (see note 39(b)(i) above)	**197**	361	**197**	361
Total cost recognised in profit or loss	**(109)**	172	**(109)**	172
Recognised in other comprehensive income:				
Remeasurement of defined benefit obligation	**(480)**	112	**(480)**	112
Total cost recognised in other comprehensive income	**(480)**	112	**(480)**	112

40 Debt securities issued

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Short-term bonds	32,262	42,111	32,262	42,111
Long-term bonds	6,536	6,518	6,536	6,518
	38,798	48,629	38,798	48,629

This represents the outstanding balance on the Bank's Debt Issuance Program. The short-term bonds are senior commercial bonds with a maturity tenor of nine (9) months while the long-term bonds are senior unsecured fixed rate bonds with a maturity tenor of seven (7) years.

The terms of the instruments are as follows

	Short term	Long term
Contractual rate	10.00%	15.75%
Maturity date	January 14, 2022	September 3, 2025

41 Long-term subordinated bonds

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Series 3 bonds	29,716	29,546	29,716	29,546
	29,716	29,546	29,716	29,546

Amount represents the outstanding balance of a N30 billion subordinated unsecured fixed-rate bonds. It forms part of the N100 billion domestic bond programme of the Bank. Interest is payable at a rate of 16.2% per annum. The instrument matures on the 27 June 2029.

42 Other borrowed funds

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Due to CACS (see (a))	622	3,862	622	3,862
BOI on-lending facilities (see note (b))	1,294	2,093	1,294	2,093
SME on-lending scheme	1,356	1,279	1,356	1,279
Short-term borrowings	5,256	-	5,256	-
CBN RSSF on-lending (see (c))	15,617	17,571	15,617	17,571
LCY mid-term borrowings	22,050	-	22,050	-
Trade finance lending (see (d))	31,373	56,365	31,373	56,365
Other borrowings (see (e))	97,550	103,053	97,550	103,053
	175,118	184,223	175,118	184,223

(a) This represents the outstanding balance on an unsecured facility of N18,167,000,000 disbursed by the Central Bank of Nigeria (CBN), as part of its developmental role, in collaboration with the Federal Government of Nigeria represented by the Federal Ministry of Agriculture and Water Resources which established the Commercial Agriculture Credit Scheme for promoting agricultural enterprises in Nigeria. The funds are made available to participating banks at 1%, for on-lending to commercial agricultural enterprises at a new rate of 5.00% p.a.

(b) This represents the outstanding balance of an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing / or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facility is secured by Federal Government of Nigeria securities worth N1.29billion (Dec. 2020: N2.1 billion) and has a 15-period tenor and repayable quarterly.

A management fee of 1% , deductible at source, is paid by the Bank to BOI under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

(c) The amount of N15.6bn (December 2020: N17.6bn) represents the outstanding balance on the Real Sector Support Facility (RSSF). The Facility is given by the Central Bank of Nigeria to support large enterprises for startups and expansion financing needs. The real sector activities targeted by the Facility are manufacturing, agricultural value chain and selected service sub-sectors. The Facility is administered at an all-in Interest rate/charge of 5% per annum payable on quarterly basis. The Central Bank of Nigeria is entitled to earn 1% as interest while the Bank is entitled to 4%.

(d) Trade finance lending include balances from the following financial institutions.

	Bank	Bank	Bank	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	$ million	$ million	**₦ million**	₦ million
Mashreq Bank	**26**	57	**11,183**	22,868
Access Bank UK	**47**	49	**20,190**	19,465
Commerz Bank Germany	**-**	30	**-**	11,999
Citibank N.A. UK	**-**	5	**-**	2,033
	73	141	**31,373**	56,365

(i) Mashreq Bank
The amount of N11,183 million (US$26.0 million) represents seventeen trade finance facilities granted by Mashreq bank in September and December 2021. Interest is payable at an average of 5.68% per annum. The facilities mature in March, June 2022.

(ii) Access Bank Nigeria PLC
The amount of N20,190 million (US$47 million) represents four trade finance facilities granted by Access Bank Plc in March, June, and November 2021. Interest is payable at an average rate of 5.31% per annum. The facilities mature in February, April, and August 2022.

(e) Other borrowings consist of the balances of foreign currency denominated liabilities obtained from the financial institutions below:

	Bank	Bank	Bank	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	$ million	$ million	**N million**	N million
United States International Development Finance Corporation	**150**	146	**62,168**	58,396
Afreximbank	**84**	112	**35,382**	44,657
	234	258	**97,550**	103,053

(i) United States International Development Finance Corporation
The amount of N62,168 million (US$150 million) represents the principal of US$150 million long-term facility granted by United States International Development Finance Corporation on April 2020. Interest is payable quarterly at LIBOR + 3.95% per annum respectively. Final repayments on these facilities are due April 2030.

(ii) AFREXIM Bank
The amount of N35,382 million (US$84 million) represents the outstanding balances from two facilities: a taking of US$75 million and an amortising medium-term facility of US$ 75 million granted by African Export - Import Bank on December 29, 2017 and July 29, 2016 respectively. Principal and interest is payable quarterly at LIBOR + 6.47% and LIBOR + 9.00% per annum respectively. Final repayments on these facilities are due September 2023 and March 2023 respectively.

43 Discontinued operations

In line with the Bank's vision to be Nigeria's most reliable and trusted banking partner, the Bank optimized its business model by streamlining its business to focus more on core banking for the Nigerian market, where the Bank continues to grow and thrive. This led to a strategic decision to divest of the Bank's UK subsidiary (Union Bank UK Limited). The divestment allows the Bank to channel its focus and capital towards mining the enormous opportunities that the Nigerian market presents. Through the sale, the Bank is better positioned to deliver greater value to its organization and stakeholders as well as continue to build the future of banking in Nigeria.

The fair value of the disposal group, which is greater than the carrying amount, is based on the offer price by a prospective buyer. The disposal group has therefore been measured as the carrying amount which is the lesser of the carrying amount and the fair value less costs to sell in line with the requirements of IFRS 5.

(a) Loss for the year from discontinued operations

Loss for the year from discontinued operations represents the operating results of subsidiaries held for sale in line with the Bank's divestment plan. Included in discontinued operations are the results and balances of Union Bank UK Limited. The Group is in process of concluding the sale of Union Bank UK.

	Group	Group
	Dec. 2021	Dec. 2020
	₦ million	₦ million
Gross income	**2,019**	2,656
Gross expense	**(4,471)**	(9,113)
Interest Income	**1,279**	2,252
Interest Expense	**(194)**	(601)
Net interest income	**1,085**	1,651
Recoveries on credit losses	**221**	-
Net interest income after impairment charge for credit losses	**1,306**	1,651
Net fee and commission income	**494**	376
Net trading income	**-**	152
Other operating (expense)/income	**25**	(124)
Total operating income	**519**	404
Total non-interest income	**519**	404
Operating Income	**1,825**	2,055
Net impairment loss on financial assets	**-**	(4,694)
Net operating income after net impairment loss on other financial assets	**1,825**	(2,639)
Personnel expenses	**(2,645)**	(2,409)
Depreciation and amortisation	**(256)**	(283)
Other operating expenses	**(1,376)**	(1,126)
Total expenses	**(4,277)**	(3,818)
Loss before tax from discontinued operations	**(2,452)**	(6,457)
Income tax expense	**-**	-
Loss from discontinued operations (net of tax)	**(2,452)**	(6,457)

(b) Assets classified as held-for-sale

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	38,184	86,195	-	-
Investments in subsidiaries	-	-	8,372	8,372
Loans and advances to customers	19,408	15,584	-	-
Investment securities	12,844	11,334	-	-
Property and equipment	39	68	-	-
Intangible assets	104	150	-	-
Right-of-use assets	1,031	1,208	-	-
Other assets	870	754	-	-
	72,479	115,293	8,372	8,372

(c) Liabilities for assets classified as held-for-sale

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Deposits from banks	9,979	68,808	-	-
Deposits from customers	4,972	33,749	-	-
Other liabilities	1,523	1,843	-	-
	16,473	104,400	-	-

44 Capital and reserves

Share capital	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
(a) Authorised :				
35,000,000,000 (Dec 2020: 35,000,000,000)				
Ordinary shares of 50 kobo each	**17,500**	17,500	**17,500**	17,500

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
(b) Issued and fully paid -				
29,264,484,854 (Dec. 2020: 29,264,484,854)				
Ordinary shares of 50kobo each	**14,632**	14,632	**14,632**	14,632

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Balance, beginning of year	**14,632**	14,607	**14,632**	14,607
Addition during the year (See (c)below)	-	25	-	25
Balance, end of year	**14,632**	14,632	**14,632**	14,632

All shares rank equally. The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at meetings of the Bank.

In 2014, the shareholders gave the Board of Directors approval to set aside up to 570,693,750 ordinary shares of 50kobo each from the Bank's unissued ordinary shares, representing three percent (3%) of authorized share capital, to fund an Employee Share Incentive Scheme (see note 15 (i)).

The total units of the Bank's ordinary shares issued to its key management personnel during the year is nil (2020: 51,548,316 units). The shares were valued at the market price of the shares.

(c) Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

	Group Dec. 2021 ₦ million	Group Dec. 2020 ₦ million	Bank Dec. 2021 ₦ million	Bank Dec. 2020 ₦ million
Balance, beginning of year	**133,458**	133,235	**133,458**	133,235
Transfer from share premium	-	-	-	-
Employee Share Incentive Scheme	-	223	-	223
Balance, end of year	**133,458**	133,458	**133,458**	133,458
Share capital and share premium	**148,090**	148,090	**148,090**	148,090

(d) Other reserves

Other reserves recognised in the statement of financial position consist of statutory reserves, fair value reserve, share-based payment reserve, regulatory risk reserve and other reserves.

(e) Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.15(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital. The Bank made a transfer of N2,874million to statutory reserves during the period ended 31 December 2021 (31 December 2020: N3,698million).

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	36,151	32,453	36,151	32,453
Transfer from retained earnings	2,877	3,698	2,877	3,698
	39,028	36,151	39,028	36,151

(f) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of financial instruments at fair value through other comprehensive income.

		Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
		₦ million	₦ million	₦ million	₦ million
Balance, beginning of year		19,079	21,074	18,414	19,960
Fair value changes during the year		(11,116)	(1,995)	(11,099)	(1,546)
Balance, end of year		7,963	19,079	7,315	18,414
Fair value changes during the year comprises:					
Net change in fair value of equity instruments at FVOCI	25(a)	(334)	106	(334)	107
Net change in fair value of debt instruments at FVOCI	25(a)(iii)	(7,941)	(2,101)	(7,924)	(1,653)
Transfer to/(from) retained earnings		(2,841)	-	(2,841)	-
		(11,116)	(1,995)	(11,099)	(1,546)

(g) Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment on loans and advances computed under Nigerian GAAP based on the Central Bank of Nigeria prudential guidelines and provisions specified by the central banks of foreign subsidiaries, compared with the expected credit loss model used in calculating the impairment under IFRSs.

The movement in regulatory risk reserve during the year is as shown below:

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	7,674	3,331	7,674	3,331
Excess of CBN prudential provision over IFRS provision during the year	18,160	4,343	18,160	4,343
Balance, end of year	25,834	7,674	25,834	7,674

(h) Share-based payment reserve

This represents the provision for liabilities under the equity settled portion of the Group's shares incentive scheme which enables key management personnel to benefit from the performance of the Group. Share-based payment reserve is not available for distribution to shareholders.

The movement is shown below

	Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	-	-	-	-
Additional shares awarded during the year (See note 15)	-	248	-	248
Vested shares during the year (See note 15)	-	(248)	-	(248)
Balance, end of year	-	-	-	-

The Bank did not award its shares to its employees during the year ended December 31, 2021. 51,548,316 units of share was awarded to key management personnel of the Bank under the Bank’s share-based incentive scheme during the year 31 December 2020.

(i) Other reserves

The other reserves are as follows:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Translation reserve (see (i) below)	**20,213**	19,351	**1,895**	1,895
Excess clawback reserves (see (ii) below)	**(14,918)**	(14,918)	**(14,918)**	(14,918)
Other SMEEIES reserves (see (iii) below)	**6,774**	6,774	**6,774**	6,774
Capital reserve (see (iv) below)	**5,489**	5,489	**5,489**	5,489
Impairment on reserve on debt securities at FVTOCI	**322**	414	**322**	414
Impairment on reserve on pledge assets at FVTOCI	**7**	36	**7**	36
Equity component of employee benefit remeasurement (see (vi) below)	**3,002**	2,522	**3,002**	2,522
	20,889	19,668	**2,571**	2,212

(i) Translation reserve

The translation reserve comprises all foreign currency difference arising from the translation of the financial statements of Union Bank UK Limited, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

(ii) Excess capital clawback reserves

Under the recapitalisation plan of the Bank executed in 2011, the Asset Management Company of Nigeria (AMCON) provided Financial Accommodation to bring the Bank's Completion Net Assets Value (NAV) to zero.

The Financial Accommodation provided by AMCON exceeded the Bank's Completion NAV of zero, calculated as at 31 December 2011, by N14.918 billion. This excess amount was refunded to AMCON during the year ended 31st December, 2012.

(iii) Agricultural/Small and Medium Enterprises Investment Scheme (AGSMEIS/SMEEIS):

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contribution was 10% of profit after tax for the first 5 (five) periods , and thereafter reduced to 5% of profit after tax.

In April 2017, the Central Bank of Nigeria issued guidelines to govern the operations of the Agricultural/Small and Medium Enterprises Scheme (AGSMIES), which was established to support the Federal Government's efforts at promoting agricultural businesses and Small and Medium Enterprises (SMEs) as vehicles for achieving sustainable economic development and employment generation.

Though there is no longer mandatory transfers to this reserve under the earlier directives, all Nigerian banks are now required to set aside an amount equal to 5% of their annual Profit After Tax (PAT) towards the funding of equity investments, which qualify under the AGSMEIS Scheme. This is done after the statutory external audit and Central Bank of Nigeria (CBN) approval.

(iv) Capital reserve

Capital reserve warehouses the nominal value of shares cancelled during the capital reconstruction exercise that occurred during the financial period ended April 2015.

(v) Equity component of employee benefit remeasurement

This reserve warehouses the equity component of remeasurement of defined benefit liability/(assets).

(j) Retained earnings

The movement on the Retained Earnings account during the year is as follows:

	Group	Group	Bank	Bank
	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
	₦ million	₦ million	₦ million	₦ million
Balance at the beginning of the year	**23,399**	21,437	**31,403**	23,323
Retained profit for the year	**16,919**	18,672	**19,180**	24,653
Transfer from/(to) other reserves	**(995)**	(4,917)	**(995)**	(4,917)
Dividend paid	**(7,316)**	(7,313)	**(7,316)**	(7,313)
Transfer to non-controlling interest	**(124)**	(137)	-	-
	31,883	27,742	**42,272**	35,746
Movement in regulatory risk reserve (see below)	**(18,160)**	(4,343)	**(18,160)**	(4,343)
Balance at the end of the year	**13,723**	23,399	**24,112**	31,403

In line with CBN Prudential Guidelines, the excess of prudential provision loan loss over the IFRS provision is transferred to a regulatory risk reserve and not available for distribution to shareholders. The amount is treated as a deduction from retained earnings. See 44(g) for the movement in regulatory risk reserve which was deducted from retained earnings during the year.

45 Non-controlling Interest

Movement in the non-controlling interest	Group Dec. 2021	Group Dec. 2020
	₦ million	₦ million
Balance, beginning of year	**6,680**	6,543
Profit/(loss) for the year	**124**	137
Balance, end of year	**6,804**	6,680

46 Contingencies

(a) Litigations and claims

The Bank, in its ordinary course of business, is involved in a number of legal actions with contingent liabilities amounting to N1.98 trillion as at 31 December 2021 (2020: N7.13 trillion). Included in the total number of litigation is a case instituted by a claimant in 2012 against the Central Bank of Nigeria (CBN), the Bank, the Minister of Finance and the Attorney-General of the Federation in which the Federal High Court (FHC) gave judgment in 2014 against the defendants jointly and severally and ordered them to, among others, return the claimant's foreign capital amounting to £2.56 billion which was allegedly deposited with the Bank through a Barclays Bank cheque for this amount and of which a substantial part was allegedly transferred to the CBN.

Out of the total face value of the Barclay's Bank cheque, the Bank was directed to pay £396.8 million with interest at 21% per annum from 1994 up till the liquidation of the judgment debt. As at the reporting date, the Naira equivalent of the total judgment debt awarded directly against the Bank was N1.54 trillion. In 2018, the Court of Appeal dismissed the Bank's appeal against the judgment of the FHC and a further appeal was filed to the Supreme Court. While the Bank's appeal was pending before the Supreme Court, its application for leave to amend its notice of appeal, to appeal on grounds of mixed law and fact and to extend time to apply for leave was dismissed. The Bank subsequently filed another application seeking the leave of the Supreme Court to appeal the judgment of the lower court. On 22 December 2021, the Supreme Court unanimously granted leave to the Bank to appeal the judgment of the Court of Appeal and to file its Notice of Appeal.

The Bank has complied with the ruling of the Supreme Court by filing its Notice of Appeal and Appellant's Brief within the time stipulated in the ruling. Hearing of the substantive appeal is expected to be scheduled once the arguments of the parties have been filed. Based on legal advice received by the Bank, the Directors believe that the substantive appeal before the Supreme Court in this case has chance of success.

Furthermore, the other legal claims against the Bank are considered to have a low likelihood of success and are being vigorously defended by the Bank. Where directors believed that there was a probable chance that a claim against the Bank will succeed, adequate provisions had been made in respect of such claim. The total provisions made for potential loss arising from litigation against the Bank as at the reporting date is N4.28 billion (2020: N3.90 billion).

47 Acceptances, bonds, guarantees and other obligations for the account of customers

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise performance bonds, acceptances, guarantees and letters of credit.

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risks. These instruments are issued to meet the credit and other financial requirements of customers. The total off-balance sheet assets for the Group was N298.58billion (December 2020: N220.29 billion).

The following table summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

	Group	Group	**Bank**	Bank
	Dec. 2021	Dec. 2020	**Dec. 2021**	Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Performance bonds and guarantees	**145,731**	134,612	**145,731**	134,612
Letters of credit	**152,850**	85,677	**152,850**	85,677
	298,581	220,289	**298,581**	220,289
IFRS 9 impairment on off-balance sheet exposures	**(4)**	(4)	**(4)**	(4)
Total off-balance sheet assets after impairment	**298,577**	220,285	**298,577**	220,285

48 Customers' complaints

The Bank in its ordinary course of business received complaints 499,774 (2020: 357,820) during the year ended December 31, 2021. The details of the complaints are illustrated in the table below:

Description	Number		Amount claimed		Amount refunded	
	2021	2020	**2021**	2020	**2021**	2020
Pending complaints brought forward	12,171	5,743	287,748,474	108,375,563	N/A	N/A
Received complaints	499,774	357,820	28,773,762,156	10,325,379,410	N/A	N/A
Resolved complaints	498,379	351,392	28,694,423,512	10,146,006,499	9,834,420,259	3,391,071,586
Unresolved Complaints carried forward	13,566	12,171	367,087,118	287,748,474	N/A	N/A

The total amount in respect of complaints resolved was N28,694,423,512 (2020: N10,146,006,499) while the total disputed amount in cases which remain unresolved stood at N367,987,118 (2020: N287,748,474). No complaints were referred to the Central Bank of Nigeria (CBN) for intervention during the year (2020: nil).

49 Related party transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, placements and off-balance sheet transactions. The volumes of related-party transactions, outstanding balances at the year-end was as follows:

(i) Subsidiaries

Transactions between Union Bank of Nigeria Plc and its subsidiaries also meet the definition of related party transactions.
Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

(ii) Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The key management personnel have been identified as the executive and non-executive directors of the Group and other relevant senior management personnel.

(a) Transactions with related parties are as follows:

31 December 2021
In million naira

Entity	Relationship	Loans	Deposits	Interest received	Interest paid	Other borrowed funds	Other liabilities (letters of credit financing)
UBN Property Company Plc	Subsidiary	-	5,413	-	219	-	-
Union Bank UK Plc	Subsidiary	38,660	45	4	-	-	-
Directors and related companies	Key Mgt. Personnel	52,789	112	4,965	1	-	4,716
Executive Director's loans	Key Mgt. Personnel	581	748	56	8	-	-

31 December 2020
In million naira

Entity	Relationship	Loans	Deposits	Interest received	Interest paid	Other borrowed funds	Other liabilities (letters of credit financing)
UBN Property Company Plc	Subsidiary	-	4,815	-	162	-	-
Union Bank UK Plc	Subsidiary	7,892	0	15	-	-	-
Directors and related companies	Key Mgt. Personnel	43,821	204	2,816	-	-	1,800
Executive Director's loans	Key Mgt. Personnel	318	614	43	4	-	-

The status of performance of each facility as at 31 December 2021 is as shown below:

(b) Secured loans and advances

The terms of the loans and advances reflects the market condition.

Borrower	*Relationship*	*Facility Type*	Dec. 2021 *Amount* ₦ million	*Status*
Accugas Limited/Adeyemi Osindero/Former Chairman- Cyril Odu ***	Former Director	Fcy Term Loan	28,369	Performing
Notore Chemicals Industries Ltd/Onajite Okoloko	Former Director	Fcy Term Loan	239	Performing
Notore Chemicals Industries Ltd/Onajite Okoloko	Former Director	Term Loan	9,849	Performing
Daraju Industries Limited/ Paul Kokoricha (African Capital Alliance)	Director	Term Loan and Overdraft	1,107	Performing
Daraju Industries Limited/ Paul Kokoricha (African Capital Alliance)	Director	Trade Facilities	1,184	Performing
Daraju Industries Limited/ Paul Kokoricha (African Capital Alliance)	Director	Financial Guarantee	2,600	Performing
PNG Gas Ltd/Cyril Odu	Former Chairman	Financial Guarantee	1,000	Performing
PNG Gas Ltd/Cyril Odu	Former Chairman	Term Loan	1,920	Performing
Swift Networks Ltd/Richard Kramer	Former Non-Executive Director	Term Loan	6,521	Performing
			52,789	

*** Between 2014 and 2017, the Former Board Chairman was a director in Seven Energy, the erstwhile parent company of Accugas Ltd representing an International private equity fund.

Key management personnel compensation for the year comprises:

	Dec. 2021	Dec. 2020
	₦ million	₦ million
Salaries, short-term benefits and pensions	**470**	547
Share-based payment	-	248
Directors' sitting allowance	**55**	34
Fees as directors	**238**	225
	763	1,054

Directors' Remuneration

Directors' remuneration is provided as follows:

(i)

	Group Dec. 2021	Group Dec. 2020	**Bank Dec. 2021**	Bank Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Fees as directors	**238**	225	**238**	225
Directors' sitting allowance	**55**	34	**55**	34
	293	259	**293**	259
Executive compensation	**470**	547	**470**	547
Share-based payment	-	248	-	248
	763	1,054	**763**	1,054

The directors' remuneration shown above includes:

(ii)

	Group Dec. 2021	Group Dec. 2020	**Bank Dec. 2021**	Bank Dec. 2020
	₦ million	₦ million	**₦ million**	₦ million
Chairman	**30**	30	**30**	30
Highest paid director	**134**	172	**134**	172

The number of directors who received fees and other emoluments in the following ranges were:

(iii)

	Bank Dec. 2021	Bank Dec. 2020
N20,000,000 - N30,000,000	**8**	8
N30,000,001 - N40,000,000	**1**	1
N40,000,001 - N50,000,000	**-**	-
N50,000,001 - N100,000,000	**3**	4
N100,000,001 - N200,000,000	**1**	1
N200,000,001 - N400,000,000	**-**	-
	13	14

Employees
The number of persons in the employment of the Bank at 31 December was as follows:

	Bank Dec. 2021	Bank Dec. 2020
Management	**27**	32
Non-management	**2,166**	2,310
	2,193	2,342

The number of employees of the Bank, other than directors, who received emoluments in the following ranges were:

	Bank Dec. 2021	Bank Dec. 2020
N1,000,000 - N1,500,000	**5**	5
N1,500,001 - N2,000,000	**3**	3
N2,000,001 - N2,500,000	**-**	-
N2,500,001 - N3,000,000	**-**	-
N3,000,001 - N3,500,000	**657**	739
N3,500,001 - N4,000,000	**-**	-
N4,000,001 - N4,500,000	**-**	-
N4,500,001 - N5,000,000	**-**	-
Above N5,000,000	**1,525**	1,590
	2,190	2,337

50 Compliance with banking regulations

The Bank contravened some banking regulations in the course of the year, this contravention attracted a penalty of N207m for the year 2021 (2020: N10m). Details of the banking regulation which the Bank contravened during the year was as follows:

Nature of contravention	Penalties ₦ million
- Charges for late substitution of maturing securities pledged.	1
- Penalty for non provision of short codes to customers to enable them block their accounts upon notice of fraud threats.	2
- Penalty for violating cbn circular prohibiting financial institution from giving foreign currency facility to customers that do not earn foreign currency	4
- Penalty for contravening cbn regulation on Crypto Currency	200
	207

51 Current/non-current classification

The following table shows the analysis of the Group's assets and liabilities and on the basis of their current/ non-current classification.

Group	31 December 2021			31 December 2020		
	Carrying amount	Current	Non- current	Carrying amount	Current	Non-current
	₦ million	₦ million	₦ million	N million	N million	N million
ASSETS						
Cash and cash equivalents	407,143	407,143	-	270,707	270,707	-
Financial assets held for trading	1,485	1,485	-	52,212	52,212	-
Pledged assets	110,226	110,226	-	100,007	100,007	-
Derivative assets held for risk management	9,640	9,640	-	520	520	-
Loans and advances to customers	868,840	492,805	376,035	692,803	394,186	298,617
Investment securities	387,508	312,999	74,509	351,862	317,562	34,300
Trading properties	187	-	187	187	-	187
Investment properties	5,226	-	5,226	4,817	-	4,817
Property and equipment	57,673	-	57,673	57,364	-	57,364
Intangible assets	3,783	-	3,783	5,212	-	5,212
Right of Use Assets	2,777	-	2,777	2,740	-	2,740
Deferred tax assets	95,688	-	95,688	95,595	-	95,595
Other assets	571,553	547,751	23,802	439,952	417,092	22,860
Defined benefit assets	1,561	-	1,561	1,475	-	1,475
	2,523,290	1,882,049	641,241	2,075,453	1,552,286	523,167
Assets classified as held for sale	72,479	72,479	-	115,293	115,293	-
TOTAL ASSETS	2,595,769	1,954,528	641,241	2,190,746	1,667,579	523,167

Group	31 December 2021			31 December 2020		
	Carrying amount	Current	Non- current	Carrying amount	Current	Non-current
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
LIABILITIES						
Derivative liabilities held for risk management	8,684	8,684	-	2	2	-
Deposits from banks	-	-	-	4,018	4,018	-
Deposits from customers	1,355,910	1,355,910	-	1,126,287	1,116,360	9,927
Current tax liabilities	1,420	1,420	-	797	797	-
Deferred tax liabilities	-	-	-	-	-	-
Other liabilities	699,819	667,716	32,103	425,718	394,837	30,881
Lease Liabilites	1,895	-	1,895	1,812	-	1,812
Retirement benefit obligations	1,069	-	1,069	996	-	996
Debt securities issued	38,798	-	38,798	48,629	-	48,629
Long term subordinated bond	29,716	-	29,716	29,546	-	29,546
Other borrowed funds	175,118	36,392	138,726	184,223	104,586	79,637
TOTAL LIABILITIES	2,312,429	2,070,122	242,307	1,822,028	1,620,600	201,428

Bank	31 December 2021			31 December 2020		
	Carrying amount	Current	Non- current	Carrying amount	Current	Non- current
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS						
Cash and cash equivalents	445,804	445,804	-	262,730	262,730	-
Financial assets held for trading	1,485	1,485	-	52,212	52,212	-
Pledged assets	110,226	110,226	-	100,007	100,007	-
Derivative assets held for risk management	9,640	9,640	-	520	520	-
Loans and advances to customers	868,840	492,805	376,035	692,803	394,186	298,617
Investment securities	387,508	312,999	74,509	351,862	317,562	34,300
Trading properties	187	-	187	187	-	187
Investment in subsidiaries	2,195	-	2,195	2,195	-	2,195
Property and equipment	57,653	-	57,653	57,342	-	57,342
Intangible assets	3,782	-	3,782	5,211	-	5,211
Right of Use Assets	2,777	-	2,777	2,740	-	2,740
Deferred tax assets	95,875	-	95,875	95,875	-	95,875
Other assets	571,536	547,751	23,785	440,227	417,092	23,135
Defined benefit assets	1,561	-	1,561	1,475	-	1,475
	2,559,069	1,920,710	638,359	2,065,386	1,544,309	521,077
Assets classified as held for sale	8,372	-	8,372	8,372	-	8,372
TOTAL ASSETS	2,567,441	1,920,710	646,731	2,073,758	1,544,309	529,449
LIABILITIES						
Derivative liabilities held for risk management	8,684	8,684	-	2	2	-
Deposits from banks	-	-	-	4,018	4,018	-
Deposits from customers	1,361,323	1,361,323	-	1,131,116	1,116,360	14,756
Current tax liabilities	1,356	1,356	-	778	778	-
Other liabilities	697,996	667,716	30,280	425,117	394,837	30,280
Lease Liabilites	1,895	-	1,895	1,812	-	1,812
Retirement benefit obligations	1,068	-	1,068	996	-	996
Debt Securities issued	38,798	-	38,798	48,629	-	48,629
Long term subordinated bond	29,716	-	29,716	29,546	-	29,546
Other borrowed funds	175,118	36,392	138,726	184,223	104,586	79,637
	2,315,954	2,075,471	240,483	1,826,237	1,620,581	205,656

52 Reconciliation notes to consolidated and separate statements of cash flows

		Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
		N million	N million	N million	N million
(i)	*Financial assets held for trading*				
	Opening balance for the year	52,212	23,322	52,212	23,322
	Closing balance for the year	(1,485)	(52,212)	(1,485)	(52,212)
	Total changes in financial assets held for trading	50,727	(28,890)	50,727	(28,890)
(ii)	*Change in pledged assets*				
	Opening balance for the year	100,007	20,150	100,007	20,150
	ECL reversal/(charge) on pledged assets at amortised cost	7	(14)	7	(14)
	Less: closing balance for the year	(110,226)	(100,007)	(110,226)	(100,007)
	Total changes in pledged assets	(10,212)	(79,871)	(10,212)	(79,871)
(iii)	*Change in loans and advances to customers*				
	Opening balance for the year	692,803	550,613	692,803	550,613
	Impairment charge/(write-back) on loans and advances	(157)	2,401	(157)	2,401
	Closing balance for the year	(868,840)	(692,803)	(868,840)	(692,803)
	Total changes in loans and advances to customers	(176,194)	(139,789)	(176,194)	(139,789)
(iv)	*Change in other assets*				
	Opening balance for the year	439,952	361,711	440,227	361,973
	Impairment write back on other assets	(325)	307	(320)	306
	Closing balance for the year	(571,553)	(439,952)	(571,536)	(440,227)
	Total changes in other assets	(131,926)	(77,934)	(131,629)	(77,948)
(v)	*Change in derivative financial instruments - assets*				
	Opening balance for the year	520	7,081	520	7,081
	Fair value loss on derivatives	(91)	(2,617)	(91)	(2,617)
	Less: closing balance for the year	(9,640)	(520)	(9,640)	(520)
	Changes on derivative instruments - assets	9,211	(3,944)	9,211	(3,944)
	Change in derivative financial instruments - liabilities				
	Opening balance for the year	2	2,111	2	2,111
	Less: closing balance for the year	(8,684)	(2)	(8,684)	(2)
	Changes on derivative instruments - liabilities	(8,682)	2,109	(8,682)	2,109
(vi)	*Change in deposits from banks*				
	Opening balance for the year	(4,018)	-	(4,018)	-
	Closing balance for the year	-	4,018	-	4,018
	Total changes in deposits from banks	(4,018)	4,018	(4,018)	4,018

		Group Dec. 2021	Group Dec. 2020	Bank Dec. 2021	Bank Dec. 2020
		N million	N million	N million	N million
(vii)	***Change in deposits from customers***				
	Opening balance for the year	1,126,287	(886,263)	1,131,116	(886,328)
	Closing balance for the year	1,355,910	1,126,287	1,361,323	1,131,116
	Total changes in deposits from customers	229,623	240,024	230,207	244,788
(viii)	***Change in other liabilities***				
	Opening balance for the year	425,718	(433,114)	425,117	(436,262)
	Impairment write-back on financial guarantee	-	253	-	253
	Closing balance for the year	699,819	425,718	697,996	425,117
	Total changes in other liabilities	274,101	(7,143)	272,879	(10,892)
(ix)	***Proceeds/(acquisition) of investment securities***				
	Opening balance for the year	(351,862)	(257,085)	(351,862)	(253,633)
	Change in fair value of debt securities	7,941	1,995	7,924	1,546
	Change in allowance for debt instruments at FVOCI	92	(363)	92	(363)
	Impairment charge/(write-back) on debt securities	(93)	363	(93)	363
	Acquisition of investment securities	(43,586)	(96,772)	(43,569)	(99,775)
	Closing balance for the year	(387,508)	(351,862)	(387,508)	(351,862)
(x)	***Movements in borrowings***				
	Opening balance for the year	262,398	152,975	262,398	152,975
	Total cash inflows from borrowings	158,649	81,321	158,649	81,321
	Interest accrued	38,429	26,770	38,429	27,039
	Interest paid	(38,748)	(27,061)	(38,748)	(27,331)
	Total repayments of borrowed funds	(177,096)	(7,048)	(177,096)	(7,048)
	Closing balance for the year	243,632	262,398	243,632	262,398

53 Events after the reporting date

At an extra-ordinary general meeting held on 29 March 2022, the shareholders of the Bank approved the divestment of the Bank's entire shareholding (direct and indirect) in Union Bank UK to the shareholders of the Bank on a pro rata basis subject to regulatory approvals.

Other National Disclosures

Value Added Statement

For the year ended 31 Dec 2021

Group:	Dec. 2021		Dec. 2020	
	₦ million		₦ million	
Gross earnings	177,269		164,063	
Interest expenses	(69,580)		(55,755)	
	107,689		108,308	
Net impairment write back on financial assets	(291)		2,560	
	107,398		110,868	
Bought in materials and services	(54,627)		(43,660)	
Value added	52,771		67,208	
Distribution:				
Employee				
- Employees as personnel expenses	30,893	59	32,587	48
Government				
- Taxation	1,319	2	845	1
Retained in the Group				
- For replacement of property and equipment and intangible assets	1,188	2	8,647	13
- Profit for the year (including non-controlling interests)	19,371	37	25,129	37
	52,771	100	67,208	100

Bank:	Dec. 2021		Dec. 2020	
	₦ million		₦ million	
Gross earnings	175,006		160,656	
Interest expenses	(69,799)		(56,024)	
	105,207		104,632	
Net impairment write back on financial assets	(286)		2,559	
	104,921		107,191	
Bought in materials and services	(52,442)		(40,689)	
Value added	52,479		66,502	
Distribution:				
Employee				
- Employees as personnel expenses	30,759	59	32,454	49
- Taxation	1,352	2	772	1
Retained in the Bank				
- For replacement of property and equipment and intangible assets	1,188	2	8,623	13
- Profit for the year	19,180	37	24,653	37
	52,479	99	66,502	100

Five-Year Financial Summary

For the year ended 31 Dec 2021

Group

STATEMENT OF FINANCIAL POSITION	Dec. 2021	Dec. 2020	Dec. 2019	Dec. 2018	Dec. 2017
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	407,143	270,707	320,303	233,566	222,577
Financial assets held for trading	1,485	52,212	23,322	14,271	20,076
Pledged assets	110,226	100,007	20,150	48,839	54,079
Derivative assets held for risk management	9,640	520	7,081	1,029	1,297
Loans and advances to customers	868,840	692,803	550,613	473,462	517,103
Investment securities	387,508	351,862	257,085	199,317	185,658
Trading properties	187	187	187	186	1,153
Investment properties	5,226	4,817	5,701	5,030	4,951
Property and equipment	57,673	57,364	57,968	59,954	55,986
Intangible assets	3,783	5,212	5,382	6,045	4,344
Right of Use Assets	2,777	2,740	2,921	-	-
Deferred tax assets	95,688	95,595	95,875	95,875	95,875
Other assets	571,553	439,952	361,711	324,277	291,692
Defined benefit assets	1,561	1,475	1,395	1,610	352
Assets classified as held for sale	72,479	115,293	162,537	397	397
	2,595,769	**2,190,746**	**1,872,231**	**1,463,858**	**1,455,540**
EQUITY AND LIABILITIES					
Share capital	14,632	14,632	14,607	14,561	14,561
Share premium	133,458	133,458	133,235	187,091	187,091
Reserves	111,973	109,548	97,957	17,704	138,258
Non-controlling interest	6,804	6,680	6,543	6,276	5,831
Derivative financial instrument	8,684	2	2,111	1,120	972
Deposits from banks	-	4,018	-	99,477	100,131
Deposits from customers	1,355,910	1,126,287	886,263	857,593	802,384
Current tax liabilities	1,420	797	486	581	524
Deferred tax liabilities	-	-	226	262	259
Other liabilities	699,819	425,718	433,114	169,654	111,461
Lease Liabilites	1,895	1,812	1,651	-	-
Retirement benefit obligations	1,069	996	842	788	857
Debt securities issued	38,798	48,629	13,947	13,860	-
Long term subordinated bond	29,716	29,546	29,104		
Other borrowed funds	175,118	184,223	109,924	94,891	93,211
Liabilities included in discontinued operations	16,473	104,400	142,221	-	-
	2,595,769	**2,190,746**	**1,872,231**	**1,463,858**	**1,455,540**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Dec. 2021	Dec. 2020	Dec. 2019	Dec. 2018	Dec. 2017
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	100,432	101,881	95,357	90,501	105,964
Impairment (charge)/reversal on financial assets	(291)	2,560	504	2,992	(25,317)
	100,141	104,441	95,861	93,493	80,647
	(79,451)	(78,467)	(71,017)	(75,040)	(66,728)
Profit before tax	**20,690**	**25,974**	**24,844**	**18,453**	**13,919**
Income tax expense	(1,319)	(845)	(478)	(360)	(911)
Profit after tax	**19,371**	**25,129**	**24,366**	**18,093**	**13,008**
Profit for the year from discontinued operations	(2,452)	(6,457)	(4,491)	-	-
Profit for the year	16,919	18,672	19,875	18,093	13,008
Non-controlling interests	124	137	267	445	720
Profit attributable to equity holders	**16,795**	**18,535**	**19,608**	**17,648**	**12,288**
Earnings per share (basic)	66k	85k	83k	83k	72k

Bank

STATEMENT OF FINANCIAL POSITION	Dec. 2021	Dec. 2020	Dec. 2019	Dec. 2018	Dec. 2017
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	445,804	262,730	320,707	159,028	137,497
Financial assets held for trading	1,485	52,212	23,322	14,271	20,076
Pledged assets	110,226	100,007	20,150	48,839	54,079
Derivative assets held for risk management	9,640	520	7,081	1,029	1,297
Loans and advances to customers	868,840	692,803	550,613	428,037	488,555
Investment securities	387,508	351,862	253,633	175,068	175,329
Assets classified as held for sale	8,372	8,372	8,372	325	325
Trading properties	187	187	187	187	513
Investment in subsidiaries	2,195	2,195	2,195	10,567	10,567
Property and equipment	57,653	57,342	57,934	59,830	55,801
Intangible assets	3,782	5,211	5,381	5,628	3,949
Right of Use Assets	2,777	2,740	2,921	-	-
Deferred tax assets	95,875	95,875	95,875	95,875	95,875
Other assets	571,536	440,227	361,973	324,003	290,706
Defined benefit assets	1,561	1,475	1,395	1,610	352
	2,567,441	**2,073,758**	**1,711,739**	**1,324,297**	**1,334,921**
EQUITY AND LIABILITIES					
Share capital	14,632	14,632	14,607	14,561	14,561
Share premium	133,458	133,458	133,235	187,091	187,091
Reserves	103,397	99,431	83,350	(1,565)	117,467
Derivative financial instrument	8,684	2	2,111	1,117	972
Deposits from banks	-	4,018	-	-	10,686
Deposits from customers	1,361,323	1,131,116	886,328	844,413	796,708
Current tax liabilities	1,356	778	380	232	271
Other liabilities	697,996	425,117	436,262	168,827	110,628
Lease Liabilites	1,895	1,812	1,651		
Retirement benefit obligations	1,068	996	840	786	801
Debt securities issued	38,798	48,629	13,947	13,860	-
Long term subordinated bond	29,716	29,546	29,104		
Other borrowed funds	175,118	184,223	109,924	94,975	95,736
	2,567,441	**2,073,758**	**1,711,739**	**1,324,297**	**1,334,921**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Dec. 2021	Dec. 2020	Dec. 2019	Dec. 2018	Dec. 2017
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	99,969	100,861	95,022	86,199	100,012
Impairment losses on financial assets	(286)	2,559	504	3,515	(25,478)
	99,683	103,420	95,526	89,714	74,534
Operating expenses	(79,151)	(77,995)	(70,793)	(71,054)	(62,958)
Profit before tax	**20,532**	**25,425**	**24,733**	**18,660**	**11,576**
Taxation	(1,352)	(772)	(371)	(222)	(337)
Profit after tax	**19,180**	**24,653**	**24,362**	**18,438**	**11,239**
Earnings per share (basic)	66k	84k	84k	63k	66k
Earnings per share (adjusted)	66k	84k	84k	63k	66k