Union Bank of Nigeria Plc

Annual Report

31st December 2020

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CORPORATE INFORMATION

Directors

Beatrice Hamza Bassey (Mrs.)	-	**Acting Board Chair**
Emeka Emuwa	-	**Chief Executive Officer**
Omolola Cardoso (Mrs.)	-	**Executive Director**
Joseph Mbulu	-	**Executive Director/Executive Compliance officer/Chief Financial Officer**
Emeka Okonkwo	-	**Executive Director**
Adekunle Sonola	-	**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**[1]
Taimoor Labib	-	**Non-Executive Director**
Emeka Ogbechie	-	**Non-Executive Director**[2]
Mark Patterson	-	**Non-Executive Director**

[1] Appointed with effect from 28th August 2020
[2] Appointed with effect from 27th May 2020

Furera Isma Jumare (Mrs.)	-	**Independent Non-Executive Director**
	-	**resigned with effect from 15th October 2020**

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 Emuwa	Chief Executive Officer
2	Omolola Cardoso (Mrs.)	Head, Retail Banking/Chief Digital and Innovation Officer
3	Rosemary David-Etim	Divisional Executive Commercial Banking
4	Ogochukwu Ekezie-Ekaidem	Chief Brand and Marketing Officer
5	Ikechukwuka Emerole	Head, Treasury
6	Tetem Feyi-Waboso	Chief Operations and Technology Officer
7	Joseph Mbulu	Chief Financial Officer (CFO)/Executive Compliance Officer (ECO)
8	Olajumoke Sherifat Odulaja	Chief Risk Officer (CRO)
9	Adekunle Sonola	Head, Commercial Banking
10	Emeka Okonkwo	Head, Corporate Banking and Treasury
11	Miyen Swomen	Chief Talent Officer
12	Taiwo Adeneye	Head Central Processing Centre
13	Oluwagbenga Adeoye	Head, Financial Control
14	Tiwa Obafolarin Ademoyega	Head, Assets and Liability Management
15	Paul Aseme	Regional Head, SME Banking
16	Bulus Ayuba	Head, Branch Services
17	Fatai Baruwa	Regional Executive North, Retail Banking
18	Tayo Baruwa	Chief Credit Officer
19	Helen Omoleigho Brume	Head, Oil and Gas
20	Lateef Dabiri	Chief Compliance Officer (CCO)
21	Abigail Duopama-Obomanu	Head, Internal Control
22	Kabir Bakori Garba	Chief Audit Executive
23	Oluwayomi Akinwole Ibosiola	Chief Data and Analytics Officer
24	Chidi Ileka	Head, SME Banking
25	Abolade Jegede	Divisional Executive, Commercial Banking
26	Ali Kadiri	Head, General Markets, Corporate Bank
27	Segun Lamidi	Head, Operations
28	Dupe Ogunbiyi	Head, Services
29	Mobolade Ojeahere	Head, Transaction Banking
30	Ayotunde Ojo-Awosika	Divisional Executive, Commercial Banking
31	Morenike Olabisi	Head, CBG, FMCG
32	Olusola Olubi	Head, Specialized Markets, Corporate Banking
33	Gloria Omereonye	Divisional Executive, Commercial Banking
34	Oghenefovie Oyawiri	Head, Operational Risk Mgt./Chief Information Security Officer
35	Sesan Sobowale	Head, Legal
36	George Imoh Udoh	Group Head, Commercial
37	Sunday Wang	Head, Business Support and Recovery
38	Somuyiwa Sonubi	Company Secretary
39	David Forster	Managing Director, Union Bank (UK) Plc
40	Tosin Osikoya	Managing Director, UBN Property Company Plc

CORPORATE GOVERNANCE

Corporate Governance practices 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 in particular 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 DCSL Corporate Services Limited appointed by the Bank, 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 developed 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 Stock Exchange. 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 'close' periods. The policy is designed to ensure that its compliance is monitored on an ongoing basis.

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, there is 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 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.

Governance Structure

The following governance bodies are in place.

A. Board of Directors

The Board of Directors oversees the management of the Bank. In 2020 the Board comprised of a Non-Executive Chairman, two (2) Independent Non-Executive Directors, six (6) other Non-Executive Directors, the Chief Executive Officer and four (4) Executive Directors as listed below:

S/N	NAME	27/02/2020	05/05/2020	01/06/2020	22/09/2020	06/12/2020	08/12/2020	21/12/2020
1	HAMZA BASSEY, Beatrice (Mrs.)	X	XX	X	X	X	X	X
2	EMUWA, Emeka	X	XX	X	X	X	X	X
3	CARDOSO, Omolola (Mrs.)	NA	XX	X	X	X	X	X
4	MBULU, Joe	X	XX	X	X	X	X	X
5	OKONKWO, Emeka	X	XX	X	X	X	X	X
6	SONOLA, Adekunle	X	XX	X	X	X	X	X
7	UDE, Nath[3]	X	R	R	R	R	R	R
8	KASONGO, Kandolo[4]	X	R	R	R	R	R	R
9	ALADE-ADEYEFA, Obafunke (Mrs.)	X	XX	X	X	X	X	X
10	BURRETT, Richard	X	XX	AB	X	X	X	X
11	CLYNE, Ian	X	XX	X	X	X	X	X
12	DOWERS, Kenroy	X	XX	X	X	X	X	X
13	KOKORICHA, Paul[1]	NA	NA	NA	X	AB	X	X
14	LABIB, Taimoor	X	XX	X	X	X	X	X
15	OGBECHIE, Emeka[2]	NA	NA	X	X	X	X	X
16	JUMARE, Furera Isma (Mrs.)[5]	X	XX	X	X	R	R	R
17	PATTERSON, Mark	X	XX	X	X	X	X	X

X ***Present***
AB ***Absent***
NA ***Not Yet Appointed***
R ***Retired/Resigned***
XX ***AGM/EGM***

[1] Appointed with effect from 28th August 2020

[2] Appointed with effect from 27th May 2020

[3] Retired with effect from 3rd March 2020

[4] Retired with effect from 31st March 2020

[5] Resigned with effect from 15th October 2020

Responsibilities of the Board of Directors

The Board, the highest decision-making body approved by the shareholders, met six (6) 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 five (5) standing committees and one (1) sub -committee which deal with specific operations of the Bank, namely:
:

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

There is also an Independent Statutory Audit Committee

1. Board Credit Committee

The Committee met thirteen (13) times during the year. It comprised the following members:

S/N	NAME	28/01/2020	26/02/2020	08/04/2020	06/05/2020	28/05/2020	08/06/2020	30/06/2020	3/07/2020	31/08/2020	16/09/2020	19/10/2020	12/11/2020	03/12/2020
1	BURRETT, Richard	X	X	X	X	X	X	X	X	X	X	X	X	X
2	EMUWA, Emeka	X	X	X	X	X	X	X	X	X	X	X	X	X
3	ALADE-ADEYEFA, Obafunke (Mrs.)	X	X	X	X	X	X	X	X	X	X	X	AB	X
4	DOWERS, Kenroy	X	X	X	X	X	X	X	X	X	X	X	X	X
5	KASONGO, Kandolo[1]	X	X	R	R	R	R	R	R	R	R	R	R	R
6	KOKORICHA, Paul	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	AB	X
7	OKONKWO, Emeka	X	X	X	X	X	X	X	X	X	X	X	X	X
8	PATTERSON, Mark	X	X	X	X	X	X	X	X	X	X	X	X	X
9	SONOLA, Adekunle	X	X	X	X	X	X	X	X	X	X	X	X	X

X Present
AB Absent F
NA Not Yet Appointed
R Retired

[1] Retired with effect from 31st March 2020

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.**

2. Board Finance and General Purpose Committee

The Committee met seven (7) times during the year. It comprised the following members:

S/N	NAME	11/02/2020	26/02/2020	28/05/2020	23/07/2020	21/09/2020	26/10/2020	07/12/2020
1	DOWERS, Kenroy	X	X	X	X	X	X	X
2	EMUWA, Emeka	X	X	X	X	X	X	X
3	ALADE-ADEYEFA Obafunke (Mrs.)	X	X	X	X	X	X	X
4	BURRETT, Richard	AB	X	X	X	X	X	X
5	CARDOSO, Omolola (Mrs.)	NA	NA	X	X	X	X	X
6	CLYNE, Ian	X	X	X	X	X	X	X
7	MBULU, Joseph	NA	X	X	X	X	X	X
8	LABIB, Taimoor	X	X	X	X	X	X	X
9	OGBECHIE Emeka[1]	NA	NA	X	X	X	X	X
10	OKONKWO, Emeka	X	X	X	X	X	X	X

X Present
AB Absent
NA Not Yet Appointed
R Retired

[1] ***Appointed with effect from 27th May 2020***

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 course of 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 and 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.**
- **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 four (4) times during the year. It comprised the following members

S/NO	NAME	19/02/2020	28/05/2020	16/09/2020	03/12/2020
1	JUMARE, Furera Isma (Mrs.) [1]	X	X	X	R
2	EMUWA, Emeka	X	X	X	X
3	BURRETT, Richard	X	X	X	X
4	CARDOSO, Omolola	NA	X	X	X
5	KOKORICHA, Paul[2]	NA	NA	X	X
6	PATTERSON, Mark	X	X	X	X
7	UDE, Nath[3]	X	R	R	R
8	SONOLA, Adekunle	X	X	X	X

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

[1] Retired with effect from 15th October 2020
[2] Appointed with effect from 28th August 2020
[3] Retired with effect from 3rd March 2020

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.**
- **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 organisational 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 behaviours 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's 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.**

4. Board Risk Management Committee

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

S/NO	NAME	19/02/2020	29/05/2020	21/09/2020	07/12/2020
1	CLYNE, Ian	X	X	X	X
2	EMUWA, Emeka	X	X	X	X
3	JUMARE, Furera Isma (Mrs.)[1]	X	X	X	R
4	KASONGO, Kandolo[2]	X	R	R	R
5	MBULU, Joseph	NA	X	X	X
6	OGBECHIE, Emeka[3]	NA	X	X	X
7	OKONKWO, Emeka	X	X	X	X
8	PATTERSON, Mark	X	X	X	X
9	UDE, Nath[4]	X	R	R	R

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

[1] Resigned with effect from 15th October 2020
[2] Retired with effect from 31st March 2020
[3] Appointed with effect from 27th May 2020
[4] Retired with effect from 3rd March 2020

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

S/NO	NAME	27/02/2020	29/05/2020	21/09/2020	07/12/2020
1	BURRETT, Richard	X	X	X	X
2	CLYNE, Ian	X	X	X	X
3	DOWERS, Kenroy	X	X	X	X
4	KOKORICHA, Paul[1]	NA	NA	X	X
5	LABIB, Taimoor	X	X	X	X
6	PATTERSON, Mark	X	X	X	X

X Present
AB Absent
NA Not Yet Appointed

[1]Appointed with effect from 28th August 2020.

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

S/No	NAME	11/02/2020	26/02/2020	29/05/2020	16/09/2020	03/12/2020
1	ALADE-ADEYEFA, Obafunke (Mrs)	AB	X	X	X	X
2	CLYNE, Ian	X	X	X	X	X
3	JUMARE, Furera Isma (Mrs.) [1]	X	X	X	X	R
4	OGBECHIE, Emeka[2]	NA	NA	X	X	X
5	DOWERS, Kenroy	X	X	X	X	X

X Present
AB Absent
R Resigned/Retired
NA Not Yet Appointed
[1] Resigned with effect from 15th October 2020
[2]Appointed with effect from 27th May 2020

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 six (6) times during the year. It consists of the following members:

- **Matthew Akinlade - Chairman**
- **Marcel Ojinka - Member**
- **Obafunke Alade-Adeyefa (Mrs.) - Member**
- **Furera Isma Jumare (Mrs.) [1] - Member**
- **Emeka Ogbechie[2] - Member**
- **Akinsanya Adeolu - Member**

S/No	NAME	12/02/2020	24/02/2020	27/04/2020	23/07/2020	28/10/2020	10/12/2020
1	AKINLADE, Matthew	X	X	X	X	X	X
2	AKINSANYA Adeolu	X	X	X	X	X	X
4	OJINKA, Marcel	X	X	X	X	X	X
5	ALADE-ADEYEFA, Obafunke (Mrs.)	X	X	X	X	X	X
6	JUMARE, Furera Isma (Mrs.)[1]	X	X	X	X	R	R
7	EMEKA Ogbechie[2]	NA	NA	NA	X	X	X

X Present
AB Absent
NA Not Yet Appointed

[1] Retired with effect from 15 October 2020
[2] Appointed with effect from 27 May 2020

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 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 Innovation and Data Council**
9. **Cybersecurity Steering Committee**

1. Executive Management Committee

The Executive Management Committee comprises the Chief Executive Officer (Chair), Chief Financial Officer, Head, Corporate Banking, Head, Commercial Banking, Head, Retail Banking and Digital, Chief Talent Officer *(Secretary)*, Head, Treasury, Chief Operations and Technology Officer, Chief Brand and Marketing Officer and Chief Risk Officer.

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.**
- **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, Commercial Banking, Head, Retail Banking & Digital, 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.

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.**

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, Commercial Banking, Head, Retail Banking & Digital, Chief Data & Analytics Officer, Chief Talent Officer, Chief Compliance Officer and Chief Audit Executive. In attendance are the Head, Channels 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, prioritize, fund, measure and monitor requests for IT services and the resulting work / deliverables towards optimizing returns to the business.**
- **Improve IT organizational 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, Commercial Banking, Head, Retail Banking, Chief Credit Officer, one senior member of Corporate Bank, one senior member of Commercial Bank. In attendance are the Head, Credit Documentation and Control (Secretary), Head, Risk Analysis (Corporate Bank), Head, Risk Analysis (Commercial Bank), 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 (BRC) approval 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 BRC 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.**
- **Approve credit facility requests and proposals within limits for the Committee and review and recommend for Board Credit Committee approval credit beyond the Committee's limits.**
- **Review and approve decisions resulting from escalated areas 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 BRC, on an annual basis the administration, effectiveness and compliance with the Bank's credit policies.**

5. Risk Management Committee

This Committee meets monthly or as needed. It comprises the Chief Risk Officer (Chair), Chief Operations & Technology Officer, Chief Audit Executive, Chief Compliance Officer, Head, Legal, Chief Talent Officer, Head, Retail Bank & Digital, Head, Service Assurance, Chief Brand & Marketing Officer, Head, Operations, Head, Internal Control, Head, Financial Control, Head, Customer Experience, 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 minimize 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; and**
- **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 is composed of the Chief Risk Officer (Chair), Chief Audit Executive, Chief Compliance Officer, Chief Operations & Technology Officer, Head, Operations, Head, Legal, Head, Financial Control, Chief Brand & Marketing Officer, Head, Operational Risk Management (Secretary).

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 lifecycle 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; and**
- **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 Branch Services, Head, Operational Risk Management, 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, Group Head Retail.

The roles and responsibilities of the Committee 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.**
- **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, Innovation & Data Council

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

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

The roles and responsibilities of the Committee are as follows:

- **Guide and review regularly the digital and data strategy for the Bank including new initiatives and amendments to existing initiatives.**
- **Monitor progress of key digital, innovation and data 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. Cybersecurity Steering Committee

The Cybersecurity Steering Committee meets monthly or as needed. This Committee was set up to oversee and provide strategic direction on the governance of Union Bank's cybersecurity efforts towards protection of its systems, networks and data. This includes ensuring 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, Chief Talent Officer, Head, Retail Bank & Digital, Chief Data & Analytics Officer, Head, Service Assurance, Chief Operations & Technology Officer, Chief Brand & Marketing Officer, Head, Internal Control, Head, Financial Control, Head, Customer Experience, Head, Operational Risk Management (*Secretary).*

The roles and responsibilities of the Committee are as follows:

- **Be the custodian and governance body of Union 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, publicized security breach).**
- **Representing UBN executives (Board of Directors) in all activities related to UBN security programs and investments.**

Directors' Report

For the year ended 31 December 2020

The Directors present their report on the affairs of Union Bank of Nigeria Plc ("the Bank") and its subsidiaries ("the Group"), together with the consolidated audited financial statements and the auditor's report for the financial year ended 31 December 2020.

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 Stock Exchange.

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) Limited 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. 2020 ₦ million	Group 31 Dec. 2019 ₦ million	Bank 31 Dec. 2020 ₦ million	Bank 31 Dec. 2019 ₦ million
Gross earnings	160,292	166,545	156,885	159,861
Profit before Income tax expense	25,974	24,844	25,425	24,746
Income tax expense	(845)	(478)	(772)	(371)
Profit after tax	25,129	24,366	24,653	24,375
Discontinued operations				
Loss before tax	(6,457)	(4,491)	-	-
Taxation	-	-	-	-
Loss after taxation from Discontinued operations	(6,457)	(4,491)	-	-
Continuing and discontinued operations:				
Profit before income tax expense	19,517	20,353	25,425	24,746
Income tax expense	(845)	(478)	(772)	(371)
Profit after tax	18,672	19,875	24,653	24,375

	Group 31 Dec. 2020 N' million	Group 31 Dec. 2019 N' million	Bank 31 Dec. 2020 N' million	Bank 31 Dec. 2019 N' million
Total non-performing loans and advances	**29,445**	**34,760**	**29,445**	**34,760**
Total non-performing loans to total gross loans and advances	**4.00%**	**5.84%**	**4.00%**	**5.84%**

Proposed dividend

The Board of Directors, pursuant to the powers vested in it by the provisions of Section 426 of the Companies and Allied Matters Act,2020, propose a dividend of 25kobo per 50kobo share from the retained earnings account as at 31 December 2020.

This proposed dividend will be presented to shareholders for approval at the next Annual General Meeting. The proposed dividend is subject to withholding tax at the appropriate tax rate.

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 the Nigerian Stock Exchange, are as follows:

		Direct Holding		Indirect Holding	
S/N	**Names**	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
1.	BASSEY Beatrice Hamza	-	-	-	-
2.	EMUWA Emeka	145,538,267	53,354,517	20,936,551	20,936,551
3.	CARDOSO Omolola	-	-	-	-
4.	MBULU Joseph	-	-	-	-
5.	OKONKWO Emeka	5,611,758	5,611,758	-	-
6.	SONOLA Adekunle	5,396,673	5,396,673	-	-
7.	ALADE-ADEYEFA Obafunke	-	-	-	-
8.	BURRETT Richard	-	-	-	-
9.	CLYNE Ian	-	-	-	-
10.	DOWERS Kenroy	-	-	-	-
11.	JUMARE, Furera Isma	-	-	-	-
12.	KOKORICHA Paul	-	-	-	-
13.	LABIB, Taimoor	-	-	-	-
14.	OGBECHIE, Emeka	-	-	-	-
15.	PATTERSON, Mark	-	-	-	-

Directors' Appointment

Since the last Annual General Meeting, the following Directors were appointed to the Board and being eligible, offers themselves for election:

1. **Mr. Paul Kokoricha**
2. **Mr. Emeka Ogbechie**

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. **Mrs. Omolola Cardoso**
2. **Mr. Richard Burrett**
3. **Mr. Labib Taimoor**

Directors' Interest in Contracts

In accordance with the provisions of Section 303 of the Companies and Allied Matters Act,2020 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 Notes 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 at 31 December 2020 is as stated below:

YEAR	*AUTHORIZED (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	AUTHORIZED (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	AUTHORIZED (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 Reorganization & Reduction

YEAR	AUTHORIZED (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	6,066,823,497.50	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	Allotment of LTTIP Shares
Dec 2020		17,500,000,000	25,774,158	14,632,242,427	Allotment of LTTIP Shares.

Shareholding Analysis

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

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

The shareholding pattern of the Bank as at 31 December 2019 is as stated below:

1	-	1,000	306,067	106,439,350	0.36
1,001	-	5,000	110,567	238,448,206	0.82
5,001	-	10,000	20,089	136,431,535	0.47
10,001	-	50,000	14,399	278,550,906	0.95
50,001	-	100,000	1,358	94,460,272	0.32
100,001	-	500,000	985	195,211,544	0.67
500,001	-	1,000,000	101	69,194,036	0.24
1,000,001	-	5,000,000	108	236,530,038	0.81
5,000,001	-	100,000,000	28	579,018,265	1.98
100,000,001	-	500,000,000	4	788,976,562	2.70
			453,706	2,723,260,714	9.32
Foreign Shareholders					
500,000,001	-	29,212,936,538	2	26,489,675,824	90.68
Grand-Total			453,648	29,212,936,538	100.00

According to the register of members as at 31 December 2020, no individual shareholder held more than 5% of the issued share capital of the Bank, except the following:

	31 Dec. 2020		31 Dec. 2019	
Shareholder	**Shares Held**	**% of Shareholding**	**Shares Held**	**% of Shareholding**
Atlas Mara Limited	**7,471,752,753**	**25.53**	**7,471,752,753**	**25.58**
Union Global Partners Limited	**19,017,923,071**	**64.98**	**19,017,923,071**	**65.10**

Citizenship

The Coronavirus pandemic shocked the world in 2020, impacting economies, organisations and individuals. In spite of this, we continued to drive towards making significant impact through our corporate social responsibility endeavours. We ensured our initiatives amplified our support and demonstrated our 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).

Our Response to the Coronavirus Pandemic

As an immediate response to the spread of the Coronavirus pandemic locally, we made an initial donation of ₦50 million ($130,000) into a $500,000 fund set up by 54gene, an African genomics research services and development company working closely with the Nigeria Centre for Disease Control (NCDC) to fight Covid-19. This fund was set up to increase capacity in testing and to train medical practitioners which is critical in fighting the pandemic.

As part of the Private Sector Coalition Against Covid-19, we contributed ₦250 million into the ₦120 billion fund set up by the coalition to support government's efforts in fighting the outbreak in Nigeria.

In addition, we also made a further donation of ₦50 million to the Lagos State Covid-19: Emergency Food Response programme which was setup to support low income families who will be directly impacted by the state-wide restrictions put in place to limit the spread of the disease.

As part of proactive efforts to ease banking worries during the lockdown, we introduced a toll free multilingual customer service line, which allowed customers to speak to customer service representatives at no cost, as the country responded to the coronavirus outbreak.

Employee Well-being and Engagement

Employee Volunteering - The Gift of Water: At Union Bank, we strive to be an engaged member of the communities where we operate particularly through employee volunteering. In 2020, about 3000 employees donated ₦1000 naira or more through the #1000DifferenceChallenge for The Gift of Water project. Under this initiative, the Bank matched employee donations enabling us to provide more people with access to potable water supply, improving their quality of life and enabling them maintain the proper hand washing routine advised by World Health Organisation (WHO) in fighting the pandemic.

Communal boreholes were established in Ubulu Uku in Delta State; Gidan Dagachi Kureken Sani in Kano State; Kpebi-Sarki in Abuja; Ohubo Village, Ama Nkanu Community in Enugu State; Sari Iganmu, Orile in Lagos State and Abujan Amare, Gashua in Yobe State. Over 15,000 people from these underserved communities now have access to clean, potable water supply through this project.

FitFeb – Fit For Action: Every year, we encourage healthy living and fitness while supporting employee wellness and balance through our employee health awareness program, FitFeb. In 2020, we took out time in the month of February to focus on employee wellness. Our employees nationwide participated in healthy lifestyle events and activities such as The Move Challenge, yoga and meditation classes, The Biggest Loser Challenge, breathing and stretch exercises, as well as dance and aerobics classes.

We wrapped up the month with fitness parties at key locations in Lagos, Abuja, Port-Harcourt and Enugu. 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 ensured that all our facilities were fitted with hand sanitisers and hand **washing stations and all employees were provided with masks and hand sanitisers for their personal use.**

The Employee Covid-19 Health & Well-being Survey was also launched to help understand how employees were coping while working from home and the feedback used to identify solutions to stress points, and concerns, and to gain insight into areas requiring attention.

Education, Talent Development and Special Projects

Edu360: In May 2020, we introduced the edu360 webinar series, a value-packed initiative under our edu360 umbrella. Through the webinar series, we have sustained our engagement with stakeholders across the education ecosystem through specially curated sessions. We reached over 11,000 parents, teachers, educators and students through these sessions, helping them adjust to the realities and navigate the new normal. Through our virtual teacher training programs, we trained over 300 teachers in 2020.

We leveraged on partnerships to ramp up our impact in 2020. We partnered with Awarri, an Artificial Intelligence company, to train 25 kids during a six-week Robotics program as well as the Cece Yara Foundation, to deliver an awareness campaign to sensitise the public on the dangers of child abuse.

We Lead Mentorship Programme (WLMP) Book Club: Due to the coronavirus pandemic, schools and educational facilities were shut down leading to a possible increase in the number of out-of-school children in Nigeria. We continued our partnership with Rural Development and Reformation Foundation (RUDERF) to impact youths in Igbodo Community, Delta State through the Education Without Borders initiative.

The WLMP was launched in 2018 to foster personal development and learning among Igbodo youth outside curricular activities. This was reinvented to innovatively provide a safe learning environment for Igbodo youths from the comfort of their homes, while staying safe during the Covid-19 pandemic. Through this initiative, over 300 young people have access to quality education and educational materials.

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 2020, over 150 young girls and women were trained in various vocational skills which include fashion designing, catering, arts and crafts as well as facial make-up.

LEAP Africa Social Innovators Programme: Since 2013, Union Bank has been partnering with LEAP Africa to empower and equip young social innovators and entrepreneurs with requisite skills and effective tools for building sustainable enterprises. In 2020, the programme assisted 20 social entrepreneurs to benefit from business advisory services and mentorship opportunities to grow their businesses. We awarded the sum of ₦1 million each to the three outstanding fellows from the 2019/2020 cohort. Thirty (30) new fellows from across Africa were inducted into the programme for 2020/2021 cohort.

Pearls Africa Girls Coding Summer Camp: Since 2016, we have been partnering with Pearls Africa Youth Foundation to execute its Girls Coding Summer Camp. In 2020, the Girls Coding Summer Camp impacted 50 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.

Donations and Charitable Gifts

In 2020, we made charitable donations to Forty three (43) non-profit organisations around the country in addition to our support for organisations fighting the coronavirus pandemic. Our charitable giving supports cause that align with our core values such as education, women empowerment, good nutrition, and the health and well-being of children.

S/N	Organization	Amount (N)
1	Coalition Against COVID 19 (CACOVID)	250,000,000
2	Lagos State Covid-19: Emergency Food Response programme	50,000,000
3	54 gene	50,000,000
4	Anthos House School	10,000,000
5	Arrow of God Orphanage	750,000
6	Association of Northern Women Entrepreneurs	1,000,000
7	Atunda Olu School (For Physically Handicapped Children)	750,000
8	Bethesda Child Support Agency	700,000
9	Care Organization Public Enlightenment (COPE)	700,000
10	Cerebral Palsy Foundation	500,000
11	Child Lifeline Foundation	1,000,000
12	Concerned Parents and Educators Network	700,000
13	Down Syndrome Foundation Nigeria	750,000
14	DreamCatchers Foundation	1,000,000
15	FoodClique Support Initiative	1,000,000
16	Foundation for Rescue of Abandoned African Children	250,000
17	Gift a Child Initiative	700,000
18	Givefood.ng (Babban Gona - Give Food Ng)	5,000,000
19	Goodwill Ambassadors of Nigeria	700,000
20	Home and Street Kids Welfare Initiative	700,000
21	International Student Environmental Coalition Nigeria	700,000
22	Lagos Food Bank Initiative	1,000,000
23	Mamamoni Empowerment Foundation	250,000
24	Modupe Cole Memorial Child Care and Treatment Home	1,000,000

25	National Orthopedic Special School (Igbobi)	700,000
26	Pacelli School (For the Blind)	750,000
27	PUSH Foundation	700,000
28	Rector Cares Foundation	700,000
29	Rhema Care Integrated Development Centre	700,000
30	Slum2School	1,000,000
31	Smiley'z Mobile Kitchen Limited	1,000,000
32	SOS Children's Villages, Nigeria	750,000
33	Special Olympics Nigeria	1,000,000
34	Start Right Consulting	500,000
35	The Girls Pride Initiative	700,000
36	The Samaritans Project	500,000
37	Universal Peace and Violence Amelioration Centre	700,000
38	Wesley School 1 (For Deaf Children)	700,000
39	Wesley School 2 (For Deaf Children)	700,000
40	Women Center for Self-employment and Development (WOCSED)	700,000
41	Youngstars Development Initiative	700,000
42	Youth for Change Initiative	700,000
43	Zinnok Initiative for Women and Children	700,000
	Total	393,050,000

Sustainability

Our sustainability governance model provides oversight of 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 take into account economic, environmental and social criteria as we are aware that the business activities of our clients can have an impact on the environment and communities in which they operate.

In line with our sustainability vision, we emphasise employee volunteering through sustainability initiatives to drive organisational and environmental efficiency. This is why 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 one hundred and eleven (111) solar powered branches and four hundred and seventeen (417) solar powered ATMs with a total of eight container buildings.

Waste Management and Recycling

We strive to minimize the environmental impact of waste through responsible and environmentally friendly waste management and disposal. Since 2017, we have been partnering with local recycling companies to collect plastic, paper and metal waste from our branches and we have recycled over 110,000 kg of waste across these three areas. Our recycling network covers eighty seven (87) branches and our head office across five states. Linking our aspiration to advance education in Nigeria with our recycling program, we worked with Chanja Datti, a waste recycling company in Abuja, to support eight (8) out-of-school children through school through the Bottles-For-Books initiative.

Industry Collaborations

In 2020, we continued in our role as chair and secretariat of the Financial Literacy and Public Enlightenment (FLPE) Sub-committee, a sub-committee of the Bankers' Committee charged with deepening awareness on financial literacy and inclusion. In our role, we coordinated industry financial literacy and inclusion programs and collaborated with other financial services stakeholders to drive literacy and inclusion agenda.

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). We also actively participate in various industry-wide initiatives and interventions such as – Steering Committee and Joint CSR Sub-committee on Nigerian Sustainability Banking Principles, and the Technical Committee and Working Group on Financial Inclusion.

Women Empowerment

ɑlpher

We launched ɑlpher as a full-fledged proposition in January 2020 to change the face of banking for Nigerian women. ɑlpher was created to enable women owned and led businesses enjoy access to low cost long tenor funding, business advisory services, and capacity building. We remain committed to enabling enterprise and empowering women, their businesses, and careers.

International Women's Day

As part of our long-standing commitment to women empowerment and gender equality, we held our annual IWD celebration on March 6, 2020 at our headquarters in Marina, Lagos to celebrate women, engage in conversations about gender equality and remind us of our individual roles in demanding for

equality. We also unveiled the ɑlpher Mentorship Programme to provide support and guidance to young women on their career or business journey.

LEAD Camp 2020

Over the past six years, we have partnered with JA Nigeria to impact the lives of over three hundred (300) young girls through the annual Leadership, Empowerment, Achievement and Development (LEAD) Camp. In 2020, we held the first virtual LEAD Camp with about one hundred and three (103) girls actively participating in the various sessions including leadership workshops with the Executive Director of JA Nigeria, Simi Nwogugu; 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.

- **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 fourth CSI report showing our activities and accomplishments across these key areas. These are accessible to the general public on our website.

Snapshot of NSBP Performance

Principles	Description	Info graphs
Principle 1	Our Business Activities	We make use of a robust risk management framework which applies to all financial products and services. 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 have 111 solar powered branches. · 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 87 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. · 40 employees utilised the grievance mechanisms. · We have 3 physically challenged employees with 118 branches friendly to physically challenged individuals. · 13,284 retired employees granted access to free healthcare.
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. · 43% of our total employees are female with 25% women in management positions and female representation on the Board of directors is at 21%. · 32% of total capacity Building expenditure was spent on female employees · 11% of total loan portfolio was on lending to women. · Over 250 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 16,300 agent banks nationwide (a 420% growth from 3,136 agents in 2019). · We launched our kids and teens proposition, UnionInfinity and UnionLegend to drive account opening for children between the ages of 0-18. · Through our role as chair and secretariat of the Financial Literacy and Public Enlightenment (FLPE) Sub-committee, we coordinated industry financial literacy and inclusion programs and collaborated with other financial services stakeholders to drive literacy and inclusion agenda.
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 on our E&S activities and plans. · 12 departments work together to ensure we meet our goals and targets. · In 2020, 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 2020, we conducted:** · One sustainability training deployed for all employees. · We organised webinars inviting various subject matter experts to share insights on a variety of topics including savings and investment, health and wellness, entrepreneurship and education. · We created mentorship relationships through our capacity building programs - Union Leadership Initiative and Management Trainee Program. · We also impacted 20 social entrepreneurs through the Social Innovators Programme and Awards. · We reached over 11,000 students, teachers, parents and educators through our edu360 activities. · We supported 8 out of school children through our Bottles for Books initiative.
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.
Principle 9	**Reporting**	**We are dedicated to reporting on our sustainability initiatives, fostering improved transparency on our activities and managing our social and environmental impact. We submit:** · **Bi-annual reporting on NSBP progress to the CBN.** · **2020 Annual report.** · **Publication of the fourth edition of our Citizenship, Sustainability and Innovation (CSI) Report.**

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 disabled 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 in a position 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 (2019: five (5) persons) on its staff list with physical disability.

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 also 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 Group 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.

	31 DEC, 2020		31 DEC, 2019	
	Workforce	%	Workforce	%
Total workforce:				
Women	927	40	916	39
Men	1,415	60	1,446	61
	2,342	100	2,362	100
Recruitment during the year				
Women	94	41	93	43
Men	136	59	121	57
	230	100	214	100
Diversity of Senior Management – Assistant General Manager to General Manager:				
Women	8	25	9	26
Men	24	75	25	74
	32	100	34	100
Diversity of Board Members:				
Women	3	21	4	26
Men	11	79	14	74
	14	100	15	100

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.

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 2020, the Bank engaged four rating agencies to rate the Bank:

Agusto & Co.

Rating (Local Currency): A-(NG) (2019: A-(NG))
Outlook: Stable (2019:Negative)

Global Credit Ratings
Long term: BBB+(NG) (2019: BBB+(NG))
Outlook: Negative (2019: Stable)
Short term: A2(NG) (2019: A2(NG))

Moody's Investor Services
Long Term Bank Deposits (Foreign Currency): B2 (2019: B3)
Outlook: Negative (2019: Negative)
National Scale Rating Long Term Bank Deposits (Local Currency): A2.ng (2019: A2.ng)
National Scale Rating Long Term Bank Deposits (Foreign Currency): A3.ng (2019: A3.ng)

Fitch Ratings
Long-Term Issuer Default Rating (IDR): B- (2019: B-)
Outlook: Negative (2019: Stable)
Viability Rating (VR): b- (2019: b-)
Support Rating: 5 (2019: 5)

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

Subsequent to year end, the Group is in process of concluding the sale of Union Bank UK in line with its divestment plan. There were no other subsequent events which could have had material effect on the financial statements of the Bank as at 31 December 2020 and the profit for the year ended on that date, which have not been adequately provided for or disclosed.

Auditors

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 auditors of the Company. In accordance with Section 401 (2) of the Companies and Allied Matters Act 2020 therefore, the auditors will be re-appointed at the next Annual General Meeting of the Company without a resolution being passed.

BY ORDER OF THE BOARD

Somuyiwa Adedeji Sonubi
FRC/2013/NBA/00000002061
Company Secretary
Lagos Nigeria
23rd February 2021

Statement of Directors' Responsibilities in the Preparation of the Financial Statements for the year ended 31st December 2020

The directors accept responsibility for the preparation of the 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 Act 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 made an assessment of 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.

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SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Emeka Emuwa	**Beatrice Hamza Bassey**
Chief Executive Officer	**Ag. Board Chair**
FRC/2013/CIBN/00000001774	**FRC/2020/003/00000020477**
23rd February, 2021	**23rd February, 2021**

Report of the Statutory Audit Committee
For the year ended 31st December 2020

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, 2020, the members of the 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 2020 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 18th 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
17th February, 2021

Members of the Statutory Audit Committee are:

· **Matthew Akinlade**	-	**Chairman**
· **Marcel Ojinka**	-	**Member**
· **Obafunke Alade-Adeyefa (Mrs)**	-	**Member**
· **Isma Furera Jumare[1]**	-	**Member**
· **Adeolu Akinsanya**	-	**Member**
· **Emeka Ogbechie[2]**	-	**Member**

[1]. Resigned with effect from 15th October 2020

[2] Appointed with effect from 27th May 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS 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") set out on pages 50 to 175, which comprise the consolidated and separate statements of financial position as at 31 December 2020, 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 then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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 2020, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the relevant provisions of the Companies and Allied Matters Act, 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011, the Banks and Other Financial Institutions Act, 2020 and the Central Bank of Nigeria guidelines and circulars.

Basis for opinion

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

Key audit matters

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

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

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 matter</th><th>How our audit addressed the matter</th></tr>
<tr><td>Impairment allowance of loans and advances to customers

As at 31 December 2020, the gross balance of loan and advances to customers was ₦736.70 billion (2019: ₦595.30 billion) representing 35% (2019: 35%) of total assets, with the associated impairment allowance of ₦43.9 billion (2019: ₦44.69 billion).

The assessment of impairment allowance for loan and advances involves 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 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).

Impairment of loan 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 a combined controls 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), Loss Given Default (LGDs) and Exposure at Default (EAD) were derived.

▪ We evaluated the appropriateness of the accounting policies based on the requirements of IFRS 9, our business understanding and industry practice.

▪ We tested management review of credit risk grades allocated to counterparties and inspected a sample of credit files to test the accuracy of loan grading.

▪ We obtained the Bank's loan listing and selected facilities for checking of 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.

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 estimation of ECL parameters namely: Probability of Default (PD), Exposure at Default (EAD) and Loss given default (LGD).</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNION BANK OF NIGERIA PLC - Continued

Key audit matters – continued

Key audit matter	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 ₦7.32 trillion as at 31 December 2020 (2019: ₦6.95 trillion). The most significant are two cases, with total claims of ₦6.89 trillion (2019: ₦6.62 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 judgements, which are currently pending before the appellate and supreme courts. This matter was considered to be a key audit matter due to the size of the potential liability and the significant judgment 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(y) 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 matter

The consolidated and separate financial statements of Union Bank of Nigeria Plc for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 February 2020.

Other information

The Directors are responsible for the other information. The other information comprises the information set out on page 02, 03, 22, 43, 44, 176 and 177 which comprise Management team, Corporate Governance Report, Directors' report, Statement of Directors' Responsibilities, Report of the Statutory Audit Committee, Value Added Statement and Five-Year Financial Summary respectively as required by the Companies and Allied Matter Act, 2020 and the Financial Reporting Council of Nigeria Act No. 6, 2011 and the Central Bank of Nigeria and the Nigerian Securities and Exchange Commission, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNION BANK OF NIGERIA PLC - Continued

Report on Other Legal and Regulatory Requirements

In accordance with the requirements 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.

In compliance with Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 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.

Anthony Oputa

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

18 March 2021

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

For the year ended 31 December 2020

		Group		Bank	
	Notes	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019
		₦ million	₦ million	₦ million	₦ million
Gross earnings	9(a)	**160,292**	166,545	**156,885**	159,861
Continued operations					
Interest revenue calculated using the effective interest method	9(b)	**113,157**	117,071	**112,920**	116,524
Interest expense calculated using the effective interest method	9(c)	**(55,755)**	(64,551)	**(56,024)**	(64,839)
Net interest income		**57,402**	**52,520**	**56,896**	**51,685**
Net impairment credit/(charge) for credit losses	14(a)	**2,253**	(184)	**2,253**	(184)
Net interest income after impairment charge for credit losses		**59,655**	**52,336**	**59,149**	**51,501**
Fee and commission income	10	**14,272**	14,962	**14,272**	14,962
Fee and commission expense	10	**(3,771)**	(3,649)	**(3,771)**	(3,649)
Net fee and commission income		**10,501**	**11,313**	**10,501**	**11,313**
Net trading income	11	**11,156**	8,198	**11,156**	8,198
Recoveries		**7,240**	8,760	**7,240**	8,760
Net income from other financial instruments at fair value through profit or loss	12	**7,597**	7,123	**7,597**	7,123
Other operating income	13	**7,985**	7,443	**7,471**	7,943
Non interest income		**44,479**	**42,837**	**43,965**	**43,337**
Operating income		**104,134**	95,173	**103,114**	94,838
Net impairment write-back on other financial assets	14(b)	**307**	688	**306**	688
Net operating income after net impairment write-back/(loss) on other financial assets		**104,441**	95,861	**103,420**	95,526
Personnel expenses	15	**(32,587)**	(33,398)	**(32,454)**	(33,255)
Depreciation of property and equipment	29(c)	**(5,816)**	(5,791)	**(5,805)**	(5,792)
Amortisation of intangible assets	30	**(1,893)**	(1,927)	**(1,893)**	(1,927)
Other operating expenses	16	**(38,171)**	(29,901)	**(37,843)**	(29,806)
Total expenses		**(78,467)**	**(71,017)**	**(77,995)**	**(70,780)**
Profit before income tax		**25,974**	24,844	**25,425**	24,746
Income tax expense	17	**(845)**	(478)	**(772)**	(371)
Profit for the year from continued operations		**25,129**	**24,366**	**24,653**	**24,375**
Loss for the year from discontinued operations net of tax	43	**(6,457)**	(4,491)	**-**	-
Continuing and discontinued operations:					
Profit before tax		**19,517**	20,353	**25,425**	24,746
Income tax		**(845)**	(478)	**(772)**	(371)
Profit after tax		**18,672**	**19,875**	**24,653**	**24,375**

	Notes	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
Other comprehensive income, net of income tax					
Items that will never be reclassified to profit or loss					
Fair value gain on equity instrument at fair value through other comprehensive income	25	**106**	-	**106**	-
Remeasurement of defined benefit liability	39	**(112)**	(411)	**(112)**	(411)
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		**2,077**	613	**-**	-
Fair value (losses)/gain on debt instruments at FVTOCI	**25**	**(2,102)**	7,494	**(1,653)**	7,527
Changes in allowance for expected credit losses of debt instrument at FVTOCI	**5(k)**	**363**	-	**363**	-
Changes in allowance for expected credit losses on pledged asset at FVTOCI	**5(k)**	**36**	-	**36**	-
Other comprehensive income/(loss) for the year		**368**	7,696	**(1,260)**	7,116
Total comprehensive income for the year		**19,040**	27,571	**23,393**	31,491
Profit attributable to:					
Equity holders of the Bank		**18,535**	19,608	**24,653**	24,375
Non-controlling interests	45	**137**	267	**-**	-
Profit for the year		**18,672**	19,875	**24,653**	24,375
Total comprehensive income attributable to:					
Equity holders of the Bank		**18,903**	27,304	**23,393**	31,491
Non-controlling interest	45	**137**	267	**-**	-
Total comprehensive income for the year		**19,040**	27,571	**23,393**	31,491
Earnings per share for profit from continuing operations attributable to equity holders of bank					
Basic and diluted (Kobo)	18	**85**	83	**84**	84
Earnings per share for profit from discontinued operations attributable to equity holders of Bank					
Basic and diluted (Kobo)	18	(22)	(15)	**-**	-

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

Consolidated and Separate Statements of Financial Position

as at 31 December 2020	*Notes*	**Group** **Dec. 2020** **₦ million**	Group Dec. 2019 ₦ million	**Bank** **Dec. 2020** **₦ million**	Bank Dec. 2019 ₦ million
ASSETS					
Cash and cash equivalents	19	**270,707**	320,303	**262,730**	320,707
Non-pledged trading assets	20	**52,212**	23,322	**52,212**	23,322
Pledged assets	21	**100,007**	20,150	**100,007**	20,150
Derivative assets held for risk management	22	**520**	7,081	**520**	7,081
Loans and advances to customers at amortised cost	23	**692,803**	550,613	**692,803**	550,613
Investment securities	25	**351,862**	257,085	**351,862**	253,633
Trading properties	26	**187**	187	**187**	187
Investment properties	27	**4,817**	**5,701**	**-**	-
Investment in subsidiaries	28	**-**	**-**	**2,195**	**2,195**
Right-of-use assets	31	**2,740**	2,921	**2,740**	2,921
Property and equipment	29	**57,364**	57,968	**57,342**	57,934
Intangible assets	30	**5,212**	5,382	**5,211**	5,381
Deferred tax assets	32	**95,875**	95,875	**95,875**	95,875
Other assets	33	**439,952**	361,711	**440,227**	361,973
Defined benefit assets	39(a)	**1,475**	1,395	**1,475**	1,395
		2,075,733	**1,709,694**	**2,065,386**	**1,703,367**
Assets classified as held for sale	43	**115,293**	162,537	**8,372**	**8,372**
TOTAL ASSETS		**2,191,026**	**1,872,231**	**2,073,758**	**1,711,739**
LIABILITIES					
Derivative liabilities held for risk management	22	**2**	2,111	**2**	2,111
Deposits from banks	34	**4,018**	**-**	**4,018**	**-**
Deposits from customers	35	**1,126,287**	886,263	**1,131,116**	886,328
Current tax liabilities	36	**797**	486	**778**	380
Deferred tax liabilities	32	**280**	226	**-**	-
Other liabilities	37	**425,718**	433,114	**425,117**	436,262
Lease liabilites	38	**1,812**	1,651	**1,812**	1,651
Employee benefit obligations	39	**996**	842	**996**	840
Debt securities issued	40	**48,629**	13,947	**48,629**	13,947
Long term subordinated bond	41	**29,546**	29,104	**29,546**	29,104
Other borrowed funds	42	**184,223**	109,924	**184,223**	109,924
		1,822,308	**1,477,668**	**1,826,237**	**1,480,547**
Liabilities classified as held for sale	43	**104,400**	142,221	**-**	**-**
TOTAL LIABILITIES		**1,926,708**	**1,619,889**	**1,826,237**	**1,480,547**
EQUITY					
Share capital	44	**14,633**	14,607	**14,633**	14,607
Share premium	44	**133,457**	133,235	**133,457**	133,235
Retained earnings	44	**23,399**	21,437	**31,403**	23,323
Other reserves	44d	**86,149**	76,520	**68,028**	60,027
TOTAL EQUITY EXCLUDING NON-CONTROLLING INTERESTs		**257,638**	**245,799**	**247,521**	**231,192**
Non-controlling interests	45	**6,680**	6,543	**-**	**-**
TOTAL EQUITY		**264,318**	**252,342**	**247,521**	**231,192**
TOTAL LIABILITIES AND EQUITY		**2,191,026**	**1,872,231**	**2,073,758**	**1,711,739**

The financial statements were approved by the Board of Directors on 23 February 2020 and signed on its behalf by:

Emeka Emuwa	Joesph Mbulu	Beatrice Hamza Bassey
Group Managing Director	Chief Financial Officer	Ag. Board Chair
FRC/2013/CIBN/00000001774	FRC/2014/ICAN/00000006110	FRC/2020/003/00000020477

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

Consolidated and Separate Statements 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	Share based payment reserve	AGSMEIS Reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	N million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1st 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:													
Movement in fair value reserves (equity instruments) - net change in fair value		-	-	-	106	-	-	-	-	-	106	-	106
Remeasurement of defined benefit liability		-	-	-	-	-	-	-	(112)	-	-		(112)
Items that are or may be reclassified subsequently to profit or loss:													
net change in fair value for debt securities classified as fair value through Other comprehensive income					(2,102)						(2,102)		(2,102)
Changes in allowance for expected credit losses on debt instrument at FVTOCI		-	-	-	-	-	-	-	363	-	363	-	363
Changes in allowance for expected credit losses on pledged asset at FVTOCI		-	-	-	-	-			36	-	36	-	36
Foreign currency translation difference		-	-	-	-	-	-	-	2,077	-	2,077	-	2,077
Appropriation:													
Transfer from regulatory risk reserves		-	-	-	-	4,343	-	-	-	(4,343)	-	-	-
Transfer to/(from) other reserves		-	-	3,698	-	-	-	1,219	-	(4,917)	-	-	-
Total comprehensive income		-	-	3,698	(1,996)	4,343	-	1,219	2,364	9,275	19,015	137	19,040
Transactions with equityholders of the Bank													
Contributions by and distributions to owners													
Dividend paid		-	-	-	-	-	-		-	(7,313)	(7,313)	-	(7,313)
Equity-settled share-based payment	44(h)	26	222	-	-	-	-		-	-	248	-	248
Total contribution and distributions to owners		26	222	-	-	-	-	-	-	(7,313)	(7,065)	-	(7,065)
Balance at 31 December 2020		**14,633**	**133,457**	**36,151**	**19,079**	**7,674**	**-**	**3,577**	**19,668**	**23,399**	**257,749**	**6,680**	**264,317**

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

For the year ended 31 December 2019

Group		Share capital	Share premium	Statutory reserve	Fair value reserve	Regulatory risk reserve	Share based payment reserve	AGSMEIS Reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	N million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 31st December 2019		14,561	187,091	28,797	14,482	-	282	1,436	17,087	(44,380)	219,356	6,276	225,632
Adjustment on initial application of IFRS 16, net of tax		-	-	-	-	-	-	-	-	(176)	(176)		(176)
Restated balance at 1 January 2019		14,561	187,091	28,797	14,482	-	282	1,436	17,087	(44,556)	219,180	6,276	225,456
Total comprehensive income													
Profit for the year										19,608	19,608	267	19,875
Other comprehensive income, net of tax													
Items that will not be reclassified to profit or loss:													
Movement in fair value reserves (equity instruments)													
- net change in fair value		-	-	-	(591)	-	-	-	-	-	(591)	-	(591)
Remeasurement of defined benefit liability		-	-	-	-	-	-		(411)	-	(411)	-	(411)
Items that are or may be reclassified subsequently to profit or loss:											-		-
											-		-
Movement in fair value reserves (debt instruments)													
- net change in fair value		-	-	-	7,494	-	-	-	-	-	7,494	-	7,494
Expected credit loss reserve on debt securities		-	-	-	-	-	-		15	-	15	-	15
Foreign currency translation difference		-	-	-	-	-	-		613	-	613	-	613
Appropriation:											-		-
Transfer from regulatory risk reserve		-	-	-	-	3,331	-	922	-	(4,253)	-	-	-
Transfer to/(from) other reserves		-	(54,458)	3,656	(311)	-	-	-	-	51,113	-	-	-
Total comprehensive income		-	(54,458)	3,656	6,592	3,331	-	922	217	66,468	26,728	267	26,995
Transactions with equityholders of the Bank													
Contributions by and distributions to owners													
Dividend paid to Non controlling interest		-	-	-	-	-	-	-	-	(475)	(475)	-	(475)
Equity-settled share-based payment	44(h)	46	602	-	-	-	(282)	-	-	-	366	-	366
Total contribution and distributions to owners		46	602	-	-	-	(282)	-	-	(475)	(109)	-	(109)
Balance at 31 December 2019		**14,607**	**133,235**	**32,453**	**21,074**	**3,331**	**-**	**2,358**	**17,304**	**21,437**	**245,799**	**6,543**	**252,342**

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

Consolidated and Separate Statements of Changes in Equity
For the year ended 31 December 2020

Bank

		Share capital	**Share premium**	**Statutory reserve**	**Fair value reserve**	**Regulatory risk reserve**	**Share based payment reserve**	**AGSMEIS Reserve**	**Other reserves**	**Retained earnings**	**Total**
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1st 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:											
Movement in fair value reserves (equity instruments)		-	-	-	106	-	-	-	-	-	106
- net change in fair value		-	-	-		-	-	-	-	-	-
Remeasurement of defined benefit liability		-	-	-	-	-	-	-	(112)	-	(112)
Items that are or may be reclassified subsequently to profit or loss:											
Movement in fair value reserves (debt instruments)											
Net change in fair value		-	-	-	(1,653)	-	-	-	-	-	(1,653)
Changes in allowance for expected credit losses on debt instrument at FVTOCI		-	-	-	-	-	-	-	363	-	363
Changes in allowance for expected credit losses on pledged asset at FVTOCI		-	-	-	-	-	-	-	36		36
Appropriation:											
Transfer to regulatory risk reserve		-	-	-	-	4,343	-		-	(4,343)	-
Transfer to/(from) other reserves		-	-	3,698	-	-	-	1,219	-	(4,917)	-
Total comprehensive income for the year		-	-	3,698	(1,547)	4,343	-	1,219	287	15,393	23,393
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Dividend paid		-	-	-	-	-	-	-	-	(7,313)	(7,313)
Equity-settled share-based payment	44(h)	26	222	-	-	-	-	-	-	-	248
Total contribution and distributions to owners		26	222	-	-	-	-	-	-	(7,313)	(7,065)
Balance at 31 December 2020		**14,633**	**133,457**	**36,151**	**18,414**	**7,674**	**-**	**3,577**	**2,212**	**31,403**	**247,520**

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

For the year ended 31 December 2019
Bank

		Share capital	Share premium	Statutory reserve	Fair value reserves	Regulatory risk reserve	Share based payment reserve	AGSMEIS Reserve	Other reserves	Retained earnings	Total
		₦ million	₦ million	₦ million	₦ million	₦ million	N million	N million	₦ million	₦ million	₦ million
Restated balance at 31st December 2019		14,561	187,091	28,797	13,335	-	282	1,436	2,322	(47,736)	200,087
Adjustment on initial application of IFRS 16, net of tax (See Note 4(b))		-	-	-	-	-	-	-	-	(176)	(176)
Restated balance at 1 January 2019		14,561	187,091	28,797	13,335	-	282	1,436	2,322	(47,912)	199,911
Total comprehensive income											
Profit or loss		-	-	-	-	-	-	-	-	24,375	24,375
Other comprehensive income, net of tax											-
Items that will not be reclassified to profit or loss:											-
Movement in fair value reserves (equity instruments)											-
- net change in fair value		-	-	-	(591)	-	-	-	-	-	(591)
Remeasurement of defined benefit liability		-	-	-	-	-	-	-	(411)		(411)
Items that are or may be reclassified subsequently to profit or loss:											-
Movement in fair value reserves (debt instruments)										-	-
- net change in fair value		-	-	-	7,527	-	-	-	-	-	7,527
Expected credit loss reserve on debt securities		-	-	-	-	-	-	-	15	-	15
Appropriation:											
Transfer to regulatory risk reserves		-	-	-	-	3,331	-	-	-	(3,331)	-
Transfer to/(from) other reserves		-	(54,458)	3,656	(311)	-	-	922	-	50,191	-
Total comprehensive income for the year		-	(54,458)	3,656	6,625	3,331	-	922	(396)	71,235	30,915
Transactions with equityholders of the Bank											
Contributions by and distributions to owners											
Equity-settled share-based payment	44(h)	46	602	-	-	-	(282)	-	-	-	366
Total contribution and distributions to owners		46	602	-	-	-	(282)	-	-	-	366
Balance at 31 December 2019		**14,607**	**133,235**	**32,453**	**19,960**	**3,331**	**-**	**2,358**	**1,925**	**23,323**	**231,192**

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

Consolidated and Separate Statements of Cash Flow

For the year ended 31 December 2020

	Notes	**Group December 2020**	Group December 2019	**Bank December 2020**	Bank December 2019
		₦ million	₦ million	**N million**	₦ million
Cash flows from operating activities					
Profit before tax		**19,517**	**20,353**	**25,425**	**24,746**
Adjustments for:					
Impairment writeback on loans and advances to customers	52(iii)	**(2,401)**	(9,342)	**(2,401)**	(9,342)
Modification of financial assets		**-**	9,480	**-**	9,480
Impairment (writeback)/charge on cash and cash equivalents	14(a)	**(74)**	12	**(74)**	12
Impairment charge/(write-back) on debt securities	14(a)	**425**	(16)	**425**	(16)
Impairment charge on pledged assets	14(a)	**50**	-	**50**	-
Impairment (write-back)/charge on financial guarantee	14(a)	**(253)**	50	**(253)**	50
Fair value gain on investment properties	27	**(364)**	-	**-**	-
Fair value loss on derivatives	52(v)	**2,617**	-	**2,617**	-
Reversal of impairment on other assets	14(b)	**(307)**	(688)	**(306)**	(688)
Write-off of property and equipment	29	**-**	(3)	**-**	-
Gain on sale of property and equipment	13	**(1,308)**	(965)	**(1,274)**	(965)
Gain on disposal of investment property	13(c)	**(38)**	-	**-**	-
Gain on disposal of equity investment	13	**-**	(228)	**-**	(300)
Depreciation of property and equipment	29	**5,304**	5,262	**5,293**	5,262
Depreciation of right-of-use assets	31	**512**	-	**512**	-
Amortisation of intangible assets	30	**1,893**	1,927	**1,893**	1,927
Share based payment expenses	15	**248**	-	**248**	-
Dividend income from equity investment	13	**(1,033)**	(1,172)	**(1,033)**	(1,790)
Interest expenses on other borrowings	9(c)	**19,624**	17,234	**19,893**	17,234
Interest on lease liabilities	52(xi)	**232**	-	**232**	-
Increase in plan assets	39(a)(iii)	**(3)**	(18)	**(3)**	(18)
Contributions to defined contribution plans	15	**429**	628	**420**	628
Increase in liability for defined benefit plans	15	**6**	(17)	**8**	(17)
		45,076	42,497	**51,672**	46,203
Changes in					
Non-pledged trading assets	52(i)	**(28,890)**	(9,051)	**(28,890)**	(9,051)
Pledged assets	52(ii)	**(79,871)**	28,689	**(79,871)**	28,689
Loans and advances to customers	52(iii)	**(139,789)**	(85,486)	**(139,789)**	(122,714)
Right-of-use asset	31	**-**	(2,921)	**-**	(2,921)
Other assets	52(iv)	**(77,934)**	(36,177)	**(77,948)**	(38,106)
Derivative financial instruments-assets	52(v)	**3,944**	(6,052)	**3,944**	(6,052)
Derivative financial instruments-liabilities	52(v)	**(2,109)**	991	**(2,109)**	994
Deposits from banks	52(vi)	**4,018**	(99,477)	**4,018**	-
Deposits from customers	52(vii)	**240,024**	28,670	**244,788**	41,915
Lease liabilities	52(viii)	**-**	1,475	**-**	1,475
Other liabilities	52(viii)	**(7,143)**	263,791	**(10,892)**	267,801
		(42,674)	126,949	**(35,077)**	208,233
Income tax paid	36	**(480)**	(375)	**(374)**	(223)
Payment of defined contribution plan	39(a)(i)	**(429)**	(636)	**(420)**	(636)
Payment of long service award	39(b)(i)	**(41)**	(56)	**(41)**	(56)
Cashflows from discontinued operations		**11,500**	5,775	**-**	-
Net cash provided by/(used in) operating activities		**(32,124)**	**131,657**	**(35,912)**	**207,318**

Consolidated and Separate Statements of Cash Flow

For the year ended 31 December 2020

	Notes	**Group December 2020**	Group December 2019	**Bank December 2020**	Bank December 2019
		₦ million	₦ million	**N million**	₦ million
Cash flows from investing activities					
Proceeds from disposal of investment properties	27	**1,286**	(671)	**-**	-
Proceeds from sale of property and equipment	13(b)	**4,915**	1,827	**4,878**	1,827
Acquisition of investment securities	52(ix)	**(96,835)**	(50,046)	**(99,838)**	(71,614)
Prepaid right-of-use assets	31	**(295)**	**-**	**(295)**	**-**
Acquisition of property and equipment	29	**(8,396)**	(3,575)	**(8,394)**	(3,575)
Acquisition of intangible assets	30	**(1,634)**	(1,516)	**(1,634)**	(1,517)
Proceeds from sales of assets held for sale		**-**	625	**-**	625
Dividend received	13	**1,033**	1,172	**1,033**	1,790
Cashflows from discontinued operations			(5,272)	**-**	-
Net cash used in investing activities		**(99,926)**	**(57,456)**	**(104,250)**	**(72,463)**
Cash flows from financing activities					
Proceeds from other borrowings	52(x)	**81,321**	30,133	**81,321**	30,133
Repayment of borrowings	52(x)	**(7,048)**	(15,100)	**(7,048)**	(15,184)
Payment for lease liabilities	52(xiii)	**(107)**	-	**(107)**	-
Interest paid on borrowings	52(x)	**(19,915)**	(17,550)	**(20,184)**	(17,550)
Proceed from debt securities issued	52(x)	**35,000**	87	**35,000**	87
Proceed from bond issued	52(x)	**442**	29,420	**442**	29,420
Dividend paid to non-controlling interest		**-**	(475)	**-**	-
Dividend paid during the year		**(7,313)**	-	**(7,313)**	-
Net cash generated from financing activities		**82,380**	**26,515**	**82,111**	**26,906**
Effect of exchange rate fluctuations on cash held		**-**	621	**-**	-
Net (decrease)/increase in cash and cash equivalents		**(49,670)**	100,716	**(58,051)**	161,761
Cash and cash equivalents at beginning of year		**320,385**	233,566	**320,789**	159,028
Net change in cash and cash equivalents from discontinued operation		**-**	(14,518)	**-**	-
Cash and cash equivalents at end of year	19	**270,715**	**320,385**	**262,738**	**320,789**

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 2020 comprise the Bank and its subsidiaries (together referred to as 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 accounting

(a) Statement of compliance

The consolidated and separate ("Bank") financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by International Accounting Standards Board and in the manner required by the Financial Reporting Council of Nigeria Act 2011, Companies and Allied Matters Act 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 23rd February 2021.

(b) Functional and presentation currency

These consolidated and separate financial statements are presented in Nigerian Naira, which is the Bank's functional and presentation currency.
All amounts have been rounded to the nearest millions, except where otherwise indicated.

(c) 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.

(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's 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 reserves

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 income statement 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 the income statement. 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. 2020	Dec. 2019
	Notes	₦ million	₦ million
IFRS-based impairments:			
Impairment on Cash and cash equivalents	19	8	82
Impairment on pledged assets	21	14	
Impairment on loans to customers	23	43,909	44,685
Impairment on equity accounted investee	24	91	91
Impairment on investment securities	25	95	33
Impairment on other assets	33	6,176	6,231
Impairment on Letters of credit and financial guarantees	37	4	257
Provision for claims and contingencies	37	3,717	2,595
Provision for Fraud and forgeries	37	102	-
		54,116	53,974

Prudential provisions:		
Impairment on cash and cash equivalents	8	-
Impairment on pledged assets	14	
Specific provision on loans to customers	-	26,133
General provision on loans to customers	51,070	14,224
Interest in suspense	-	7,684
Impairment on equity accounted investee	91	-
Impairment on investment securities	95	-
Specific provision on other assets	6,728	6,669
Impairment on Letters of credit and financial guarantees	4	
Provision for claims and contingencies	3,657	2,595
Provision for Fraud and forgeries	123	-
	61,790	57,305
Regulatory risk reserve	7,674	3,331

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

	Dec. 2020	Dec. 2019
	N million	₦ million
Balance, beginning of the year	3,331	
Effect of transition to IFRS 9	-	3,331
Transfer during the year	4,343	-
Balance, end of the year	7,674	3,331

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

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.

Fund management

The entities within the group manage and administer assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

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

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated using the functional currency at the spot exchange rate at that date. The foreign currrency gain or loss on monetary items is the difference between the amortised cost in the functional currrency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

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.

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.

Foreign exchange differences on translation of foreign operations are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) 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) Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

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.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

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

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fee and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

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.

(e) Net trading income

Net trading income comprises gains less 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

Recognition and initial measurement

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Loans and advances, deposits and subordinated liabilities are recognised on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through other comprehensive income:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities:
Financial liabilities are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the transaction.

Derecognition
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire , or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVTOCI is not recognised in profit or loss on derecognition of such securities, as explained in (O). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognised as investment securities and carried at FVTOCI. Gains or losses on securitisation are recorded in other revenue.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications of financial assets and financial liabilities
Financial assets
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value less any eligible transaction cost.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities
The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporate all of the factors that market participants would take into account in pricing a transaction.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced by neither by a quoted price in an active market for an identical asset or liability nor based on a valuation techniques that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price, Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid and ask price, then the Group measures assets, long positions, liabilities and short positions at a mid price which is the average of the ask and bid prices.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured by the Group on the basis of the price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less that the amount payable on demand, discounted from the first date on which that amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Amortised cost measurement

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayment, plus or minus the cumulative amortisation using effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Impairment of financial asset

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- loans and receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of investment grade.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);

financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see (iv)) and ECL are measured as follows.

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise

it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Offsetting financial instruments

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

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

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.

(k) 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.

(l) 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.

(m) 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 income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(n) 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.

(o) 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.

(p) 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 attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

(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 restoring the site on which they are located; 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 income statement.

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 recognised in the statement of profit or loss and other comprehensive income.

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	4 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.

(q) 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 income statement. 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.

(r) 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.

(s) 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.

(t) 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 income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

(u) 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 right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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’.

(v) 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.

(w) 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 the instruments.

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.

(x) 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.

(y) Contingent asset and contingent liabilities

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the 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.

(z) 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.

(aa) 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 income statement 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.

(ab) 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

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.

(ac) 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.

(ad) 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.

(ae) 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.

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4 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 2020.The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

4.1.1 Amendments to IAS 1and IAS 8 Definition of Material

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

4.1.2 Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Group.

4.2 Changes in accounting policies and disclosures

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Group. These amendments are listed below:
• Amendments to IFRS 3: Definition of a Business
• Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
• Amendments to IFRS 16 Covid-19 Related Rent Concessions
The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.3 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.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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* A specific adaptation for contracts with direct participation features (the variable fee approach)
* A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Proposed amendments to IFRS 17

In June 2019, the IASB issued an exposure draft (ED) on proposed amendments to IFRS 17. The Board considered 25 concerns and implementation challenges raised by stakeholders and assessed whether to propose changes to the standard. The Board selected only those changes that, in its estimation, would not lead to a significant loss of useful information for investors, nor unduly disrupt implementation processes under way, nor risk undue delays in the effective date of IFRS 17.

The IASB proposes in the ED 12 targeted amendments to the standard in eight areas and asks stakeholders whether they agree with the proposed amendments. The eight areas of IFRS 17 subject to proposed changes are:

• Deferral of the effective date of IFRS 17 for one year,including an additional year of deferral for the application of IFRS 9 to qualifying insurance entities (i.e., qualifying insurers can apply IFRS 17 and IFRS 9 for the first time in reporting periods beginning on or after 1 January 2022)
• Additional scope exclusions
• Expected recovery of insurance acquisition cash flows from insurance contract renewals
• CSM relating to investment activities
• Applicability of the risk mitigation option for contracts with direct participation features
• Reinsurance contracts held - expected recovery of losses on underlying contracts
• Simplified presentation of insurance contracts in the statement of financial position
• Transition modifications and reliefs

IFRS 17 will have no impact on the Group, as it does not issue insurance contract.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments will currently have no impact on the financial statements of the Group.

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

On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform.

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).

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient 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. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

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Any other changes made at the same time, such as a changein the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss.

The practical expedient is required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging
The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes.

Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 and IAS 39 to measure and recognise hedge ineffectiveness.

Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR. The cash flow hedge reserve is released to profit or loss in the same period or periods in which the hedged cash flows based on the RFR affect profit or loss.

For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero. This relief applies when the exception to the retrospective assessment ends.

The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued. As items within the hedged group transition at different times from IBORs to RFRs, they will be transferred to sub-groups of instruments that reference RFRs as the hedged risk.

As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform. The phase two reliefs cease to apply once all changes have been made to financial instruments and hedging relationships, as required by IBOR reform.

Separately identifiable risk components
The amendments 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. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.

Additional disclosures
IFRS 7 Financial Instruments: Disclosures includes the following:
• How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform
• Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs
• If IBOR reform has given rise to changes in the entity’s risk management strategy, a description of these changes

These amendment will not have significant impact on the Group's financial statements when they become effective 1 January 2021.

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Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
In January 2020, the Board 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

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

The Group will apply this amendment when it becomes effective on 1 January 2023.

Amendments to IFRS 3 - Reference to the Conceptual Framework
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 a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add 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+B148within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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These amendments will currently have no impact on the financial statements of the Group, and it's effective annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of 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.

These amendments will currently have no impact on the financial statements of the Group, and it's effective annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets 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 (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). 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.

These amendments will currently have no impact on the financial statements of the Group, and it's effective annual reporting periods beginning on or after 1 January 2022.

Annual Improvements 2018-2020 cycle (issued in May 2020)
IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time
• The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

• An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
These amendments will currently have no impact on the financial statements of the Group.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
• 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 between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
• 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.
• An entity applies the amendment for annual reporting periods beginning on or after1 January 2022. Earlier application is permitted.
These amendments will currently have no impact on the financial statements of the Group.

IFRS 16 Leases Illustrative Example accompanying - Lease incentives
The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when

IAS 41 Agriculture - Taxation in fair value measurements
• The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

• An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

These amendments will currently have no impact on the financial statements of the Group.

5 Financial risk management

(a) Introduction and overview

Union Bank of Nigeria Plc and its subsidiary companies ("the Bank" or "the Group") have exposures to the following risks from financial instruments:

- 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) 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.

(c) 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 the Group.

(d) 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.

(e) 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.

(f) 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	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	

(g) 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. 2020	Dec. 2019
Board of Directors	Above N5bn	Above N5bn
Board Credit Committee	N2,500,000,001 - N5,000,000,000	N2,500,000,01 - N5,000,000,000
Management Credit Committee	N1,000,000,001 - N2,500,000,000	N1,000,000,01 - N2,500,000,000
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.

(h) 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	2020				2019				2020				2019			
	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	528,609	-	-	528,609	396,373	-	-	396,373	528,609	-	-	528,609	396,373	-	-	396,373
Grade 7-9: Watch list	-	146,208	32,450	178,658	-	140,156	24,009	164,165	-	146,208	32,450	178,658	-	140,156	24,009	164,165
Grade 10-12: Impaired	-	-	29,445	29,445	-	-	34,760	34,760	-	-	29,445	29,445	-	-	34,760	34,760
Gross amount	528,609	146,208	61,895	736,712	396,373	140,156	58,769	595,298	528,609	146,208	61,895	736,712	396,373	140,156	58,769	595,298
Loss allowance	(8,601)	(12,744)	(22,564)	(43,909)	(8,529)	(19,958)	(16,198)	(44,685)	(8,601)	(12,744)	(22,564)	(43,909)	(8,529)	(19,958)	(16,198)	(44,685)
Carrying amount	520,008	133,464	39,331	692,803	387,844	120,198	42,571	550,613	520,008	133,464	39,331	692,803	387,844	120,198	42,571	550,613

ii) ***Investment securities at amortised cost***

	Group								Bank							
Note 25(c)	2020				2019				2020				2019			
	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	31,344	-	-	31,344	38,651	-	-	38,651	31,344	-	-	31,344	35,199	-	-	35,199
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	31,344	-	-	31,344	38,651	-	-	38,651	31,344	-	-	31,344	35,199	-	-	35,199
Loss allowance	(95)	-	-	(95)	(33)	-	-	(33)	(95)	-	-	(95)	(33)	-	-	(33)
Carrying amount	31,249	-	-	31,249	38,618	-	-	38,618	31,249	-	-	31,249	35,166	-	-	35,166

iii) ***Investment securities at fair value through OCI***

	Group								Bank							
	2020				2019				2020				2019			
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	269,112	-	-	269,112	177,213	-	-	177,213	269,112	-	-	269,112	177,213	-	-	177,213
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount	269,112	-	-	269,112	177,213	-	-	177,213	269,112	-	-	269,112	177,213	-	-	177,213

iv) **Pledged assets**

	Group								Bank							
Note 21	2020				2019				2020				2019			
	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	100,021	-	-	100,021	20,150	-	-	20,150	100,021	-	-	100,021	20,150	-	-	20,150
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	100,021	-	-	100,021	20,150	-	-	20,150	100,021	-	-	100,021	20,150	-	-	20,150
Loss allowance	(14)	-	-	(14)	-	-	-	-	(14)	-	-	(14)	-	-	-	-
Total carrying amount	100,007	-	-	100,007	20,150	-	-	20,150	100,007	-	-	100,007	20,150	-	-	20,150

v) **Non- Pledged trading assets**

Note 20	Group								Bank							
	2020				2019				2020				2019			
	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	52,212	-	-	52,212	23,322	-	-	23,322	52,212	-	-	52,212	23,322	-	-	23,322
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	52,212	-	-	52,212	23,322	-	-	23,322	52,212	-	-	52,212	23,322	-	-	23,322
Loss allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount	52,212	-	-	52,212	23,322	-	-	23,322	52,212	-	-	52,212	23,322	-	-	23,322

vi) **Other financial assets** **

	Group								Bank							
	2020				2019				2020				2019			
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	360,597	-	-	360,597	324,307	-	-	324,307	360,597	-	-	360,597	324,307	-	-	324,307
Grade 7-9: Watch list	46,516	-	-	46,516	25,541	-	-	25,541	45,473	-	-	45,473	24,621	-	-	24,621
Grade 10-12: Impaired	-	-	12,540	12,540	-	-	12,540	12,540	-	-	12,540	12,540	-	-	12,540	12,540
Gross amount	407,113	-	12,540	419,653	349,848	-	12,540	362,388	406,070	-	12,540	418,610	348,928	-	12,540	361,468
Loss allowance	(42)	-	(7,177)	(7,219)	(42)	-	(7,383)	(7,425)	(42)	-	(6,134)	(6,176)	(42)	-	(6,189)	(6,231)
Carrying amount	407,071	-	5,363	412,434	349,806	-	5,157	354,963	406,028	-	6,406	412,434	348,886	-	6,351	355,237

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

vii) **Cash & cash equivalents**

Note 19	Group								Bank							
	2020				2019				2020				2019			
	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	270,715	-	-	270,715	320,385	-	-	320,385	262,738	-	-	262,738	320,789	-	-	320,789
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	270,715	-	-	270,715	320,385	-	-	320,385	262,738	-	-	262,738	320,789	-	-	320,789
Loss allowance	(8)	-	-	(8)	(82)	-	-	(82)	(8)	-	-	(8)	(82)	-	-	(82)
Carrying amount	270,707	-	-	270,707	320,303	-	-	320,303	262,730	-	-	262,730	320,707	-	-	320,707

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

Note 47	Group								Bank							
	2020				2019				2020				2019			
	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	220,289	-	-	220,289	185,327	-	-	185,327	220,289	-	-	220,289	185,327	-	-	185,327
Grade 7-9: Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 10-12: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	220,289	-	-	220,289	185,327	-	-	185,327	220,289	-	-	220,289	185,327	-	-	185,327
Loss allowance	(4)	-	-	(4)	(257)	-	-	(257)	(4)	-	-	(4)	(257)	-	-	(257)
Carrying amount	220,285	-	-	220,285	185,070	-	-	185,070	220,285	-	-	220,285	185,070	-	-	185,070

(ix) Derivative transactions (See

The table below shows an analysis of counter party credit exposures arising from derivative transactions.

	GROUP				**BANK**			
	2020		**2019**		**2020**		**2019**	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**
Derivative assets	322,472	520	6,214	7,081	322,472	520	6,214	7,081
Derivative liabilities	317,156	2	1,833	2,111	317,156	2	1,833	2,111

(i) 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. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	23,40,21,2 0,33,19,47	692,803	550,613	300,361	215,831	100,007	20,150	52,212	23,322	146,332	183,554	430,960	354,963	220,285	185,070
Concentration by sector:															
Agriculture		13,605	14,720	-	-	-	-	-	-	-	-	-	-	-	-
Oil and gas		211,602	155,211	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit		58,139	45,223	-	-	-	-	-	-	-	-	-	-	-	-
Manufacture		129,711	82,378	-	-	-	-	-	-	-	-	-	-	-	-
Real estate and construction		35,506	33,580	-	-	-	-	-	-	-	-	-	-	-	-
General commerce		86,073	75,590	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		8,121	29,541	7,236	3,922	304	277	-	23,322	146,332	183,554	430,960	354,963	220,285	185,070
Government		21,087	11,315	293,186	211,909	99,717	19,873	52,212	-	-	-	-	-	-	-
Power		54,196	45,050	-	-	-	-	-	-	-	-	-	-	-	-
Transportation		627	640	-	-	-	-	-	-	-	-	-	-	-	-
Communication		37,157	39,509	-	-	-	-	-	-	-	-	-	-	-	-
Education		3,632	1,740	-	-	-	-	-	-	-	-	-	-	-	-
Others		33,201	15,306	-	-	-	-	-	-	-	-	-	-	-	-
		692,803	550,613	300,422	215,831	100,021	20,150	52,212	23,322	146,332	183,554	430,960	354,963	220,285	185,070
Concentration by location:															
Nigeria		692,803	505,188	300,422	196,050	100,021	20,150	52,212	23,322	68,846	85,588	430,960	354,963	220,285	185,070
United Kingdom		-	45,425	-	19,781	-	-	-	-	77,486	97,966	-	-	-	-
		692,803	550,613	300,422	215,831	100,021	20,150	52,212	23,322	146,332	183,554	430,960	354,963	220,285	185,070

Bank	**Note**	Loans and advances to customers		Debt investment securities		Pledged assets		Non Pledged assets		Placements		Other receivables		Loan commitment & financial guarantees	
		Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2019
		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	23,40,21,2 0,33,19,47	692,803	550,613	300,361	212,379	100,007	20,150	52,212	23,322	146,332	183,901	436,453	358,730	220,285	185,070
Concentration by sector:															
Agriculture		13,605	14,720	-	-	-	-	-	-	-	-	-	-	-	
Oil and gas		211,602	155,211	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit		58,139	45,223	-	-	-	-	-	-	-	-	-	-	-	-
Manufacture		129,711	82,378	-	-	-	-	-	-	-	-	-	-	-	-
Real estate and construction		35,506	33,580	-	-	-	-	-	-	-	-	-	-	-	-
General commerce		86,073	75,590	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		8,121	29,541	4,773	3,488	304	277	-	-	146,332	183,901	436,453	358,730	220,285	185,070
Government		21,087	11,315	295,650	208,891	99,717	19,873	52,212	23,322	-	-	-	-	-	-
Power		54,196	45,050	-	-	-	-	-	-	-	-	-	-	-	-
Other public utilities		146	810	-	-	-	-	-	-	-	-	-	-	-	-
Transportation		627	640	-	-	-	-	-	-	-	-	-	-	-	-
Communication		37,157	39,509	-	-	-	-	-	-	-	-	-	-	-	-
Education		3,632	1,740	-	-	-	-	-	-	-	-	-	-	-	-
Others		33,201	15,306	-	-	-	-	-	-	-	-	-	-	-	-
		692,803	550,613	300,423	212,379	100,021	20,150	52,212	23,322	146,332	183,901	436,453	358,730	220,285	185,070
Concentration by location:															
Nigeria		692,803	550,613	300,423	212,379	100,021	20,150	52,212	23,322	146,332	183,901	436,453	358,730	220,285	185,070
United Kingdom		-	-	-	-	-	-	-	-	-	-	-	-		-
		692,803	550,613	300,423	212,379	100,021	20,150	52,212	23,322	146,332	183,901	436,453	358,730	220,285	185,070

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.

(j) ***Collateral held and other credit***

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 2020**			31 December 2019		
In millions of Naira	**Exposure**	**Collateral value**	**LTV**	**Exposure**	**Collateral value**	**LTV**
Secured by Real Estate	50,684	97,669	52%	28,517	61,603	46%
Secured by Fixed and Floating Assets	282,683	2,041,544	14%	249,842	1,534,299	16%
Secured by Leased Assets	2,485	2,000	124%	1,206	1,599	75%
Secured by Quoted Shares	1	7	11%	8	-	>100%
Secured by Cash Collateral	137,183	9,234	1486%	116,295	80,818	144%
Other secured assets	36,444	125,532	29%	84,748	31,890	266%
Unsecured	227,232	-	>100%	114,682	-	>100%
Total	736,712	2,275,986	32%	595,298	1,710,209	35%

Bank	**31 December 2020**			31 December 2019		
In millions of Naira	**Exposure**	**Collateral value**	**LTV**	**Exposure**	**Collateral value**	**LTV**
Secured by Real Estate	50,684	97,669	52%	28,517	61,603	46.3%
Secured by Fixed and Floating Assets	282,683	2,041,544	14%	249,842	1,534,299	16.3%
Secured by Leased Assets	2,485	2,000	124%	1,206	1,599	75.4%
Secured by Quoted Shares	1	7	11%	8	-	>100%
Secured by Cash Collateral	137,183	9,234	1486%	116,295	80,818	143.9%
Other secured assets	36,444	125,532	29%	84,748	31,890	265.8%
Unsecured	227,232	-	>100%	114,682	-	>100%
Total	736,712	2,275,986	32%	595,298	1,710,209	35%

(k) 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	**2020**				**2019**			
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	8,528	19,959	16,198	44,685	8,994	6,393	54,243	69,630
Transfer to Stage 1	911	(21)	(890)	-	217	(162)	(55)	-
Transfer to Stage 2	(19)	1,197	(1,178)	-	(5,076)	5,673	(597)	-
Transfer to Stage 3	(17)	(2)	18	-	(3,971)	(189)	4,160	-
Net remeasurement of loss allowance	(5,455)	(13,443)	7,161	(11,737)	8,422	8,247	(24,747)	(8,078)
New financial assets originated or purchased	4,652	996	3,754	9,402	115	2	2	119
Previously derecognised financial assets	-	-	201	201	-	-	343	343
Write-offs	-	-	(4,159)	(4,159)	-	-	(15,028)	(15,028)
Recoveries of previously written off	-	-	(66)	(66)	-	-	(1,383)	(1,383)
Foreign exchange and other movements	-	4,058	1,525	5,583	-	-	(71)	(71)
	-	-	-	-	(173)	(5)	(669)	(847)
Balance at 31 December	**8,600**	**12,745**	**22,564**	**43,909**	**8,528**	**19,959**	**16,198**	**44,685**

Bank	**2020**				**2019**			
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	8,529	19,958	16,198	44,685	8,822	6,387	53,574	68,783
Transfer to Stage 1	911	(21)	(890)	-	217	(162)	(55)	-
Transfer to Stage 2	(19)	1,197	(1,178)	-	(5,076)	5,673	(597)	-
Transfer to Stage 3	(17)	(2)	18	-	(3,971)	(189)	4,160	-
Net remeasurement of loss allowance	(5,455)	(13,443)	7,161	(11,737)	8,422	8,247	(24,747)	(8,078)
New financial assets originated or purchased	4,652	996	3,754	9,402	115	2	2	119
Previously derecognised financial assets	-	-	201	201	-	-	343	343
Write-offs	-	-	(4,159)	(4,159)	-	-	(15,028)	(15,028)
Recoveries of previously written off	-	-	(66)	(66)	-	-	(1,383)	(1,383)
Foreign exchange and other movements	-	4,058	1,525	5,583	-	-	(71)	(71)
	-	-	-	-	-	-	-	-
Balance at 31 December	**8,601**	**12,744**	**22,564**	**43,909**	**8,529**	**19,958**	**16,198**	**44,685**

As shown in the above table, the allowance for ECL for loans and advances decreased from N44.7 billion at 31 December 2019 to N43.9 billion at 31 December 2020. The decrease was primarily driven by the interplay of the following: - decrease in net remeasurement of loss allowance by N11.7 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 N4.2 billion; - ECL of N9.4billion on new financial assets originated or purchase owing to deterioration of economic conditions largely due to the impact of the COVID-19 pandemic on the credit quality of new loans and advances to customers; and foreign exchange movements.

Group	**2020**				**2019**			
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	33	-	-	33	63	-	-	63
Net remeasurement of loss allowance	62	-	-	62	(30)	-	-	(30)
Balance at 31 December	**95**	**-**	**-**	**95**	**33**	**-**	**-**	**33**

Bank	**2020**				**2019**			
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	33	-	-	33	63	-	-	63
Net remeasurement of loss allowance	62	-	-	62	(30)	-	-	(30)
Balance at 31 December	**95**	**-**	**-**	**95**	**33**	**-**	**-**	**33**

As shown in the above table, the allowance for ECL for Investment securities at amortised cost increased from N33 million at 31 December 2019 to N95 million at 31 December 2020. The increase was primarily driven by the impact of remeasurement of year-end ECL which reflects a deterioration in economic conditions.

Group	**2020**				**2019**			
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	51	-	-	51	37	-	-	37
Net remeasurement of loss allowance	363	-	-	363	14	-	-	14
Balance at 31 December	**414**	**-**	**-**	**414**	**51**	**-**	**-**	**51**

Bank	**2020**				**2019**			
In millions of Naira	**12-month ECL**	**ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	**12-month ECL**	**ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Investment securities at FVTOCI								
Balance at 1 January	51	-	-	51	37	-	-	37
Net remeasurement of loss allowance	363	-	-	363	14	-	-	14
Balance at 31 December	**414**	**-**	**-**	**414**	**51**	**-**	**-**	**51**

As shown in the above table, the allowance for ECL for Investment securities at FVTOCI increased from N51 million at 31 December 2019 to N414 million at 31 December 2020. The increase was primarily driven by the impact of remeasurement of year-end ECL which reflects the significant increase in investment securities at current year end and a deterioration in economic conditions. 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	**2020**	**2019**
In millions of Naira	**12 Month ECL**	**12 Month ECL**
Pledged asset at amortised cost		
Balance at 1 January	-	-
Net remeasurement of loss allowance	14	-
Balance at 31 December	**14**	**-**

Bank *In millions of Naira*	**2020** **12 Month ECL**	**2019** **12 Month ECL**
Pledged asset at amortised cost		
Balance at 1 January	-	-
Net remeasurement of loss allowance	14	-
Balance at 31 December	**14**	**-**

As shown in the above table, the allowance for ECL for pledged assets at amortised cost was recognised in the year. The charge was primarily driven by N14 million measurement of year-end ECL

Group *In millions of Naira*	**2020** **12 Month ECL**	**2019** **12 Month ECL**
Pledged asset at FVTOCI		
Balance at 1 January	-	-
Net remeasurement of loss allowance	36	-
Balance at 31 December	**36**	**-**

Bank *In millions of Naira*	**2020** **ECL**	**2019** **12 Month ECL**
Pledged asset at FVTOCI		
Balance at 1 January	-	-
Net remeasurement of loss allowance	36	-
Balance at 31 December	**36**	**-**

As shown in the above table, the allowance for ECL for pledged assets at FVTOCI was recognised in the year. The charge was primarily driven by N36 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 *In millions of Naira*	**2020** **12 Month ECL**	**2019** **12 Month ECL**
Cash and cash equivalents		
Balance at 1 January	82	70
Net remeasurement of loss allowance	(74)	12
Balance at 31 December	**8**	**82**

Bank *In millions of Naira*	**2020** **ECL**	**2019** **12 Month ECL**
Cash and cash equivalents		
Balance at 1 January	82	70
Net remeasurement of loss allowance	(74)	12
Balance at 31 December	**8**	**82**

As shown in the above table, the allowance for ECL for cash and cash equivalents decreased from N82 million at 31 December 2019 to N8 million at 31 December 2020. The decrease was primarily driven by the impact of remeasurement of year-end ECL which reflects the reduction in cash and cash equivalents.

Group	**2020**			**2019**		
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	7,383	7,425	36	7,813	7,849
Net remeasurement of loss allowance	-	(307)	(307)	6	(694)	(688)
Foreign exchange and other movements	-	101	101	-	264	264
Balance at 31 December	**42**	**7,177**	**7,219**	**42**	**7,383**	**7,425**

Bank	2020			2019		
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	6,189	6,231	36	6,622	6,658
Net remeasurement of loss allowance	-	(306)	(306)	6 -	694 -	688
Foreign exchange and other movements	-	251	251	-	261	261
Balance at 31 December	**42**	**6,134**	**6,176**	**42**	**6,189**	**6,231**

As shown in the above table, the allowance for ECL for other receivables decreased from N6.2 billion at 31 December 2019 to N6.1 billion at 31 December 2020. The decrease was primarily driven by N306 million net credit quality related changes, including impact of remeasurement of year-end ECL.

Group	2020	2019
In millions of Naira	12 Month ECL	12 Month ECL
Off balance sheet items		
Balance at 1 January	257	207
Net remeasurement of loss allowance	(253)	50
Foreign exchange and other movements	-	-
Balance at 31 December	**4**	**257**

Bank	2020	2019
In millions of Naira	ECL	ECL
Off balance sheet items		
Balance at 1 January	257	207
Net remeasurement of loss allowance	(253)	50
Balance at 31 December	**4**	**257**

As shown in the above table, the allowance for ECL for Financial guarantee(off balance sheet item) decreased from N257 million at 31 December 2019 to N4 million at 31 December 2020. The decrease was primarily driven by N253 million net credit quality related changes and ECL remeasurement at year-end.

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 'impairment losses on financial instruments' line item in the consolidated and separate statement of profit or loss and other comprehensive income.

Group

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)	(307)	(11,896)
New financial assets originated or purchased	9,402	-	-	-	-	9,402	-	9,402
Total	(2,335)	425	50	(74)	(253)	(2,187)	(307)	(2,494)
Recoveries of amounts previously written of	(66) -		-	-	-	(66)	-	(66)
Total	(2,401)	425	50	(74)	(253)	(2,253)	(307)	(2,560)

Bank

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	(66)	-	-	-	-	(66)	-	(66)
Total	**(2,401)**	**425**	**50**	**(74)**	**(253)**	(2,253)	**(306)**	**(2,559)**

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).

(l) 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 balance sheet.

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. 2020	Dec. 2019
At 31 December	41%	51%
Average for the year	36%	33%
Maximum for the year	46%	51%
Minimum for the year	22%	33%

As at 31 December 2020, the Group's ratio of net liquid assets to deposits from customers is 1099 basis points above the required 30% benchmark.

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.

Residual contractual maturities of financial assets and liabilities

Group	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2020		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	270,707	270,715	270,715	-	-	-	-
Non-pledged trading assets	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

Group	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2019		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	320,303	320,791	320,791	-	-	-	-
Non-pledged trading assets	20	23,322	23,322	23,322	-	-	-	-
Pledged assets	21	20,150	19,199	-	5,678	8,215	5,306	-
Loans and advances to customers	23	550,613	551,636	228,792	44,831	72,936	185,668	19,409
Investment securities	25	257,085	264,291	208,340	10,428	7,441	9,042	29,040
Other receivables^	33	358,456	358,456	358,456	-	-	-	-
		1,529,929	1,537,695	1,139,701	60,937	88,592	200,016	48,449
Derivative assets:								
Held for Risk Management	22	7,081	7,081	7,081	-	-	-	-
		1,537,010	1,544,776	1,146,782	60,937	88,592	200,016	48,449
Non-derivative liabilities								
Deposits from customers	34	(886,263)	(886,328)	(812,909)	(38,960)	(8,286)	(15,619)	(10,554)
Other financial liabilities^^	37	(316,680)	(316,680)	(206,620)	(22,261)	(28,580)	(17,211)	(42,008)
Debt Securities issued	40	(13,947)	(14,181)	-	(676)	-	(7,318)	(6,187)
Other borrowed funds	42	(109,924)	(110,513)	(44,920)	(6,288)	(6,902)	(37,508)	(14,895)
		(1,326,814)	(1,327,702)	(1,064,449)	(68,185)	(43,768)	(77,656)	(73,644)
Derivative liabilities:								
Held for Risk Management	22	(2,111)	(2,111)	(2,111)	-	-	-	-
		(1,328,925)	(1,329,813)	(1,066,560)	(68,185)	(43,768)	(77,656)	(73,644)
Gap (asset - liabilities)		208,085	214,963	80,222	(7,248)	44,824	122,360	(25,195)
Cumulative liquidity gap			214,963	80,222	72,974	117,798	240,158	214,963

^ The Group's other receivables exclude prepayment of N3,630 million (Dec. 19: N3,255 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	***Note***	**Carrying amount**	**Gross nominal inflow /(outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2020		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
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	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	34	(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

Bank	***Note***	**Carrying amount**	**Gross nominal inflow /(outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2019		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	320,707	321,195	321,195	-	-	-	-
Non-pledged trading assets	20	23,322	23,117	23,117	-	-	-	-
Pledged assets	21	20,150	19,198	-	5,621	8,215	5,362	-
Loans and advances to customers	23	550,613	551,636	228,792	44,831	72,936	185,668	19,409
Investment securities	25	253,633	258,962	203,011	10,428	7,441	9,042	29,040
Other receivables^	33	358,730	358,730	358,730	-	-	-	-
		1,527,155	1,532,838	1,134,845	60,880	88,592	200,072	48,449
Derivative assets:								
Held for Risk Management	22	7,081	7,081	7,081	-	-	-	-
		1,534,236	1,539,919	1,141,926	60,880	88,592	200,072	48,449
Non-derivative liabilities								
Deposits from customers	34	(886,328)	(886,328)	(812,909)	(38,960)	(8,286)	(15,619)	(10,554)
Other financial liabilities	37	(316,680)	(316,680)	(206,620)	(22,261)	(28,580)	(17,211)	(42,008)
Debt securities issued	40	(13,947)	(14,181)	-	(676)	-	(7,318)	(6,187)
Other borrowed funds	42	(109,924)	(110,513)	(44,920)	(6,288)	(6,902)	(37,508)	(14,895)
		(1,326,879)	(1,327,702)	(1,064,449)	(68,185)	(43,768)	(77,656)	(73,644)
Derivative liabilities:								
Held for Risk Management	22	(2,111)	2,111	2,111	-	-	-	-
		(1,328,990)	(1,325,591)	(1,062,338)	(68,185)	(43,768)	(77,656)	(73,644)
Gap (asset - liabilities)		205,246	214,328	79,588	(7,305)	44,824	122,416	(25,195)
Cumulative liquidity gap			214,328	79,588	72,283	117,107	239,523	214,328

^ The Bank's other receivables exclude prepayment of N3,167 million (Dec. 19: N3,243 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
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.
Issued financial guarantee contracts, and unrecognised loan commitments	earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

(m) 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 2020			31 December 2019		
			Market			Market	
In millions of Naira	**Note**	**Carrying amount**	**Trading portfolios**	**Non-trading**	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Assets subject to market risk							
Cash and cash equivalent	19	270,707	-	270,707	320,303	-	320,303
Non-pledged trading assets	26	52,212	52,212	-	23,322	23,322	-
Pledged assets	21	100,007	-	100,007	20,150	-	20,150
Derivative assets held for risk management	22	520	-	520	7,081	-	7,081
Loans and advances to customers	23	692,803	-	692,803	550,613	-	550,613
Investment securities	25	351,862	252,364	99,498	257,085	167,928	89,157
Other receivables	33	417,092	-	417,092	358,456	-	358,456

Group		31 December 2020			31 December 2019		
			Market			Market	
In millions of Naira	**Note**	**Carrying amount**	**Trading portfolios**	**Non-trading**	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Liabilities subject to market risk							
Derivatives held for risk	22	2	-	2	2,111	-	2,111
Deposit from banks	34	4,018	-	4,018	-	-	-
Deposits from customers	35	1,126,287	-	1,126,287	886,263	-	886,263
Other financial liabilities	37	316,496	-	316,496	433,114	-	433,114
Debt securities issued	40	48,629	-	48,629	13,947	-	13,947
Other borrowed funds	42	184,223	-	184,223	109,924	-	109,924

Bank		31 December 2020			31 December 2019		
			Market			Market	
In millions of Naira	**Note**	**Carrying amount**	**Trading portfolios**		**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Assets subject to market risk							
Cash and cash equivalents	19	262,730	-	262,730	320,707	-	320,707
Non-pledged trading assets	26	52,212	52,212	-	23,322	23,322	-
Pledged assets	21	100,007	-	100,007	20,150	-	20,150
Derivative assets held for risk management	22	520	-	520	7,081	-	7,081
Loans and advances to customers	23	692,803	-	473,462	550,613	-	550,613
Investment securities	25	351,862	252,364	99,498	253,633	167,928	85,705
Other receivables	33	417,092	-	319,681	358,730	-	319,583
Liabilities subject to market risk							
Derivatives held for risk	22	2	-	2	2,111	-	2,111
Deposit from banks	34	4,018	-	4,018	-	-	-
Deposits from customers	35	1,131,116	-	1,131,116	886,328	-	886,328
Other financial liabilities	37	319,496	-	319,496	436,262	-	436,262
Debt securities issued	40	48,629	-	48,629	13,947	-	13,947
Long term subordinated bond	41	29,546	-	29,546	29,104	-	29,104
Other borrowed funds	42	184,223	-	184,223	109,924	-	109,924

Exposure to market risk - Trading portfolios

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

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**

2019 ***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**

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 balance sheet using the Economic value of equity model.

Group

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

In millions of Naira	*Note*	Carrying amount	Total amount sensitive to Rate	Re-pricing period 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	-	-	-	-
Non-pledged trading assets	26	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)	(6,518)	-	-	-	(6,518)	-
Other borrowed funds	42	(184,223)	(224,167)	(40,431)	(77,803)	(29,546)	(76,387)	-
		(1,671,619)	(1,677,484)	(1,325,979)	(154,050)	(102,035)	(92,176)	(3,245)
Total interest re-pricing gap		213,584	(120,232)	(250,169)	(69,266)	(36,772)	149,877	86,098

In millions of Naira	*Note*	Carrying amount	Total amount sensitive to Rate	Re-pricing period Less than 3 months	6 months	12 months	5 years	More than 5 years
31 December 2019								
Cash and cash equivalents	19	320,303	320,303	320,303	-	-	-	-
Non-pledged trading assets	26	23,322	23,322	23,322	-	-	-	-
Pledged assets	21	20,150	20,150	-	11,632	5,381	1,033	2,104
Derivative assets	22	7,081	7,081	7,081	-	-	-	-
Loans and advances to customers	23	550,613	596,038	352,845	82,012	52,361	48,482	60,338
Investment securities	0	257,085	277,882	68,125	13,604	72,229	61,420	62,504
		1,178,554	1,244,776	771,676	107,248	129,971	110,935	124,946
Deposits from banks	22	-	-	-	-	-	-	-
Deposits from customers	34	(886,263)	(886,263)	(665,581)	(45,773)	(19,502)	(155,407)	-
Derivative liabilities	35	(2,111)	(2,111)	(2,111)	-	-	-	-
Other financial liabilities^^	37	(316,680)	(316,680)	(316,680)	-	-	-	-
Debt securities issued	40	(13,947)	(14,181)	-	(676)	-	(7,318)	(6,187)
Other borrowed funds	42	(109,924)	(109,924)	(56,173)	(13,012)	(6,117)	(18,030)	(16,592)
		(1,328,925)	(1,329,159)	(1,040,545)	(59,461)	(25,619)	(180,755)	(22,779)
Total interest re-pricing gap		(150,371)	(84,383)	(268,869)	47,787	104,352	(69,820)	102,167

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

Bank

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	262,730	262,730	262,730	-	-	-	-
Non-pledged trading assets	26	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	0	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

Re-pricing period

In millions of Naira **Bank**	*Note*	Carrying amount	Total amount sensitive to Rate	Less than 3 months	6 months	12 months	5 years	More than 5 years
31 December 2019								
Cash and cash equivalents	19	320,707	320,707	320,707	-	-	-	-
Non-pledged trading assets	20	23,322	23,322	23,322	-	-	-	-
Pledged assets	21	20,150	20,150	-	11,632	5,381	1,033	2,104
management	22	7,081	7,081	7,081	-	-	-	-
Loans and advances to customers	23	550,613	550,613	307,420	82,012	52,361	48,482	60,338
Investment securities	25	253,633	253,633	43,876	13,604	72,229	61,420	62,504
		1,175,506	1,175,506	702,406	107,248	129,971	110,935	124,946
Derivative liabilities	22	(2,111)	(2,111)	(2,111)	-	-	-	-
Deposits from banks	33	-	-	-	-	-	-	-
Deposits from customers	34	(886,328)	(886,328)	(665,646)	(45,773)	(19,502)	(155,407)	-
Other financial liabilities^^	38	(316,680)	(316,680)	(316,680)	-	-	-	-
Debt securities issued	40	(13,947)	(14,181)	-	(676)	-	(7,318)	(6,187)
Other borrowed funds	39	(109,924)	(109,924)	(56,173)	(13,012)	(6,117)	(18,030)	(16,592)
		(1,328,990)	(1,329,224)	(1,040,610)	(59,461)	(25,619)	(180,755)	(22,779)
Total interest re-pricing gap		(153,484)	(153,718)	(338,204)	47,787	104,352	(69,820)	102,167

^^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, 2020

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

In millions of naira

31 December, 2019

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

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 2020	3,067	(3,067)	3,067	(3,067)
31 Dec 2019	7,811	(7,811)	8,033	(8,033)

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, 2020:

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
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

	Total	**US Dollar**	**Euro**	**Pound**	**Others**
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2019					
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)

^ The Group's other receivables exclude prepayment N3,499million (Dec. 19: N3,255 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.

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

	Total	**US Dollar**	**Euro**	**Pound**	**Others**
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2019					
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)

^ The Bank's other receivables exclude prepayment N3,243 million (Dec.19: N3,243 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 2020 year end spot rate for the dollar is N400.33 (2019: 364.70) and the average rate for dollar in 2020 is N382.07 (2019: N350.35).

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 2020		
USD (10% movement)	(6,119)	6,119
EUR (10% movement)	(314)	314
GBP (10% movement)	4,638	(4,638)
31 December 2019		
USD (10% movement)	(894)	894
EUR (10% movement)	110	(110)
GBP (10% movement)	(453)	453

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)

Summary of loss allowance by class of financial assets also showing ECL coverage ratio.

Group

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	270,715	-	-	270,715	8	-	-	8	0.00	-	-	0.00
Non-pledged trading assets	52,212	-	-	52,212	-	-	-	-	-	-	-	-
Pledged assets	100,021	-	-	100,021	14	-	-	14	0.01	-	-	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	0.30	-	-	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	0.01	-	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	**1,875,917**	**146,208**	**74,435**	**2,096,560**	**8,764**	**12,744**	**29,741**	**51,249**	**0.47**	**8.72**	**39.96**	**2.44**

31 December 2019

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	320,385	-	-	320,385	82	-	-	82	0.03	-	-	0.03
Non-pledged trading assets	23,322	-	-	23,322	-	-	-	-	-	-	-	-
Pledged assets	20,150	-	-	20,150	-	-	-	-	-	-	-	-
Loans and advances to customers	396,373	140,156	58,769	595,298	8,529	19,958	16,198	44,685	2.15	14.24	27.56	7.51
Investment securities at amortised cost	38,651	-	-	38,651	33	-	-	33	0.00	-	-	0.09
Investment securities at fair value through OCI	177,213	-	-	177,213	-	-	-	-	-	-	-	-
Other receivables	349,848	-	12,540	362,388	42	-	7,383	7,425	0.00	-	58.88	2.05
subtotal	1,325,942	140,156	71,309	1,537,407	8,686	19,958	23,581	52,225	0.66	14.24	33.07	3.40
Off balance sheet items:												
Letters of credit and financial guarantees	185,327	-	-	161,936	257	-	-	207	0.14	-	-	0.13
Total	**1,511,269**	**140,156**	**71,309**	**1,699,343**	**8,943**	**19,958**	**23,581**	**52,432**	**0.59**	**14.24**	**33.07**	**3.09**

Bank

31 December 2020

Financial Statement Items **In millions of naira**	Gross Carrying Amount Stage 1	Gross Carrying Amount Stage 2	Gross Carrying Amount Stage 3	Gross Carrying Amount Total	ECL Provision Stage 1	ECL Provision Stage 2	ECL Provision Stage 3	ECL Provision Total	ECL Coverage Ratio Stage 1 %	ECL Coverage Ratio Stage 2 %	ECL Coverage Ratio Stage 3 %	ECL Coverage Ratio Total %
On balance sheet:												
Cash and cash equivalents	262,738	-	-	262,738	8	-	-	8	0.00	-	-	0.00
Non-pledged trading assets	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	0.30	-	-	0.30
Investment securities at fair value through OCI	269,112	-	-	269,112	-	-	-	-	-	-	-	-
Other receivables	406,070	-	12,540	418,610	42	-	6,134	6,176	0.01	-	48.91	1.48
Subtotal	1,650,106	146,208	74,435	1,870,749	8,760	12,744	28,698	50,202	0.53	8.72	38.55	2.68
Off balance sheet items												
Letters of credit and financial guarantees	220,289	-	-	220,289	4	-	-	4	0.00	-	-	0.00
Total	**1,870,395**	**146,208**	**74,435**	**2,091,038**	**8,764**	**12,744**	**28,698**	**50,206**	**0.47**	**8.72**	**38.55**	**2.40**

31 December 2019

Financial Statement Items **In millions of naira**	Gross Carrying Amount Stage 1	Gross Carrying Amount Stage 2	Gross Carrying Amount Stage 3	Gross Carrying Amount Total	ECL Provision Stage 1	ECL Provision Stage 2	ECL Provision Stage 3	ECL Provision Total	ECL Coverage Ratio Stage 1 %	ECL Coverage Ratio Stage 2 %	ECL Coverage Ratio Stage 3 %	ECL Coverage Ratio Total %
On balance sheet:												
Cash and cash equivalents	320,789	-	-	320,789	70	-	-	70	0.02	-	-	0.02
Non-pledged trading assets	23,322	-	-	23,322	-	-	-	-	-	-	-	-
Pledged assets	20,150	-	-	20,150	-	-	-	-	-	-	-	-
Loans and advances to customers	396,373	140,156	58,769	595,298	8,529	19,958	16,198	44,685	2.15	14.24	27.56	9.58
Investment securities at amortised cost	35,199	-	-	35,199	33	-	-	33	0.09	-	-	0.09
Investment securities at fair value through OCI	177,213	-	-	177,213	-	-	-	-	-	-	-	-
Other receivables	348,928	-	12,540	361,468	42	-	6,189	6,231	0.01	-	49.35	1.72
Subtotal	1,321,974	140,156	71,309	1,533,439	8,674	19,958	22,387	51,019	0.66	14.24	31.39	3.33
Off balance sheet items												
Letters of credit and financial guarantees	185,327	-	-	185,327	257	-	-	207	0.14	-	-	0.11
Total	**1,507,301**	**140,156**	**71,309**	**1,718,766**	**8,931**	**19,958**	**22,387**	**51,226**	**0.59**	**14.24**	**31.39**	**2.98**

(n) 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.

(p) 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
(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
(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 2020.

(o) Capital Adequacy Ratio

The Bank's Basel II capital adequacy ratio was 17.46% as at 31 December 2020 (2019: 19.73%), which is above the CBN minimum requirement of 15%, as computed below.

Bank	***Note***	**Impact of IFRS 9 Transitional arrangement Dec. 2020**	**IFRS 9 Full Impact Dec. 2020**	**IFRS 9 Transitional arrangement Impact Dec. 2019**	**IFRS 9 Full Impact Dec. 2019**
		₦ million	₦ million	₦ million	₦ million
Tier 1 Capital					
Ordinary share capital		14,633	14,633	14,607	14,607
Share premium		133,457	133,457	133,235	133,235
Retained earnings		31,403	31,403	23,323	23,323
IFRS 9 Transitional Adjustment		12,614	-	25,228	-
Statutory reserve		36,151	36,151	32,453	32,453
Other reserves		5,789	5,789	4,283	4,283
		234,047	221,433	233,129	207,901
Less: Regulatory risk reserve		-	-	-	-
Tier 1 before regulatory deduction		234,047	221,433	233,129	207,901
Regulatory deductions					
Deferred tax assets	32	(95,875)	(95,875)	(95,875)	(95,875)
Excess exposure(s) over single obligor without CBN approval		(1,574)	(1,574)		
Intangible assets	30	(5,211)	(5,211)	(5,381)	(5,381)
Tier 1 after regulatory deduction		131,387	118,773	131,873	106,645
Other deduction					
Investment in subsidiaries (50%)		1,098	1,098	1,098	1,098
Eligible Tier 1 Capital		130,289	117,675	130,774	105,547
Tier 2 Capital					
Fair value reserves		18,414	18,414	19,960	19,960
Long term subordinated bond		29,546	29,546	29,104	29,104
Tier 2 capital before deduction (restricted to 33.33% of Tier 1 capital after regulatory deduction)		43,796	39,591	43,958	35,548
Deduction					
Investment in subsidiaries (50%)		1,098	1,098	1,098	1,098
Eligible Tier 2 Capital		42,698	38,493	42,860	34,450
Total qualifying Capital		172,986	156,168	173,634	139,997

Risk weighted assets				
Risk-weighted Amount for Credit Risk	857,722	857,722	733,357	733,357
Risk-weighted Amount for Operational Risk	121,149	121,149	129,388	129,388
Risk-weighted Amount for Market Risk	12,087	12,087	17,401	17,401
Total weighted risk assets	990,958	990,958	880,146	880,146
Risk weighted Capital Adequacy Ratio (CAR)	17.46%	15.76%	19.73%	15.91%

Based on the CBN requirements, regulatory risk reserves are excluded from capital adequacy ratio computation. As at 31 December 2020, the regulatory risk reserves was N7,674 million ; (31 Dec 2019: N3,331 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 is being amortised in line with the provisions of the Central Bank of Nigeria as tabulated above. As at 31 December 2020, the unamortised balance is N12.6bn representing 20% of the day one impact.

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 0f 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) *Financial asset and liability classification*

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

(a) In classifying financial assets as at fair value through profit or loss, the Group has determined that it meets the criteria set out in the accounting policy in note 3(j).

(b) In classifying financial assets as at fair value through other comprehensive income, the Group has determined that it has met one of the criteria for this designation set out in the accounting policy in 3(j).

(c) In classifying financial assets as at amortised cost, the Group has determined that the assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding as required by the accounting policy in note 3(j).

(d) In classifying financial liabilities as at fair value through profit or loss, the Group has determined that it meets the criteria set out in the accounting policy in note 3(j).

(e) In classifying financial liabilities at amortised, the Group has determined that it has met one of the criteria for this designation set out in the accounting policy in 3(j).

Details of the Group's classification of financial assets and liabilities are given in note 8.

(C) *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.

(D) *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.

(E) *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.

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

				Fair value measurement using		
				Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
Group and Bank				Level 1	Level 2	Level 3
31 December 2020	***Note***	Carrying amount	Fair value amount	₦ million	₦ million	₦ million
Assets measured at fair value:						
Non pledged trading assets	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	1973	1,973	1,973	-	-
Unquoted equity	25	49,528	49,528	-	-	49,528
Debt instrument at FVOCI	25	269112	269,112	-	269,112	-
Liabilities measured at fair value:						
Derivative assets 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	31,344	39,173	-	39,173	-

				Fair value measurement using		
				Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
Group and Bank				Level 1	Level 2	Level 3
31 December 2019	***Note***	Carrying amount	Fair value amount	₦ million	₦ million	₦ million
Assets measured at fair value:						
Non pledged trading assets	20	23,322	23,322	-	23,322	-
Pledged assets	21	20,150	20,150	-	20,150	-
Derivative assets held for risk management	22	7,081	7,081	-	7,081	-
Investment securities:				-	-	-
Quoted equity	25	1,976	1,976	1,976	-	-
Unquoted equity	25	39,278	39,278	-	-	39,278
Debt instrument at FVOCI	25	177,213	177,213	-	177,213	-
Liabilities measured at fair value:						
Derivative liabilities held for risk management	22	2,111	2,111	-	2,111	-
Assets for which fair values are disclosed:						
Pledged assets	21	20,150	20,150	-	20,150	-
Loans and advances to customers	23	595,298	550,613	-	550,613	-
Investment securities: at amortised cost	25	35,199	33,965	-	33,965	-

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 Nigeria Stock Exchange(NSE)

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	
	N million	N million	N million	N million
	31 Dec, 2020	31 Dec, 2019	31 Dec, 2020	31 Dec, 2019
Pledged assets	100,007	20,150	99,717	20,150
Loans and advances to customers	736,712	595,298	664,676	550,613
Investment securities at amortised cost	31,344	35,199	39,173	33,965
	868,063	650,647	803,566	604,728

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 stateme

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 2020 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 Non-pledged trading assets
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 2020 *In millions of naira*	Investment Securities	Total
Balance at 1 January 2020	39,278	39,278
Total gains/(loss) recognised in profit or loss	10,040	10,040
Total gains recognised in OCI	210	210
Balance at 31 December 2020	49,528	49,528

31 December 2019 *In millions of naira*	Investment Securities	Total
Balance at 1 January 2019	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 2019	39,278	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 P/B multiples of the comparative companies as at 31 December 2020 is as shown in the table below:

Description	Valuation technique	Assumption	P/B Multiple	Fair Values
AFREXIM Bank	P/B multiples	Base	1.5x	6,102
		Sensitivity of +5%		6,407
		Sensitivity of -5%		5,797
AFC	P/B multiples	Base	1.7x	42,075
		Sensitivity of +5%		44,179
		Sensitivity of -5%		39,971

(F) 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.

(G) 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.

(H) Judgement
Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

(i) Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding; see note 3(j).

(ii) Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL

(iii) Determination of control over investee company

(iv) Measurement of defined benefit obligations e.g actuarial assumptions

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 2020	**Retail banking**	**Commercial banking**	**Corporate banking**	**Treasury**	**Discontinued Operations**	**Total**
	₦ million	₦ 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	307		2,561
Net revenue after impairment	25,909	12,463	39,998	26,072	2,656	107,098
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)	(3,199)	-	(47,202)
Total operating expenses	(41,290)	(7,887)	(23,022)	(6,266)	(9,113)	(87,578)
(Loss)/profit before income tax	(15,381)	4,576	16,976	19,806	(6,457)	19,520
Income tax expense					-	(845)
Profit after tax					(6,457)	18,675
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)	(1,926,708)
Net Assets/(Liabilities)	(544,285)	(92,455)	98,052	792,117	10,893	264,318

31 December 2019	Retail banking	Commercial banking	Corporate banking	Treasury	Discontinued Operations	Total
	₦ million	₦ million	₦ million	₦ million		₦ million
Revenue:						
Derived from external customers	20,728	21,911	62,744	54,525	6,637	166,545
Derived from other business segments	36,922	5,453	(28,431)	(13,945)	-	-
Total Revenue	57,650	27,364	34,313	40,580	6,637	166,545
Interest expenses	(18,707)	(8,700)	(17,998)	(19,145)		(64,551)
Net impairment on financial assets	(2,128)	(3,507)	6,177	(38)		504
Net revenue after impairment	36,815	15,156	22,492	21,398	6,637	102,498
Direct operating expenses	(24,397)	(5,291)	(6,445)	(3,666)	(11,128)	(50,927)
Share of centrally incurred expenses	(21,166)	(4,522)	(3,795)	(1,736)	-	(31,218)
Total operating expenses	(45,563)	(9,813)	(10,240)	(5,402)	(11,128)	(82,145)
(Loss)/profit before income tax	(8,748)	5,343	12,252	15,996	(4,491)	20,353
Income tax expense						(478)
Profit after tax					4,491	19,875
Assets and liabilities:						
Reportable segment assets	46,680	96,341	446,086	1,283,124	-	1,872,231
Reportable segment liabilities	(503,608)	(164,266)	(218,519)	(733,485)	-	(1,619,879)
Net Assets/(Liabilities)	(456,928)	(67,925)	227,567	549,639	-	252,352

The Group's business activities are carried out in two (2) main countries:
(i) Nigeria
(ii) United Kingdom

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 2020	Nigeria	United Kingdom (Discontinued operation)	Total
	₦ million	₦ million	₦ 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	(83,760)	(3,818)	(87,578)
Net impairment loss on financial assets	7,255	(4,694)	2,561
(Loss)/profit before taxation	25,977	(6,457)	19,520
Income tax expense	(845)	-	(845)
Profit after taxation	25,132	(6,457)	18,675

	Nigeria	United Kingdom	Total
	₦ million	₦ million	₦ million
Assets and liabilities:			
Total assets	2,075,733	115,293	2,191,026
Total liabilities	(1,830,326)	(96,382)	(1,926,708)
Net assets	245,407	18,911	264,318

31 December 2019	Nigeria ₦ million	United Kingdom ₦ million	Total ₦ million
Derived from external customers	159,908	6,637	166,545
Derived from other segments	-	-	-
Total revenues	159,908	6,637	166,545
Interest and similar expenses	(62,813)	(1,738)	(64,551)
Operating expenses	(73,383)	(8,762)	(82,145)
Net impairment loss on financial assets	1,133	(629)	504
(Loss)/profit before taxation	24,845	(4,492)	20,353
Income tax expense	(478)	-	(478)
Profit after taxation	24,367	(4,492)	19,875
Assets and liabilities:			
Total assets	1,706,524	165,707	1,872,231
Total liabilities	(1,477,246)	(142,633)	(1,619,879)
Net assets	229,278	23,074	252,352

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	***Note***	**Mandatorily at FVTPL**	**Designated as at FVTPL**	**FVTOCI Debt instruments**	**FVTOCI equity instrument**	**Amortised cost**	**Total carrying amount**	**Fair value**
31 December 2020		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ 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 manageme	22	2	-	-	-	-	2	2
Deposits from customers	35	-	-	-	-	1,126,287	1,126,287	1,126,287
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

	Note	**Mandatorily at FVTPL**	**Designated as at FVTPL**	**FVTOCI Debt instruments**	**FVTOCI equity instrument**	**Amortised cost**	**Total carrying amount**	**Fair value**
31 December 2019		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	19	-	-	-	-	320,303	320,303	320,303
Non pledged trading assets	20	23,322	-	-	-	-	23,322	14,271
Pledged assets	21	-	-	20,150	-	38,499	58,649	48,839
Derivative assets held for risk management	22	1,029	-	-	-	-	1,029	1,029
Loans and advances to customers	23	-	-	-	-	473,462	473,462	426,303
Investment securities	25	-	37,048	140,803	3,396	18,070	199,317	172,084
Other receivables	32	-	-	-	-	319,681	319,681	319,681
		15,300	37,048	151,143	3,396	1,083,278	1,290,165	1,215,773
Derivative liabilities held for risk manageme	22	1,120	-	-	-	-	1,120	1,120
Deposits from banks	33	-	-	-	-	99,477	99,477	99,477
Deposits from customers	34	-	-	-	-	857,593	857,593	857,593
Other financial liabilities	36	-	-	-	-	161,412	161,412	161,412
Debt securities issued	38	-	-	-	-	13,860	13,860	13,860
Interest bearing loans and borrowings	39	-	-	-	-	94,891	94,891	94,891
		1,120	-	-	-	1,227,233	1,228,353	1,228,353

Bank *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	-	-	-	-	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	358,240
Other receivables	32	-	-	-	-	436,453	436,453	436,453
		52,732	48,177	363,868	3,324	1,428,486	1,631,821	1,607,308
Derivative liabilities held for risk manageme	22	2	-	-	-	-	2	2
Deposits from customers	35	-	-	-	-	1,131,116	1,131,116	1,131,116
Other financial liabilities	37	-	-	-	-	425,117	425,117	425,117
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	-	-	-	1,818,631	1,818,633	1,818,633

31 December 2019		**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	-	-	-	-	159,028	159,028	159,028
Non pledged trading assets	20	14,271	-	-	-	-	14,271	14,271
Pledged assets	21	-	-	10,340	-	38,499	48,839	55,553
Derivative assets held for risk management	22	1,029	-	-	-	-	1,029	1,029
Loans and advances to customers	23	-	-	-	-	428,037	428,037	380,878
Investment securities	25	-	37,048	121,022	3,395	13,603	175,068	156,713
Other receivables	32	-	-	-	-	319,583	319,583	319,583
		15,300	37,048	131,362	3,395	958,750	1,145,855	1,087,055
Derivative liabilities held for risk manageme	22	1,117	-	-	-	-	1,117	1,117
Deposits from banks	33	-	-	-	-	-	-	-
Deposits from customers	34	-	-	-	-	844,413	844,413	844,413
Other financial liabilities	36	-	-	-	-	160,222	160,222	160,222
Debt securities issued	38					13,860	13,860	13,860
Interest bearing loans and borrowings	39	-	-	-	-	94,975	94,975	94,975
		1,117	-	-	-	1,113,470	1,114,587	1,114,587

9 Net interest income

	Note	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
		₦ million	₦ million	₦ million	₦ million
(a) *The analysis of gross earnings for the year is as shown below*					
Interest income	9(b)	113,157	117,071	112,920	116,524
Non-interest income		44,479	42,837	43,965	43,337
Gross income from discontinued operations	43(a)	2,656	6,637	-	-
		160,292	166,545	156,885	159,861
(b) Interest revenue calculated using the effective interest method					
Cash and cash equivalents		14,085	20,675	14,080	20,670
Loans and advances to customers		76,350	76,402	76,368	76,478
Investment securities		22,722	19,994	22,472	19,376
Total interest income		113,157	117,071	112,920	116,524
Local Currency Balances		78,418	80,583	78,163	79,959
Foreign Currency Balances		34,739	36,488	34,757	36,565
Total interest income		113,157	117,071	112,920	116,524
(c) Interest expense calculated using the effective interest method					
Deposits from banks		887	369	887	369
Deposits from customers		27,866	41,936	27,866	42,224
Lease liability		232	233	232	233
Long term subordinated bond		4,940	2,585	4,940	2,585
Debt securities issued		2,206	2,194	2,206	2,194
Other borrowed funds (see (d) below)		19,624	17,234	19,893	17,234
Total interest expense		55,755	64,551	56,024	64,839
Local Currency Balances		32,564	62,673	32,564	62,673
Foreign Currency Balances		23,191	1,878	23,460	2,166
Total interest expense		55,755	64,551	56,024	64,839
Net interest income		57,402	52,520	56,896	51,685

Interest revenue on financial assets amounted to N113,157 (Group) and N112,920 million (Bank) for the year ended 31 December 2020 (31 December 2019: N117,071 (Group); N116,524 million (Bank)).

Interest expense on financial liabilities not measured at fair value through profit or loss amounted to N55,755 million (Group) and N56,024 million (Bank) for the year ended 31 December 2020 (31 December 2019: N64,551 million (Group); N64,839 million (Bank)).

(d) Interest on other borrowed funds comprises expenses on:

	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
	₦ million	₦ million	₦ million	₦ million
Bank of Industry (BOI) /commercial Agricultural Credit Scheme (CACS)	622	672	622	672
Foreign currency denominated borrowings	6,154	3,036	6,154	3,036
Interest expense on commercial papers	972	1,834	1,241	1,834
Negotiated International Trade Facilities (ITFs)	3,535	1,948	3,535	1,948
Security linked note	4,448	4,094	4,448	4,094
Interbank takings	2,992	5,114	2,992	5,114
Open buy back transactions	901	536	901	536
	19,624	17,234	19,893	17,234

10 Net Fees and commission income

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Credit Related fees and commissions income (See note (a))	**4,449**	3,992	**4,449**	3,992
Account Maintenance Fee	**1,630**	1,935	**1,630**	1,935
E-business fee income (See note (b))	**7,041**	7,689	**7,041**	7,689
Commission on LCs, Invisible Trades and Guarantees	**949**	1,268	**949**	1,268
Other fees and commission	**203**	78	**203**	78
	14,272	14,962	**14,272**	14,962
Fee and commission expense	**(3,771)**	(3,649)	**(3,771)**	(3,649)
Net fees and commission income	**10,501**	**11,313**	**10,501**	**11,313**

(a) 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.

(b) *E-business fee income consists of the following:*

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
ATM not-on-us	**1,043**	3,582	**1,043**	3,582
POS	**499**	618	**499**	618
E-card maintenance	**1,660**	3,363	**1,660**	3,363
Online transfer	**88**	75	**88**	75
Card FX (loss)/gain	**(9)**	51	**(9)**	51
	7,041	7,689	**7,041**	7,689

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.

11 Net trading income

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Gain on disposal of fixed income securities	**12,976**	6,343	**12,976**	6,343
Mark to market (losses)/gains on fixed income securities	**(2,728)**	172	**(2,728)**	172
Foreign exchange gain on trading	**908**	1,683	**908**	1,683
	11,156	**8,198**	**11,156**	**8,198**

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. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Equity at fair value through profit or loss	**10,040**	1,091	**10,040**	1,091
Derivatives held for risk management purposes:				
Derivatives held at fair value through profit or loss	**(2,617)**	6,032	**(2,617)**	6,032
Foreign exchange income	**174**		**174**	
	7,597	7,123	**7,597**	7,123

13 Other operating income

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	N million	**₦ million**	N million
Dividends	**1,033**	1,172	**1,033**	1,790
Gain on disposal of equity investment (see (a) below)	**-**	228	**-**	300
Gains on disposal of property and equipment (see (b) below)	**1,308**	965	**1,274**	965
Foreign exchange revaluation gain	**3,820**	815	**3,820**	815
Rental income	**236**	166	**158**	166
Fair value gain on investment property	**364**	-	**-**	-
Assets recovery	**-**	3,275	**-**	3,275
Sundry income (see (c) below)	**1,224**	822	**1,186**	632
	7,985	7,443	**7,471**	7,943

(a) The gain on disposal is analysed below:

Gain on disposal of investments	**Group**	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Sales Proceeds	**-**	625	**-**	625
Cost of investment	**-**	(397)	**-**	(325)
Gain on disposal of unquoted equities	**-**	228	**-**	300

(b) The gain on disposal of property and equipment is arrived at as shown below:

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Proceeds from disposal	**4,915**	1,827	**4,878**	1,827
Disposal - cost (see note (29))	**(4,144)**	(1,129)	**(4,179)**	(1,129)
Disposal - accumulated depreciation (see note (29))	**537**	267	**575**	267
Gain on disposal of property and equipment	**1,308**	965	**1,274**	965

(c) Sundry income

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	N million	**₦ million**	N million
Custodian charges	**80**	78	**80**	78
Fraud recoveries	**-**	2	**-**	2
Termination fee income - Treasury	**395**	-	**395**	-
Gain on disposal of investment property	**38**	-	**-**	-
Other income	**711**	742	**711**	552
	1,224	822	**1,186**	632

14 Net Impairment charge on financial assets

(a) Net impairment credit for credit losses

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	N million	**₦ million**	N million
Stage 1 impairment - loans and advances	**(2,084)**	8,538	**(2,084)**	8,538
Stage 2 impairment - loans and advances	**(10,849)**	(517)	**(10,849)**	(517)
Stage 3 impairment - loans and advances	**10,532**	(17,363)	**10,532**	(17,363)
Total impairment write-back on loans and advances	**(2,401)**	(9,342)	**(2,401)**	(9,342)
Modification of financial assets	**-**	9,480	**-**	9,480
Impairment (write back)/charge on cash and cash equivalent	**(74)**	12	**(74)**	12
Impairment charge/(write-back) on debt securities	**425**	(16)	**425**	(16)
Impairment charge on pledged assets	**50**	-	**50**	-
Impairment (write-back)/charge on financial guarantee	**(253)**	50	**(253)**	50
Net impairment (write-back)/charge for credit losses	**(2,253)**	184	**(2,253)**	184

(b) Net impairment loss/(write-back) on other assets:

Impairment on other assets	**(307)**	(688)	**(306)**	**(688)**
Total impairment write-back on other assets	**(307)**	(688)	**(306)**	(688)
Total net impairment write-back on financial assets	**(2,560)**	**(504)**	**(2,559)**	**(504)**

15 Personnel expenses

	Note	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
Wages and salaries		**31,738**	32,421	**31,614**	32,278
Contributions to defined contribution plans (see note 39 (a) (i) below)		**429**	628	**420**	628
(Decrease)/Increase in liability for defined benefit plans	39	**172**	(17)	**172**	(17)
Equity-settled share based payment (see note (i) below)	44(h)	**248**	366	**248**	366
		32,587	33,398	**32,454**	33,255

(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.

During the year ended 31 December 2020, 51,548,316 unit of shares of the Bank was awarded to key management personnel of the Bank under the Bank's share-based incentive scheme.

The terms and conditions of the grants are as follows:

	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Number of shares (units)	**226,154,425**	174,606,109	**226,154,425**	174,606,109
Unit of shares vested (unit)	**226,154,425**	174,606,109	**226,154,425**	174,606,109
Weighted average of share price at grant date	**N5.54k**	N5.54k	**N5.54k**	N5.54k
Grant date	31 Dec. 2017	31 Dec. 2017	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 2020	**Group**		**Bank**	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the start of the year	-	-	-	-
Awarded during the year	51,548,316	4.80	51,548,316	4.80
Vested during the year	(51,548,316)	4.80	(51,548,316)	4.80
Outstanding at year end	-	-	-	-

31 December 2019	Group		Bank	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the start of the year	31,123,037	5.29	31,123,037	5.29
Awarded during the year	61,060,713	6.00	61,060,713	6.00
Vested during the year	92,183,750	5.54	92,183,750	5.54
Outstanding at year end	-	-	-	-

(iii) Movement in vested shares during the year are as follows:

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
Vested shares - opening balance	**174,606,109**	82,422,359	**174,606,109**	82,422,359
Vested during the year	**51,548,316**	92,183,750	**51,548,316**	92,183,750
Vested shares - closing balance	**226,154,425**	174,606,109	**226,154,425**	174,606,109

16 Other operating expenses

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	N million	**₦ million**	N million
NDIC Premium	**4,279**	4,407	**4,279**	4,407
AMCON surcharge (see note (b) below)	**9,484**	7,430	**9,484**	7,430
Non-discretionary regulatory costs	**13,763**	11,837	**13,763**	11,837
Auditors' remuneration	**179**	182	**172**	175
Rents and rates	**545**	95	**539**	92
Accommodation and travels	**514**	518	**510**	518
Fleet management and vehicle-related expenses	**614**	505	**611**	505
Repair and maintenance	**1,608**	1,578	**1,607**	1,569
Professional fees	**1,465**	1,435	**1,443**	1,399
Advertising and promotion expenses	**1,474**	1,520	**1,474**	1,520
Security expense	**1,517**	1,198	**1,517**	1,198
Software maintenance expenses	**5,818**	4,174	**5,816**	4,174
Donations	**393**	47	**393**	47
Cash movement expense	**1,225**	1,394	**1,225**	1,394
Diesel and power	**2,398**	2,379	**2,398**	2,368
General administrative expenses (see note (a) below)	**6,363**	2,706	**6,080**	2,681
Insurance	**295**	333	**295**	329
	38,171	29,901	**37,843**	29,806

(a) **General administrative expenses**

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	**₦ million**
Office cleaning	**519**	380	**519**	380
Entertainment	**205**	319	**202**	319
Directors fees and allowances	**290**	273	**286**	273
Stationery, printing, postage and telephone	**911**	749	**674**	749
Penalties	**10**	124	**10**	124
Restitution and other charges	**2,683**	363	**2,683**	363
Business meetings and conferences	**42**	35	**7**	35
Annual General Meeting expenses	**22**	88	**19**	88
Correspondent bank transaction charges	**-**	181	**-**	181
Other expenses	**1,681**	194	**1,680**	169
	6,363	2,706	**6,080**	2,681

(b) AMCON surcharge represents the Bank's contribution to the Banking Sector Stabilization Fund for the year ended 31 December 2020. The applicable rate is 0.5% of total assets and off-balance sheet items, calculated on a preceding year basis.

17 Income tax expense

(a) Recognised in the profit or loss

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Current tax expense				
Company Income Tax	**384**	107	**384**	-
Current capital gains tax	**139**	125	**139**	125
NPTF Levy Expense	**1**	1	**1**	1
NITDA Levy	**267**	245	**248**	245
	791	**478**	**772**	**371**
Deferred tax expense				
Origination and reversal of temporary differences	**54**	-	-	-
Total income tax expense	845	478	772	371

The income tax is based on minimum tax assessment in line with the Finance Act 2020. No education tax was charged because the Bank has no assessable profit for the year.

(b) Reconciliation of effective tax rate

	Group		Group		**Bank**		Bank	
	Dec. 2020		Dec. 2019		**Dec. 2020**		Dec. 2019	
		N million		N million		N million		N million
Profit before income tax		25,974		24,844		25,425		24,746
Adjustment for NITDA levy		(267)		(245)		(248)		(245)
Profit after adjustment for NITDA levy		25,707		24,599		25,177		24,501
Income tax using the domestic corporation tax rate	30%	7,628	30%	7,380	30%	7,628	30%	7,424
Non-deductible expenses	6%	1,595	10%	7,036	6%	1,595	29%	7,036
Tax exempt income	-48%	(12,327)	-144%	(39,330)	-49%	(12,327)	-166%	(39,330)
Capital gains tax	1%	139	0%	125	1%	139	1%	125
NITDA levy	1%	267	1%	245	1%	248	1%	245
Tax losses unutilised	14%	3,544	105%	26,922	14%	3,490	102%	24,871
Total income tax expense in comprehensive income	3%	845	2%	2,378	3%	772	2%	371

The effective income tax rate for the year ended 31 December 2020 is 3% (2019: 2%) for the Group and 3% for the Bank (2019: 2%)

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. 2020	Dec. 2019	**2020**	Dec. 2019
Issued ordinary shares at beginning of the year	**29,264**	29,121	**29,264**	29,121
Weighted effect of shares issued during the year	**29,264**	29,121	**29,264**	29,121

(b) *Profit attributable to ordinary shareholders*

In millions of Nigerian Naira	**Group** **Dec. 2020**	Group Dec. 2019	**Bank** **2020**	Bank Dec. 2019
Profit for the year attributable to equity holders	**18,535**	19,608	**24,653**	24,375
Basic earnings per share (in kobo)	**63**	67	**84**	84
Profit from continuing operations attributable to equity holders of parent	24,992	24,099	24,653	24,375
Basic earnings/(loss) per share (in kobo)	85	83	84	84
Loss from discontinued operations attributable to equity holders of Parent	(6,457)	(4,491)	-	-
Basic earnings/(loss) per share (in kobo)	(22)	(15)	-	-

(c) Diluted earnings per share

The Group issued additional shares during the year. The Grant date of the issue is 31 December 2020, therefore, Basic EPS and Diluted EPS are the same for the Group and the Bank.

19 Cash and cash equivalents

	Group	Group	Bank	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Cash and balances with banks	**118,653**	73,346	**110,676**	73,403
Unrestricted balances with central bank	**5,730**	63,485	**5,730**	63,485
Money market placements	**146,332**	183,554	**146,332**	183,901
Cash and cash equivalent as presented in Cash flow statements	**270,715**	320,385	**262,738**	320,789
ECL Impairment on cash and cash equivalents	**(8)**	(82)	**(8)**	(82)
	270,707	320,303	**262,730**	320,707

20 Non-pledged trading assets

	Group	Group	Bank	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Government bonds	**1,358**	**6,303**	**1,358**	**6,303**
Treasury bills	**50,854**	**17,019**	**50,854**	**17,019**
	52,212	23,322	**52,212**	23,322

21 Pledged assets

Financial assets that may be repledged or resold by counterparties

	Group	Group	Bank	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Treasury bills	**91,099**	8,157	**91,099**	8,157
Bonds	**8,618**	11,716	**8,618**	11,716
Placement	**304**	277	**304**	277
	100,021	20,150	**100,021**	20,150
ECL Impairment on pledged assets	**(14)**	-	**(14)**	-
	100,007	20,150	**100,007**	20,150

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. 2020**		**Dec. 2019**	
	Assets	**Liabilities**	Assets	Liabilities
	₦ million	**₦ million**	N million	N million
Instrument Type:				
FX swaps	**520**	2	**7,081**	-
Non-deliverable futures	-	-	-	2111
	520	**2**	**7,081**	2,111

Bank	**Dec. 2020**		**Dec. 2019**	
	Assets	**Liabilities**	Assets	Liabilities
	₦ million	**₦ million**	N million	N million
Instrument Type:				
FX swaps	**520**	2	**7,081**	-
Non-deliverable futures	-	-	-	2111
	520	2	**7,081**	2,111

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:

	2020		2019	
	Notional amount	Fair value	Notional amount	Fair value
Derivative assets	322,472	520	6,214	7,081
Derivative liabilities	317,156	2	1,833	2,111

23 Loans and advances to customers at amortised cost

	Group	Group	**Bank**	Bank
(a) *Net loans and advances to customers*	**Dec. 2020**	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Gross amount:				
Local Currency	**381,097**	304,898	**381,097**	304,898
Foreign Currency	**355,615**	290,400	**355,615**	290,400
Gross Loans	**736,712**	595,298	**736,712**	595,298
Impairment				
Stage 1 impairment	**(8,601)**	(8,529)	**(8,601)**	(8,529)
Stage 2 impairment	**(12,744)**	(19,958)	**(12,744)**	(19,958)
Stage 3 impairment	**(22,564)**	(16,198)	**(22,564)**	(16,198)
Total impairment	**(43,909)**	(44,685)	**(43,909)**	(44,685)
Carrying amount	**692,803**	550,613	**692,803**	550,613

(b) Loans and advances by stages

Group

Dec.2020

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans	528,609	146,208	61,895	736,712
Impairment	(8,601)	(12,744)	(22,564)	(43,909)
	520,008	133,464	39,331	692,803

Dec.2019

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans	396,373	140,156	58,769	595,298
Impairment	(8,529)	(19,958)	(16,198)	(44,685)
	387,844	120,198	42,571	550,613

Bank

Dec.2020

	Stage 1	Stage 2	Stage 3	Total
Gross loans	528,609	146,208	61,895	736,712
Impairment	(8,601)	(12,744)	(22,564)	(43,909)
	520,008	133,464	39,331	692,803

Dec.2019

	Stage 1	Stage 2	Stage 3	Total
Gross loans	396,373	140,156	58,769	595,298
Impairment	(8,529)	(19,958)	(16,198)	(44,685)
	387,844	120,198	42,571	550,613

At 31 December 2020, N296,920 million (2019: N204,054 million) of the Group's loan and advances to customers are expected to be recovered more than 12 months after the reporting date.

Reconciliation of impairment allowance on loans and advances to customers

	Group	Group	**Bank**	Bank
	2020	2019	**2020**	2019
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	**44,685**	69,630	**44,685**	68,783
Stage 1	**(804)**	8,538	**(804)**	8,538
Stage 2	**(12,446)**	(517)	**(12,446)**	(517)
Stage 3	**10,915**	(17,363)	**10,915**	(17,363)
Total impairment write-back for the year	**(2,335)**	(9,342)	**(2,335)**	(9,342)
Write-off	**(4,159)**	(15,028)	**(4,159)**	(15,028)
Provision re-instated during the year	**201**	343	**201**	343
Reclassification to discontinued operation	**-**	(847)	**-**	-
Recoveries of previously written off	**(66)**	-	**(66)**	-
Changes in models/risk parameters	**5,583**	(71)	**5,583**	(71)
Balance, end of year	**43,909**	44,685	**43,909**	44,685

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 2020 is as follows:

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Cost				
Balance, beginning of the year	115	115	91	91
Share of current year result	-	-	-	-
	115	115	91	91
Impairments (see (i) below)	(115)	(115)	(91)	(91)
Balance, end of the year	**-**	-	**-**	-

(i) Movement in impairment is as follows:

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec.2019	**Dec. 2020**	Dec.2019
	₦ 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

25 Investment securities

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec.2019	**Dec. 2020**	Dec.2019
	₦ million	₦ million	**₦ million**	₦ million
Investment securities at fair value through other comprehensive income (FVTOCI) (see note (a) below)	**272,436**	180,329	**272,436**	180,329
Investment at fair value through profit or loss (FVTPL) (see note (b) below)	**48,177**	38,138	**48,177**	38,138
Investment securities at amortised cost (see note (c) below)	**31,344**	38,651	**31,344**	35,199
Loss allowance	**(95)**	(33)	**(95)**	(33)
	351,862	257,085	**351,862**	253,633

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
(a) *Investment securities at fair value through other comprehensive income comprise:*				
- *Investments in debt securities:*				
Treasury bills	**247,758**	134,631	**247,758**	134,631
FGN Bonds	**4,587**	33,286	**4,587**	33,286
State Bonds	**4,772**	3,488	**4,772**	3,488
Commercial Paper	**114**	44	**114**	44
Corporate Bonds	**7,236**	3,922	**7,236**	3,922
FGN Promissory note	**4,645**	1,842	**4,645**	1,842
Total investment in debt securities	**269,112**	177,213	**269,112**	177,213

- *Equity instruments at fair value through other comprehensive income comprise:*

Equity: Quoted	see Note (i) below	**1,973**	1,976	**1,973**	1,976
Unquoted	see Note (ii) below	**1,351**	1,140	**1,351**	1,140
Total investment in equity		**3,324**	3,116	**3,324**	3,116
Total investment securities at FVTOCI		**272,436**	180,329	**272,436**	180,329

		Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
(i)	Investment in REIT	**1,973**	1,976	**1,973**	1,976
(ii)	**Investment in unquoted equities**				
	Nigeria Auto Clearing System (NAC)	**522**	427	**522**	427
	Credit Reference Company	**104**	82	**104**	82
	NG Clearing Ltd	**194**	100	**194**	100
	Sanef Ltd	**50**	50	**50**	50
	Unique Venture Funds Ltd	**481**	481	**481**	481
		1,351	**1,140**	**1,351**	**1,140**
	Total investment in equity securities at FVTOCI	**3,324**	**3,116**	**3,324**	**3,116**

(iii)	**Movement in debt securities at FVTOCI**	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
	Balance, beginning of the year	**177,213**	140,803	**177,213**	121,022
	Addition/(disposal) in the year	**94,000**	28,916	**93,552**	48,664
	Fair value adjustment	**(2,102)**	7,494	**(1,653)**	7,527
	Balance, end of the year	269,112	177,213	269,112	177,213

(iv)	**Movement in equity securities at FVTOCI**	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
	Balance, beginning of the year	**3,116**	3,395	**3,116**	3,395
	Addition/(disposal) in the year	**102**	-	**102**	-
	Fair value adjustment	**106**	(279)	**106**	(279)
	Balance, end of the year	**3,324**	3,116	**3,324**	3,116

(b)	*Investment at fair value through profit or loss comprise:*				
	Investment in equity				
	Afrexim Bank	**6,102**	3,929	**6,102**	3,929
	Africa Finance Corporation (AFC)	**42,075**	34,209	**42,075**	34,209
		48,177	**38,138**	**48,177**	**38,138**
(c)	*Investment securities at amortised cost comprise:*				
	Treasury bills	**-**	3,452	**-**	-
	Federal Government of Nigeria -Bonds	**28,385**	29,264	**28,385**	29,264
	State Government of Nigeria -Bonds	**2,959**	5,935	**2,959**	5,935
		31,344	**38,651**	**31,344**	**35,199**
	Stage 1 impairment	**(95)**	(33)	**(95)**	(33)
	Total impairment	**(95)**	**(33)**	**(95)**	**(33)**
	Net Total -Fixed income securities	**300,361**	**215,831**	**300,361**	**212,379**
	Investment securities	**351,862**	**257,085**	**351,862**	**253,633**

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. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ 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 2020 by Messrs. Bode Adediji Partnership, a firm of estate surveyors and valuers, using the open market basis of valuation, and their reports were dated 31 December 2020 for UBN Property Company Plc respectively. As at 31 December 2020 Investment properties have been carried at their fair value with the fair value difference recognised in profit or loss.

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	**5,701**	5,030	**-**	-
Additional cost capitalised during the year	**-**	671		
Disposal	**(1,248)**	-	**-**	-
	4,453	5,701	**-**	-
Fair value gain	**364**	-	**-**	-
Balance, end of the year	**4,817**	**5,701**	**-**	-

Rental income derived from derived from investment properties in 2020 is N78million (2019: N66million). 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 N4.817billion 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 -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. The company did not recognise any contingent rent as income during the year. (2019: 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. 2020	Bank Dec. 2019
	₦ million	₦ 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. 2020**	Dec. 2019
			Status/%	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 2019 - 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. The cost of investment 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 2020.

(c) Condensed results of consolidated entities
(i) The condensed financial data of the continuing operations as at 31 December 2020, are as follows

Condensed statement of comprehensive income

Statement of Comprehensive income	***Group balances***	***Consolidation entries***	***Total***	***Bank***	***Union Properties***
	₦ million	₦ million	₦ million	₦ million	₦ 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)
Profit after income tax	**25,129**	**326**	**24,804**	**24,653**	**225**
Profit/Loss before tax from discontinued operations	**(6,457)**	**(6,457)**	-	**-**	**-**
Income tax expense from discontinued operations	-	**-**	-	**-**	**-**
Profit after income tax	**(6,457)**	**(6,457)**	**-**	**-**	**-**

Condensed Statement of financial position

	Group balances	***Consolidation entries***	***Total***	***Bank***	***Union Properties***
	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	270,707	3,148	267,559	262,730	4,829
Non-pledged trading assets	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	95,875	-	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	**2,191,026**	**107,579**	**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	280	-	280	-	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 Liabilites	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	**2,191,026**	**107,579**	**2,083,447**	**2,073,758**	**9,689**

(ii) The condensed financial data of the continuing operations as at 31 December 2019, are as follows:

Condensed statement of comprehensive income

Statement of 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	95,357	(477)	95,834	95,021	813
Net operating income after net impairment loss	95,861	(476)	96,339	95,526	813
Operating Expenses	(71,017)	-	(71,017)	(70,780)	(237)
Net impairment loss on financial assets	504	-	504	504	-
Profit before income tax	**24,844**	**(476)**	**25,322**	**24,746**	**576**
Taxation	(478)	(107)	(371)	(371)	
	24,366	**(583)**	**24,951**	**24,375**	**576**
Loss before tax for discontinued operation:	(4,491)	(4,491)	-	-	-
Income tax expense from discontinued operation	-	-	-	-	-
	19,875	**(5,074)**	**24,951**	**24,375**	**576**

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	320,303	(433)	320,736	320,708	29
Non-pledged trading assets	23,322	-	23,322	23,322	-
Pledged assets	20,150	-	20,150	20,150	-
Derivative financial instrument	7,081	-	7,081	7,081	-
Loans and advances to customers	550,613	-	550,613	550,613	-
Investment securities	257,085	-	257,085	253,634	3,452
Assets held for sale	162,537	154,165	8,372	8,372	-
Trading properties	187	-	187	187	-
Investment properties	5,701	-	5,701	-	5,701
Investment in subsidiaries	-	(2,195)	2,195	2,195	-
Property and equipment	57,968	(1)	57,969	57,934	35
Intangible assets	5,382	-	5,382	5,381	1
Right-of-use assets	2,921		2,921	2,921	
Deferred tax assets	95,875	-	95,875	95,875	-
Other assets	361,711	(427)	362,138	361,973	165
Defined benefit assets	1,395	-	1,395	1,395	
Total assets	**1,872,231**	**151,110**	**1,721,121**	**1,711,740**	**9,381**
Financed by:					
Derivative financial instruments	2,111	-	2,111	2,111	-
Deposits from customers	886,263	(65)	886,328	886,328	-
Deferred tax liabilities	226	-	226	-	226
Current tax liabilities	486	46	440	381	59
Other liabilities	433,114	(3,998)	437,112	436,262	850
Liabilities held for sale	142,221	142,221	-	-	-
Lease Liabilities	1,651		1,651	1,651	-
Retirement benefit obligations	842		842	840	2
Debt securities issued	13,947	-	13,947	13,947	-
Long term subordinated bond	29,104		29,104	29,104	
Other borrowed funds	109,924		109,924	109,924	-
Equity and reserves	252,342	12,906	239,436	231,192	8,244
Total liabilities and equity	**1,872,231**	**151,110**	**1,721,121**	**1,711,740**	**9,381**

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, 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 to other 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**
	Balance at 1st January, 2019	13,275	21,865	17,473	4,550	26,693	2,096	2,716	88,668
	Exchange difference	-	-	1	-	31	-	-	32
	Additions	25	207	1,140	323	1,847	33	-	3,575
	Disposals	(441)	(439)	(57)	(46)	(136)	(9)	-	(1,128)
	Reclassification to other assets	-	-	(575)	25	640	29	-	119
	Balance as at 31 December 2019	12,859	21,633	17,982	4,852	29,075	2,149	2,716	91,266
(ii)	**Depreciation and impairment losses**								
	Balance at 1st January 2020	-	6,727	2,560	2,343	20,025	1,643	-	33,298
	Exchange difference								-
	Charge for the year		394	399	462	3,763	286		5,304
	Disposals		(374)	(88)	(3)	(41)	(31)		(537)
	Reclassifications								-
	Write-off/Adj								-
	Balance as at 31 December 2020	**-**	**6,747**	**2,871**	**2,802**	**23,747**	**1,898**	**-**	**38,065**
	Balance at 1st January, 2019	-	6,412	2,215	1,913	16,754	1,420	-	28,714
	Exchange difference	-	-	-	-	40	-	-	40
	Charge for the year	-	408	358	460	3,766	270	-	5,262
	Disposals	-	(93)	(13)	(30)	(121)	(10)	-	(267)
	Reclassifications	-	-	-	-	(413)	(35)	-	(448)
	Write-off/Adj	-	-	-	-	(1)	(2)	-	(3)
	Balance as at 31 December 2019	-	6,727	2,560	2,343	20,025	1,643	-	33,298
(iii)	**Net Book Value**								
	Balance as at 31 December 2020	**10,648**	**13,368**	**17,706**	**2,931**	**10,815**	**387**	**1,509**	**57,364**
	Balance as at 31 December 2019	12,859	14,906	15,422	2,509	9,050	506	2,716	57,968

(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) Exchange difference relates to the conversion of property and equipments acquired in the overseas office at the rate of exchange ruling at the end of the year 31 December 2019.

(vi) 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.

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

(viii) There was no capital commitment relating to the acquisition of property and equipment during the year (December 2019:Nil)

(iix) There was no restriction to the use of property and equipment during the year (December 2019:Nil)

(b) **Bank:**

The movement in these accounts during the year was as follows:

(i) **Cost**	**Land** ₦ million	**Buildings** ₦ million	**Leasehold improvement** ₦ million	**Fixtures and fittings** ₦ million	**Furniture & equipment** ₦ million	**Motor vehicles** ₦ million	**Capital work-in-progress** ₦ million	**Total** ₦ million
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)
Reclassifications	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**
Balance at 1st January 2019	13,249	21,865	17,361	4,550	26,422	2,042	2,714	88,203
Additions	25	207	1,141	323	1,793	86	-	3,575
Disposals	(441)	(439)	(57)	(46)	(136)	(10)	-	(1,129)
Reclassifications to other assets	-	-	(127)	75	640	29	-	617
Balance as at 31 December 2019	12,833	21,633	18,318	4,902	28,719	2,147	2,714	91,266

(ii) **Accumulated depreciation**	**Land** ₦ million	**Buildings** ₦ million	**Leasehold improvement** ₦ million	**Fixtures and fittings** ₦ million	**Furniture & equipment** ₦ million	**Motor vehicles** ₦ million	**Capital work-in-progress** ₦ million	**Total** ₦ million
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)
Reclassifications								-
Balance as at 31 December 2020	**-**	**6,747**	**2,871**	**2,802**	**23,736**	**1,894**	**-**	**38,050**
Restated balance at 1st January 2019	-	6,440	2,138	1,913	16,508	1,374	-	28,373
Charge for the year	-	408	371	460	3,756	268	-	5,263
Disposals	-	(93)	(13)	(30)	(121)	(10)	-	(267)
Reclassifications	-	-	-	-	(37)	-	-	(37)
Balance as at 31 December 2019	**-**	**6,755**	**2,496**	**2,343**	**20,106**	**1,632**	**-**	**33,332**
(iii) **Net Book Value**								
Balance as at 31 December 2020	**10,648**	**13,368**	**17,706**	**2,931**	**10,806**	**374**	**1,509**	**57,342**
Balance as at 31 December 2019	12,833	14,878	15,822	2,559	8,613	515	2,714	57,934

(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 2019: Nil)

(vii) There was no capital commitment relating to the acquisition of property and equipment during the year (December 2019:Nil)

(viii) There was no restriction to the use of property and equipment during the year (December 2019:Nil)

(c) The analysis of depreciation expense is as follows

		Group Dec. 2020 **₦ million**	Group Dec. 2019 ₦ million	**Bank Dec. 2020** **₦ million**	Bank Dec. 2019 ₦ million
Property and equipment	(see note 29 (a) and 29 (b))	**5,304**	5,262	**5,293**	5,263
Right of use asset	(see note 31)	**512**	529	**512**	529
		5,816	5,791	**5,805**	5,792

30 Intangible assets

	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
Cost				
Balance, beginning of the year	**13,046**	12,744	**13,045**	11,365
Additions	**1,634**	1,515	**1,634**	1,515
Reclassification	**89**	165	**89**	165
Exchange translation difference	**-**	-	**-**	-
Reclassified to discontinued operations	**-**	(1,378)	**-**	-
Balance, end of year	**14,769**	13,046	**14,768**	13,045
Amortization and impairment losses				
Balance, beginning of the year	**7,664**	6,698	**7,664**	5,737
Amortisation for the year	**1,893**	1,927	**1,893**	1,927
Reclassification	**-**		**-**	-
Exchange translation difference	**-**		**-**	-
Reclassified to discontinued operations		(961)	**-**	-
Balance, end of year	**9,557**	7,664	**9,557**	**7,664**
Carrying amounts as at year end	**5,212**	**5,382**	**5,211**	**5,381**
Balance as at 1 January	5,382	6,046	5,381	5,628

(i) An amount of N89 million was transferred from property and equipment. In the opinion of the 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 2019: ni

31 Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property.

	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
Gross Amount	**3,450**	-	**3,450**	-
Addition	**431**	3,450	**431**	3,450
Derecognition	**(100)**	-	**(100)**	-
	3,781	3,450	**3,781**	3,450
Accumulated depreciation	**529**	-	**529**	-
Charge in the year	**512**	529	**512**	529
	1,041	529	**1,041**	529
Carrying Amount at year end	**2,740**	2,921	**2,740**	2,921

The Group addition to the right of use assets was N431 million while N100 million relating to closure of some branches was derecognised from right of use asset, with a further depreciation of N512 million during the year 31 December 2020 (31 December 2019: depreciation was N529 million).

32 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

31 December 2020

	Assets	Liabilities	Net
	₦ million	₦ million	₦ million
Property, equipment, and software	-	6,847	(6,847)
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	7,039	95,875

Deferred tax liabilities	Liabilities	Net
	₦ million	₦ million
Property, equipment, and software	280	280
Net tax assets (liabilities)	280	280
Net deferred tax		95,595

31 December 2019

	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

Deferred tax liabilities	Liabilities	Net
	N million	N million
Property, equipment, and software	226	226
Net tax assets (liabilities)	226	226
Net deferred tax		95,649

Bank

31 December 2020

	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

31 December 2019

	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

Deferred tax assets and liabilities
Movement on the net deferred tax assets/(liabilities) account during the year:

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ 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	**226**	-	**-**	-
Charge for the year	**54**	-	**-**	-
Balance, end of the year	**280**	**-**	**-**	**-**
Net deferred tax assets/(liabilities)	**95,595**	95,875	**191,750**	191,750
Made up of				
Deferred tax assets	**102,914**	102,914	**102,914**	102,914
Deferred tax liabilities	**(7,319)**	(7,039)	**(7,039)**	(7,039)

Recognised and unrecognised deferred tax assets

Recognition of deferred tax assets of N95.87bn (December 2019: N95.87bn) 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 N108.038billion (2019: N85.514billion).

Additional deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can use the benefits.

33 Other assets

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Cash Reserve Requirement (see (i))	**356,452**	296,043	**356,452**	296,043
Other assets:				
Clearing	**333**	1,376	**333**	1,376
Accounts receivable	**1,220**	777	**177**	160
Prepayments	**3,499**	3,255	**3,774**	3,243
Receivable on FX (see (ii))	**21,955**	26,888	**21,955**	26,888
Repossessed assets (see (v))	**5,493**	3,493	**5,493**	3,493
Sundry assets (see (iii))	**58,219**	37,304	**58,219**	37,001
	90,719	73,093	**89,951**	72,161
Impairment on other assets(see (iv))	**(7,219)**	(7,425)	**(6,176)**	(6,231)
Net other assets	**83,500**	65,668	**83,775**	65,930
	439,952	361,711	**440,227**	361,973

(i) The Bank had restricted balances of N356.452 billion (December 2019: N296.043billion) with the Central Bank of Nigeria (CBN) as at 31 December 2020, 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 2020, the CRR in force was 22.5% (Dec 2019: 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. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Frauds and losses	**1,536**	1,540	**1,536**	1,540
Advance payments for PPE	**577**	630	**577**	630
Receivable from Union Homes	**2,608**	961	**2,608**	961
Property under dispute	**1,352**	1,352	**1,352**	1,352
Garnishee Order	**1,291**	1,334	**1,291**	1,334
Status Car loan	**-**	9	**-**	9
ATM receivable	**2,080**	3,443	**2,080**	3,443
Dividend Receivable	**396**	396	**396**	396
Receivable on electronic transfers and collections	**894**	3,836	**894**	3,836
Master/Visa card electronic settlement	**449**	801	**449**	801
Investment in AgriBusiness/SMEEIS	**3,577**	2,358	**3,577**	2,358
Dicounted FX receivable	**219**	5,120	**219**	5,120
Prepaid inventory items	**28**	324	**28**	324
Cash in Transit	**-**	3,465	**-**	3,465
Receivable for FX purchase	**-**	3,697	**-**	3,697
Other account balances	**43,212**	8,038	**43,212**	7,735
Balance, end of year	**58,219**	37,304	**58,219**	37,001

(iv) **Movement in impairment on other assets:**

	Group Dec. 2020	Group Dec.2019	**Bank Dec. 2020**	Bank Dec.2019
	₦ million	N million	**₦ million**	N million
Balance, beginning of the year	**7,425**	7,849	**6,231**	6,658
Write-back for the year	**(307)**	(688)	**(306)**	(688)
Effect of exchange rate	**101**	264	**251**	261
Balance, end of year	**7,219**	7,425	**6,176**	6,231

Impairment allowances are charged on other sundry assets which are doubtful of recovery.

(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 Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Money market deposits	**-**	-	**-**	-
Other deposits from banks	**4,018**	-	**4,018**	-
	4,018	-	**4,018**	-

35 Deposits from customers

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Term deposits	**359,281**	229,096	**364,110**	229,161
Current deposits	**398,618**	392,529	**398,618**	392,529
Savings	**368,388**	264,638	**368,388**	264,638
	1,126,287	886,263	**1,131,116**	886,328
Low-cost deposits	**767,006**	657,167	**767,006**	657,167
Low-cost deposits as % of total customer deposits	**68.1%**	74.2%	**67.8%**	74.1%
Deposits by currency				
Local currency deposits	**955,355**	707,068	**955,355**	707,068
Foreign currency deposits	**170,932**	179,195	**175,761**	179,260
Total customers deposits	**1,126,287**	886,263	**1,131,116**	886,328

36 Current tax liabilities

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**486**	581	**380**	232
Classification as Discontinued operations	**-**	**(198)**	**-**	-
Charge for the year	**791**	478	**772**	371
Payments during the year	**(480)**	(375)	**(374)**	(223)
Balance, end of year	**797**	486	**778**	380

37 Other liabilities

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Financial liabilities:				
Deposits for foreign currency	**240,886**	222,919	**240,886**	222,919
Accounts payable	**5,095**	5,540	**4,495**	5,540
AMCON contribution payable	**1,362**	1,816	**1,362**	1,816
Due to foreign correspondent banks	**57,129**	35,658	**57,129**	35,658
Draft and Bills payable	**4,538**	2,434	**4,538**	2,434
Open buy back takings/repurchase transactions	**3,750**	9,164	**3,750**	9,164
Trading liabilities	**70,131**	89,637	**70,131**	89,637
Other provisions (see note (a) below)	**4**	257	**4**	257
Creditors and accruals (see note (b) below)	**7,171**	5,464	**7,171**	5,436
Provision for fraud	**102**	-	**102**	-
Electronic collections and other e-payment liabilities	**22,479**	52,120	**22,479**	52,120
	412,647	425,009	412,047	424,981
Non financial liabilities:				
Unearned income	**576**	443	**576**	443
Provision for claims and contingencies (see note (c) below)	**3,717**	2,595	**3,717**	2,595
PAYE and other statutory deductions	**643**	772	**643**	772
Other credit balances (see note (d) below)	**8,135**	4,295	**8,134**	7,471
	13,071	8,105	**13,070**	11,281
Total other liabilities	**425,718**	**433,114**	**425,117**	**436,262**

(a) Other provisions relate to IFRS 9 provisions on Letters of credit and financial guarantees. See details below:

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Allowance on letters of credit	4	92	4	92
Allowance on guarantees	-	165	-	165
	4	257	4	257

The movement on other provision during the year was as follows:

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	257	207	257	207
(Reversals)/charge during the year	(253)	50	(253)	50
Balance, end of year	**4**	257	**4**	257

(b) Creditors and Accruals comprise the following:

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Accrued IT consumables	**617**	294	**617**	294
Accruals for professional and consultancy fees	**134**	162	**134**	162
Accrual for Industrial Training Fund Levy	**263**	250	**263**	250
Accrual for advertisement	**204**	258	**204**	258
Accrual for staff related allowances	**4,129**	3,660	**4,129**	3,660
Provision for restitution (see note (45))	**-**	121	**-**	121
Accrual for repairs and maintenance expenses	**238**	177	**238**	177
Accrual for rental expenses	**-**	146	**-**	146
Other accruals	**1,623**	396	**1,623**	368
	7,171	**5,464**	**7,171**	**5,436**

(c) The movement on provision for claims and contingencies during the year is as follows:

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	**2,595**	3,070	**2,595**	3,070
Charge/(reversal) during the year	**1,122**	(475)	**1,122**	(475)
Reclassification	**-**	-	**-**	-
Balance, end of the year	**3,717**	2,595	**3,717**	2,595

(d) **Other credit balances**

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	₦ million	₦ million
Accrual for Audit Fee	**109**	150	**109**	110
Vendor retention fee payable	**114**	497	**114**	100
Franchise collections	**2,012**	1,312	**2,012**	1,312
Agency fees payable	**-**	60	**-**	60
Deferred rental income	**-**	71	**-**	-
Others	**5,900**	2,205	**5,899**	5,889
	8,135	4,295	**8,134**	**7,471**

38 **Lease Liabilities**

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Lease Liability	**1,812**	1,651	**1,812**	1,651

(i) Lease liabilities are payable as follows

31 December 2020

	Future minimum lease payments	Interest expense	Present value of minimum lease payments
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**

31 December 2019

	Future minimum lease payments	Interest expense	Present value of minimum lease payments
Less than one year	**491**	44	446
Between one and five years	**1,196**	335	861
More than five years	**999**	656	343
	2,686	**1,035**	**1,651**

The future minimum lease payments extend over a number of years, analysed as follows:

	Dec. 2020	**Dec. 2019**
Not later than one year		
< 1 year	**369**	491
Between one and five years		
>1 but <= 5years	**1,369**	1,196
More than five years		
> 5years	**306**	999
Future finance charges	**232**	1,035
Present Value of future minimum lease payments	**1,812**	**1,651**
The present value of finance lease liabilities is as follows:		
Not later than one year		
< 1 year	**327**	446
Between one and five years		
>1 but <= 5years	**1,216**	861
More than five years		
> 5years	**269**	343
As at 31 December	**1,812**	**1,651**

39 Employee benefit obligations

	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
	₦ million	₦ million	₦ million	₦ million
Post-employment benefit obligation (see (a) below)	**81**	81	**81**	81
Other long-term employee benefits (see (b) below)	**915**	761	**915**	759
	996	842	**996**	840

(a) Post-employment benefit obligation

	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
	₦ million	₦ million	₦ million	₦ million
Defined contribution scheme (see (i) below)	**81**	81	**81**	81
Net defined benefit assets (see 39a(iii) below)	**1,475**	1,395	**1,475**	1,395

(i) Defined Contribution Scheme

	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	**81**	89	**81**	89
Charge during the year	**429**	628	**420**	628
Contribution remitted during the year	**(429)**	(636)	**(420)**	(636)
Balance, end of year	**81**	81	**81**	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 4,600 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.

Group

	Gross defined benefit		Fair value of plan assets		Net defined Benefit (asset)	
	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	**1,369**	1,302	**(2,764)**	(2,912)	**(1,395)**	(1,610)
Included in profit or loss						
Current service costs and interest	**169**	184	**(358)**	(433)	**(189)**	(249)
Settlement gain/(loss))	**-**	(24)	**-**	94	**-**	70
	169	160	**(358)**	(339)	**(189)**	(179)
Additions to plan assets	**-**	-	**(3)**	(17)	**(3)**	(17)
	169	160	**(361)**	(356)	**(192)**	(196)
Remeasurement of defined benefit obligation	**321**	120	**(209)**	291	**112**	411
	321	120	**(209)**	291	**112**	411
Others						
Benefits paid by the plan	**(207)**	(213)	**207**	213	**-**	-
	(207)	(213)	**207**	213	**-**	-
Balance, end of year (see note 39(a) above)	**1,652**	1,369	**(3,127)**	(2,764)	**(1,475)**	(1,395)

Bank

	Gross defined benefit		Fair value of plan assets		Net defined Benefit (asset)	
	Dec. 2020	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
	₦ million	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**
Balance, beginning of the year	**1,369**	1,302	**(2,764)**	(2,912)	**(1,395)**	(1,610)
Included in profit or loss						
Current service costs and interest	**169**	184	**(358)**	(433)	**(189)**	(249)
Settlement gain/(loss))	**-**	(24)	**-**	94	**-**	70
	169	160	**(358)**	(339)	**(189)**	(179)
Additions to plan assets	**-**	-	**(3)**	(17)	**(3)**	(17)
	169	160	**(361)**	(356)	**(192)**	(196)
Remeasurement of defined benefit obligation	**321**	120	**(209)**	291	**112**	411
	321	120	**(209)**	291	**112**	411
Others						
Benefits paid by the plan	**(207)**	(213)	**207**	213	**-**	-
	(207)	(213)	**207**	213	**-**	-
Balance, end of year	**1,652**	1,369	**(3,127)**	(2,764)	**(1,475)**	(1,395)

(iv) Plan assets

Plan assets for funded obligations consist of the following:

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Quoted Equities	**20**	-	**20**	-
Unquoted Equities	**1,233**	-	**1,233**	-
FGN Bonds	**776**	-	**776**	-
Cash at Bank	**1,098**	-	**1,098**	-
Receivable from pension fund administrator	**-**	2,764	**-**	2,764
	3,127	2,764	**3,127**	2,764

(v) Actuarial assumptions

The following were the principal actuarial assumptions at reporting date (expressed as weighted averages).

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
- Discount rate	**7.5%**	13.5%	**7.5%**	13.5%
- Average rate of inflation	**12.0%**	12.0%	**12.0%**	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. 2020	Dec. 2019	Dec. 2020	Dec. 2019
	Movement	₦ million	₦ million	₦ million	₦ million
Discount rate	+1%	1,564	1,307	1,564	1,307
	-1%	1,750	1,437	1,750	1,437
Pension Increase Rate	+1%	-	1,454	-	1,454
	-1%	-	1,292	-	1,292
Mortality	Future Mortality Improvement (2% p.a)	1,599	1,479	1,599	1,479
	Future Mortality Improvement (0% p.a)	1,705	1,249	1,705	1,249

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 6.93 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 N150,000.00
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 N180,000.00
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 N250,000.00
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 N375,000.00
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 N625,000.00
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. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Present value of unfunded obligation	**915**	761	**915**	759
Total present value of the obligation	**915**	761	**915**	759
Present value of net obligation	**915**	761	**915**	759
Recognized liability for defined benefit obligations	**915**	761	**915**	759

The movement of other long-term employee benefit is as stated below:

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	761	699	759	697
Included in profit or loss				
Current service costs and interest	361	214	361	214
Remeasurement gain or loss	(166)	70	(164)	70
Curtailment	-	(166)	-	(166)
	195	118	197	118
Others				
Benefits paid by long service award plan	(41)	(56)	(41)	(56)
	(41)	(56)	(41)	(56)
Balance, end of year	915	761	915	759

(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 irecognised in other comprehensive income. See break-down below:

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Defined benefit obligation (see note 39(a)(iii) above)	**(189)**	(249)	**(189)**	(249)
Long service award (see note 39(b)(i) above)	**361**	118	**361**	118
Total cost recognised in profit or loss (see note 15)	**172**	(131)	**172**	(131)
Recognised in other comprehensive income:				
Remeasurement of defined benefit obligation	**112**	411	**112**	411
Total cost recognised in other comprehensive income	**112**	411	**112**	411

40 Debt securities issued

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Short-term bonds	**42,111**	7,446	**42,111**	7,446
Long-term bonds	**6,518**	6,501	**6,518**	6,501
	48,629	**13,947**	**48,629**	**13,947**

This represents the outstanding balance on the Bank's Debt Issuance Program. The short-term bonds are senior unsecured fixed rate bonds with a maturity tenor of three (3) years 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	15.50%	15.75%
Maturity date	September 3, 2021	September 3, 2025

41 Long-term subordinated bond

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Series 3 bonds	**29,546**	**29,104**	**29,546**	**29,104**
	29,546	**29,104**	**29,546**	**29,104**

Amount represents 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. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Due to CAC (see (a))	**3,862**	7,977	**3,862**	7,977
BOI on-lending facilities (see note (b))	**2,093**	3,028	**2,093**	3,028
CBN RSS-on lending (see (c))	**17,571**	19,502	**17,571**	19,502
Trade finance lending (see (d))	**56,365**	53,705	**56,365**	53,705
Other borrowings (see (e))	**103,053**	25,106	**103,053**	25,106
SME on-lending scheme	**1,279**	606	**1,279**	606
	184,223	**109,924**	**184,223**	**109,924**

(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 zero cost, 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 N2.1billion (Dec. 2019: N3 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 5% 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 N17.6bn (December 2019: N19.5bn) 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 includes balances from the following financial institutions:

	Bank	Bank	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	$ million	$ million	**₦ million**	₦ million
Mashreq Bank	**57**	52	**22,868**	18,844
Access Bank UK	**49**	60	**19,465**	22,038
Commerz Bank Germany	**30**	-	**11,999**	-
Citibank N.A. UK	**-**		**2,033**	-
Zenith Bank UK	**-**	10	**-**	3,694
UBA New York	**-**	25	**-**	9,129
	136	**147**	**56,365**	**53,705**

(i) Mashreq Bank
The amount of N22,867million (US$57 million) represents seventeen trade finance facilities granted by Mashreq bank in June, November and December 2020 . Interest is payable at an average of 5.71% per annum. The facilities mature in January, May, June 2021.

(ii) Access Bank Nigeria Limited
The amount of N19,465million (US$48.6 million) represents four trade finance facilities granted by Access Bank Plc in Jun 2020 and Oct 2020. Interest is payable at an average rate of 5.47% per annum. The facilities mature in Mar 2021 and Jul 2021.

(iii) CommerzBank Germany
The amount of N11,998million (US$29.97 million) is due to Commerz Bank in respect of trade finance facilities of US$30 million each availed on the 17 December 2020 . Interest is payable at 2.92% per annum. Final maturity is 11 March 2021.

(iv) Citi Bank N.A U.K
The amount of N14.5 million (US$0.04million) represents a US$36 thousand facility granted by Citi Bank N.A U.K on the 30 December 2020.

(e) Other borrowings consist of the balances of foreign currency denominated liabilities obtained from the financial institution below:

	Bank	Bank	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	$ million	$ million	**N million**	N million
OPIC	**146**	-	**58,396**	-
Afreximbank	**112**	**69**	**44,657**	**25,106**
	258	**69**	**103,053**	**25,106**

The amount of N25,106 million (US$69 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. Interest is payable quarterly at 7.94% and LIBOR + 6.10% per annum respectively. Final repayments on these facilities are due March 25, 2019 and March 2021 respectively.

43 Discontinued operations

(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, only awaiting UK regulatory approval.

	Group December 2020	Group December 2019
	₦ million	₦ million
Gross income	**2,656**	**6,637**
Gross expense	**(9,113)**	**(11,128)**
Interest Income	2,252	5,846
Interest Expense	(601)	(1,661)
Net interest income	1,651	4,185
Recoveries on credit losses	-	-
Net interest income after impairment charge for credit losses	1,651	4,185
Net fee and commission income	376	-
Net trading income	152	203
Other operating (expense)/income	(124)	588
Total operating income	404	791
Total non-interest income	404	791
Operating Income	2,055	4,976
Net impairment loss on financial assets	(4,694)	(5,730)
Net operating income after net impairment loss on other financial assets	(2,639)	(755)
Personnel expenses	(2,409)	(1,972)
Depreciation and amortisation	(283)	(245)
Other operating expenses	(1,126)	(1,518)
	(3,818)	(3,736)
Loss before tax from discontinued operations	(6,457)	(4,491)
Income tax expense	-	-
Loss from discontinued operations (net of tax)	**(6,457)**	**(4,491)**

(b) Assets classified as held-for-sale

	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	**86,195**	101,425	-	-
Investments in subsidiaries	-	-	**8,372**	**8,372**
Loans and advances to customers	**15,584**	37,311	-	-
Investment securities	**11,334**	21,704	-	-
Property and equipment	**68**	86	-	-
Intangible assets	**150**	212	-	-
Right-of-use assets	**1,208**	-	-	-
Other assets	**754**	1,799	-	-
	115,293	**162,537**	**8,372**	**8,372**

(c) Liabilities for assets classified as held-for-sale

	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	₦ million	₦ million	₦ million	₦ million
Deposits from banks	**68,808**	116,340	-	-
Deposits from customers	**33,749**	23,744	-	-
Other liabilities	**1,843**	2,137	-	-
	104,400	**142,221**	**-**	**-**

44 Capital and reserves

Share capital	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
(a) Authorised :				
35,000,000,000 (Dec 2019: 35,000,000,000) Ordinary shares of 50 kobo each	**17,500**	17,500	**17,500**	17,500

	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
(b) Issued and fully paid -				
29,264,484,854 (Dec. 2019: 29,212,936,538) Ordinary shares of 50kobo each	**14,633**	14,607	**14,633**	14,607

	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
Balance, beginning of year	**14,607**	14,561	**14,607**	14,561
Addition during the year (See (c)below)	**26**	46	**26**	46
Balance, end of year	**14,633**	14,607	**14,633**	14,607

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.

(c) Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

	Group Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
Balance, beginning of year	**133,235**	187,091	**133,235**	187,091
Transfer from share premium	**-**	(54,458)	**-**	(54,458)
Employee Share Incentive Scheme	**222**	602	**222**	602
Balance, end of year	**133,457**	133,235	**133,457**	133,235
Share capital and share premium	**148,090**	**147,842**	**148,090**	**147,842**

(i) The Federal High Court, Lagos by an Order dated 18 December 2019 ("the Court Order") granted the Bank's Petition to write off N54.458billion negative from General Reserve balance as at 31 December 2019, against the Share Premium Account. The Bank also sought the approval of Central Bank of Nigeria for the write-off and was granted. Extracts of the Bank's Special Resolution for the reduction of the Bank's Share Premium Account dated 11 Jun 2019 and the Court Order have been filed at the Corporate Affairs Commission, Abuja.

(ii) 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)).

During the year 2020, 51,548,316 units of ordinary shares of the Bank had been awarded to key management personnel of the Bank under the Bank's share-based incentive scheme. The shares were valued at the market price of the shares.

(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 reserves

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 N3,698million to statutory reserves during the period ended 31 December 2020 (31 December 2019: N3,656million).

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**32,453**	28,797	**32,453**	28,797
Transfer from retained earnings	**3,698**	3,656	**3,698**	3,656
	36,151	32,453	**36,151**	32,453

(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. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**21,074**	14,482	**19,960**	13,335
Fair value changes during the year	**(1,995)**	6,592	**(1,546)**	6,625
Balance, end of year	**19,079**	21,074	18,414	**19,960**

(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. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**3,331**	-	**3,331**	-
Excess of NGAAP provision over IFRS provision during the year	**4,343**	3,331	**4,343**	3,331
Balance, end of year	**7,674**	3,331	**7,674**	3,331

(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. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	N million	N million	**N million**	N million
Balance, beginning of year	**-**	282	**-**	282
Additional shares awarded during the year (See note 15)	**248**	366	**248**	366
Vested shares during the year (See note 15)	**(248)**	(648)	**(248)**	(648)
Balance, end of year	**-**	-	**-**	-

During the year ended December 31, 2020, 51,548,316 unit of share was awarded to key management personnel of the Bank under the Bank's share-based incentive scheme (31 December 2019: 61,060,713) See note 15(ii).

(i) Other reserves

The other reserves are as follows:

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Translation reserve (see (i) below)	**19,351**	17,274	**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	**414**	51	**414**	51
Impairment on reserve on pledge assets at FVTOCI	**36**	-	**36**	-
Equity component of employee benefit remeasurement (see (vi) below)	**2,522**	2,634	**2,522**	2,634
	19,668	17,304	**2,212**	1,925

(i) Translation reserve

The translation reserve comprises all foreign currency difference arising from the translation of the financial statements of foreign operations, 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 Dec. 2020 ₦ million	Group Dec. 2019 ₦ million	Bank Dec. 2020 ₦ million	Bank Dec. 2019 ₦ million
Surplus/(Deficit) at the beginning of the year	**21,437**	(44,380)	**23,323**	(47,736)
Effect of IFRS 16 transition	**-**	(176)	**-**	(176)
Retained profit for the year	**18,672**	19,875	**24,653**	24,375
Transfer from/(to) other reserves	**(4,917)**	50,191	**(4,917)**	50,191
Dividend paid	**(7,313)**		**(7,313)**	
Dividend paid to non-controlling interest	**-**	(475)	**-**	-
Transfer to non-controlling interest	**(137)**	(267)	**-**	-
	27,742	24,768	**35,746**	26,654
Movement in regulatory risk reserve (see below)	**(4,343)**	(3,331)	**(4,343)**	(3,331)
Balance at the end of the year	**23,399**	21,437	**31,403**	23,323

In line with CBN Prudential Guidelines, the excess of Nigerian Generally Accepted Accounting Practice loan loss provision 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. 2020 ₦ million	Group Dec. 2019 ₦ million
Balance, beginning of year	**6,543**	6,276
Profit/(loss) for the year	**137**	267
Balance, end of year	**6,680**	**6,543**

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 N7.13 trillion as at 31 December 2020 (2019: N6.95 trillion). Included in the legal action are two significant legal cases with total claims of N6.74 trillion in which judgements have been given against the Bank in prior years. The Bank's appeals against the judgments are currently pending before the appellate courts.

One of the cases pending at the Court of Appeal is one in which the Bank appealed against the Federal High Court (FHC) judgment that was given against it and seven other defendants in December 2014. The FHC ordered the defendants to pay an estimated sum of N5.47 trillion. The Bank's appeal against this judgment is still pending at the Court of Appeal.

In the second case instituted by a company against the Central Bank of Nigeria (CBN), Union Bank, the Minister of Finance and the Attorney-General of the Federation, the FHC in 2014 gave judgment against the defendants and ordered them jointly and severally to, among others, return the Claimant's foreign capital amounting to £2.56 billion which was allegedly deposited through a Barclays Bank cheque for this amount with the Bank and of which a substantial part was allegedly transferred to the CBN, with the Bank retaining the rest. Out of the total sums, Union Bank is directed to pay £393.8 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 N1.27 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 an application to set aside this ruling of the Supreme Court and this application is also pending before the Court. Based on the legal opinions obtained by the Bank, the Directors believe that both the pending applications as well as the substantive appeal before the Supreme Court have a high chance of success.

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 N220.03 billion (December 2019: N185.07 billion).

The following table summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

	Group	Group	**Bank**	Bank
	Dec. 2020	Dec. 2019	**Dec. 2020**	Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Performance bonds and guarantees	**134,612**	109,710	**134,612**	109,710
Letters of credit	**85,677**	75,617	**85,677**	75,617
IFRS 9 impairment on off-balance sheet exposures	**(4)**	(257)	(4)	(257)
Total off-balance sheet assets after impairment	**220,285**	185,070	**220,285**	185,070

48 Customers' complaints

The Bank in its ordinary course of business received 350,820 complaints (2019: 350,972) during the year ended December 31, 2020. The details of the complaints are illustrated in the table below:

Description	**Number**		**Amount claimed**		**Amount refunded**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Pending complaints brought forward	5,743	6,763	108,375,563	103,716,622	N/A	-
Received complaints	357,820	350,972	10,325,379,410	53,507,555,257	N/A	1,524,657,825
Resolved complaints	351,392	351,992	10,146,006,499	53,502,896,316	3,391,071,586	1,542,532,575
Unresolved Complaints escalated to CBN for intervention / carried forward	12,171	5,743	287,748,474	108,375,563	N/A	125,250

The total amount in respect of complaints resolved was N10,146,006,499 (2019: N53,502,896,316) while the total disputed amount in cases which remain unresolved stood at N287,748,474 (2019: N108,375,563). No complaints were referred to the Central Bank of Nigeria (CBN) for intervention during the year (2019: 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 definition of key management personnel includes close members of family of key personnel and any entity over which key management personnel exercises control. The key management personnel have been identified as the executive and non-executive directors of the Group and other relevant senior management personnel. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Bank and its subsidiaries.

(a) Transactions with related parties are as follows:

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	-	0.2	-	-
Union Bank UK Plc	Subsidiary	-	-	-	-	-	-
Directors and related companies	Key Mgt. Personnel	45,621	-	-	-	-	-
Executive Director's loans	Key Mgt. Personnel	206	-	-	-	-	-

31 December 2019
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	-	65	-	-	-	-
Union Bank UK Plc	Subsidiary	-	0.26	-	288	3,228	-
Directors and related companies	Key Mgt. Personnel	37,767	-	-	-	-	-
Executive Director's loans	Key Mgt. Personnel	206	-	-	-	-	-

The status of performance of each facility as at 31 December 2020 is as shown below:

(b) Secured loans and advances
The terms of the loans and advances reflects the market condition.

Dec. 2020

Borrower	*Relationship*	*Facility Type*	*Amount*	*Status*
			₦ million	
Accugas Limited/Adeyemi Osindero/Former Chairman- Cyril Odu ***	Former Director	Fcy Term Loan	24,972	Performing
Notore Chemicals Industries Ltd/Onajite Okoloko	Former Director	Fcy Term Loan	175	Non-performing
Notore Chemicals Industries Ltd/Onajite Okoloko	Former Director	Term Loan	8,826	Non-performing
PNG Gas Ltd/Cyril Odu	Former Chairman	Financial Guarantee	1,800	Performing
PNG Gas Ltd/Cyril Odu	Former Chairman	Term Loan	2,397	Performing
Swift Networks Ltd/Richard Kramer	Former Non-Executive Director	Term Loan	7,452	Performing
			45,621	

*** 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. 2020	Dec. 2019
	₦ million	₦ million
Salaries, short-term benefits and pensions	547	598
Share-based payment	248	366
Directors' sitting allowance	34	11
Fees as directors	225	210
	1,054	1,185

Directors' Remuneration

(i) Directors' remuneration excluding pension contribution and certain benefits was provided as follows:

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Fees as directors	**225**	210	**225**	210
Directors' sitting allowance	**34**	11	**34**	11
	259	221	**259**	221
Executive compensation	**547**	598	**547**	598
Share-based payment	**248**	366	**248**	366
	1,054	1,185	**1,054**	1,185

(ii) The directors' remuneration shown above includes:

	Group Dec. 2020	Group Dec. 2019	**Bank Dec. 2020**	Bank Dec. 2019
	₦ million	₦ million	**₦ million**	₦ million
Chairman	**30**	30	**30**	30
Highest paid director	**164**	172	**164**	172

(iii) The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges were:

	Bank Dec. 2020	Bank Dec. 2019
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	**4**	3
N100,000,001 - N200,000,000	**1**	1
N200,000,001 - N400,000,000	**-**	-
	14	13

Employees

The number of persons in the employment of the Bank at 31 December was as follows:

	Bank Dec. 2020	Bank Dec. 2019
Management	**32**	34
Non-management	**2,310**	2,328
	2,342	2,593

The number of employees of the Bank, other than directors, who received emoluments in the following ranges (excluding pension contributions and other benefits) were:

	Bank Dec. 2020	Bank Dec. 2019
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	**739**	724
N3,500,001 - N4,000,000	**-**	-
N4,000,001 - N4,500,000	**-**	-
N4,500,001 - N5,000,000	**639**	648
Above N5,000,000	**956**	982
	2,342	2,362

50 Compliance with banking regulations

The Bank contravened some banking regulations in the course of the year, this contravention attracted a penalty of N10 m for the year 2020 (2019: N124.25 m). Details of the banking regulation which the Bank contravened during the year was as follows:

Nature of contravention	Penalties ₦ million
Penalty for involvement in importation of textile using forex from Nigerian forex market	10.00
	10.00

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 2020			31 December 2019		
	Carrying amount	Current	Non- current	Carrying amount	Current	Non- current
	₦ million	₦ million	₦ million	N million	N million	N million
ASSETS						
Cash and cash equivalents	**270,707**	**270,707**	**-**	320,303	320,303	-
Non-pledged trading assets	**52,212**	**52,212**	**-**	23,322	23,322	-
Pledged assets	**100,007**	**100,007**	**-**	20,150	20,150	-
Derivative assets held for risk management	**520**	**520**	**-**	7,081	7,081	-
Loans and advances to customers	**692,803**	**394,186**	**298,617**	550,613	346,559	204,054
Investment securities	**351,862**	**317,562**	**34,300**	257,085	220,880	36,205
Trading properties	**187**	**-**	**187**	187	-	187
Investment properties	**4,817**	**-**	**4,817**	5,701	-	5,701
Property and equipment	**57,364**	**-**	**57,364**	57,968	-	57,968
Intangible assets	**5,212**	**-**	**5,212**	5,382	-	5,382
Right of Use Assets	**2,740**	**-**	**2,740**	2,921	-	2,921
Deferred tax assets	**95,875**	**-**	**95,875**	95,875	-	95,875
Other assets	**439,952**	**417,092**	**22,860**	361,711	358,730	2,981
Defined benefit assets	**1,475**	**-**	**1,475**	1,395	-	1,395
	2,075,733	**1,552,286**	**523,447**	1,709,694	1,297,025	412,669
Assets classified as held for sale	**115,293**	**115,293**	**-**	162,537	162,537	-
TOTAL ASSETS	**2,191,026**	**1,667,579**	**523,447**	1,872,231	1,459,562	412,669

Group	31 December 2020			31 December 2019		
	Carrying amount	Current	Non- current	Carrying amount	Current	Non- current
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
LIABILITIES						
Derivative liabilities held for risk management	**2**	**2**	**-**	2,111	2,111	-
Deposits from banks	**4,018**	**4,018**	**-**	-	-	-
Deposits from customers	**1,126,287**	**1,116,360**	**9,927**	886,263	860,155	26,108
Current tax liabilities	**797**	**797**	**-**	486	486	-
Deferred tax liabilities	**280**	**-**	**280**	226	-	226
Other liabilities	**425,718**	**394,837**	**30,881**	433,114	257,461	175,653
Lease Liabilites	**1,812**	**-**	**1,812**	1,651	-	1,651
Retirement benefit obligations	**996**	**-**	**996**	842	-	842
Debt securities issued	**48,629**	**-**	**48,629**	13,947	-	13,947
Long term subordinated bond	**29,546**	**-**	**29,546**	29,104	-	29,104
Other borrowed funds	**184,223**	**104,586**	**79,638**	109,924	58,110	51,814
TOTAL LIABILITIES	**1,822,308**	**1,620,600**	**201,709**	1,477,668	1,178,323	299,345

Bank	31 December 2020			31 December 2019		
	Carrying amount ₦ million	Current ₦ million	Non- current ₦ million	Carrying amount ₦ million	Current ₦ million	Non- current ₦ million
ASSETS						
Cash and cash equivalents	**262,730**	**262,730**	**-**	320,707	320,707	-
Non-pledged trading assets	**52,212**	**52,212**	**-**	23,322	23,322	-
Pledged assets	**100,007**	**100,007**	**-**	20,150	20,150	-
Derivative assets held for risk management	**520**	**520**	**-**	7,081	7,081	-
Loans and advances to customers	**692,803**	**394,186**	**298,617**	550,613	346,559	204,054
Investment securities	**351,862**	**317,562**	**34,300**	253,633	220,880	32,753
Trading properties	**187**	**-**	**187**	187	-	187
Investment in subsidiaries	**2,195**	**-**	**2,195**	2,195	-	2,195
Property and equipment	**57,342**	**-**	**57,342**	57,934	-	57,934
Intangible assets	**5,211**	**-**	**5,211**	5,381	-	5,381
Right of Use Assets	**2,740**	**-**	**2,740**	2,921	-	2,921
Deferred tax assets	**95,875**	**-**	**95,875**	95,875	-	95,875
Other assets	**440,227**	**417,092**	**23,135**	361,973	358,730	3,243
Defined benefit assets	**1,475**	**-**	**1,475**	1,395	-	1,395
	2,065,386	**1,544,309**	**521,077**	1,703,367	1,297,429	405,938
Assets classified as held for sale	**8,372**	**-**	**8,372**	8,372	-	8,372
TOTAL ASSETS	**2,073,758**	**1,544,309**	**529,449**	1,711,739	1,297,429	414,310
LIABILITIES						
Derivative liabilities held for risk management	**2**	**2**	**-**	2,111	2,111	-
Deposits from banks	**4,018**	**4,018**	**-**	-	-	-
Deposits from customers	**1,131,116**	**1,116,360**	**14,756**	886,328	860,155	26,173
Current tax liabilities	**778**	**778**	**-**	380	380	-
Other liabilities	**425,117**	**394,837**	**30,280**	436,262	257,461	178,801
Lease Liabilites	**1,812**	**-**	**1,812**	1,651	-	1,651
Retirement benefit obligations	**996**	**-**	**996**	840	-	840
Debt Securities issued	**48,629**	**-**	**48,629**	13,947	-	13,947
Long term subordinated bond	**29,546**	**-**	**29,546**	29,104	-	29,104
Other borrowed funds	**184,223**	**104,586**	**79,638**	109,924	58,110	51,814
	1,826,237	**1,620,581**	**205,656**	1,480,547	1,178,217	302,330

52 Reconciliation notes to consolidated and separate statements of cashflow

		Group	Group	Bank	Bank
		Dec. 2020	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
		N million	N million	**N million**	N million
(i)	***Change in non-pledged trading assets***				
	Opening balance for the year	**23,322**	14,271	**23,322**	14,271
	Closing balance for the year	**(52,212)**	(23,322)	**(52,212)**	(23,322)
	Total changes in non-pledged trading assets	**(28,890)**	(9,051)	**(28,890)**	(9,051)
(ii)	***Change in pledged assets***				
	Opening balance for the year	**20,150**	48,839	**20,150**	48,839
	Impairment on pledged assets at amortised cost	**(14)**	-	**(14)**	-
	Closing balance for the year	**(100,007)**	(20,150)	**(100,007)**	(20,150)
	Total changes in pledged assets	**(79,871)**	28,689	**(79,871)**	28,689
(iii)	***Change in loans and advances to customers***				
	Opening balance for the year	**550,613**	455,785	**550,613**	418,557
	Impairment write-back on loans and advances	**2,401**	9,342	**2,401**	9,342
	Closing balance for the year	**(692,803)**	(550,613)	**(692,803)**	(550,613)
	Total changes in loans and advances to customers	**(139,789)**	(85,486)	**(139,789)**	(122,714)
(iv)	***Change in other assets***				
	Opening balance for the year	**361,711**	324,277	**361,973**	324,003
	Impairment write back on other assets	**307**	688	**306**	688
	Reclassification of property and equipments	**-**	739	**-**	(654)
	Reclassification of intangible assets	**-**	(170)	**-**	(170)
	Closing balance for the year	**(439,952)**	(361,711)	**(440,227)**	(361,973)
	Total changes in other assets	**(77,934)**	(36,177)	**(77,948)**	(38,106)
(v)	***Change in derivative financial instruments - assets***				
	Opening balance for the year	**7,081**	1,029	**7,081**	1,029
	Fair value gain on derivatives	**(2,617)**	-	**(2,617)**	-
	Closing balance for the year	**(520)**	(7,081)	**(520)**	(7,081)
	Changes on derivative instruments - assets	**3,944**	(6,052)	**3,944**	(6,052)
	Change in derivative financial instruments - liabilities				
	Opening balance for the year	**(2,111)**	(1,120)	**(2,111)**	(1,117)
	Closing balance for the year	**2**	2,111	**2**	2,111
	Changes on derivative instruments - liabilities	**(2,109)**	991	**(2,109)**	994
(vi)	***Change in deposits from banks***				
	Opening balance for the year	**-**	(99,477)	**-**	-
	Closing balance for the year	**4,018**	-	**4,018**	-
	Total changes in deposits from banks	**4,018**	(99,477)	**4,018**	-

(vii)	***Change in deposits from customers***				
	Opening balance for the year	**(886,263)**	(857,593)	**(886,328)**	(844,413)
	Closing balance for the year	**1,126,287**	886,263	**1,131,116**	886,328
	Total changes in deposits from customers	**240,024**	28,670	**244,788**	41,915
(viii)	***Change in other liabilities***				
	Opening balance for the year	**(433,114)**	(169,654)	**(436,262)**	(168,827)
	Impairment write-back on financial guarantee	**253**	-	**253**	-
	Adjustment for non-cash items	**-**	331	**-**	366
	Closing balance for the year	**425,718**	433,114	**425,117**	436,262
	Total changes in other liabilities	**(7,143)**	263,791	**(10,892)**	267,801
(ix)	***Proceeds/(acquisition) of investment securities***				
	Opening balance for the year	**(257,085)**	(199,317)	**(253,633)**	(175,068)
	Change in fair value of equity securities	**1,996**	591	**1,547**	591
	Change in fair value of debt securities	**-**	(8,297)	**-**	(7,527)
	Impairment charge/(write-back) on debt securities	**62**	(16)	**62**	(16)
	Proceeds/(acquisition) of investment securities	**(96,835)**	(50,046)	**(99,838)**	(71,613)
	Closing balance for the year	**(351,862)**	(257,085)	**(351,862)**	(253,633)
(x)	***Movements in borrowings***				
	Opening balance for the year	**152,975**	125,985	**152,975**	126,069
	Total cash inflows from borrowings	**116,763**	59,640	**116,763**	59,640
	Interest accrued	**19,624**	-	**19,893**	-
	Interest paid	**(19,915)**	(17,550)	**(20,184)**	(17,550)
	Total repayments of borrowed funds	**(7,048)**	(15,100)	**(7,048)**	(15,184)
	Closing balance for the year (See Note 42)	**262,398**	152,975	**262,398**	152,975
(xi)	***Movements in lease liability***				
	Opening balance for the year	**(1,651)**	-	**(1,651)**	-
	Addition during the year	**(153)**	(1,651)	**(153)**	(1,651)
	Payment	**107**	-	**107**	-
	Accretion of interest	**(232)**	-	**(232)**	-
	Derecognition	**117**	-	**117**	-
	Closing balance for the year (See Note 38)	**(1,812)**	(1,651)	**(1,812)**	(1,651)

53 Events after the reporting date

There were no significant events after the reporting date that requires disclosure or adjustment in the financial statements that has not been adequately provided for or disclosed. Management has assessed the impact of the Covid-19 on the going concern of the Bank and has concluded that the use of the going concern is appropriate and that the Bank will be able to recover its assets and discharge its liabilities in the foreseeable future for at least the next 12 months.

The Bank has performed a line-by-line analysis of its statement of financial position and has done an assessment of whether the current uncertainty may impact any of the amounts presented at 31 December 2020. Management has concluded however that the amounts recognised in the financial statements do not required further adjustment but will continue to monitor the situation as new information becomes available and any necessary adjustments as a result will be reflected in the appropriate reporting period.

Management continues to monitor the Covid-19 situation and will take further actions as necessary and appropriate in response to the economic disruption and other Covid-19 consequences.

Other National disclosures

Value Added Statement
For the year ended 31 Dec 2020

Group:

	Dec. 2020 ₦ million	%	Dec. 2019 ₦ million	%
Gross earnings	160,292		166,545	
Interest expenses	(55,755)		(64,551)	
	104,537		101,994	
Net impairment write back on financial assets	2,560		504	
	107,097		102,498	
Bought in materials and services	(38,075)		(35,716)	
Value added	69,022	100	66,782	100
Distribution:				
Employee				
- Employees as personnel expenses	32,587	47	33,398	50
Government				
- Taxation	845	1	478	1
Retained in the Group				
- For replacement of property and equipment and intangible assets	10,461	15	8,540	13
- Profit for the year (including non-controlling interests)	25,129	36	24,366	36
	69,022	100	66,782	100

Bank:

	Dec. 2020 ₦ million	%	Dec. 2019 ₦ million	%
Gross earnings	156,885		159,861	
Interest expenses	(56,024)		(64,839)	
	100,861		95,022	
Net impairment write back on financial assets	2,559		504	
	103,420		95,526	
Bought in materials and services	(35,082)		(28,985)	
Value added	68,338	100	66,541	100
Distribution:				
Employee				
- Employees as personnel expenses	32,454	47	33,255	50
Government				
- Taxation	772	1.13	371	0.6
Retained in the Group				
- For replacement of property and equipment and intangibl	10,459	15	8,540	13
- Profit for the year	24,653	36	24,375	37
	68,338	100	66,541	100

Five-year Financial summary
For the year ended 31 Dec 2020
Group

STATEMENT OF FINANCIAL POSITION	Dec. 2020	Dec. 2019	Dec. 2018	Dec. 2017	Dec. 2016
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	270,707	320,303	233,566	222,577	136,194
Non-pledged trading assets	52,212	23,322	14,271	20,076	8,323
Pledged assets	100,007	20,150	48,839	54,079	53,430
Derivative assets held for risk management	520	7,081	1,029	1,297	2,747
Loans and advances to customers	692,803	550,613	473,462	517,103	507,190
Investments in equity-accounted investee	-	-	-	-	-
Investment securities	351,862	257,085	199,317	185,658	181,720
Trading properties	187	187	186	1,153	2,309
Investment properties	4,817	5,701	5,030	4,951	4,347
Property and equipment	57,364	57,968	59,954	55,986	52,800
Intangible assets	5,212	5,382	6,045	4,344	3,374
Right of Use Assets	2,740	2,921	-	-	-
Deferred tax assets	95,875	95,875	95,875	95,875	95,910
Other assets	439,952	361,711	324,277	291,692	202,298
Defined benefit assets	1,475	1,395	1,610	352	1,643
Assets classified as held for sale	115,293	162,537	397	397	397
	2,191,026	**1,872,231**	**1,463,858**	**1,455,540**	**1,252,682**
EQUITY AND LIABILITIES					
Share capital	14,633	14,607	14,561	14,561	8,468
Share premium	133,457	133,235	187,091	187,091	391,641
Reserves	109,548	97,957	17,704	138,258	(133,550)
Non-controlling interest	6,680	6,543	6,276	5,831	5,111
Derivative financial instrument	2	2,111	1,120	972	13
Deposits from banks	4,018	-	99,477	100,131	90,266
Deposits from customers	1,126,287	886,263	857,593	802,384	658,444
Current tax liabilities	797	486	581	524	465
Deferred tax liabilities	280	226	262	259	101
Other liabilities	425,718	433,114	169,654	111,461	141,404
Lease Liabilites	1,812	1,651	-	-	-
Retirement benefit obligations	996	842	788	857	805
Debt securities issued	48,629	13,947	13,860	-	-
Long term subordinated bond	29,546	29,104			
Other borrowed funds	184,223	109,924	94,891	93,211	89,514
Liabilities included in discontinued operations	104,400	142,221	-	-	-
	2,191,026	**1,872,231**	**1,463,858**	**1,455,540**	**1,252,682**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Dec. 2020	Dec. 2019	Dec. 2018	Dec. 2017	Dec. 2016
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	101,881	95,357	90,501	105,964	93,627
Group share of associates' profits					-
Exceptional item					
Impairment losses on financial assets	2,560	504	2,992	(25,317)	(15,889)
	104,441	95,861	93,493	80,647	77,738
Operating expenses	(78,467)	(71,017)	(75,040)	(66,728)	(62,000)
Profit before tax	**25,974**	**24,844**	**18,453**	**13,919**	**15,738**
Taxation	(845)	(478)	(360)	(911)	(347)
Profit after tax	**25,129**	**24,366**	**18,093**	**13,008**	**15,391**
Profit for the year from discontinued operations	(6,457)	(4,491)	-	-	-
Profit for the year	18,672	19,875	18,093	13,008	15,391
Non-controlling interest	137	267	445	720	(226)
Profit attributable to equity holders	**18,535**	**19,608**	**17,648**	**12,288**	**15,617**
Earnings per share (basic)	85k	83k	83k	72k	92k

Bank

STATEMENT OF FINANCIAL POSITION	Dec. 2020	Dec. 2019	Dec. 2018	Dec. 2017	Dec. 2016
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	262,730	320,707	159,028	137,497	35,536
Non-pledged trading assets	52,212	23,322	14,271	20,076	8,323
Pledged assets	100,007	20,150	48,839	54,079	53,430
Derivative assets held for risk management	520	7,081	1,029	1,297	2,747
Loans and advances to customers	692,803	550,613	428,037	488,555	489,890
Investment securities	351,862	253,633	175,068	175,329	166,759
Assets classified as held for sale	8,372	8,372	325	325	325
Trading properties	187	187	187	513	1,124
Investment in subsidiaries	2,195	2,195	10,567	10,567	10,567
Property and equipment	57,342	57,934	59,830	55,801	52,567
Intangible assets	5,211	5,381	5,628	3,949	2,859
Right of Use Assets	2,740	2,921	-	-	-
Deferred tax assets	95,875	95,875	95,875	95,875	95,875
Other assets	440,227	361,973	324,003	290,706	201,838
Defined benefit assets	1,475	1,395	1,610	352	1,643
	2,073,758	**1,711,739**	**1,324,297**	**1,334,921**	**1,123,483**
EQUITY AND LIABILITIES					
Share capital	14,633	14,607	14,561	14,561	8,468
Share premium	133,457	133,235	187,091	187,091	391,641
Reserves	99,431	83,350	(1,565)	117,467	(149,440)
Derivative financial instrument	2	2,111	1,117	972	13
Deposits from banks	4,018	-	-	10,686	4,351
Deposits from customers	1,131,116	886,328	844,413	796,708	633,827
Current tax liabilities	778	380	232	271	177
Deferred tax liabilities	-	-	-	-	-
Other liabilities	425,117	436,262	168,827	110,628	141,861
Lease Liabilites	1,812	1,651			
Retirement benefit obligations	996	840	786	801	773
Debt securities issued	48,629	13,947	13,860	-	-
Long term subordinated bond	29,546	29,104			
Other borrowed funds	184,223	109,924	94,975	95,736	91,812
	2,073,758	**1,711,739**	**1,324,297**	**1,334,921**	**1,123,483**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Dec. 2020	Dec. 2019	Dec. 2018	Dec. 2017	Dec. 2016
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	100,861	95,022	86,199	100,012	91,883
Impairment losses on financial assets	2,559	504	3,515	(25,478)	(17,066)
	103,420	95,526	89,714	74,534	74,817
Operating expenses	(77,995)	(70,780)	(71,054)	(62,958)	(58,764)
Profit before tax	**25,425**	**24,746**	**18,660**	**11,576**	**16,053**
Taxation	(772)	(371)	(222)	(337)	(168)
Profit after tax	**24,653**	**24,375**	**18,438**	**11,239**	**15,885**
Earnings per share (basic)	84k	84k	63k	66k	94k
Earnings per share (adjusted)	84k	84k	63k	66k	94k