UNITED BANK FOR AFRICA PLC

Interim Consolidated and Separate Financial Statements for the period ended 30 June 2020

Africa's Global Bank

Tax Identification Number : 01126011-0001

Contents

Directors' Report

The Directors present their report together with the audited financial statements of UBA Plc ("the Group") for the period ended 30 June 2020.

1 Results at a Glance

	Group		Bank	
	2020 (N'Million)	2019 (N'Million)	2020 (N'Million)	2019 (N'Million)
Profit before tax	57,129	70,274	20,630	43,630
Income tax expense	(12,698)	(13,535)	(1,079)	(7,164)
Profit after tax	44,431	56,739	19,551	36,466
Other comprehensive income	19,684	5,341	10,968	16,604
Total comprehensive income	64,115	62,080	30,519	53,070
Total comprehensive income attributable to:				
– Equity holders of the Bank	58,631	62,511	30,519	53,070
– Non-controlling interests	5,484	(431)	-	-
Total comprehensive income	64,115	62,080	30,519	53,070

2 Dividend

The Directors, pursuant to the powers vested in it by the provisions of Section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, propose interim dividend of N0.17 per share (30 June 2019: N0.20 per share) from the retained earnings account as at 30 June 2020. This will be presented to shareholders for approval at the next Annual General Meeting. Payment of Dividend is subject to applicable withholding tax.

3 Legal form

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

4 Major activities & business review

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

5 Directors

NAME	DESIGNATION
Mr. Tony Elumelu, CON	Chairman
Amb. Joe Keshi, OON	Vice-Chairman
Mrs. Foluke Abdulrazaq [4]	Non-Executive Director
Mrs. Owanari Duke	Non-Executive Director
High Chief Samuel Oni, FCA	Non-Executive Director
Ms. Angela Aneke	Non-Executive Director
Erelu Angela Adebayo	Non-Executive Director
Mr. Kayode Fasola	Non-Executive Director
Mr. Abdulqadir J. Bello	Non-Executive Director
Mrs. Aisha Hassan Baba[5]	Non-Executive Director
Mr. Kennedy Uzoka	Group Managing Director/CEO
Mr. Oliver Alawuba	Deputy Managing Director (Africa)
Mr. Ayoku Liadi	Deputy Managing Director (Nigeria)
Mr. Abdoul Aziz Dia [2]	Executive Director, Treasury & International Banking
Mr. Victor Osadolor [1]	Group Deputy Managing Director/CEO, UBA Africa
Mr. Emeke Iweriebor [1]	Executive Director, East and Southern Africa
Mr. Dan Okeke	Executive Director, Abuja & North Central Bank
Mr. Uche Ike	Executive Director, Risk Management, Governance & Compliance
Mr. Chukwuma Nweke	Executive Director, Group Chief Operating Officer
Mr. Ibrahim Puri	Executive Director, North Bank
Mr. Chiugo Ndubisi [3]	Executive Director, Treasury & International Banking

Directors' Report - Continued

5 Directors - continued

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

6 Directors' interests

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

	30-Jun-20		31-Dec-19	
Name	Direct holding	Indirect holding	Direct holding	Indirect holding
Mr. Tony Elumelu	189,851,584	2,114,110,884	190,100,234	2,114,110,884
Amb. Joe Keshi, OON	433,499	-	433,499	-
Mr. Kennedy Uzoka	37,173,909	-	37,173,909	-
Mr. Dan Okeke	32,007,918	-	31,297,918	-
Mr. Uche Ike	13,012,497	-	10,936,395	-
Mr. Oliver Alawuba	593,248	-	593,248	-
Mr. Chukwuma Nweke	1,059,860	-	1,059,860	-
Mr. Ibrahim Puri	4,580,254	-	981,118	-
Mr. Ayoku Liadi	1,080,000	-	1,080,000	-
Mrs. Foluke Abdulrazaq	-	-	10,000,000	11,120,000
Mrs. Owanari Duke	86,062	-	86,062	-
High Chief Samuel Oni	2,065	-	2,065	-
Erelu Angela Adebayo	163,803	-	163,803	-
Mr. Kayode Fasola	-	-	-	-
Mr. Abdulqadir Bello	130,000	-	-	-
Ms. Angela Aneke	-	-	-	-
Mr. Chuigo Ndubisi	-	-	-	-
Mrs. Aisha Hassan Baba	-	-	-	-
Mr. Osadolor Victor	-	-	16,583,126	-
Chief Jamodu Kolawole Babalola	-	-	657,415	128,311
Mr. Emeke Iweriebor	-	-	7,034,071	-

Details of indirect holdings

Name of Director	Company(ies)	Indirect holding	Total indirect holding
Mr. Tony O. Elumelu, CON	HH Capital Limited	140,843,816	-
	Heirs Holdings Limited	1,742,180,600	-
	Heirs Alliance Limited	231,086,468	2,114,110,884

7 Analysis of shareholding

The details of shareholding of the Bank as at June 30, 2020 is as stated below;

Headline	Shareholders			Holdings		
Range	**Count**	**Cumulative Count**	**Count (%)**	**Aggregate Holdings**	**Cumulative Holdings**	**Aggregate Holdings (%)**
1 – 1,000	31,151	31,151	11.39	14,449,038	14,449,038	0.04
1,001 – 5,000	120,329	151,480	44.01	300,660,033	315,109,071	0.88
5,001 – 10,000	44,935	196,415	16.44	307,705,591	622,814,662	0.90
10,001 – 50,000	54,482	250,897	19.93	1,136,177,621	1,758,992,283	3.32
50,001 – 100,000	10,800	261,697	3.95	730,519,131	2,489,511,414	2.14
100,001 – 500,000	8,884	270,581	3.25	1,816,966,491	4,306,477,905	5.31
500,001 – 1,000,000	1,321	271,902	0.48	927,018,049	5,233,495,954	2.71
1,000,001 – 5,000,000	1,141	273,043	0.42	2,240,176,239	7,473,672,193	6.55
5,000,001 – 10,000,000	150	273,193	0.05	1,054,682,221	8,528,354,414	3.08
10,000,001 – 50,000,000	130	273,323	0.05	2,746,371,703	11,274,726,117	8.03
50,000,001 – 100,000,000	29	273,352	0.01	2,005,894,542	13,280,620,659	5.87
100,000,001 – 500,000,000	39	273,391	0.01	10,567,575,186	23,848,195,845	30.90
500,000,001 – 1,000,000,000	9	273,400	0.00	6,010,106,980	29,858,302,825	17.57
1,000,000,001 and Above	3	273,403	0.00	4,341,118,541	34,199,421,366	12.69
TOTAL	**273,403**		**100.00**	**34,199,421,366**		**100**

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

According to the Register of Shareholders as at June 30, 2020, no shareholder held more than 5% of the share capital of the Bank except the following;

Shareholders	Holding	Holding (%)
Stanbic Nominees	2,656,200,427	7.8%
Heirs Holdings	1,742,180,600	5.1%

9 Trading in the shares of UBA

A total of 3,523,723,566 units of UBA shares were traded on the Nigerian Stock Exchange in 2020H1, representing 10.3% of the shares outstanding. The share price waned 12.6% in the period, closing at N6.25 (from N7.15 as at 31 December 2019), reflecting the bearish performance of the Nigerian equity market, as signified by the c.8.8% and c21.0% loss in the Nigerian Stock Exchange All Share Index (NSE ASI) and the Banking Sector Index (NSE Bank 10) during the period ended June 30, 2020.

10 Acquisition of own shares

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

11 Donations

As a part of our commitment to the development of host communities, the environment and broader economy within which we operate, across the Group, a total of N4,706,231,834.73 (Four Billion, Seven Hundered and Six Million, Two Hundred and Thirty-One Thousand, Eight Hundred and Thirty Four Naira and Seventy Three Kobo Only) was given out as donations and charitable contributions during the period, partly through UBA Foundation – the Group's Corporate Social Responsibility (CSR) arm. The donations made during the period are as follows;

Directors' Report - Continued

11 Donations - continued

SCHEDULE OF DONATIONS FOR THE PERIOD 1ST JANUARY 2020 TO 30 June 2020

Beneficiary/Project	Country	Amount (NGN)
Ekiti State Government_Book Support	Nigeria	10,000,000
Mater Ecclesiae College	Nigeria	100,000
King's College Art Festival	Nigeria	287,000
ST Pius Xth Grammar School, Delta State	Nigeria	9,887,703
Ambrose Alli University Ekpoma	Nigeria	400,000
Law Books to various Universities	Nigeria	3,825,000
National Essay Competition	Nigeria	4,530,000
Branded School Items - Various Primary & Secondary School Students	Nigeria	7,938,000
Each-one-teach-one Project	Nigeria	4,000,000
National Essay Competition _UBA Africa	Nigeria	1,027,736
Economic Empowerment		
Oyo State Government	Nigeria	17,880,000
Community Based Rehabilitation Hospital	Tanzania	468,019
Environment		
Delta State Government	Nigeria	1,735,190
Beautification Projects -Marina & Ikeja	Nigeria	2,078,130
Beautification Projects - Others	Nigeria	860,000
Other Initiatives		
Community Social Responsibility_ Medical Support	Nigeria	1,000,000
Cross Rivers State Government	Nigeria	8,200,953
Judge Honorarium -Sahel Pitch	Nigeria	120,000
Support for COVID-19_Nigeria	Nigeria	3,497,500,000
Support for COVID-19_Other Africa Countries	Africa	1,134,394,104
Total Donations Across the Group		**4,706,231,835**

12 Employment and employees

Employment of Physically Challenged Persons

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

Health, Safety at Work and Welfare of Employees

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

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

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

Employee Involvement and Training

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

Research and Development

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

Demographics of our workforce

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

(a) Staff distribution by gender during the period 30 June 2020

Description	Gender	Head Count	% of Total
Group	Male	6,304	56%
	Female	4,896	44%
	Total	**11,200**	**100%**
Bank	Male	4,290	56%
	Female	3,314	44%
	Total	**7,604**	**100%**

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

Description	Gender	Head Count	% of Total
Board of Directors	Male	12	75%
	Female	4	25%
	Total	**16**	**100%**
Top Management	Male	73	80%
	Female	18	20%
	Total	**91**	**100%**

Directors' Report - Continued

12 Employment and employees - continued

(a) Staff distribution by gender during the period 30 June 2020 - continued

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

Description	Male		Female		Total
	Head Count	% of Total	Head Count	% of Total	
Non-Executive Directors	5	56%	4	44%	9
Executive Directors	8	100%	0	0%	8
General Managers	24	83%	5	17%	29
Deputy General Managers	13	57%	10	43%	23
Assistant General Managers	28	90%	3	10%	31
Total	78	100%	22	100%	100

(b) Group Staff distribution by nationality and location during the period 30 June 2020

Nationality	Location	Head Count
Nigerian	Nigeria	7593
	Other 19 African Countries	48
	USA	11
	United Kingdom	7
UBA CESA:	Nigeria	1
Cameroon, Congo DRC, Congo Brazzaville, Gabon, Chad, Kenya, Tanzania, Zambia, Uganda and Mozambique	Other 19 Africa Countries	1537
UBA WEST AFRICA	Nigeria	1
Ghana, Sierra Leone, Liberia,CDI, Senegal, Burkina Faso, Benin, Guinea and Mali	Other 19 Africa Countries	1942
Indians	Nigeria	2
American	New York	28
United Kingdom	United Kingdom	29
French	France	1
Total		11,200

13 Property and Equipment

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

14 Post balance sheet events

There are no post balance sheet events which could have had material effect on the financial position of the Group as at June 30, 2020 and the profit and other comprehensive income for the period ended at that date.

15 Audit Committee

Pursuant to Section 359(3) of the Companies and Allied Matters Act, the Bank has an Audit Committee comprising three Non-Executive Directors and three Shareholders as follows:

Mr. Feyi Ogoji	Chairman/Shareholder
Mr. Matthew Esonanjor	Shareholder
Alhaji Umar Al-Kassim	Shareholder
Mrs. Owanari Duke	Non-Executive Director
Ms. Angela Aneke	Non-Executive Director
Mr. Kayode Fasola	Non-Executive Director

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act.

16 Auditors

Messrs. Ernst & Young were appointed auditors to the Bank at the last Annual General Meeting for the first time, and having indicated their willingness to continue in office, will do so in accordance with Section 357(2) of Companies and Allied Matters Act, Cap 20 Laws of the Federation of Nigeria 2004.

17 Disclosure of Customer Complaints in the Financial Statements for the Period Ended 30 June 2020

Description	Number		Amount claimed (N'Million)		Amount refunded (N'Million)	
	30-Jun-20	31 Dec 2019	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Pending Complaints B/F	911	26,549	349	7,944		
Received Complaints	3,404	17,088	35,869	16,083		
Resolved Complaints	3,626	42,697	6,347	22,699	2,803	5,897
Unresolved Complaints Escalated to CBN for Intervention	27	29	311	979		
Unresolved Complaints Pending with the bank C/F	723	911	383	349		

By the order of the Board

Bili A. Odum
Group Company Secretary,
57 Marina, Lagos
August 13, 2020
FRC/2013/NBA/00000001954

COMPLAINTS AND FEEDBACK

Introduction

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

To achieve excellent customer service delivery in line with the Bank's focus, UBA Staff worldwide are continuously trained to have a strong customer service orientation and be customer-centric in every aspect of the Bank's operations, thereby fulfilling the Bank's promise to Customers, as contained in its customer service charter. The Bank's customer service charter requires all staff to;

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

Complaints Channels

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

Customer Fulfillment Center (CFC)

A 24/7 Multi-Lingual Customer Contact Centre, where customers can call in to lodge complaints, make requests or enquiries about our products and services.

Dedicated Email Address

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

Hotlines in the Branches

Branded toll-free phones called 'UBA Hotline' have been placed in designated Business Offices to enable customers call the Customer Fulfillment Centre to relay their complaints, requests and enquiries. Calls received through this channel are handled by designated inbound call agents. The calls are given priority so as to reassure the customers of the Bank's total commitment to serve them.

Suggestion/Complaint Box

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

Web

On the UBA website www.ubagroup.com, customers can also log in and register their complaints through the link "Do You Have Feedback?" Such Complaints are automatically routed to CFC for resolution. Customers also have the option of chatting online real time with our highly skilled agents through the 'Live Chat' channel, Face book | Twitter | LinkedIn | Google+ | YouTube | UBA Blog

Post

A dedicated Post Office Box number 5551 is also available exclusively for receiving customer complaints by post.

Resolution Structure

In order to ensure that Customers' complaints, enquiries and requests are promptly resolved, the Bank has put in place a dedicated Complaints' Management Team supervised by a Senior Officer of the Bank, who is responsible for prompt investigation and resolution of customers' complaints within the approved timelines. The unit is manned by highly skilled personnel with rich and diverse banking experience to

promptly resolve customer complaints. The Bank maintains a robust Customer Complaints Management system, which is managed by well trained staff of the Customer Service Division and reports generated are periodically reviewed by Executive Management to see where processes can be improved to enhance customer service.

The complaints management system ensures that customers' issues are promptly treated as specified within the established framework and turnaround time.

The process flow of customer complaint and resolution is as follows:

(i) The Bank's touch point (Business office, CFC (Calls, Telemarketing & E-mail), Social media; Twitter, Linkedin, Facebook & Live chat) that receives the customer's complaint acknowledges and registers the complaint on the Customer Contact Manager (CCM), the bank's automated complaints management system.

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

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

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

Investor Complaint Channels

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

As at June 30, 2020, the Board comprised a Non-Executive Chairman, a Non-Executive Vice Chairman, seven (7) other Non-Executive Directors (which include three (3) Independent Non-Executive Directors), and eight (8) Executive Directors (which include the GMD/CEO), all of whom bring a wide range of skills and experience to the Board.

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

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

A. The Board

The Board, as at June 30, 2020, consists of seventeen (17) members, 8 of whom (inclusive of the GMD/CEO), are Executive Directors and nine (9) Non-Executive Directors. The Non-Executive Directors have the requisite integrity, skills and experience to bring independent judgment to bear on Board deliberations and discussions.

Responsibility

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

Executive Management is accountable to the Board for the development and implementation of strategy and policies. The Board regularly reviews group performance, matters of strategic concern and any other matters it regards as material. The Board meets quarterly and additional meetings are convened as the need arises. In the first half of 2020, the Board met 3 times. The record of attendance for Board Meetings for half-year 2020 is presented below:

Board Meetings

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

[1] Retired from the Board on January 6, 2020

[2] Resigned from the Board on May 6, 2020

[3] Appointed to the Board on January 6, 2020

[4] Retired from the Board on April 30, 2020

[5] Appointed to the Board on January 27, 2020

The Board is responsible for the Bank's structure and areas of operation, and financial reporting. The Board is also responsible for ensuring that there is an effective system of internal control and risk management across the Bank. The Board also adopts an effective system for the appointment of new Directors.

The Board has the authority to delegate matters to Directors, Board Committees and the Executive Management Committee.

Appointments & Retirements:
During the half-year ending June 30, 2020 financial year, the following Directors retired/resigned from the Board:
1. Mr. Victor Osadolor Deputy Managing Director
2. Mr. Emeke Iweriebor Executive Director
3. Mr. Abdoul Aziz Dia Executive Director
4. Mrs. Foluke Kafayat Abdulrazaq Non-Executive Director

Subsequently, the following Non-Executive Directors were appointed;
1. Mr. Chiugo Ndubisi Executive Director
2. Mrs. Aisha Hassan Baba Non-Executive Director

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

B. Accountability and Audit

Financial Reporting

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

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

Ernst & Young (EY) acted as external auditors to the Group during the half-year 2020 financial period. Their report is contained on page xx of this Half-Year Report.

Internal Controls

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

C. Control Environment

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

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

D. Shareholder Rights

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

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

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

E. Board Committees

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

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

(i) 1. Board Audit Committee

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

As at June 30, 2020, the Board Audit Committee comprises the following Non-Executive Directors:

a. Mrs. Owanari Duke – Chairman
b. High Chief Samuel Oni, FCA – Member
c. Erelu Angela Adebayo – Member
d. Mrs. Aisha Hassan Baba – Member

The record of attendance for Board Audit Committee Meetings for half-year 2020 is presented below:

Board Audit Committee Meetings		
Members	**Number of Meetings Held**	**Number of Meetings Attended by Members**
Mrs. Owanari Duke	3	3
Mrs. Foluke Abdulrazaq [1]	3	3
High Chief Samuel Oni, FCA	3	3
Erelu Angela Adebayo	3	3
Mrs. Aisha Hassan Baba, OON [2]	3	0

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

(ii) Board Credit Committee

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

As at June 30, 2020, the current composition of the Board Credit Committee is as follows:

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

The record of attendance for Board Credit Committee Meetings for half-year 2020 is presented below:

Board Credit Committee Meetings		
Members	**Number of Meetings Held**	**Number of Meetings Attended by Members**
Mr. Abdulqadir J. Bello, FCA	6	6
Mrs. Foluke Abdulrazaq [1]	6	5
Ms. Angela Aneke [2]	6	0
Mrs. Owanari Duke	6	6
Mr. Kayode Fasola	6	6
Mr. Abdoul Aziz Dia [3]	6	5

[1] Stopped being a member of the Board from April 30, 2020
[2] Appointed to the Board Credit Committee on June 26, 2020
[3] Stopped being a member of the Board Credit Committee from May 6, 2020

(iii) Board Governance Committee

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

As at June 30, 2020, the Board Governance Committee comprised the following members:
a. Ms. Angela Aneke – Chairman
b. Mrs. Owanari Duke – Member
c. Erelu Angela Adebayo – Member
d. Mrs. Aisha Hassan Baba – Member

The record of attendance for Board Governance Committee Meetings for half-year 2020 is presented below:

Board Governance Committee Meetings		
Members	**Number of meetings held**	**Number of meetings attended by members**
Ms. Angela Aneke	6	6
Mrs. Foluke Abdulrazaq [1]	6	6
Mrs. Owanari Duke	6	6
Erelu Angela Adebayo	6	6
Mr. Abdulqadir J. Bello, FCA [2]	6	6
Mrs. Aisha Hassan Baba, OON [3]	6	0

[1] Stopped being a member of the Board from April 30, 2020
[2] Stopped being a member of the Board Governance Committee from June 26, 2020
[3] Appointed to the Board Governance Committee on June 26, 2020

(iv) Board Risk Management Committee

As at June 30, 2020, the Board Risk Management Committee comprised the following Directors:

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

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

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

Board Risk Management Committee Meetings		
Members	**Number of Meetings Held**	**Number of Meetings Attended by Members**
High Chief Samuel Oni, FCA	4	4
Erelu Angela Adebayo	4	4
Mr. Kayode Fasola	4	4
Mr. Abdulqadir J. Bello [1]	4	0
Mr. Kennedy Uzoka	4	4
Mr. Uche Ike	4	4
Mr. Chukwuma Nweke	4	4

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

(v) Finance & General Purpose Committee

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

As at June 30, 2020, the Finance & General Purpose Committee comprised of the following members:

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

The record of attendance for Finance & General Purpose Governance Committee Meetings for half-year 2020 is presented below:

Finance & General Purpose Committee Meetings		
Members	**Number of Meetings Held**	**Number of Meetings Attended by Members**
Mr. Kayode Fasola	3	3
Ms. Angela Aneke	3	3
Mr. Abdulqadir J. Bello, FCA	3	3
Mrs. Aisha Hassan Baba, OON [1]	3	0
Mr. Kennedy Uzoka	3	3
Mr. Uche Ike [2]	3	3
Mr. Chukwuma Nweke	3	3
Mr. Abdoul Aziz Dia [3]	3	3
Mr. Chiugo Ndubisi [4]	3	0

[1] Appointed to the Finance & General Purpose Committee on June 26, 2020
[2] Stopped being a member of the Finance & General Purpose Committee from June 26, 2020
[3] Stopped being a member of the Finance & General Purpose Committee from May 6, 2020
[4] Appointed to the Finance & General Purpose Committee on June 26, 2020

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

(vi) Statutory Audit Committee

The Statutory Audit Committee was set up in accordance with the provisions of the Companies and Allied Matters Act, CAP20, 2004. It comprises of a mixture of Non-Executive Directors and ordinary shareholders elected at the Annual General Meeting.

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

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

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

(vii) Executive Management Committees

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

(f) **Directors' Compensation**

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

REPORT OF THE STATUTORY AUDIT COMMITTEE

To members of United Bank for Africa Plc

In accordance with the provision of Section 359[6] of the Companies and Allied Matters Act CAP 20 Laws of the Federation of Nigeria 2004, we the members of the Audit Committee hereby report as follows:

(i) We confirm that we have seen the Audit Plan & Scope, and the Management Letter on the Audit of the UBA Group Interim Consolidated & Separate Financial Statements for the period ended June 30, 2020, and the responses to the said letter.

(ii) IIn our opinion, the Plan & Scope of the Audit for the period June 30, 2020 were adequate. We have reviewed the Auditors' findings and we are satisfied with the Management responses thereon.

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

(iv) As required by the provisions of the Central Bank of Nigeria circular BSD/1//2004 dated February 18, 2004 on "Disclosure of Insider-Related Credits in Financial Statements", we reviewed the insider-related credits of the Bank and found them to be as analysed in the Interim Consolidated & Separate Financial Statements for the period ended June 30, 2020.

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act and Sections 24 and 28 of the Banks and Other Financial Institutions Act, the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank and of the profit or loss and other comprehensive income for the period ended June 30, 2020 and in so doing they ensure that:

(i) Proper accounting records are maintained;

(ii) Applicable accounting standards are followed;

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

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

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

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

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

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

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

SIGNED ON BEHALF OF THE DIRECTORS:

Kennedy Uzoka

Kennedy Uzoka
FRC/2013/IODN/00000015087

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of United Bank for Africa Plc and its subsidiaries (the Group), which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the six months 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 present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 30 June 2020 and of their financial performance and cash flows for the six months then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011 and Central Bank of Nigeria circulars.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC - Continued

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 matter	How our audit addressed the matter
Expected Credit Loss (ECL) assessment on financial instruments Financial assets are subject to impairment assessment using the expected credit loss model (ECL) under the International Financial Reporting Standards (IFRS) 9 - Financial Instruments. The ECL involves the application of judgement and estimation in determining inputs for ECL calculation such as: ▸ determining criteria for significant increase in credit risk (SICR) for staging purpose. ▸ determining the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables. ▸ incorporating forward looking information in the model building process. ▸ factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD). ▸ factors considered in cash flow estimation including timing and amount. ▸ factors considered in collateral valuation. This is considered a key audit matter in the consolidated and separate financial statements given the significance of the amount, and the complexity and judgement	Our audit approach was a mix of both control and substantive procedures. ▸ We reviewed the IFRS 9 model prepared by the management for computation of impairment of financial assets and off-balance sheet exposures in line with the requirements of IFRS 9 ▸ We gained an understanding of how the Probability of Default (PD) and Loss Given Default (LGDs) and Exposure at Default (EAD) were derived by the system by performing a walkthrough using live data. ▸ For loans classified under stages 1 and 2, we selected material loans and reviewed the repayment history for possible repayment default. We challenged the various factors considered in classifying the loans within stages 1 and 2 and in the measurement of ECL. ▸ For stage 3 loans, we challenged all assumptions considered in the estimation of recovery cash flows, the discount factor, and the timing of realisation. In instances where we were not satisfied with the assumption used by the management in its cash flow estimation and discounting, we challenged management assumptions by re-computing the cash flows to determine the recoverable amounts.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC - Continued

Key audit matters - continued

Key audit matter	How our audit addressed the matter
involved in the process, which required considerable audit time and expertise. See notes 3.28, 4.2, 8a (i) and 25 to the consolidated and separate financial statements for further information.	▸ We tested the historical accuracy of the data and performed detailed procedures on the completeness and accuracy of the information used. ▸ Other areas of complexities which include incorporating forward looking information such as macro-economic indicators like inflation, monetary policy rate (MPR), exchange rate, etc. were equally challenged for reasonableness taking into consideration available information in the public domain. ▸ For off balance sheet exposure, we assessed the assumptions and inputs in determining the credit conversion factor by reviewing historical trends.
Valuation of unquoted equity securities at fair value through other comprehensive income The valuation of unquoted equity securities requires significant judgement by management where valuation assumptions are not market observable. These key assumptions include unobservable market rates, projected cash flows and the consideration of recent market developments in valuation methodologies relating to the impact of counterparty and own credit risk, regulation and funding costs.	Our audit of the valuation of the fair value of unquoted equity securities to these subjective assumptions included the following audit procedures with the assistance of our valuation experts: - Tested the design and effectiveness of the relevant financial reporting controls relating to valuation; - Evaluated the technical and practical appropriateness and accuracy of valuation methodologies (including key assumptions made and modelling approaches adopted) applied by management with reference to market practice and consistency with prior periods;

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Key audit matters - continued

Key audit matter	How our audit addressed the matter
As the impact of these assumptions on the valuation of the related financial instruments significantly affects the measurement of FVOCI and disclosures of financial risks in the financial statements, it was considered a key audit matter in the consolidated and separate financial statements See notes 3.28, 8a (ii), and 26 (ii) to the consolidated and separate financial statements for further information.	- For selected instruments we have independently reperformed the valuation; - Assessed the appropriateness and sensitivity of unobservable market rates, projected cash flows and valuation adjustments with reference to the best available independent information; and - Assessed the completeness and accuracy of disclosures.

Other matter

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

Other information

Other information consists of the information included in the Interim Report, other than the consolidated and separate financial statements and our auditor's report thereon. Management is responsible for the other information. The other information comprises the Report of the Directors and the Report of the Statutory Audit Committee as required by the Companies and Allied Matters Act, CAP C20 Laws of Federation of Nigeria (CAMA) 2004, the Statement of Value Added and the Five-Year Financial Summary as required by Companies and Allied Matters Act, CAP C20 Laws of Federation of Nigeria (CAMA) 2004 and the Financial Reporting Council of Nigeria, and the Corporate Governance Report as required by the Central Bank of Nigeria and the Nigerian Securities and Exchange Commission, which we obtained prior to the date of this report, and the Interim Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our Auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC - **Continued**

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

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

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC - Continued

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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'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 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC - **Continued**

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

Report on other legal and regulatory requirements

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC - Continued

In compliance with the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and circulars issued by the Central Bank of Nigeria:

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

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

Anthony Oputa

Anthony Oputa
FRC/2013/ICAN/00000000980
For: Ernst & Young
Lagos, Nigeria
20 August 2020

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0366958

Interim Consolidated and Separate Statements of Comprehensive Income
For the period ended 30 June 2020

In millions of Nigerian Naira	***Notes***	**Group** 2020	**Group** 2019	**Bank** 2020	**Bank** 2019
Interest income	10	205,586	204,885	135,983	155,027
Interest income on amortised cost and FVOCI securities		204,737	200,864	135,134	151,006
Interest income on FVTPL securities		849	4,021	849	4,021
Interest expense	11	(86,262)	(94,762)	(63,068)	(81,702)
Net interest income		**119,324**	**110,123**	**72,915**	**73,325**
Impairment charge for credit losses on financial assets	12	(7,807)	(3,120)	(7,069)	(3,071)
Net interest income after impairment on financial and non-financial assets		**111,517**	**107,003**	**65,846**	**70,254**
Fees and commission income	13	55,868	52,344	28,366	30,587
Fees and commission expense	14	(17,286)	(16,289)	(11,844)	(11,547)
Net fee and commission income		**38,582**	**36,055**	**16,522**	**19,040**
Net trading and foreign exchange income	15	35,208	32,746	24,647	20,546
Other operating income	16	3,595	3,715	4,036	8,235
Employee benefit expenses	17	(44,565)	(37,178)	(24,973)	(20,775)
Depreciation and amortisation	18	(9,590)	(8,812)	(7,111)	(5,930)
Other operating expenses	19	(77,971)	(63,597)	(58,337)	(47,740)
Share of gain of equity-accounted investee	28(a)	353	342	-	-
Profit before income tax		**57,129**	**70,274**	**20,630**	**43,630**
Income tax expense	20	(12,698)	(13,535)	(1,079)	(7,164)
Profit for the period		**44,431**	**56,739**	**19,551**	**36,466**
Other comprehensive income					
Items that may be reclassified to the income statement:					
Exchange differences on translation of foreign operations		8,504	(11,350)	-	-
Fair value changes on investments in debt securities at fair value through other comprehensive income (FVOCI):					
Net change in fair value during the period		12,746	12,634	12,647	12,547
Net amount transferred to the income statement		(11,501)	1,758	(11,346)	1,758
		9,749	**3,042**	**1,301**	**14,305**
Items that will not be reclassified to the income statement:					
Fair value changes on equity investments at FVOCI		9,935	2,299	9,667	2,299
		9,935	**2,299**	**9,667**	**2,299**
Other comprehensive income for the period, net of tax		**19,684**	**5,341**	**10,968**	**16,604**
Total comprehensive income for the period		**64,115**	**62,080**	**30,519**	**53,070**
Profit for the period attributable to:					
Owners of Parent		42,530	55,295	19,551	36,466
Non-controlling interests		1,901	1,444	-	-
Profit for the period		**44,431**	**56,739**	**19,551**	**36,466**
Total comprehensive income attributable to:					
Owners of Parent		58,631	62,511	30,519	53,070
Non-controlling interests		5,484	(431)	-	-
Total comprehensive income for the period		**64,115**	**62,080**	**30,519**	**53,070**
Earnings per share attributable to owners of the parent					
Basic and diluted earnings per share (Naira)	21	**1.24**	**1.62**	**0.57**	**1.07**

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

Interim Consolidated and Separate Statements of Financial Position

As at	*Notes*	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
In millions of Nigerian Naira					
ASSETS					
Cash and bank balances	22	2,138,910	1,396,228	1,950,899	1,182,554
Financial assets at fair value through profit or loss	23	66,651	102,388	66,651	102,388
Derivative assets	33(a)	56,849	48,131	56,849	48,131
Loans and advances to banks	24	67,193	108,211	64,541	99,849
Loans and advances to customers	25	2,186,366	2,061,147	1,602,812	1,503,380
Investment securities:					
- At fair value through other comprehensive incom	26	931,228	901,048	854,060	772,658
- At amortised cost	26	1,046,131	670,502	66,182	73,556
Other assets	27	80,262	139,887	59,279	111,607
Investment in equity-accounted investee	28	4,438	4,142	2,715	2,715
Investment in subsidiaries	29	-	-	103,275	103,275
Property and equipment	30	144,963	128,499	118,560	107,448
Intangible assets	31	29,226	17,670	16,339	7,070
Deferred tax assets	32	23,148	26,199	21,862	21,862
TOTAL ASSETS		**6,775,365**	**5,604,052**	**4,984,024**	**4,136,493**
LIABILITIES					
Derivative liabilities	33(b)	138	852	138	852
Deposits from banks	34	540,608	267,070	379,363	92,717
Deposits from customers	35	4,800,310	3,832,884	3,462,329	2,764,388
Other liabilities	36	205,918	107,255	106,813	57,150
Current income tax liabilities	20	9,032	9,164	1,107	722
Borrowings	37	584,592	758,682	584,592	744,094
Subordinated liabilities	38	-	30,048	-	30,048
Deferred tax liabilities	32	34	119	-	-
TOTAL LIABILITIES		**6,140,632**	**5,006,074**	**4,534,342**	**3,689,971**
EQUITY					
Share capital	39	17,100	17,100	17,100	17,100
Share premium	39	98,715	98,715	98,715	98,715
Retained earnings	39	209,352	184,685	85,208	90,090
Other reserves	39	284,677	278,073	248,659	240,617
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		609,844	578,573	449,682	446,522
Non-controlling interests		24,889	19,405	-	-
TOTAL EQUITY		**634,733**	**597,978**	**449,682**	**446,522**
TOTAL LIABILITIES AND EQUITY		**6,775,365**	**5,604,052**	**4,984,024**	**4,136,493**

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

The financial statements were approved and authorized for issue by the directors on 13 August 2020.

Kennedy Uzoka

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

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

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

Interim Consolidated and Separate Statements of Changes in Equity

For the period ended

(a) ***30 June 2020***

(i) Group

In millions of Nigerian naira	Share capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the parent									
Balance at 1 January 2019	**17,100**	**98,715**	**18,178**	**21,521**	**69,099**	**90,783**	**168,073**	**483,469**	**19,139**	**502,608**
Profit for the period	-	-	-	-	-	-	55,295	**55,295**	1,444	**56,739**
Exchange differences on translation of foreign operations	-	-	(9,475)	-	-	-	-	**(9,475)**	(1,875)	**(11,350)**
Fair value change in financial assets classified as FVOCI	-	-	-	-	14,933	-	-	**14,933**	-	**14,933**
Net amount transferred to income statement	-	-	-	-	1,758	-	-	**1,758**	-	**1,758**
Total comprehensive income for the period	-	-	(9,475)	-	16,691	-	55,295	**62,511**	(431)	**62,080**
Transfer between reserves	-	-	-	6,073	-	-	(6,073)	**-**	-	**-**
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(22,230)	**(22,230)**	-	**(22,230)**
Balance at 30 June 2019	**17,100**	**98,715**	**8,703**	**27,594**	**85,790**	**90,783**	**195,065**	**523,750**	**18,708**	**542,458**
At 31 December 2019	**17,100**	**98,715**	**7,823**	**50,594**	**117,408**	**102,248**	**184,685**	**578,573**	**19,405**	**597,978**
At 1 January 2020	**17,100**	**98,715**	**7,823**	**50,594**	**117,408**	**102,248**	**184,685**	**578,573**	**19,405**	**597,978**
Profit for the period	-	-	-	-	-	-	42,530	**42,530**	1,901	**44,431**
Exchange differences on translation of foreign operations	-	-	4,921	-	-	-	-	**4,921**	3,583	**8,504**
Fair value change in debt instruments classified as FVOCI	-	-	-	-	12,746	-	-	**12,746**	-	**12,746**
Fair value change in equity instruments classified as FVOCI					9,935			**9,935**		**9,935**
Net amount transferred to income statement	-	-	-	-	(11,501)	-	-	**(11,501)**	-	**(11,501)**
Total comprehensive income for the period	-	-	4,921	-	11,180	-	42,530	**58,631**	5,484	**64,115**
Transfer between reserves	-	-	-	(12,635)	-	3,138	9,497	**-**	-	**-**
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(27,360)	**(27,360)**	-	**(27,360)**
Balance at 30 June 2020	**17,100**	**98,715**	**12,744**	**37,959**	**128,588**	**105,386**	**209,352**	**609,844**	**24,889**	**634,733**

(ii) Bank

In millions of Nigerian naira	Share capital	Share premium	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2019	**17,100**	**98,715**	**15,212**	**69,751**	**74,603**	**89,217**	**364,598**
Profit for the period	-	-	-	-	-	36,466	**36,466**
Fair value change in financial assets classified as FVOCI	-	-	-	14,846	-	-	**14,846**
Net amount transferred to income statement	-	-	-	1,758	-	-	**1,758**
Total comprehensive income for the period	-	-	-	16,604	-	36,466	**53,070**
Transfer between reserves	-	-	14,300	-	-	(14,300)	**-**
Transactions with owners							
Dividends paid	-	-	-	-	-	(22,230)	**(22,230)**
Balance at 30 June 2019	**17,100**	**98,715**	**29,512**	**86,355**	**74,603**	**89,153**	**395,438**
Balance at 31 December 2019	**17,100**	**98,715**	**36,554**	**117,995**	**86,068**	**90,090**	**446,522**
At 1 January 2020	**17,100**	**98,715**	**36,554**	**117,995**	**86,068**	**90,090**	**446,522**
Profit for the period	-	-	-	-	-	19,551	**19,551**
Fair value change in debt instruments classified as FVOCI	-	-		12,647	-	-	**12,647**
Fair value change in equity instruments classified as FVOCI				9,667			**9,667**
Net amount transferred to income statement	-	-	-	(11,346)	-	-	**(11,346)**
Total comprehensive income for the period	-	-	-	10,968	-	19,551	**30,519**
Transfer between reserves	-	-	(6,064)	-	3,138	2,927	**-**
Transactions with owners							
Dividends paid	-	-	-	-	-	(27,360)	**(27,360)**
Balance at 30 June 2020	**17,100**	**98,715**	**30,490**	**128,963**	**89,206**	**85,208**	**449,682**

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

Interim Consolidated and Separate Statements of Cash Flows

For the period ended 30 June 2020	*Notes*	Group 2020	Group 2019	Bank 2020	Bank 2019
In millions of Nigerian Naira					
Cash flows from operating activities					
Profit before income tax		**57,129**	**70,274**	**20,630**	**43,630**
Adjustments for:					
Depreciation of property and equipment	18	7,116	6,015	5,153	4,451
Right of use of assets- Depreciation	18	1,273	1,959	910	786
Amortisation of intangible assets	18	1,201	838	1,048	693
Impiarment charge /(reversal) for credit loss on loans to customers	12	6,958	2,000	4,583	167
Reversal of credit loss on loans to customers	12	(1,545)	(2,232)	(63)	(78)
Impairment charge on investment securities	12	156	214	108	214
(Reversal)/ impairment charge for credit loss on loans to banks	12	(770)	451	(770)	452
Impairment charge on contingent liabilities	12	2,608	1,764	2,608	1,764
Write-off of loans and advances	12	1,228	553	797	461
(Reversal)/ impairment charge on other assets	12	(828)	370	(194)	91
Net fair value gain on derivative financial instruments	15	(9,432)	(5,979)	(9,432)	(5,979)
Foreign currency revaluation gain	15	(7,997)	(1,111)	(8,127)	(10)
Dividend income	16	(2,617)	(3,105)	(3,340)	(7,731)
Loss on disposal of property and equipment	19	-	14	-	14
Write-off of property and equipment	30	31	13	31	13
Net amount transferred to the income statement		(11,501)	1,758	(11,346)	1,758
Net interest income		(119,082)	(110,123)	(72,752)	(73,325)
Share of gain of equity-accounted investee	28	(353)	(342)	-	-
		(76,425)	**(36,669)**	**(70,156)**	**(32,629)**
Changes in operating assets and liabilities					
Change in financial assets at FVTPL		18,463	(66,000)	18,463	(49,364)
Change in cash reserve balance		(747,270)	(18,509)	(740,212)	(15,051)
Change in loans and advances to banks		41,788	(67,224)	36,078	(45,326)
Change in loans and advances to customers		(131,860)	24,834	(104,749)	19,235
Change in other assets		77,009	(26,836)	60,649	(16,190)
Change in deposits from banks		273,538	(3,645)	286,646	(4,894)
Change in deposits from customers		967,426	201,259	697,941	133,258
Change in placement with banks		(22,721)	81,552	(17,601)	31,193
Change in other liabilities and provisions		96,358	30,121	47,047	17,958
Interest received		205,586	204,885	135,983	155,027
Interest paid		(63,533)	(73,712)	(40,392)	(60,984)
Income tax paid	20(c)	(9,864)	(14,309)	(694)	(1,577)
Net cash generated from operating activities		**628,495**	**235,747**	**309,003**	**130,656**
Cash flows from investing activities					
Proceeds from sale/redemption of investment securities		(74,136)	39,166	-	8,512
Purchase of investment securities		(362,245)	(95,954)	(58,407)	(67,848)
Purchase of property and equipment	30	(19,645)	(9,553)	(15,843)	(7,208)
Purchase of intangible assets	31	(11,487)	(1,023)	(10,609)	(850)
Additions to Right of use of assets	30	(5,389)	-	(1,497)	-
(Additional investment)/ liquidation of investment in associate		-	(179)	-	502
Proceeds from disposal of property and equipment		326	461	159	108
Proceeds from disposal of intangible assets		293	-	293	-
Dividend received		2,617	3,105	3,340	7,731
Net cash used in investing activities		**(469,665)**	**(63,977)**	**(82,564)**	**(59,053)**
Cash flows from financing activities					
Proceeds from borrowings	37	237,919	49,451	237,919	49,783
Repayment of borrowings		(256,210)	(36,851)	(241,622)	(10,453)
Transfer to deposit from banks		(195,786)	-	(195,786)	-
Repayment of subordinated liabilities		(32,995)	-	(32,995)	-
Payments of principal on leases		(491)	-	(106)	-
Payments of interest on leases		(54)	-	(49)	-
Interest paid on borrowings		(27,337)	(27,428)	(27,337)	(27,428)
Dividend paid to owners of the parent		(27,360)	(22,230)	(27,360)	(22,230)
Net cash used in financing activities		**(302,314)**	**(37,058)**	**(287,336)**	**(10,328)**
Net decrease in cash and cash equivalents		(143,484)	134,712	(60,897)	61,275
Effects of exchange rate changes on cash and cash equivalents		98,900	(22,244)	54,155	7,212
Cash and cash equivalents at beginning of period	22	559,471	662,245	361,927	450,063
Cash and cash equivalents at end of period	22	**514,887**	**774,713**	**355,185**	**518,550**

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

1 General Information

United Bank for Africa Plc. (the "Group") is a Nigerian registered company incorporated on 23 February 1961 to take over the business of British and French Bank Limited (BFB). UBA listed its shares on the Nigerian Stock Exchange (NSE) in 1970 and became the first Nigerian bank to subsequently undertake an Initial Public Offering (IPO). The company's registered address is at 57 Marina, Lagos, Nigeria.

The consolidated financial statements of the Group for the year ended 30 June 2020 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

The financial statements for the year ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 13 August 2020.

2 Basis of preparation

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

3 Significant accounting policies

3.1 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments which are measured at fair value.
- Financial assets measured at fair value through profit or loss.
- Financial instruments measured at fair value through other comprehensive income.

3.2 Functional and presentation currency

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

3.3 Use of estimates and judgements

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

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

3.4 Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Business combinations

Business combinations are accounted for using the acquisition method.

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

· the fair value of the consideration transferred; plus

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

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

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

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

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

3 Significant accounting policies - Continued

3.4 Basis of consolidation - continued

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

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

(c) Disposal of subsidiaries

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

(d) Transactions eliminated on consolidation

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

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

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

(f) Associates

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

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

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

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

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

Dilution gains and losses arising on investments in associates are recognised in the income statement.

3.5 Foreign currency

(a) Foreign currency transactions

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

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

(b) Foreign operations

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

3 Significant accounting policies - Continued

3.5 Foreign currency - continued

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

3.6 Interest income and interest expense

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

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

3.7 Fees and commissions income and expenses

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

3.8 Net trading and foreign exchange income

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

3.9 Dividend income

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

3.10 Income tax

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

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

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

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

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

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

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

3.11 Cash and bank balances

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

3 Significant accounting policies - Continued

3.11 Cash and bank balances - continued

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

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

3.12 Financial assets at fair value through profit or loss

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

3.13 Derivative financial instruments

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

3.14 Property and equipment

(a) Recognition and measurement

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

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

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

(d) De-recognition

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

3.15 Intangible assets

(a) Goodwill

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

3 Significant accounting policies - Continued

3.15 Intangible assets - continued

(a) Goodwill - continued

Subsequent measurement

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

(b) Software

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

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

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

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

3.16 Impairment of non-financial assets

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

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

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

3.17 Repossessed collateral

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

3.18 Debt securities issued

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

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

3.19 Provisions

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

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

3 Significant accounting policies - Continued

3.19 Provisions - continued

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

3.20 Financial guarantee contracts

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

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

3.21 Employee benefits

Post-employment benefits

Defined contribution plans

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

Termination benefits

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

Short term employee benefits

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

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

3.22 Share capital and reserves

(a) Share issue costs

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

(b) Dividend on ordinary shares

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

(c) Treasury shares

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

3.23 Earnings per share

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

3.24 Fiduciary activities

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

3.25 Stock of consumables

Stock of consumables comprise materials to be consumed in the process of rendering of services as well as banking accessories held for subsequent issuance to customers. They are measured at the lower of cost and net realisable value. Cost comprises costs of purchase and other costs incurred in bringing the items of stock to their present location and condition. Net realisable value is the estimated issuance price. When items of stock are issued to customers, their carrying amount is recognised as an expense in the period in which the related revenue is recognised. As earlier disclosed in Note 3.7, Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised at a point in time, or over time as the performance obligations are satisfied.

3 Significant accounting policies - Continued

3.26 Segment reporting

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

3.27 IFRS 9: Financial instruments

a. Initial recognition, classification and measurement of financial assets

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

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

b. Business model assessment

The Group determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the Group's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:
• How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
• The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
• Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.

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

3.27 IFRS 9: Financial instruments - Continued

c. SPPI assessment

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

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

d. Investment securities

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

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

Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses arising from changes in fair value included in fair value reserve in equity. Impairment gains and losses are included in impairment charge for credit losses and correspondingly reduce the accumulated changes in fair value included in fair value reserve. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from fair value reserve to net trading and foreign exchange income.

Equity securities carried at FVOCI are measured at fair value. Unrealized gains and losses arising from changes in fair value are recorded in fair value reserve and not subsequently reclassified to profit or loss when realized. Dividends from FVOCI equity securities are recognized in other operating income.

The Group accounts for all securities using settlement date accounting and changes in fair value between the trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in the fair value of securities measured at FVOCI between the trade and settlement dates are recorded in OCI except for changes in foreign exchange rates on debt securities, which are recorded in net trading and foreign exchange income.

e. Fair value option

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

Financial assets designated as FVTPL are recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in net trading and foreign exchange income.

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

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

f. Loans

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts.

3 Significant accounting policies - Continued

3.27 IFRS 9: Financial instruments - Continued

f. Loans - continued

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

g. Allowance for credit losses

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

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

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

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

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

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

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

h. Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.
An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation (corporates, retail, public sector and commercial) that allows for appropriate incorporation of forward looking information.
Expected credit losses are discounted to the reporting period date using the effective interest rate.

3 Significant accounting policies - Continued

3.27 IFRS 9: Financial instruments - Continued

i. Expected life

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

j. Assessment of significant increase in credit risk

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

The following are considered as exception:
1. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 90 days.
2. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of the total amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.

The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after 90 days.

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

k. Use of forward-looking information

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

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

l. Definition of default

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

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

3 Significant accounting policies - Continued

3.27 IFRS 9: Financial instruments - Continued

l. Definition of default - continued

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

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

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

m. Credit-impaired financial assets (Stage 3)

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

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

n. Write-off of loans

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

o. Modifications

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

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

3 Significant accounting policies - Continued

3.27 IFRS 9: Financial instruments - Continued

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

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

p. Classification and measurement of financial liabilities

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

Under IFRS 9, financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL.

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

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

q. De-recognition of financial instruments

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

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

3.28 IFRS 16 Leases

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

Group as a lessee

The Group adopts a single measurement approach and recognizes right to use of assets and lease liability at commencement date of a lease contract.

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

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group is the lessor

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

3.29 Changes in accounting policies

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

a) Amendments to IFRS 3: Definition of a Business

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

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

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

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

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

d) The Conceptual Framework for Financial Reporting

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

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

3.30 Standards and interpretations issued/amended but not yet effective

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

a) IFRS 17 - Insurance Contracts

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

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

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

(b) Amendment to IAS 1

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

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

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

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

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

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

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

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

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

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

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

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

3.31 Rounding of amounts

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

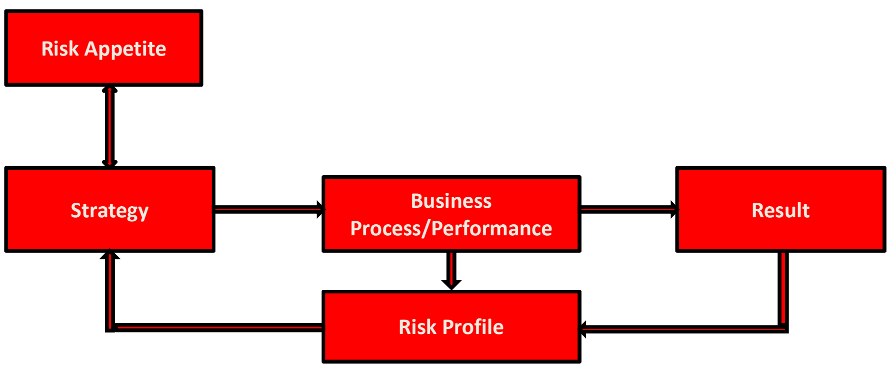
4 Financial Risk Management

4.1 Introduction and overview

Given the scale and scope of its operations as well as the diversity of the geographies within which it operates, United Bank for Africa Plc (UBA Plc) has adopted an enterprise wide, integrated approach to risk management. The key objectives are as follow:
1. meet and exceed best practice global standards as defined by local and international regulatory bodies. We intend to achieve this by adhering to the principles of the Basel II Accords as adopted by the Central Bank of Nigeria (CBN);
2. ensure sustainable profitability and enterprise value protection by maintaining growth within appropriate risk-control boundaries; and
3. enhance corporate governance by involving the Board and Senior Management in setting the tone for the risk management agenda.
The key elements of the ERM framework are intended to enhance risk identification, measurement, control and reporting.

(a) Risk Management Strategy

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



(b) Risk Management Culture

There is a commitment to ensuring that risk management is enshrined as a culture in the Group, from the Board of Directors to the individual business unit. There is considerable effort to infuse the risk/reward evaluation in the decision making process in order to ensure that there is proper assessment of risk dimension in process design, performance appraisal, limit establishment, portfolio creation, monitoring activities and audit process. The aim is also to encourage a culture of constant re-evaluation of risk profile and prompt risk mitigation action , where required.
In order to do this, there is proper dissemination of information and policies, development of frameworks, and staff training to ensure that all staff are adequately aware of their roles in the risk management process of the Group. As part of the risk culture, we aim to ensure the following:

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

4 Financial Risk Management

4.1 Introduction and risk profile (continued)

(c) Role and responsibilities

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

Board of Directors

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

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

Board Committees

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

A list of various Board committees and their assigned responsibilities is contained in the corporate governance report.

Management Committees

Key Management Committees include:

(i) Executive Management Committee (EMC)

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

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

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

(ii) Executive Credit Committee (ECC)

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

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

(iii) Group Asset and Liability Committee

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

4 Financial Risk Management

4.1 Introduction and risk profile (continued)

In playing this role, GALCO does the following:-

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

(iv) Criticized Assets Committee

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

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

(v) Group Risk Management Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

Group Chief Risk Officer

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

(d) Central Risk Management Functions

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

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

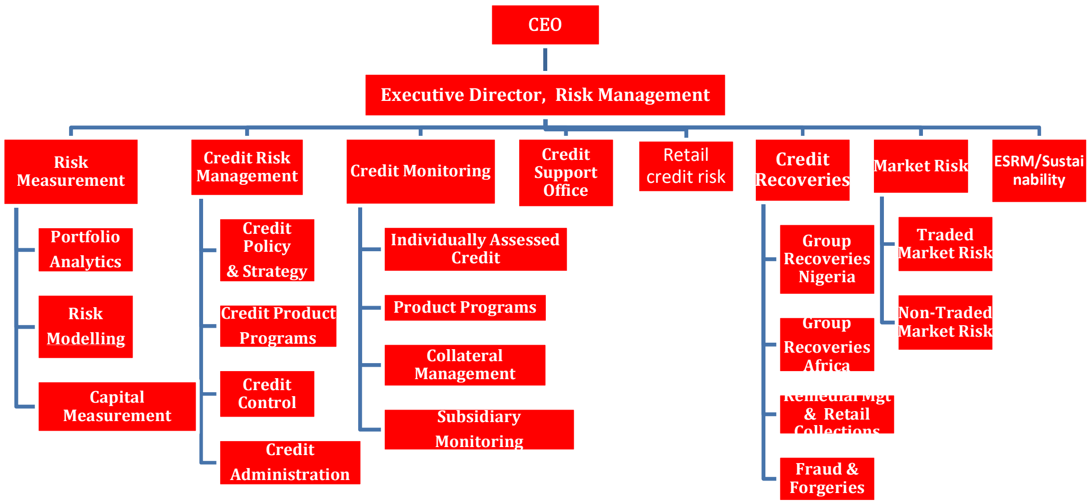
At a strategic level, our risk management objectives are as follows:

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

(e) Risk Management Structure

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

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



(f) Risk Management Policies

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

(i) Risk Appetite

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

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

(ii) Approval Authority

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

(iii) Risk concentration

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

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

4.2 Credit Risk

(a) Overview

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

(i) Credit Risk Management (CRM)

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

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

(ii) Credit Risk Governance

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

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

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

(iii) Credit Monitoring

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

(iv) Credit Concentration Management

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

The Group ensures that:

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

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

(v) Credit Risk Measurement

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

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

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

Probability of Default

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

Environmental & Social Risk Management/Sustainability (ESRM/Sustainability)

The Group puts Environmental, Social and Governance(ESG) considerations as part of its overall strategy. This is achieved by integrating environmental and social standards into the Group's business operations and activities. The overall objective is to foster sustainable practices that focuses on preserving the tripple bottom line of people, profit and the planet. Our Environmental, Social and Governance framework is based on local and global standards such as the the Nigerian Sustainable Banking Principles(NSBP), IFC Performance Standards, Equator Principles, the Sustainable Development Goals(SDGs). We are also guided by the World Bank good international industry practices as well as host country's local environmental laws and standards. The Group's sustainability targets are emcapsulated in UBA Foudation's broader focus on Environment, Education and Economic Empowerment.

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

4 Financial Risk Management

4.2 Credit risk (continued)

Loss Given Default

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

Exposure at Default

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

(vi) Remedial Management Process

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

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

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

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

(vii) Work out and recovery

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

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

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

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

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

Risk Management and Credit Recovery Division methodology

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

4.2 Credit risk (continued)

(b) Credit risk Exposure

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

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

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

	Maximum exposure Group		Maximum exposure Bank	
In millions of Nigerian Naira	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Cash and bank balances				
Current balances with banks	299,235	192,522	260,428	168,775
Unrestricted balances with Central Banks	91,475	113,574	3,686	5,688
Money market placements	71,328	153,355	67,876	117,646
Restricted balances with central banks	1,579,378	832,108	1,556,190	815,978
Financial assets at fair value through profit or loss				
Treasury bills	3,194	35,631	3,194	35,631
Promissory notes	61,319	59,038	61,319	59,038
Bonds	2,138	7,719	2,138	7,719
Derivative assets	56,849	48,131	56,849	48,131
Loans and advances to banks:				
Term Loan	67,193	108,211	64,541	99,849
Loans and advances to individuals				
Overdraft	24,724	16,812	14,680	8,867
Term loan	98,377	88,960	34,721	36,068
Loans and advances to corporate entities and others				
Overdraft	404,782	426,036	275,309	280,503
Term Loan	1,654,461	1,526,409	1,274,080	1,175,012
Others	4,022	2,930	4,022	2,930
Investment securities at fair value through other comprehensive income:				
Treasury bills	713,239	678,243	704,948	634,209
Bonds	90,450	108,697	22,790	24,931
Investment securities at amortised cost:				
Treasury bills	632,848	461,353	-	-
Bonds	413,283	209,149	66,182	73,556
Other assets	51,608	120,556	42,730	103,236
Total	**6,319,903**	**5,189,434**	**4,515,683**	**3,697,767**
Loans exposure to total exposure	36%	42%	37%	43%
Debt securities exposure to total exposure	29%	30%	18%	23%
Other assets exposure to total exposure	33%	28%	43%	34%

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

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Performance bonds and guarantees	210,362	48,692	205,361	47,019
Letters of credits	706,935	595,896	201,117	299,756
	917,297	**644,588**	**406,478**	**346,775**
Bonds and guarantee exposure to total exposure	23%	8%	51%	14%
Letters of credit exposure to total exposure	77%	92%	49%	86%

Credit risk exposures relating to loan commitment are as follows:

	Group		Bank	
In millions of Nigerian naira	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Loan commitment to corporate entities and others				
Term Loan	97,492	87,028	97,492	87,028
	97,492	**87,028**	**97,492**	**87,028**

There are no loan commitments to individuals.

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

4.2 Credit risk (continued)

(b) Credit risk Exposure(continued)

(ii) Credit concentration - location

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

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

30 June 2020

In millions of Nigerian Naira	Group				Bank			
	Nigeria	**Rest of Africa**	**Rest of the world**	**Total**	**Nigeria**	**Rest of Africa**	**Rest of the world**	**Total**
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	38,834	260,401	299,235	-	27	260,401	260,428
- Unrestricted balances with Central Banks	3,686	87,789	-	91,475	3,686	-	-	3,686
- Money market placements	12,100	6,353	52,875	71,328	7,879	7,122	52,875	67,876
- Restricted balances with central banks	1,556,190	23,188	-	1,579,378	1,556,190	-	-	1,556,190
Financial assets at FVTPL:								
- Treasury bills	3,194	-	-	3,194	3,194	-	-	3,194
- Promissory notes	61,319	-	-	61,319	61,319	-	-	61,319
- Government bonds	2,138	-	-	2,138	2,138	-	-	2,138
Derivative assets	56,693	-	156	56,849	56,693	-	156	56,849
Loans and advances to banks								
- Corporates	26,428	-	40,765	67,193	26,428	-	38,113	64,541
Loans and advances to customers:								
Individuals:								
- Overdrafts	12,333	12,392	-	24,724	14,680	-	-	14,680
- Term loans	29,373	69,095	-	98,377	34,721	-	-	34,721
Corporates:								
- Overdrafts	213,685	191,097	-	404,782	252,253	23,057	-	275,309
- Term loans	1,136,118	569,623	-	1,654,461	1,173,447	100,633	-	1,274,080
- Others	4,022	-	-	4,022	4,022	-	-	4,022
Investment securities:								
At amortised cost								
- Treasury bills	-	632,848	-	632,848	-	-	-	-
- Bonds	55,265	345,110	12,908	413,283	55,265	-	10,917	66,182
At FVOCI								
- Treasury bills	704,948	8,291	-	713,239	704,948	-	-	704,948
- Bonds	22,790	67,660	-	90,450	22,790	-	-	22,790
Other assets	23,856	27,752	-	51,608	23,856	18,874	-	42,730
Total financial assets	**3,924,137**	**2,080,031**	**367,105**	**6,319,903**	**4,003,509**	**149,713**	**362,462**	**4,515,683**
Commitments and guarantees								
- Performance bonds and guarantees	205,361	5,001	-	210,362	205,361	-	-	205,361
- Letters of credits	201,117	454,704	51,114	706,935	201,117	-	-	201,117
- Loan commitments	97,492	-	-	97,492	97,492	-	-	97,492
Total commitments and guarantees	**503,970**	**459,705**	**51,114**	**1,014,789**	**503,970**	**-**	**-**	**503,970**

31 December 2019

In millions of Nigerian Naira

	Group				Bank			
	Nigeria	Rest of Africa	Rest of the world	Total	Nigeria	Rest of Africa	Rest of the world	Total
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	36,274	156,248	192,522	-	12,527	156,248	168,775
- Unrestricted balances with Central Banks	5,688	107,886	-	113,574	5,688	-	-	5,688
- Money market placements	44,417	30,660	78,278	153,355	44,417	30,660	42,569	117,646
	815,978	16,130	-	832,108	815,978	-	-	815,978
- Restricted balances with central banks								
Financial assets held for trading:								
- Treasury bills	35,631	-	-	35,631	35,631	-	-	35,631
- Promissory notes	59,038	-	-	59,038	59,038			59,038
- Government bonds	7,719	-	-	7,719	7,719	-	-	7,719
Derivative assets	38,221	-	9,910	48,131	38,221	-	9,910	48,131
Loans and advances to banks								
- Corporates	31,013	65,328	11,870	108,211	31,013	65,328	3,508	99,849
Loans and advances to customers:								
Individuals:								
- Overdrafts	8,867	7,945	-	16,812	8,867	-	-	8,867
- Term loans	36,068	52,892	-	88,960	36,068	-	-	36,068
Corporates:								
- Overdrafts	219,461	206,575	-	426,036	219,461	61,042	-	280,503
- Term loans	1,139,181	387,228	-	1,526,409	1,139,181	35,831	-	1,175,012
- Others	2,930	-	-	2,930	2,930	-	-	2,930
Investment securities:								
At amortised cost								
- Treasury bills	-	461,353	-	461,353	-	-	-	-
- Bonds	64,392	133,691	11,066	209,149	64,392	-	9,164	73,556
At FVOCI								
- Treasury bills	634,209	44,034	-	678,243	634,209	-	-	634,209
- Bonds	24,931	83,766	-	108,697	24,931	-	-	24,931
Other assets	80,959	39,476	121	120,556	77,354	25,882	-	103,236
Total financial assets	**3,248,703**	**1,673,238**	**267,493**	**5,189,434**	**3,245,098**	**231,270**	**221,399**	**3,697,767**
Commitments and guarantees								
- Performance bonds and guarantees	47,019	1,673	-	48,692	47,019	-	-	47,019
- Letters of credits	299,756	255,559	40,581	595,896	299,756	-	-	299,756
- Loan commitments	87,028	-	-	87,028	87,028	-	-	87,028
Total commitments and guarantees	**433,803**	**257,232**	**40,581**	**731,616**	**433,803**	**-**	**0**	**433,803**

4.2 Credit risk (continued)

(iii) Credit concentration - Industry

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

Group	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
30 June 2020													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	299,235	-	-	-	-	-	-	-	-	299,235
- Unrestricted balances with central Banks	-	-	-	91,475	-	-	-	-	-	-	-	-	91,475
- Money market placements	-	-	-	71,328	-	-	-	-	-	-	-	-	71,328
- Restricted balances with central banks	-	-	-	1,579,378	-	-	-	-	-	-	-	-	1,579,378
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	3,194	-	-	-	-	-	3,194
- Promissory notes							61,319						61,319
- Government bonds	-	-	-	-	-	-	2,138	-	-	-	-	-	2,138
Derivative assets	-	-	-	56,849	-	-	-	-	-	-	-	-	56,849
Loans and advances to banks	-	-	-	67,193	-	-	-	-	-	-	-	-	67,193
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	24,724	-	-	-	-	-	-	-	24,724
- Term loans	-	-	-	-	98,377	-	-	-	-	-	-	-	98,377
Corporates													
- Overdrafts	21,871	7,878	1,667	24,038	4,197	85,532	41,108	5,701	84,062	121,095	5,667	1,966	404,782
- Term loans	44,031	74,567	14,052	104,457	20,913	125,166	351,746	155,042	211,423	336,509	209,157	7,398	1,654,461
- Others	-	-	-	-	-	-	-	-	4,022	-	-	-	4,022
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	632.848	-	-	-	-	-	632.848
- Bonds	-	-	-	10,953	402,291	-	-	-	40	-	-	-	413,283
At FVOCI				-	-	-	-	-	-	-	-	-	
- Treasury bills	-	-	-	-	-	-	713,239	-	-	-	-	-	713,239
- Bonds	-	-	-	-	-	-	90,450	-	-	-	-	-	90,450
Other assets	-	-	-	3,721	47,887	-	-	-	-	-	-	-	51,608
Total financial assets	**65,902**	**82,445**	**15,719**	**2,308,626**	**598,389**	**210,698**	**1,896,042**	**160,744**	**299,546**	**457,604**	**214,824**	**9,364**	**6,319,903**
Commitments and guarantees													
- Performance bonds and guarantees	1,406	70,762	-	37,577	-	43,521	14,944	1,045	16,710	8,113	13,295	2,990	210,362
- Letters of credits	2,187	471,443	-	120	-	136,495	135	7,651	46,848	26,707	14,833	515	706,935
- Loan Commitments	-	-	-	-	-	-	-	-	-	97,492	-	-	97,492
Total commitments and guarantees	**3,593**	**542,205**	**-**	**37,697**	**-**	**180,017**	**15,079**	**8,696**	**63,558**	**132,312**	**28,128**	**3,504**	**1,014,789**

Credit concentration - Industry (continued)

Bank	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
30 June 2020													
Financial assets													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	260,428	-	-	-	-	-	-	-	-	260,428
- Unrestricted balances with Central Banks	-	-	-	3,686	-	-	-	-	-	-	-	-	3,686
- Money market placements	-	-	-	67,876	-	-	-	-	-	-	-	-	67,876
- Restricted balances with central banks	-	-	-	1,556,190	-	-	-	-	-	-	-	-	1,556,190
Financial assets at FVTPL:	-	-	-	-	-	-		-	-	-	-	-	
- Treasury bills	-	-	-	-	-	-	3,194	-	-	-	-	-	3,194
- Promissory notes							61,319						61,319
- Government bonds	-	-	-	-	-	-	2,138	-	-	-	-	-	2,138
Derivative assets	-	-	-	56,849	-	-	-	-	-	-	-	-	56,849
Loans and advances to banks	-	-	-	64,541	-	-	-	-	-	-	-	-	64,541
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	14,680	-	-	-	-	-	-	-	14,680
- Term loans	-	-	-	-	34,721	-	-	-	-	-	-	-	34,721
Corporates													
- Overdrafts	8,878	5,783	1,116	22,590	4,197	52,769	37,474	1,344	70,338	69,736	933	152	275,309
- Term loans	26,484	58,954	12,311	96,400	20,913	186,925	118,750	108,270	193,984	268,148	180,776	2,164	1,274,080
- Others	-	-	-	-	-	-	-	-	4,022	-	-	-	4,022
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	10,953	-	-	55,190	-	40	-	-	-	66,182
At FVOCI													
- Treasury bills	-	-	-	-	-	-	704,948	-	-	-	-	-	704,948
- Bonds	-	-	-	-	-	-	22,790	-	-	-	-	-	22,790
Other assets	-	-	-	36,805	5,925	-	-		-	-	-	-	42,730
Total financial assets	**35,363**	**64,736**	**13,427**	**2,176,318**	**80,436**	**239,694**	**1,005,803**	**109,614**	**268,383**	**337,884**	**181,709**	**2,316**	**4,515,683**
Commitments and guarantees													
- Performance bonds and guarantees	1,400	100,788	-	37,577	-	14,661	14,944	767	4,756	7,477	21,887	1,105	205,361
- Letters of credits	2,140	8,011	-	120	-	52,066	135	7,651	91,973	24,795	13,713	513	201,117
- Loan Commitments	-	-	-	-	-	-	-	9,062	-	88,430	-	-	97,492
Total commitments and guarantees	**3,539**	**108,799**	**-**	**37,697**	**-**	**66,727**	**15,079**	**17,480**	**96,729**	**120,701**	**35,601**	**1,618**	**503,970**

Credit concentration - Industry (continued)

Group	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2019													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	192,522	-	-	-	-	-	-	-	-	192,522
- Unrestricted balances with Central Banks	-	-	-	113,574	-	-	-	-	-	-	-	-	113,574
- Money market placements	-	-	-	153,355	-	-	-	-	-	-	-	-	153,355
- Restricted balances with central banks	-	-	-	832,108	-	-	-	-	-	-	-	-	832,108
Financial assets held for trading:													
- Treasury bills	-	-	-	-	-	-	35,631	-	-	-	-	-	35,631
- Promissory notes							58,963			75			59,038
- Government bonds	-	-	-	-	-	-	7,719	-	-	-	-	-	7,719
Derivative assets	-	-	-	48,131	-	-	-	-	-	-	-	-	48,131
Loans and advances to banks	-	-	-	108,211	-	-	-	-	-	-	-	-	108,211
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	16,812	-	-	-	-	-	-	-	16,812
- Term loans	-	-	-	-	88,960	-	-	-	-	-	-	-	88,960
Corporates					-								
- Overdrafts	12,835	7,406	2,395	4,195	5,408	92,126	59,046	3,589	97,851	128,618	8,885	3,682	426,036
- Term loans	46,771	77,496	14,264	100,747	19,141	193,240	274,374	129,527	208,524	242,387	202,994	16,945	1,526,409
- Others	-	-	-	-	-	-	-	-	2,930	-	-	-	2,930
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	461,353	-	-	-	-	-	461,353
- Bonds	-	-	-	10,577	-	-	198,572	-	-	-	-	-	209,149
At FVOCI													
- Treasury bills	-	-	-	-	-	-	678,243	-	-	-	-	-	678,243
- Bonds	-	-	-	-	-	-	108,697	-	-	-	-	-	108,697
Other assets	-	-	-	40,510	80,044	-	-		-	-	-	-	120,554
Total financial assets	**59,606**	**84,902**	**16,659**	**1,603,930**	**210,365**	**285,366**	**1,882,598**	**133,116**	**309,305**	**371,080**	**211,879**	**20,627**	**5,189,432**
Commitments and guarantees													
- Performance bonds and guarantees	1,813	13,667	-	3,824	7,359	2,838	1,092	50	6,587	5,850	4,943	669	48,692
- Letters of credits	11,933	103,561	-	-	79,154	26,231	-	2,135	282,129	85,629	5,124	-	595,896
- Loan commitments	-	-	-	-	-	-	-	18,198	-	-	68,830	-	87,028
Total commitments and guarantees	**13,746**	**117,228**	**-**	**3,824**	**86,513**	**29,069**	**1,092**	**20,383**	**288,716**	**91,479**	**78,897**	**669**	**731,616**

Credit concentration - Industry (continued)

Bank	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2019													
Financial assets													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	168,775	-	-	-	-	-	-	-	-	168,775
- Unrestricted balances with Central Banks	-	-	-	5,688	-	-	-	-	-	-	-	-	5,688
- Money market placements	-	-	-	117,646	-	-	-	-	-	-	-	-	117,646
- Restricted balances with central banks	-	-	-	815,978	-	-	-	-	-	-	-	-	815,978
Financial assets held for trading:													
- Treasury bills	-	-	-	-	-	-	35,631	-	-	-	-	-	35,631
- Promissory notes							58,963			75			59,038
- Government bonds	-	-	-	-	-	-	7,719	-	-	-	-	-	7,719
Derivative assets	-	-	-	48,131	-	-	-	-	-	-	-	-	48,131
Loans and advances to banks	-	-	-	99,849	-	-	-	-	-	-	-	-	99,849
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	8,867	-	-	-	-	-	-	-	8,867
- Term loans	-	1,379	-	-	34,689	-	-	-	-	-	-	-	36,068
Corporates					-								
- Overdrafts	7,408	4,880	1,886	422	5,408	61,425	38,126	583	70,442	78,702	6,907	4,315	280,503
- Term loans	28,930	47,902	12,189	93,436	19,141	171,265	133,086	105,075	187,657	189,627	173,762	12,942	1,175,012
- Others	-	-	-	-	-	-	-	-	2,930	-	-	-	2,930
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	10,577	-	-	62,979	-	-	-	-	-	73,556
At FVOCI													
- Treasury bills	-	-	-	-	-	-	634,209	-	-	-	-	-	634,209
- Bonds	-	-	-	-	-	-	24,931	-	-	-	-	-	24,931
Other assets	-	-	-	60,016	43,220	-	-		-	-	-	-	103,236
Total financial assets	**36,338**	**54,161**	**14,075**	**1,420,518**	**111,325**	**232,690**	**995,644**	**105,658**	**261,029**	**268,404**	**180,669**	**17,256**	**3,697,767**
Commitments and guarantees													
- Performance bonds and guarantees	1,813	13,667	-	3,824	7,359	2,838	1,092	50	5,044	5,850	4,943	539	47,019
- Letters of credits	11,933	103,561	-	-	79,154	3,893	-	2,135	91,135	7,945	-	-	299,756
- Loan commitments	-	-	-	-	-	-	-	18,198	-	-	68,830	-	87,028
Total commitments and guarantees	**13,746**	**117,228**	**-**	**3,824**	**86,513**	**6,731**	**1,092**	**20,383**	**96,179**	**13,795**	**73,773**	**539**	**433,803**

4.2 Credit risk (continued)

(c) Credit Quality

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

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

Stage 1 Loans and Advances:

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

Stage 2 Loans and Advances:

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

Stage 3 Loans and Advances:

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

Impaired loans and securities

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

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Group renegotiates loans to customers to maximise collection opportunities and minimise the risk of default. The revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. As at 30 June 2020, the carrying amount of loans with renegotiated terms was N432.5billion (December 2019 : N77 billion). There are no other financial assets with renegotiated terms as at 30 June 2020 (December 2019: nil).

Impairment assessment under IFRS

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

The Group records an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.
The measurement of expected credit losses is based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate.
The ECL model has three stages. The Group recognises a 12-month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired and then a lifetime expected loss allowance is recognised.

Credit Quality (continued)

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

30 June 2020	**Group**				**Bank**			
In millions of Nigerian Naira	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
Cash and bank balances:								
- Current balances with banks	299,235	-	-	299,235	260,428	-	-	260,428
- Unrestricted balances with Central Banks	91,475	-	-	91,475	3,686	-	-	3,686
- Money market placements	71,328	-	-	71,328	67,876	-	-	67,876
- Restricted balances with central banks	1,579,378	-	-	1,579,378	1,556,190	-	-	1,556,190
Financial assets at FVTPL:								
- Treasury bills	3,194	-	-	3,194	3,194	-	-	3,194
- Promissory notes	61,319			61,319	61,319			61,319
- Government bonds	2,138	-	-	2,138	2,138	-	-	2,138
Derivative assets	56,849	-	-	56,849	56,849	-	-	56,849
Loans and advances to banks	68,195	-	-	68,195	65,543	-	-	65,543
Loans and advances to customers								
Individuals								
- Overdrafts	5,174	13,761	10,571	29,505	3,831	10,531	4,136	18,499
- Term loans	99,625	6,790	1,696	108,111	38,217	3,454	20	41,691
Corporates								
- Overdrafts	294,917	78,188	70,739	443,844	213,912	57,491	23,684	295,088
- Term loans	1,317,096	370,478	11,439	1,699,013	969,857	331,770	423	1,302,050
- Others	4,046	-	-	4,046	4,046	-	-	4,046
Investment securities:								
At Amortised Cost								
- Treasury bills	632,848	-	-	632,848	-	-	-	-
- Bonds	413,904	-	-	413,904	66,720	-	-	66,720
- FGN Promissory notes	-	-	-	-	-	-	-	-
At FVOCI								
- Treasury bills	713,239	-	-	713,239	704,948	-	-	704,948
- Bonds	90,481	-	-	90,481	22,821	-	-	22,821
Other assets	51,608	-	6,787	58,395	42,730	-	4,846	47,576
Gross financial assets	**5,856,048**	**469,217**	**101,232**	**6,426,497**	**4,144,305**	**403,246**	**33,109**	**4,580,661**
Allowance for impairment on financial assets is as follows:								
Allowance for credit losses								
Loans and advances to customers								
- Individuals	8,684	2,631	3,200	14,515	4,540	2,547	3,702	10,789
- Corporates	35,368	15,566	32,704	83,638	17,574	10,322	19,876	47,772
Loans and advances to banks	1,002	-	-	1,002	1,002	-	-	1,002
	45,054	**18,197**	**35,904**	**99,155**	**23,116**	**12,869**	**23,578**	**59,563**
Allowance for impairment								
Other assets	6,787	-	-	6,787	704	-	4,142	4,846
Bonds at amortised cost	652	-	-	652	569	-	-	569
	7,439	**-**	**-**	**7,439**	**1,273**	**-**	**4,142**	**5,415**
Total impairment allowance on financial assets	**52,493**	**18,197**	**35,904**	**106,594**	**24,389**	**12,869**	**27,720**	**64,978**
Net amount	**5,803,555**	**451,020**	**65,328**	**6,319,903**	**4,119,916**	**390,377**	**5,389**	**4,515,683**

Credit Quality (continued)

31 December 2019	Group				Bank			
In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Cash and bank balances:								
- Current balances with banks	192,522	-	-	192,522	168,775	-	-	168,775
- Unrestricted balances with Central Banks	113,574	-	-	113,574	5,688	-	-	5,688
- Money market placements	153,355	-	-	153,355	117,646	-	-	117,646
- Restricted balances with central banks	832,108	-	-	832,108	815,978	-	-	815,978
Financial assets held for trading:								
- Treasury bills	35,631	-	-	35,631	35,631	-	-	35,631
- Promissory notes	59,038			59,038	59,038			59,038
- Government bonds	7,719	-	-	7,719	7,719	-	-	7,719
Derivative assets	48,131	-	-	48,131	48,131	-	-	48,131
Loans and advances to banks	110,123	-	-	110,123	101,746	-	-	101,746
Loans and advances to customers								
Individuals								
- Overdrafts	5,763	2,461	15,984	24,208	4,763	-	9,880	14,643
- Term loans	74,317	15,474	2,642	92,432	36,349	-	1,174	37,523
Corporates								
- Overdrafts	323,997	57,359	78,159	459,515	252,335	18,713	26,203	297,251
- Term loans	1,188,681	362,279	17,218	1,568,177	922,697	279,899	2,393	1,204,990
- Others	2,951	-	-	2,951	2,951	-	-	2,951
Investment securities:								
At Amortised Cost								
- Treasury bills	461,353	-	-	461,353	-	-	-	-
- Bonds	209,645	-	-	209,645	74,017	-	-	74,017
At FVOCI								
- Treasury bills	678,243	-	-	678,243	634,209	-	-	634,209
- Bonds	108,697	-	-	108,697	24,931	-	-	24,931
Other assets	111,914	-	8,642	120,556	98,197	-	5,039	103,236
Gross financial assets	**4,717,761**	**437,573**	**122,644**	**5,277,978**	**3,410,802**	**298,612**	**44,689**	**3,754,103**
Allowance for impairment on financial assets is as follows:								
Specific allowance								
Loans and advances to customers								
- Individuals	1,535	855	8,478	10,868	824	-	6,407	7,231
- Corporates	32,108	15,345	27,815	75,268	23,717	8,222	14,808	46,747
Loans and advances to banks	1,912	-	-	1,912	1,897	-	-	1,897
	35,555	**16,200**	**36,293**	**88,048**	**26,438**	**8,222**	**21,215**	**55,875**
Allowance for impairment								
Other assets	8,642	-	-	8,642	646	-	4,393	5,039
Bonds at amortised cost	496	-	-	496	461	-	-	461
	9,138	**-**	**-**	**9,138**	**1,107**	**-**	**4,393**	**5,500**
Total impairment allowance on financial assets	**44,693**	**16,200**	**36,293**	**97,186**	**27,545**	**8,222**	**25,608**	**61,375**
Net amount	**4,673,068**	**421,373**	**86,351**	**5,180,792**	**3,383,257**	**290,390**	**19,081**	**3,692,728**

Credit Quality (continued)

(ii) The internal credit rating of financial assets at the reporting date is as follows:

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Group								
30 June 2020								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	299,235	-	-	-	299,235	-	299,235
- Unrestricted balances with Central Banks	91,475	-	-	-	-	91,475	-	91,475
- Money market placements	-	71,328	-	-	-	71,328	-	71,328
- Restricted balances with central banks	1,579,378	-	-	-	-	1,579,378	-	1,579,378
Financial assets at FVTPL:								
- Treasury bills	3,194	-	-	-	-	3,194	-	3,194
- Promissory notes	61,319	-	-	-	-	61,319		61,319
- Government bonds	2,138	-	-	-	-	2,138	-	2,138
Derivative assets	56,849	-	-	-	-	56,849	-	56,849
Loans and advances to banks	-	68,195	-	-	-	68,195	(1,002)	67,193
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	29,505	-		29,505	(4,781)	24,724
- Term loans	-	-	108,111	-		108,111	(9,734)	98,377
Corporates								
- Overdrafts	161,865	1,027	280,952	-	-	443,844	(39,062)	404,782
- Term loans	474,280	11,099	1,213,634	-	-	1,699,013	(44,552)	1,654,461
- Others	-	-	4,046	-	-	4,046	(24)	4,022
Investment securities:								
At Amortised Cost								
- Treasury bills	632,848	-	-	-	-	632,848	-	632,848
- Bonds	401,890	10,917	1,097	-	-	413,904	(621)	413,283
At FVOCI						-		-
- Treasury bills	713,239	-	-	-	-	713,239	-	713,239
- Bonds	90,481	-	-	-	-	90,481	(31)	90,450
Other assets	-	-	-	-	58,395	58,395	(6,787)	51,608
	4,268,955	**461,801**	**1,637,345**	**-**	**58,395**	**6,426,497**	**(106,594)**	**6,319,903**

Credit Quality (continued)

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

Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Bank								
30 June 2020								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	260,428	-	-	-	260,428	-	260,428
- Unrestricted balances with Central Banks	3,686	-	-	-	-	3,686	-	3,686
- Money market placements	-	67,876	-	-	-	67,876	-	67,876
- Restricted balances with central banks	1,556,190	-	-	-	-	1,556,190	-	1,556,190
Financial assets at FVTPL:								-
- Treasury bills	3,194	-	-	-	-	3,194	-	3,194
- Promissory notes	61,319	-	-	-	-	61,319		61,319
- Government bonds	2,138	-	-	-	-	2,138	-	2,138
Derivative assets	56,849	-	-	-	-	56,849	-	56,849
Loans and advances to banks	1,601	63,942	-	-	-	65,543	(1,002)	64,541
Loans and advances to customers								
Individuals								
- Overdrafts	14,667	-	3,831	-	-	18,499	(3,819)	14,680
- Term loans	3,473	-	38,217	-	-	41,691	(6,970)	34,721
Corporates								-
- Overdrafts	94,113	1,027	199,948	-	-	295,088	(19,778)	275,309
- Term loans	478,555	11,099	812,396	-	-	1,302,050	(27,970)	1,274,080
- Others	-	-	4,046	-	-	4,046	(24)	4,022
Investment securities:								-
At Amortised Cost								-
- Treasury bills	-	-	-	-	-	-	-	-
- Bonds	54,706	10,917	1,097	-	-	66,720	(538)	66,182
At FVOCI								-
- Treasury bills	704,948	-	-	-	-	704,948	-	704,948
- Bonds	22,821	-	-	-	-	22,821	(31)	22,790
Other assets	-	-	-	-	47,576	47,576	(4,846)	42,730
	3,058,260	**415,289**	**1,059,536**	**-**	**47,576**	**4,580,661**	**(64,978)**	**4,515,683**

Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Bank								
31 December 2019								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	168,775	-	-	-	168,775	-	168,775
- Unrestricted balances with Central Banks	5,688	-	-	-	-	5,688	-	5,688
- Money market placements	-	117,646	-	-	-	117,646	-	117,646
- Restricted balances with central banks	815,978	-	-	-	-	815,978	-	815,978
Financial assets held for trading:								
- Treasury bills	35,631	-	-	-	-	35,631	-	35,631
- Promissory notes	58,963		75			59,038	-	59,038
- Government bonds	7,719	-	-	-	-	7,719	-	7,719
Derivative Asset	48,131	-	-	-	-	48,131	-	48,131
Loans and advances to banks	-	101,746	-	-	-	101,746	(1,897)	99,849
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	14,643	-	-	14,643	(5,776)	8,867
- Term loans	-	-	37,523	-	-	37,523	(1,455)	36,068
Corporates								
- Overdrafts	204	593	296,453		-	297,251	(16,748)	280,503
- Term loans	57,326	73,743	1,073,921		-	1,204,990	(29,978)	1,175,012
- Others	-	-	2,951		-	2,951	(21)	2,930
Investment securities:								
At Amortised Cost								
- Bonds	52,819	19,969	1,229	-	-	74,017	(461)	73,556
At FVOCI								
- Treasury bills	634,209	-	-	-	-	634,209	-	634,209
- Bonds	24,931	-	-	-	-	24,931	-	24,931
Other assets	-	-	-	-	103,236	103,236	(5,039)	98,197
	1,741,599	**482,472**	**1,426,796**	**-**	**103,236**	**3,754,103**	**(61,375)**	**3,692,728**

(d) Statement of Prudential Adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines and the Central Banks of the foreign subsidiaries' regulations. This is at variance with the expected credit loss model required by IFRS under IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

However, Banks would be required to comply with the following:

Provisions for loans recognized in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

• Prudential Provisions is greater than IFRS provisions; the excess provision resulting therefrom should be transferred from the general reserve account to a "regulatory risk reserve".

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

As at 30 June 2020, the difference between the Prudential provision and IFRS impairment was N37.959 billion for the Group (December 2019: N29.073 billion) and N30.490 for the Bank (December 2019: N21.342 billion). This will require a transfer of N12.635 bilion from regulatory risk reserve to reatined earning for the Group and N6.064 billion from risk regulatory reserve to retained earnings for the Bank. (December 2019: a transfer of N21.152 billion from retained earnings to regulatory risk reserve for the Group and a transfer of N15.212 billion from retained earnings to regulatory risk reserve for the Bank) as the regulatory risk reserve is higher than the difference between the allowance for credit losses determined in line with IFRS 9 as at period end and provisions for credit and other known losses under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and the Central Banks of foreign subsidiaries.

In millions of Nigerian Naira	**Group Jun. 2020**	**Group Dec. 2019**	**Bank Jun. 2020**	**Bank Dec. 2019**
Total impairment based on IFRS	110,883	119,769	68,648	77,796
Total impairment based on Prudential Guidelines	148,842	148,842	99,138	99,138
Regulatory credit risk reserve (closing)	(37,959)	(29,073)	(30,490)	(21,342)
Regulatory credit risk reserve (opening)	(50,594)	(50,594)	(36,554)	(36,554)
Transfer from/to regulatory risk reserve	12,635	21,521	6,064	15,212

4.2 Credit risk (continued)

(e) Credit Collateral

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

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

Consequently, the Group issues appropriate guidelines for acceptability of loan collateral from time to time. These articulate acceptable collateral in respect of each credit product including description, required documentation for perfection of collateral and minimum realizable value.

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

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

1. Cash

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

2. Treasury bills/certificates

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

3. Stock and shares

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

4. Legal Mortgage

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

5. Debenture

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

6. Life Insurance Policies

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

7. Guarantees

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

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

4.2 Credit risk (continued)

(e) Credit Collateral (continued)

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

Loans to individuals

In millions of Nigerian Naira	**Group**		**Bank**	
	Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Against Stage 3 loans				
Property	22	916	22	916
Others	12,255	14,966	4,152	9,666
	12,277	15,882	4,174	10,582
Against Stage 2 loans				
Property	1,876	-	1,725	-
Others	19,432	12,555	13,058	-
	21,308	12,555	14,783	-
Against Stage 1 loans				
Property	2,994	4,043	2,786	4,043
Others	103,124	64,196	40,601	36,919
	106,119	68,239	43,387	40,962
Total for loans to individuals	**139,704**	**96,676**	**62,344**	**51,544**

Loans to corporates

In millions of Nigerian Naira	**Group**		**Bank**	
	Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Against Stage 3 loans				
Property	30,439	19,678	26,622	19,678
Others	64,412	54,431	11,663	15,289
	94,851	74,109	38,285	34,967
Against Stage 2 loans				
Property	88,125	59,728	80,298	59,728
Others	281,041	313,268	246,617	228,550
	369,166	372,996	326,914	288,278
Against Stage 1 loans				
Property	279,120	184,554	237,404	178,172
Others	1,262,153	1,118,506	915,395	864,961
	1,541,273	1,303,060	1,152,799	1,043,133
Total for loans to corporates	**2,005,290**	**1,750,165**	**1,517,998**	**1,366,378**
Total for loans and advances to customers	**2,144,994**	**1,846,841**	**1,580,342**	**1,417,922**

4.2 Credit risk (continued)

(e) Credit Collateral (continued)

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

	Group		Bank	
30 June 2020	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
In millions of Nigerian Naira				
Loans and advances to banks				
Unsecured	68,195	-	65,543	-
Loans and advances to customers				
Secured against real estate	348,654	402,577	348,654	348,857
Secured against cash	13,061	31,020	13,061	18,975
Secured against other collateral*	1,793,486	1,711,397	1,209,932	1,212,512
Unsecured	31,166	-	31,166	-
	2,186,366	**2,144,994**	**1,602,812**	**1,580,344**

	Group		Bank	
31 December 2019	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
In millions of Nigerian Naira				
Loans and advances to banks				
Unsecured	20,640	110,123	19,974	101,746
Loans and advances to customers				
Secured against real estate	350,186	289,977	336,811	281,073
Secured against cash	4,012	14,752	4,012	14,752
Secured against other collateral*	1,236,197	1,707,400	772,598	1,158,537
Unsecured	60,496	49,018	59,793	49,018
	1,650,891	**2,061,147**	**1,173,214**	**1,503,380**

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

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

Repossessed collateral

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

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

	Loans and advances to customers			
In millions of Nigerian Naira	**Group**		**Bank**	
	Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Property	-	1,759	-	1,740
	-	**1,759**	**-**	**1,740**

4.3 Liquidity risk

(a) Overview

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

(i) Liquidity Risk Management

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

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

(ii) Liquidity Risk Governance

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

(iii) Liquidity Risk Measurement

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

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

(b) Liquidity ratios

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

4.3 Liquidity risk (continued)

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

	Bank Jun. 2020	**Bank Dec. 2019**
At period end	33.55%	43.99%
Average for the period	38.80%	54.89%
Maximum for the period	46.72%	64.59%
Minimum for the period	30.08%	41.48%

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

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

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

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

30 June 2020 **Group**	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
In millions of Nigerian Naira							
Non-derivative financial liabilities							
Deposits from banks	540,608	562,849	483,540	79,019	289	-	-
Deposits from customers							
Retail Customers:							
Term deposits	163,255	164,598	64,469	84,945	84	4,275	10,825
Current deposits	451,256	451,431	451,431	-	-	-	-
Savings deposits	1,193,487	1,196,471	1,196,471	-	-	-	-
Corporate Customers:							
Term deposits	870,387	887,799	385,274	376,391	27,393	37,514	61,226
Current deposits	2,121,925	2,122,750	2,122,750	-	-	-	-
Other financial liabilities	194,166	194,417	17,922	-	165,906	5,603	4,985
Lease liabilities	5,748	5,999	898	1,586	672	1,136	1,707
Borrowings	584,592	601,977	163	66,045	49,217	80,999	405,553
Total financial liabilities	**6,125,424**	**6,188,293**	**4,722,918**	**607,987**	**243,563**	**129,528**	**484,298**
Derivative liabilities:							
Cross Currency Swap	138	138	138	-	-	-	-
Assets used to manage liquidity							
Cash and bank balances	2,138,910	2,145,348	553,534	21,045	24,085	5,620	1,541,064
Financial assets at FVTPL							
Treasury bills	3,194	3,194	3,194	-	-	-	-
Promissory notes	61,319	63,761	-	-	-	63,761	-
Bonds	2,138	2,138	2,138	-	-	-	-
Loans and advances to banks	67,193	88,806	4,852	8,040	9,659	6,571	59,684
Loans and advances to customers							
Individual							
Term loans	98,377	108,012	1,014	6,696	5,581	14,513	80,208
Overdrafts	24,724	29,505	29,505	-	-	-	-
Corporates		-	-	-	-	-	-
Term loans	1,654,461	1,700,677	18,865	212,656	132,376	192,196	1,144,585
Overdrafts	404,782	443,844	443,844	-	-	-	-
Others	4,022	4,046	1,388	2,744	-	-	-
Investment securities							
At FVOCI							
Treasury bills	713,239	764,856	21,903	157,216	118,755	466,983	-
Bonds	90,450	123,446	185	4,366	3,884	40,038	74,973
At amortised cost							
Treasury bills	632,848	678,647	19,434	139,496	105,369	414,348	-
Bonds	413,283	678,836	-	240	233	-	678,363
Other assets	51,608	60,219	23,982	-	35,020	-	1,217
Derivative assets	56,849	56,848	23	18,843	-	37,981	-
Total financial assets	**6,417,397**	**6,952,183**	**1,123,861**	**571,342**	**434,962**	**1,242,010**	**3,580,093**
Gap	**291,835**	**763,752**	**(3,599,195)**	**(36,645)**	**191,399**	**1,112,482**	**3,095,795**

Management of liquidity gap is disclosed in Note 4.3a(i)

Contingents and loan commitments							
Performance bonds and guarantees	210,362	210,362	18,947	17,618	33,835	68,296	71,667
Letters of credit	706,935	706,935	350,214	112,891	139,173	57,400	47,256
Loan commitments	97,492	97,492	-	-	-	-	97,492

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

30 June 2020 **Bank** *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative liabilities							
Deposits from banks	379,363	394,970	339,317	55,451	203	-	-
Deposits from customers							
Retail Customers:							
Term deposits	78,284	78,928	30,900	40,703	40	2,132	5,152.50
Current deposits	271,856	271,962	271,962	-	-	-	-
Savings deposits	993,680	996,992	996,992	-	-	-	-
Corporate Customers:							
Term deposits	640,832	653,652	348,375	277,272	20,475	5,686	1,843.56
Current deposits	1,477,677	1,478,252	1,478,252	-	-	-	-
Other financial liabilities	100,467	100,566	19,500	-	69,908	3,374	7,784
Lease liabilities	2,252	2,351	352	622	263	445	669
Borrowings	584,592	601,977	163	66,045	49,217	80,999	405,553
Total financial liabilities	**4,529,003**	**4,579,649**	**3,485,812**	**440,092**	**140,107**	**92,636**	**421,002**
Derivative liabilities							
Cross Currency Swap	138	138	138	-	-	-	-
Assets used to manage liquidity							
Cash and bank balances	1,950,899	1,952,017	330,742	20,101	24,652	20,197	1,556,325
Financial assets at FVTPL							
Treasury bills	3,194	3,194	3,194	-	-	-	-
Promissory notes	61,319	63,761	-	-	-	63,761	-
Bonds	2,138	2,138	2,138	-	-	-	-
Loans and advances to banks	64,541	85,303	4,661	7,723	9,278	6,312	57,329.61
Loans and advances to customers							
Individual :							
Term loans	34,721	41,691	25	6,423	4,964	8,871	21,408
Overdrafts	14,680	17,980	17,981	-	-	-	-
Corporates :		-	-	-	-	-	-
Term loans	1,274,080	1,303,730	7,286	174,016	79,393	141,380	901,655
Overdrafts	275,309	295,087	295,087	-	-	-	-
Others	4,022	4,046	1,388	2,658	-	-	-
Investment securities							
At FVOCI							
Treasury bills	704,948	755,965	21,648	155,388	117,374	461,554	-
Bonds	22,790	24,439	47	44	555	645	23,148
At amortised cost							
Bonds	66,182	109,750	116	711	2,824	3,671	102,428
Other assets	42,730	42,747	42,747	-	-	-	-
Derivative asset	56,849	56,849	23.38	18,843.60	-	37,981.88	-
Total financial assets	**4,578,402**	**4,758,698**	**727,083**	**385,907**	**239,042**	**744,374**	**2,662,294**
Gap	**49,261**	**178,911**	**(2,758,867)**	**(54,185)**	**98,935**	**651,738**	**2,241,292**

Management of liquidity gap is disclosed in Note 4.3a(i)

Contingents and loan commitments							
Performance bonds and guarantees	205,361	205,361	18,844	17,521	33,650	67,923	67,423
Letters of credit	201,117	201,117	99,825	34,400	33,723	17,283	15,887
Loan commitments	97,492	97,492	-	-	-	-	97,492

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2019 **Group**	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
In millions of Nigerian Naira							
Non-derivative financial liabilities							
Deposits from banks	267,070	270,995	270,995	-	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	385,635	391,465	213,991	172,591	4,550	277	56
Current deposits	483,714	483,902	483,902	-	-	-	-
Savings deposits	855,079	857,217	857,217	-	-	-	-
Corporate Customers:							
Term deposits	630,358	702,363	383,941	309,661	8,164	497	100
Current deposits	1,478,098	1,478,673	1,478,673	-	-	-	-
Other financial liabilities	103,954	106,033	104,183	22	380	378	1,070
Lease liabilities	1,630	1,864	1,070	378	380	22	14
Borrowings	758,682	834,847	7,923	37,753	143,758	271,196	374,217
Subordinated liabilities	30,048	40,535			2,495	2,523	35,517
Total financial liabilities	**4,994,268**	**5,167,894**	**3,801,895**	**520,404**	**159,728**	**274,893**	**410,974**
Derivative liabilities:							
Cross Currency Swap	852	852	997	7	5	365	-
Assets used to manage liquidity							
Cash and bank balances	1,396,228	1,396,228	464,800	67,295	59,080	31,747	773,305
Financial assets held for trading							
Treasury bills	35,631	35,631	35,631	-	-	-	-
Promissory notes	59,038	63,686	-	-	-	63,686	-
Bonds	7,719	7,719	7,719	-	-	-	-
Loans and advances to banks	108,211	113,622	68,809	100	-	-	44,713
Loans and advances to customers							
Individual							
Term loans	88,960	92,431	3,524	9,219	8,321	14,151	57,216
Overdrafts	16,812	24,208	24,208	-	-	-	-
Corporates							
Term loans	1,526,409	1,602,765	64,899	294,416	115,302	237,835	890,313
Overdrafts	426,036	459,515	459,515	-	-	-	-
Others	2,930	2,951	-	32	2,919	-	-
Investment securities							
At FVOCI							
Treasury bills	678,243	777,231	66,694	68,405	229,821	412,311	-
Bonds	108,697	109,805	471	9,735	1,694	2,998	94,907
At amortised cost							
Treasury bills	461,353	543,268	46,618	47,814	160,640	288,197	-
Bonds	209,645	243,682	342	17,739	4,464	6,871	214,266
Other assets	120,556	120,556	120,556	-	-	-	-
Derivative assets	48,131	48,131	124	2,641	25,940	19,425	-
Total financial assets	**5,294,599**	**5,641,429**	**1,363,910**	**517,396**	**608,180**	**1,077,221**	**2,074,720**
Gap	**299,479**	**472,683**	**(2,438,982)**	**(3,015)**	**448,447**	**801,963**	**1,663,746**

Management of liquidity gap is disclosed in Note 4.3a(i)

Contingents and loan commitments							
Performance bonds and guarantees	48,692	48,692	757	4,545	9,539	11,815	22,037
Letters of credit	595,896	595,896	87,153	275,389	12,321	-	221,032
Loan commitments	87,028	87,028	-	3,533	-	23,874	59,621

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2019 **Bank** *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative liabilities							
Deposits from banks	92,717	92,717	92,717	-	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	298,426	302,938	165,598	133,561	3,521	214	43
Current deposits	318,213	318,337	318,337	-	-	-	-
Savings deposits	711,516	713,888	713,888	-	-	-	-
Corporate Customers:							
Term deposits	529,830	590,352	322,711	260,277	6,862	418	84
Current deposits	906,403	906,755	906,755	-	-	-	-
Other financial liabilities	54,570	55,661	54,291	-	297	220	853
Lease liabilities	1,109	1,379	853	220	297	-	9
Borrowings	744,094	818,794	7,771	37,027	140,994	265,981	367,022
Subordinated liabilities	30,048	40,535	-	-	2,495	2,523	35,517
Total financial liabilities	**3,686,926**	**3,841,356**	**2,582,921**	**431,084**	**154,467**	**269,356**	**403,528**
Derivative liabilities							
Cross Currency Swap	852	852	852	-	-	-	-
Assets used to manage liquidity							
Cash and bank balances	1,182,554	1,182,554	283,808	36,147	31,735	17,053	813,811
Financial assets held for trading							
Treasury bills	35,631	35,631	35,631	-	-	-	-
Promissory notes	59,038	63,686	-	-	-	63,686	-
Bonds	7,719	7,722	7,722	-	-	-	-
Loans and advances to banks	99,849	101,846	61,678	90	-	-	40,079
Loans and advances to customers							
Individual :							
Term loans	36,068	44,724	3,032	4,017	3,843	6,409	27,424
Overdrafts	8,867	8,870	8,870	-	-	-	-
Corporates :							
Term loans	1,175,012	1,406,777	59,489	188,537	91,075	211,765	855,912
Overdrafts	280,503	280,612	280,612	-	-	-	-
Others	2,930	3,077	-	34	3,043	-	-
Investment securities							
At FVOCI							
Treasury bills	634,209	651,295	55,887	57,321	192,582	345,504	-
Bonds	24,931	45,192	194	4,007	697	1,234	39,061
At amortised cost							
Bonds	74,017	83,775	117	6,098	1,535	2,362	73,662
Other assets	103,236	103,236	103,236	-	-	-	-
Derivative asset	48,131	48,131	124	2,641	25,940	19,425	-
Total financial assets	**3,772,695**	**4,067,128**	**900,401**	**298,892**	**350,450**	**667,438**	**1,849,949**
Gap	**84,917**	**224,920**	**(1,683,372)**	**(132,192)**	**195,983**	**398,081**	**1,446,421**

Management of liquidity gap is disclosed in Note 4.3a(i)

Contingents and loan commitments							
Performance bonds and guarantees	47,019	47,019	731	4,389	9,211	11,409	21,280
Letters of credit	299,756	299,756	43,841	138,530	6,198	-	111,187
Loan commitments	87,028	87,028	-	3,533	-	23,874	59,621

4.4 Market risk

(a) Overview

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of these portfolios separately. The trading portfolios comprise positions arising from market-making and warehousing of customer derived positions while non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities as well as financial instruments designated as FVOCI and amortised cost.

(i) Market Risk Management

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

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

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

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

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

(ii) Market Risk Governance

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

(iii) Market Risk Measurement

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

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

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

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

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

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

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

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

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

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

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

Market risk from non-trading portfolios stems from the potential impact of changes in interest rates and foreign exchange rates on UBA's net interest revenues, the changes in accumulated other comprehensive income (loss) from its investment portfolios and capital invested in foreign currencies.

The management of banking book related market risk exposures involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book MTM profit or loss) and economic value of equity. Market risk in the banking book arises as a result of the mismatch between the future yield on assets and their funding cost and also the different repricing characteristics of banking book assets and liabilities. UBA Group uses a variety of tools to track and manage this risk. These tools include;

- Re-pricing gap analysis
- Liquidity gap analysis
- Earnings-at-Risk (EAR)
- Sensitivity Analysis

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

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

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

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

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

(b) Interest rate risk

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

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

30 June 2020
Group

In millions of Nigerian Naira	Carrying amount	Re-pricing period < 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
Cash and bank balances	2,138,910	37,664	21,917.95	14,788	5,387	-	2,059,153
Financial assets at FVTPL							
Treasury bills	3,194	539	260	2,291	104.12	-	-
Promissory notes	61,319	-	-	-	61,319	-	-
Bonds	2,138	2,138	-	-	-	-	-
Loans and advances to banks	67,193	4,446	7,893	9,261	3,074	42,519	-
Loans and advances to customers:							
Individual							
Term loans	98,377	159	355	324	7,557	89,981	-
Overdrafts	24,724	10,470.61	593.38	1,668.87	2,039.73	9,951.41	-
Corporates							
Term loans	1,654,461	68,176	229,746	172,073	73,630	1,110,837	-
Overdrafts	404,782	171,425	9,715	27,323	33,395	162,925	-
Others	4,022	166	559	418	179	2,700	-
Investment securities:							
At FVOCI:							
Treasury bills	713,239	21,770	153,543	114,614	423,312	-	-
Bonds	90,450	185	4,366	3,884	40,038	41,976	-
Equity	127,539	-	-	-	-	-	127,539
At amortised cost:							
Treasury bills	632,848	44,984	34,986	171,355	381,523	-	-
Bonds	413,283	847	19,951	17,748	182,939	191,798	-
Derivative assets	56,849	-	-	-	-	-	56,849
Other assets	51,608	-	-	-	-	-	51,608
	6,544,936	**362,971**	**483,885**	**535,747**	**1,214,496**	**1,652,689**	**2,295,149**
Derivative liability	138	-	-	-	-	-	138
Deposits from banks	540,608	465,470	74,867	271	-	-	-
Deposits from customers	4,800,310	516,663	472,269	32,476	97,039	1,106,030	2,575,833
Other liabilities	199,914	-	-	-	-	-	199,914
Borrowings	584,592	22,107	195,469	85,519	-	281,497	-
	6,125,562	**1,004,240**	**742,605**	**118,265**	**97,039**	**1,387,527**	**2,775,885**
Gaps	**419,374**	**(641,269)**	**(258,720)**	**417,482**	**1,117,457**	**265,162**	**(480,736)**

Interest rate risk (continued)

31 December 2019

Group

In millions of Nigerian Naira				Re-pricing period			
	Carrying amount	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
Cash and bank balances	1,396,228	88,974	-	40,511	23,870	-	1,242,873
Financial assets held for trading							
Treasury bills	35,631	7,483	10,472	9,740	7,936	-	-
Promissory notes	59,038	-	-	-	59,038	-	-
Bonds	7,719	-	-	-	-	7,719	-
Loans and advances to banks	108,211	59,799	38,734	9,678	-	-	-
Loans and advances to customers:							
Individual							
Term loans	88,960	3,391	8,873	8,009	13,620	55,067	-
Overdrafts	16,812	16,812	-	-	-	-	-
Corporates		-	-	-	-	-	
Term loans	1,526,409	63,261	286,987	76,478	231,834	867,849	-
Overdrafts	426,036	426,036	-	-	-	-	-
Others	2,930	-	32	2,898	-	-	-
Investment securities:							
At FVOCI:							
Treasury bills	678,243	56,756	54,939	226,043	340,505	-	-
Bonds	108,697	4,344				104,353	-
Equity	114,108	-	-	-	-	-	114,108
At amortised cost:							
Treasury bills	461,353	22,663	21,937	90,260	326,493	-	-
Bonds	209,645	10,411	-	-	-	199,234	-
Derivative assets	48,131	-	-	-	-	-	48,131
Other assets	120,556	-	-	-	-	-	120,556
	5,408,707	**759,930**	**421,974**	**463,617**	**1,003,296**	**1,234,222**	**1,525,668**
Derivative liability	852	-	-	-	-	-	852
Deposits from banks	267,070	267,070	-	-	-	-	-
Deposits from customers	3,832,884	1,580,552	549,746	14,494	883	177	1,687,032
Other liabilities	105,584	-	-	-	-	-	105,584
Subordinated liabilities	30,048	-	-	-	-	30,048	-
Borrowings	758,682	-	64,345	127,983	211,689	354,665	-
	4,995,120	**1,847,622**	**614,091**	**142,477**	**212,572**	**384,890**	**1,793,468**
Gaps	**413,587**	**(1,087,692)**	**(192,117)**	**321,140**	**790,724**	**849,332**	**(267,800)**

Interest rate risk - continued

30 June 2020 Bank	Carrying amount	Re-pricing period < 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
In millions of Nigerian Naira							
Cash and bank balances	1,950,899	-	67,876	-	-	-	1,883,023
Financial assets at FVTPL							
Treasury bills	3,194	539	260	2,291	104	-	-
Promissory notes	61,319	-	-	-	61,319	-	-
Bonds	2,138	-	-	-	-	2,138	-
Loans and advances to banks	64,541	4,270	7,582	8,896	2,953	40,840	-
Loans and advances to customers:							
Individual							
Term loans	34,721	56	125	114	2,667	31,758	-
Overdrafts	14,680	6,217	352	991	1,211	5,909	-
Corporates							
Term loans	1,274,080	52,502	176,924	132,511	56,701	855,442	-
Overdrafts	275,309	116,593	6,607	18,583	22,713	110,812	-
Others	4,022	166	559	418	179	2,700	-
Investment securities:							
At FVOCI:							
Treasury bills	704,948	21,517	151,758	113,281	418,391	-	-
Bonds	22,790	47	1,100	979	10,088	10,576	-
Equity	126,322	-	-	-	-	-	126,322
At amortised cost:							
Bonds	66,182	-	39	35	-	66,108	
Derivative assets	56,849	-	-	-	-	-	56,849
Other assets	42,730	-	-	-	-	-	42,730
	4,704,724	**201,907**	**413,183**	**278,100**	**576,327**	**1,126,283**	**2,108,924**
Derivative liability	138	-	-	-	-	-	138
Deposits from banks	379,363	326,636	52,537	190	-	-	-
Deposits from customers	3,462,329	438,436	325,988	25,277	54,092	868,946	1,749,588
Other liabilities	102,719	-	-	-	-	-	102,719
Borrowings	584,592	22,107	195,469	85,519	-	281,497	-
	4,529,141	**787,179**	**573,994**	**110,986**	**54,092**	**1,150,443**	**1,852,445**
Gaps	**175,583**	**(585,272)**	**(160,811)**	**167,115**	**522,234**	**(24,161)**	**256,479**

Interest rate risk - continued

31 December 2019				**Re-pricing period**			
Bank	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
In millions of Nigerian Naira							
Cash and bank balances	1,182,554	53,265	-	40,511	23,870	-	1,064,908
Financial assets held for trading							
Treasury bills	35,631	7,483	10,472	9,740	7,936	-	-
Promissory notes	59,038	-	-	-	59,038		
Bonds	7,719	-	-	-	-	7,719	-
Loans and advances to banks	99,849	58,609	38,734	2,506	-	-	-
Loans and advances to customers:							
Individual							
Term loans	36,068	2,445	3,239	3,099	5,169	22,116	
Overdrafts	8,867	8,867	-	-	-	-	-
Corporates						-	
Term loans	1,175,012	49,790	157,799	76,226	177,240	713,957	-
Overdrafts	280,503	280,503	-	-	-	-	-
Others	2,930	-	32	2,898	-	-	-
Investment securities:	-						
At FVOCI:							
Treasury bills	634,209	47,651	46,126	189,782	350,650		-
Bonds	24,931	4,344	-	-		20,587	
Equity	113,518	-	-	-	-	-	113,518
At amortised cost:							
Bonds	74,017	10,410				63,607	
Derivative assets	48,131	-	-	-	-	-	48,131
Other assets	103,236	-	-	-	-	-	103,236
	3,886,213	**523,367**	**256,402**	**324,762**	**623,903**	**827,986**	**1,329,793**
Derivative liability	852	-	-	-	-	-	852
Deposits from banks	92,717	92,717	-	-	-	-	-
Deposits from customers	2,764,388	1,136,131	395,168	10,419	634	127	1,221,909
Other liabilities	55,679	-	-	-	-	-	55,679
Subordinated liabilities	30,048	-	-	-	-	30,048	-
Borrowings	744,094	-	64,345	127,983	211,689	340,077	-
	3,687,778	**1,228,848**	**459,513**	**138,402**	**212,323**	**370,252**	**1,278,440**
Gaps	**198,435**	**(705,481)**	**(203,111)**	**186,360**	**411,580**	**457,734**	**51,353**

4.4 Market risk

Interest rate sensitivity analysis of floating rate financial instruments

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

	Group		Bank	
Borrowings	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
In millions of Nigerian Naira				
- Sumitomo Mitsui Banking Corporation (note 37.3)	23,230	36,608	23,230	36,608
- European Investment Bank (EIB) (note 37.4)	22,434	23,356	22,434	23,356
- Africa Trade Finance Limited (note 37.5)	21,115	32,846	21,115	18,258
- Afrexim (note 37.7)	38,540	-	38,540	-
- African Development Bank (note 37.6)	44,183	46,385	44,183	46,385
- Credit Suisse (note 37.7)	-	110,509	-	110,509
- Eurobond debt security (note 37.8)	192,226	181,022	192,226	181,022
- JP Morgan Securities Limited (note 37.9)	-	73,185	-	73,185
-Societe Generale Bank (note 37.10)	-	63,879	-	63,879
-Mashreqbank psc (note 37.11)	35,027	18,277	35,027	18,277
-Rand Merchant Bank (note 37.12)	29,418	55,280	29,418	55,280
-ABSA Bank Limited (note 37.13)	29,034	27,380	29,034	27,380
- Citibank	19,520	-	19,520	-
- 'Proparco	33,014	-	33,014	-
-Agence Francaise de Development (AFD)	7,701	-	7,701	-
	495,442	**668,727**	**495,442**	**654,139**

	Group		Bank	
	Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Impact on income statement:				
Favourable change @ 0.5% increase in rates	(2,477)	(3,344)	(2,477)	(3,271)
Unfavourable change @ 0.5% reduction in rates	2,477	3,344	2,477	3,271

Price sensitivity analysis for financial instruments measured at fair value

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

In millions of Nigerian Naira	Group		Bank	
	Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Financial assets at FVTPL				
Treasury bills	3,194	35,631	3,194	35,631
Government bonds	2,138	7,719	2,138	7,719
	5,332	**43,350**	**5,332**	**43,350**
Impact on income statement:				
Favourable change @ 2% increase in prices	(107)	(867)	(107)	(867)
Unfavourable change @ 2% reduction in prices	107	867	107	867
Derivative assets	56,849	48,131	56,849	48,131
Impact on income statement:				
Favourable change @ 2% increase in rates	(648)	(963)	(648)	(963)
Unfavourable change @ 2% reduction in rates	648	963	648	963
Derivative liabilities	138	852	138	852
Impact on income statement:				
Favourable change @ 2% increase in rates	1	17	1	17
Unfavourable change @ 2% reduction in rates	(1)	(17)	(1)	(17)

Price sensitivity analysis for financial instruments measured at FVOCI:

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

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Debt securities				
Investment securities at FVOCI:				
Treasury bills	713,239	678,243	704,948	634,209
Government bonds	90,481	108,697	22,821	24,931
Total	**803,720**	**786,940**	**727,769**	**659,140**
Impact on other comprehensive income:				
Favourable change @ 2% increase in prices	16,074	15,739	14,555	13,183
Unfavourable change @ 2% reduction in prices	(16,074)	(15,739)	(14,555)	(13,183)

(iii) Equity price risk

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

Sensitivity analysis for level 1 equity securities is based on average movement in share price index for quoted shares during the year.

	Group		Bank	
	Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Total Equity Positions				
In million of Nigerian Naira				
Investment securities at FVOCI	124,616	111,496	123,399	110,906
Total	**124,616**	**111,496**	**123,399**	**110,906**
Level 3 Equity Sensitivities				
Impact on Other comprehensive income:				
Favourable change @ 5% decrease in unobservable inputs	354	12,025	354	12,025
Favourable change @ 5% increase in unobservable inputs	(382)	(9,871)	(382)	(9,871)

4.4 Market risk

(c) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is primarily controlled via policies around trading limits. The Board and Group ALCO set limits on the level of exposure by currency and in aggregate for both overnight and intra day positions. These limits must be in line with regulatory Open Position Limit (OPL). Compliance with both internal limits and regulatory limits are monitored daily with zero tolerance for limit breaches. These limits include OPL, dealers' limit, overnight/intraday limits, maturity gap limits, management action trigger, product limits, counterparty limits and cross border limits.

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

The information disclosed on the net foreign currency (FCY) exposure is representative of the average exposure in the period. The Bank believes that for each foreign currency exposure, it is reasonable to assume 15% depreciation of the Naira holding all other variables constant.

Group

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
30 June 2020						
Cash and bank balances	1,512,971	368,869	43,253	11,029	202,788	2,138,910
Financial assets at FVTPL	66,651	-	-	-	-	66,651
Derivative assets	49,749	-	-	-	7,100	56,849
Loans and advances to banks	-	67,193	-	-	-	67,193
Loans and advances to customers	949,954	637,714	64,236	44	534,419	2,186,366
Investment securities	945,418	53,773	-	-	978,168	1,977,359
Other assets	16,583	8,597	43	14	26,371	51,608
Total financial assets	**3,541,325**	**1,136,145**	**107,533**	**11,087**	**1,748,846**	**6,544,936**
Derivative liability	-	138	-	-	-	138
Deposits from banks	111,976	346,521	7,625	0	74,486	540,608
Deposits from customers	2,744,124	850,505	34,877	8,699	1,162,105	4,800,310
Other liabilities	39,886	31,818	3,011	94	125,104	199,914
Borrowings	89,150	495,675	-	-	(233)	584,592
Total financial liabilities	**2,985,137**	**1,724,656**	**45,513**	**8,793**	**1,361,462**	**6,125,562**
Swap and forward contracts	546,377	612,943	(62,049)	(4,517)	-	-
Net FCY Exposure		**24,432**	**(29)**	**(2,223)**	**387,384**	
Effect of naira depreciation by 15% on profit before tax		3,665	(4)	(333)	58,108	61,435
Effect of naira appreciation by 15% on profit before tax		(3,665)	4	333	(58,108)	(61,435)

Group

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
31 December 2019						
Cash and bank balances	904,710	301,584	57,158	9,598	123,178	1,396,228
Financial assets held for trading	102,388	-	-	-	-	102,388
Derivative assets	48,007	-	124	-	-	48,131
Loans and advances to banks	3,240	86,858	18,113	-	-	108,211
Loans and advances to customers	882,046	607,415	63,333	142	508,211	2,061,147
Investment securities	865,813	48,052	-	-	657,685	1,571,550
Other assets	73,017	16,852	14	7	30,666	120,556
Total financial assets	**2,879,221**	**1,060,761**	**138,742**	**9,747**	**1,319,740**	**5,408,211**
Derivative liability	365	487	-	-	-	852
Deposits from banks	13,955	188,546	4,455	1	60,113	267,070
Deposits from customers	2,193,537	607,495	27,391	7,606	996,855	3,832,884
Other liabilities	14,723	27,124	1,003	68	44,019	86,937
Borrowings	87,033	671,649	-	-	-	758,682
Subordinated liabilities	30,048	-	-	-	-	30,048
Total financial liabilities	**2,339,661**	**1,495,301**	**32,849**	**7,675**	**1,100,987**	**4,976,473**
Swap and forward contracts	(419,405)	419,405	**-**	**-**	**-**	**-**
Net FCY Exposure		**30,410**	**105,893**	**2,072**	**218,753**	
Effect of naira depreciation by 15% on profit before tax		4,562	15,884	311	32,813	53,569
Effect of naira appreciation by 15% on profit before tax		(4,562)	(15,884)	(311)	(32,813)	(53,569)

4.4 Market risk

(c) Exchange rate exposure limits - continued

In millions of Nigerian Naira

Bank	**Naira**	**US Dollar**	**Euro**	**Pound**	**Others**	**Total**
30 June 2020						
Cash and bank balances	1,592,426	317,118	32,628	7,659	1,068	1,950,899
Financial assets at FVTPL	66,650	-	-	-	1	66,651
Derivative assets	49,748	-	-	-	7,101	56,849
Loans and advances to banks	-	43,763	20,776	2	-	64,541
Loans and advances to customers	949,954	587,798	64,167	43	850	1,602,812
Investment securities	909,317	10,925	-	-	-	920,242
Other assets	18,477	22,289	43	14	1,907	42,730
Total financial assets	**3,586,571**	**981,892**	**117,615**	**7,718**	**10,927**	**4,704,724**
Derivative liability	-	138	-	-	-	138
Deposits from banks	115,237	256,792	7,333	0	-	379,363
Deposits from customers	2,744,012	684,162	26,309	7,846	-	3,462,329
Other liabilities	39,886	24,345	2,608	92	35,789	102,719
Borrowings	89,149	495,676	-	-	(233)	584,592
Total financial liabilities	**2,988,284**	**1,461,113**	**36,250**	**7,938**	**35,556**	**4,529,141**
Swap and forward contracts	546,377	612,943	(62,049)	(4,517)	**-**	**-**
Net FCY Exposure		**133,722**	**19,316**	**(4,737)**	**(24,628)**	**175,583**
Effect of naira depreciation by 15% on profit before tax		20,058	2,897	(710)	(3,694)	18,551
Effect of naira appreciation by 15% on profit before tax		(20,058)	(2,897)	710	3,694	(18,551)
31 December 2019						
Cash and bank balances	905,804	228,617	39,068	7,900	1,165	1,182,554
Financial assets held for trading	102,388	-	-	-	-	102,388
Derivative assets	48,007	-	124	-	-	48,131
Loans and advances to banks	-	81,736	18,113	-	-	99,849
Loans and advances to customers	880,941	559,002	63,296	141	-	1,503,380
Investment securities	834,135	12,079	-	-	-	846,214
Other assets	86,363	16,852	14	7	-	103,236
Total financial assets	**2,857,638**	**898,286**	**120,615**	**8,048**	**1,165**	**3,885,752**
Derivative liability	365	487	-	-	-	852
Deposits from banks	13,504	72,935	6,278	-	-	92,717
Deposits from customers	2,217,239	512,152	27,391	7,606	-	2,764,388
Other liabilities	10,587	39,326	1,003	68	437	51,421
Borrowings	87,033	657,061	-	-	-	744,094
Subordinated liabilities	30,048	-	-	-	-	30,048
Total financial liabilities	**2,358,776**	**1,281,961**	**34,672**	**7,674**	**437**	**3,683,520**
Swap and forward contracts	(419,405)	419,405				
Net FCY Exposure		**81,275**	**85,943**	**374**	**728**	
Effect of naira depreciation by 15% on profit before tax		12,191	12,891	56	109	25,248
Effect of naira appreciation by 15% on profit before tax		(12,191)	(12,891)	(56)	(109)	(25,248)

5 Capital

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

5.1 Capital management

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

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

The objective of the capital management process is to:

- Adequately assess impairment losses and impact on capital impairment;
- Meet CBN's capital adequacy requirements
- Optimise the use and allocation of capital resources and align our target capital with our optimum capital structure

5.2 Regulatory capital

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

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

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

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

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

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

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

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

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

Capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. UBA Plc operates under an international banking authorization with a minimum regulatory capital of N50 billion and a minimum capital adequacy ratio of 16%. During the year, the Group complied with all external capital requirements.

In millions of Nigeria naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Tier 1 capital				
Ordinary share capital	17,100	17,100	17,100	17,100
Share premium	98,715	98,715	98,715	98,715
Retained earnings	209,352	184,685	85,208	90,090
Other reserves	105,386	102,248	89,206	86,068
Gross Tier 1 capital	430,553	402,748	290,229	291,973
Less:				
Deferred tax on accumulated losses	1,235	7,433	882	6,362
Intangible assets	29,226	17,671	16,339	7,070
Tier 1 Capital After Regulatory Deduction	**400,092**	**377,644**	**273,008**	**278,541**
Investment in subsidiaries	-	-	(51,638)	(51,638)
Eligible Tier 1 Capital	**400,092**	**377,644**	**221,370**	**226,903**
Tier 2 capital				
Fair value reserve for securities measured at FVOCI	128,588	117,408	128,963	117,995
Subordinated liabilities	-	30,048	-	30,048
Less: limit of tier 2 to tier 1 capital	-	(21,575)	(37,960)	(55,196)
Qualifying Tier 2 Capital Before Deductions	**128,588**	**125,881**	**91,003**	**92,847**
Less: Investment in subsidiaries	-	-	(51,638)	(51,638)
Net Tier 2 Capital	**128,588**	**125,881**	**39,365**	**41,209**
Qualifying capital				
Net Tier I regulatory capital	400,092	377,644	221,370	226,903
Net Tier II regulatory capital	128,588	125,881	39,365	41,209
Total qualifying capital	528,680	503,525	260,735	268,112
Composition of risk-weighted assets:				
Risk-weighted amount for credit risk	1,480,485	1,262,750	825,159	905,238
Risk-weighted amount for operational risk	613,173	704,752	396,319	369,284
Risk-weighted amount for market risk	17,671	38,148	9,686	40,361
Total Basel II Risk-weighted assets	2,111,329	2,005,650	1,231,164	1,314,883
Basel II Capital ratios				
Risk Weighted Capital Adequacy Ratio	**25.0%**	**25%**	**21.2%**	**20.39%**

The above capital adequacy computation is based on the Revised Basel II guidelines advised by the Central Bank of Nigeria effective 24 June 2015.

5.3 Capital allocation

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

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

6 Fair value measurement

Fair values of financial instruments

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

6.1 Valuation models

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

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

• Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.
Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

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

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

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

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

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

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

6.2 Valuation framework

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

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

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

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

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value

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

Group:

30 June 2020

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	23				
Government bonds		2,138	-	-	2,138
Promissory notes		-	61,319	-	61,319
Treasury bills		3,194	-	-	3,194
Derivative assets measured at fair value through profit and loss:	33(a)	-	56,849	-	56,849
Investment securities at FVOCI	26				
Treasury bills		713,239	-	-	713,239
Bonds		90,481	-	-	90,481
Equity investments		2,923	3,738	120,878	127,539
Total assets		**811,975**	**121,906**	**120,878**	**1,054,759**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	138	-	138

Bank:

30 June 2020

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	23				
Government bonds		2,138	-	-	2,138
Promissory notes			61,319	-	61,319
Treasury bills		3,194	-	-	3,194
Derivative assets measured at fair value through profit and loss:	33(a)	-	56,849	-	56,849
Investment securities at FVOCI	26				
Treasury bills		704,948	-	-	704,948
Bonds		22,821	-	-	22,821
Equity investments		2,923	3,738	119,661	126,322
		736,024	**121,906**	**119,661**	**977,591**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	138	-	138

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value

Group:

31 December 2019

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	23				
Government bonds		7,719	-	-	7,719
Promissory notes			59,038		59,038
Treasury bills		35,631	-	-	35,631
Derivative assets measured at fair value through profit and loss:	33(a)	-	48,131	-	48,131
Investment securities at FVOCI	26				
Treasury bills		678,243	-	-	678,243
Bonds		108,697	-	-	108,697
Equity investments		2,612	3,088	108,408	114,108
Total assets		**832,902**	**110,257**	**108,408**	**1,051,567**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**852**	**-**	**852**

Bank:

31 December 2019

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	23				
Government bonds		7,719	-	-	7,719
Promissory notes			59,038	-	59,038
Treasury bills		35,631	-	-	35,631
Derivative assets measured at fair value through profit and loss:	33(a)	-	48,131	-	48,131
Investment securities at FVOCI	26				
Treasury bills		634,209	-	-	634,209
Bonds		24,931	-	-	24,931
Equity investments		2,612	3,088	107,818	113,518
		705,102	**110,257**	**107,818**	**923,177**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**852**	**-**	**852**

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

	Group Jun. 2020	**Group Dec. 2019**	**Bank Jun. 2020**	**Bank Dec. 2019**
In millions of Nigerian Naira				
Balance, beginning of year	108,408	97,998	107,818	97,487
Addition during the year	-	79	-	-
Gain recognised in other comprehensive income (under fair value gain on FVOCI)	9,935	9,223	9,667	9,223
Translation differences	2,535	1,108	2,176	1,108
Balance, end of year	120,878	108,408	119,661	107,818

Fair value measurement (continued)

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

(ii) Level 2 fair value measurements

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

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

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

The table below sets out information about significant unobservable inputs used as at 30 June 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 30 June 2020 N'million	Fair value as at 31 December 2019 N'million	Valuation technique	Unobservable input	Range of estimates for unobservable inputs (30 June 2020)	Range of estimates for unobservable inputs (31 December 2019)	Relationship of unobservable inputs to fair value
Unquoted equity securities	120,878	108,408	Income Approach (Discounted cashflow method)	Cost of equity	19.7% - 24.4%	8.00% - 23.40%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	2.5%-2.6%	2.5%-2.6%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values

Fair value measurement (continued)

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

Significant unobservable inputs are developed as follows:

Discounted cashflow

The Group measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements. Level 3 fair value measurements, includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. The Discounted cash flow valuation model was used, necessitating the adoption of the following unobservable inputs:

I. The Group used the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.
II. The risk-free rate was determined using the yield on 20-year US treasury bond (for unquoted securities denominated in USD) and longest tenured Federal Government of Nigeria bond (for unquoted securities denominated in Nigerian naira).
III. Equity risk premium was determined using market returns obtained from Damodaran Online
IV. Beta estimates were obtained from Damodaran Online.
V. For Africa Finance Corporation valuation, Management's revenue forecasts for the years 2020 – 2024 was used to derive the free cashflow to equity, which was discounted within the discounted cash flow framework to arrive at fair value estimate

Dividend discount model

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

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

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

In millions of Nigerian Naira

Key Assumption	Effect on other comprehensive income (OCI)			
	Jun. 2020		Dec. 2019	
	5% Increase	5% Decrease	5% Increase	5% Decrease
Cost of Equity	(4,356)	3,784	(12,996)	14,949
Terminal Growth Rate	4,551	(3,616)	3,279	(3,078)

Fair value measurement - continued

6.4 Financial instruments not measured at fair value

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

Group	Level 1	Level 2	Level 3	Total fair value	Carrying amount
In millions of Nigerian Naira					
30 June 2020					
Assets					
Cash and bank balances	-		2,138,910	2,138,910	2,138,910
Loans and advances to banks	-	-	65,849	65,849	67,193
Loans and advances to customers					
-Individual					
Term loans	-	-	94,442	94,442	98,377
Overdrafts	-	-	23,488	23,488	24,724
-Corporate					
Term loans	-	-	1,571,738	1,571,738	1,654,461
Overdrafts	-	-	380,495	380,495	404,782
Others		-	3,861	3,861	4,022
Investment Securities - Amortised cost					
Treasury bills	-	607,534	-	607,534	632,848
Bonds	391,802	18,441	-	410,243	413,904
Other assets	-	-	49,544	49,544	51,608
Liabilities					
Deposits from banks	-		513,578	513,578	540,608
Deposits from customers	-	-	4,560,295	4,560,295	4,800,310
Other liabilities	-	-	189,918	189,918	199,914
Borrowings	-	-	555,362	555,362	584,592

Group	Level 1	Level 2	Level 3	Total fair value	Carrying amount
In millions of Nigerian Naira					
31 December 2019					
Assets					
Cash and bank balances	-	-	1,396,228	1,396,228	1,396,228
Loans and advances to banks	-	-	106,047	106,047	108,211
Loans and advances to customers					
-Individual					
Term loans	-	-	85,402	85,402	88,960
Overdrafts	-	-	15,971	15,971	16,812
-Corporate					
Term loans	-	-	1,450,089	1,450,089	1,526,409
Overdrafts	-	-	400,474	400,474	426,036
Others		-	2,813	2,813	2,930
Investment Securities - Amortised cost					
Treasury bills	-	442,899	-	442,899	461,353
Bonds	74,017	130,203	-	204,220	209,645
Other assets	-	-	115,734	115,734	120,556
Liabilities					
Deposits from banks	-		253,717	253,717	267,070
Deposits from customers	-	-	3,641,240	3,641,240	3,832,884
Subordinated liabilities	-	28,546	-	28,546	30,048
Other liabilities	-	-	82,590	82,590	86,937
Borrowings	-	-	720,748	720,748	758,682

Bank	Level 1	Level 2	Level 3	Total fair value	Carrying amount
30 June 2020					
Assets					
Cash and bank balances	-		1,950,899	1,950,899	1,950,899
Loans and advances to banks	-	-	63,250	63,250	64,541
Loans and advances to customers					-
-Individual					
Term loans	-	-	33,332	33,332	34,721
Overdrafts	-	-	13,946	13,946	14,680
-Corporate					
Term loans	-	-	1,210,376	1,210,376	1,274,080
Overdrafts	-	-	258,790	258,790	275,309
Others	-	-	3,861	3,861	4,022
Investment Securities - Amortised cost					
Bonds	44,618	18,441	-	63,059	66,720
Other assets	-		41,021	41,021	42,730
Liabilities					
Deposits from banks	-	-	360,395	360,395	379,363
Deposits from customers	-	-	3,289,213	3,289,213	3,462,329
Other liabilities	-	-	97,583	97,583	102,719
Borrowings	-	-	555,362.40	555,362	584,592
31 December 2019					
Assets					
Cash and bank balances	-		1,182,554	1,182,554	1,182,554
Loans and advances to banks	-	-	97,852	97,852	99,849
Loans and advances to customers					-
-Individual					
Term loans	-	-	34,625.28	34,625	36,068
Overdrafts	-	-	8,423.65	8,424	8,867
-Corporate					
Term loans	-	-	1,116,261	1,116,261	1,175,012
Overdrafts	-	-	263,672.82	263,673	280,503
Others	-	-	2,812.80	2,813	2,930
Investment Securities - Amortised cost					
Bonds	71,056	-	-	71,056	74,017
Other assets	-		99,106.56	99,107	103,236
	-	-	-		
Liabilities					
Deposits from banks	-	-	88,081.15	88,081	92,717
Deposits from customers	-	-	2,626,169	2,626,169	2,764,388
Subordinated liabilities	-	28,545.60	-	28,546	30,048
Other liabilities	-	-	48,850	48,850	51,421
Borrowings	-	-	706,889.30	706,889	744,094

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

i) Cash and bank balances

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

ii) Loans and advances

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

iii) Investment securities

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

iv) Other assets

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

v) Deposits from banks and customers

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

vi) Other liabilities

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

vii) Interest bearing loans and borrowings

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

viii) Subordinated liabilities

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

7 Offsetting of financial instruments

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

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

Group
30 June 2020

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	214,752	(189,486)	25,266
Financial liabilities			
- Creditors and payables (note 36) (a)	316,828	(189,486)	127,342

Group
31 December 2019

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

Bank
30 June 2020

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	207,417	(189,486)	17,931
Financial liabilities			
- Creditors (note 36) (a)	243,044	(189,486)	53,558

Bank
31 December 2019

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

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

8 Critical accounting estimates and judgments

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

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

(a) Key sources of estimation uncertainty

(i) Measurement of the expected credit loss allowance

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

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

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

(ii) Determining fair values

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

(iii) Deferred tax assets

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

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

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

(v) Valuation of derivative contracts

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

	Interest rates		Exchange rates	
	5% decrease	5% increase	15% decrease	15% increase
In millions of Nigerian Naira				
Derivative assets	(611)	599	(1,491)	9,942
Derivative liabilities	-	-	8	(54)

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

The incremental borrowing rate is defined by IFRS 16 as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.
The Incremental borrowing rate used for discounting the future lease payments to present value was determined by using the corresponding FGN Bond/Bill yields of similar maturity profiles with the outstanding lease terms in addition to the Bank's risk premium based on the interest rate of the Bank's quoted subordinated series 3 notes. Hence, the bank applied a single discount rate to a portfolio of leases with reasonably similar characteristics but matched with their relevant lease terms. See deatils of lease liabilities disclosure in Note 36(iii).

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

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

(i) Fair value of equity instruments

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

(ii) Allowance for credit losses

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

	30 June 2020		31 December 2019	
In millions of Nigerian Naira	**Probability of Default -PD**	**Loss Given Default-LGD**	**Probability of Default -PD**	**Loss Given Default-LGD**
Increase/decrease				
1% increase	129	149	128	148
1% decrease	(129)	(149)	(125)	(148)

(iii) Determination of the lease term for lease contracts with renewal

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. The Group considers lease contracts which by our own assessment would mature in the next 12 months to 3 years and also consider relevant factors that create an economic incentive for it to exercise the renewal.

9 Operating segments

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

Geographical segments

The Group operates in the following geographical regions:

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

Business segments

The Group operates in the following business segments:

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

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

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

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

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

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

(a) Geographical segments

(i) 30 June 2020

In millions of Nigerian Naira	**Nigeria**	**Rest of Africa**	**Rest of the World**	**Eliminations**	**Total**
External revenues	186,467	107,556	9,219	(2,632)	**300,610**
Derived from other geographic segments	3,141	-	-	(3,141)	**-**
Total revenue	**189,608**	**107,556**	**9,219**	**(5,773)**	**300,610**
Interest expenses	(62,475)	(25,124)	(1,926)	3,263	**(86,262)**
Fee and commission expense	(11,844)	(5,291)	(137)	(14)	**(17,286)**
Impairment loss recognised in income statement	(7,019)	(646)	(46)	(96)	**(7,807)**
Operating expenses	(88,498)	(40,853)	(4,398)	1,623	**(132,126)**
Profit before tax	**19,772**	**35,642**	**2,712**	**(997)**	**57,129**
Income tax expenses	(1,079)	(11,619)	-	-	**(12,698)**
Profit for the period	**18,693**	**24,023**	**2,712**	**(997)**	**44,431**
30 June 2020					
Total segment assets*	**4,866,244**	**2,029,393**	**218,324**	**(338,596)**	**6,775,365**
Total segment liabilities	**4,412,237**	**1,729,827**	**197,263**	**(198,695)**	**6,140,632**

* Includes:					
Investments in associate and accounted for by using the equity method	-	4,438	-	-	**4,438**
Expenditure for reportable segment:					
Depreciation	5,089	1,850	176	-	**7,116**
Amortisation	1,058	72	72	-	**1,201**

(ii) 30 June 2019

In millions of Nigerian Naira	**Nigeria**	**Rest of Africa**	**Rest of the World**	**Eliminations**	**Total**
External revenues	211,285	81,241	11,566	(10,402)	**293,690**
Derived from other geographic segments	-	-	-	-	**-**
Total revenue	**211,285**	**81,241**	**11,566**	**(10,402)**	**293,690**
Interest expenses	(80,657)	(15,369)	(2,119)	3,383	**(94,762)**
Share of loss in equity-accounted investee	-	342	-	-	**342**
Impairment loss recognised in income statement	(3,071)	(50)	-	1	**(3,120)**
Profit before tax	**42,853**	**26,496**	**5,985**	**(5,060)**	**70,274**
Income tax expenses	(7,164)	(4,553)	-	(1,818)	**(13,535)**
Profit for the period	**35,689**	**21,943**	**5,985**	**(6,878)**	**56,739**
31 December 2019					
Total segment assets**	4,176,500	1,580,319	180,895	(333,662)	**5,604,052**
Total segment liabilities	3,734,307	1,358,596	157,945	(244,774)	**5,006,074**

** Includes:					
Investments in associate and joint venture accounted for by using the equity method	-	3,889	-	-	**3,889**
Expenditure for reportable segment:					
Depreciation	4,340	1,501	174	-	**6,015**
Amortisation	708	68	62	-	**838**

9 Operating segments

(b) Business reporting

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

(i) **30 June 2020**

In millions of Nigerian Naira	**Corporate**	**Retail and commercial**	**Treasury and financial markets**	**Total**
Revenue:				
Derived from external customers	63,034	132,335	105,241	300,610
Derived from other business segments	(7,766)	52,784	(45,018)	-
Total revenue	**55,268**	**185,119**	**60,223**	**300,610**
Interest expenses	(15,676)	(43,630)	(26,956)	(86,262)
Fee and commission expense	(62)	(17,224)	-	(17,286)
Net impairment loss on financial assets	(673)	(6,401)	(732)	(7,807)
Operating expenses	(3,059)	(101,863)	(17,613)	(122,536)
Depreciation and amortisation	(75)	(9,510)	(4)	(9,590)
Profit before income tax	**35,722**	**6,491**	**14,917**	**57,129**
Taxation	(2,334)	(9,388)	(976)	(12,698)
Profit for the period	**33,388**	**(2,897)**	**13,941**	**44,431**
30 June 2020				
Loans and advances	1,237,202	682,176	334,181	2,253,559
Deposits from customers and banks	1,148,082	3,170,441	1,022,395	5,340,918
Total segment assets	3,627,224	2,168,391	979,750	6,775,365
Total segment liabilities	1,330,109	3,626,029	1,184,494	6,140,632

(ii) **30 June 2019**

In millions of Nigerian Naira	**Corporate**	**Retail and commercial**	**Treasury and financial markets**	**Total**
Revenue:				
Derived from external customers	100,068	103,206	90,416	293,690
Derived from other business segments	(11,856)	53,723	(41,868)	-
Total revenue	**88,212**	**156,929**	**48,548**	**293,690**
Interest expenses	(29,786)	(40,649)	(24,327)	(94,762)
Fee and commission expense	(40)	(16,249)	(0)	(16,289)
Net impairment loss on financial assets	556	(3,378)	(299)	(3,120)
Operating expenses	(16,721)	(73,158)	(10,896)	(100,775)
Depreciation and amortisation	(60)	(8,749)	(4)	(8,812)
Share of profit of equity-accounted investee	5	310	27	342
Profit before income tax	**42,166**	**15,058**	**13,050**	**70,274**
Taxation	(8,857)	(1,897)	(2,781)	(13,535)
Profit for the period	**33,309**	**13,161**	**10,269**	**56,739**
31 December 2019				
Loans and advances	1,449,662	467,087	252,609	2,169,358
Deposits from customers and banks	1,079,579	2,368,558	651,817	4,099,954
Total segment assets	3,725,046	1,229,902	649,104	5,604,052
Total segment liabilities	1,321,806	2,886,201	798,067	5,006,074

10 Interest income

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Interest income at amortised cost & FOCI				
Cash and bank balances	6,480	8,272	3,046	8,861
Loans and advances to banks	2,174	1,225	1,081	599
Loans and advances to customers				
- To individuals				
Term loans	3,832	2,846	3,166	1,068
Overdrafts	2,634	1,211	2,390	896
- To corporates				
Term loans	88,977	82,982	67,276	69,010
Overdrafts	18,011	16,283	13,322	11,850
Others	437	321	437	321
Investment securities				
- Treasury bills	60,071	63,103	38,530	46,764
- Bonds	22,121	24,621	5,886	11,637
	204,737	200,864	135,134	151,006
Interest income on financial assets at fair value through profit or loss				
- Bonds	194	104	194	104
- Promissory notes	655	3,917	655	3,917
	205,586	204,885	135,983	155,027

Interest income at amortized cost and fair value through OCI are calculated using the effective interest method.

11 Interest expense

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Interest expense on amortised cost				
Deposits from banks	9,910	7,122	1,737	4,731
Deposits from customers	53,381	66,629	38,493	56,291
Borrowings	19,782	18,445	19,729	18,113
Subordinated liabilities	2,947	2,566	2,947	2,567
Lease liabilities	242	-	162	-
	86,262	94,762	63,068	81,702

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

12 Impairment charge for credit losses on financial assets

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Impairment charge for credit losses on loans and advances to customers:				
- impairment charge for credit losses (Note 25(c))	6,958	2,000	4,583	167
Impairment charge for credit losses on loans and advances to banks:				
-reversal/ impairment charge for credit losses ((Note 24)	(770)	451	(770)	452
Impairment charge for credit losses on investment securities	156	214	108	214
Impairment charge for credit losses on off-balance sheet items	2,608	1,764	2,608	1,764
Write-off on loans and receivables	1,228	553	797	461
Reversal of credit loss expense	(1,545)	(2,232)	(63)	(78)
Reversal/ Impairment charge on other assets (Note 27(a))	(828)	370	(194)	91
	7,807	3,120	7,069	3,071

13 Fees and commission income

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Credit-related fees and commissions[1]	5,035	4,553	3,781	3,049
Commission on turnover	693	616	-	-
Account maintenance fee	3,588	3,388	3,588	3,388
Electronic banking income	17,932	16,862	9,977	11,698
Funds transfer fee	3,854	5,040	108	168
Trade transactions income	9,492	7,520	3,260	3,676
Remittance fees	3,550	4,183	2,927	3,269
Commissions on transactional services	9,063	7,709	2,666	3,305
Pension funds custody fees	2,661	2,473	-	-
Internal transfer pricing charges	-	-	2,059	2,034
	55,868	52,344	28,366	30,587

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

14 Fees and commission expense

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
E-Banking expense	14,512	13,192	10,465	10,757
Trade related expenses	1,375	763	1,352	710
Funds transfer expense	1,399	2,334	27	80
	17,286	16,289	11,844	11,547

15 Net trading and foreign exchange income

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Fixed income securities[1]	4,405	11,230	4,186	11,108
Foreign exchange trading income	13,374	14,426	2,902	3,449
Foreign currency revaluation gain	7,997	1,111	8,127	10
Net Fair value gain on derivatives (see note 33 (c))	9,432	5,979	9,432	5,979
	35,208	32,746	24,647	20,546

Foreign exchange income comprises trading income on foreign currencies as well as gains and losses from revaluation of trading position.

[1]This includes gains and losses arising from sales and purchase of held for trading securities, as well as changes in their fair value.

16 Other operating income

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Dividend income	2,617	3,105	3,340	7,731
Rental income	159	212	157	209
Income on cash handling	819	398	539	295
	3,595	3,715	4,036	8,235

17 Employee benefit expenses

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Wages and salaries	43,115	35,867	24,315	20,160
Defined contribution plans	1,450	1,311	658	615
	44,565	37,178	24,973	20,775

18 Depreciation and amortisation

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Depreciation of property and equipment (note 30)	7,116	6,015	5,153	4,451
Amortisation of intangible assets (note 31)	1,201	838	1,048	693
Right-of-use assets depreciation	1,273	1,959	910	786
	9,590	8,812	7,111	5,930

19 Other operating expenses

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Directors' fees	50	18	50	18
Banking sector resolution cost	22,417	19,992	22,417	19,991
Deposit insurance premium	5,582	4,975	5,100	4,734
Non-deposit insurance costs	1,419	818	570	307
Auditors' remuneration	282	275	150	166
Occupancy and premises maintenance costs	6,437	4,331	551	537
Business travels	2,448	2,757	1,951	2,095
Advertising, promotions and branding	2,754	3,092	1,850	2,381
Contract services	9,623	4,811	7,649	3,438
Communication	4,596	4,568	2,962	3,085
IT support and related expenses	338	319	149	141
Printing, stationery and subscriptions	2,946	2,299	2,173	1,766
Security and cash handling expenses	2,818	1,933	1,382	1,259
Fuel, repairs and maintenance	8,775	10,685	5,353	5,616
Bank charges	952	1,280	736	965
Donations	4,706	40	3,571	32
Training and human capital development	1,125	1,315	1,020	1,121
Penalties	565	9	565	8
Loan recovery expenses	138	66	138	66
Loss on disposal of property and equipment	-	14	-	14
	77,971	63,597	58,337	47,740

20 Taxation

Recognised in the statement of comprehensive income

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
(a) Current Income tax expense				
Current period	9,732	12,105	1,079	7,164
	9,732	12,105	1,079	7,164
(b) Deferred tax expense				
Origination and reversal of temporary differences (Note 32)	2,966	1,430	-	-
Total income tax expense	12,698	13,535	1,079	7,164

(c) Current Income tax liabilities

	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Balance, beginning of period	9,164	8,892	722	706
Income tax paid	(9,864)	(23,182)	(694)	(7,297)
Income tax charge	9,732	23,454	1,079	7,313
Balance, end of period	9,032	9,164	1,107	722

(d) Reconciliation of effective tax rate

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

In millions of Nigerian Naira	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
Domestic corporation tax rate	30%	30%	30%	30%
Profit before income tax	57,129	70,274	20,630	43,630
Income tax using the domestic corporation tax rate	17,139	21,082	6,189	13,089
Tax effects of :				
Information Technology Levy	240	468	240	468
Nigerian Police Trust Fund Levy	1	-	1	-
Minimum tax/excess dividend tax adjustment	874	2,048	874	2,210
Effect of permanent differences - income not subject to tax	(15,809)	(20,190)	(15,809)	(19,084)
Effect of permanent differences - expenses not deductible	9,009	11	9,009	11
Effect of temporary differences not recognised in Deferred Tax	(69)	(9,741)	(69)	(9,387)
Losses/(Relief) not recognised in Deferred Tax	1,313	19,857	644	19,856
Total income tax expense in comprehensive income	12,698	13,535	1,079	7,164
Effective tax rate	22%	19%	5%	16%

Income tax payable for parent is based on the minimum tax provisions in the Nigerian tax law, which is applicable to companies that do not have taxable profits.

21 Earnings per share

The calculation of basic earnings per share as at 30 June 2020 was based on the profit attributable to ordinary shareholders of N42.530 billion (Bank: N19.551 billion) and the weighted average number of ordinary shares outstanding of 34.199 billion (Bank: 34.199 billion). The Bank had no dilutive instruments as at period end (June 2019 : nil). Hence the basic and diluted earnings per share are equal.

	Group Jun. 2020	Group Jun. 2019	Bank Jun. 2020	Bank Jun. 2019
In millions of Nigerian Naira				
Profit attributable to equity holders of the parent	42,530	55,295	19,551	36,466
Weighted average number of ordinary shares outstanding *(in millions)*	34,199	34,199	34,199	34,199
Basic and diluted earnings per share (Naira)	1.24	1.62	0.57	1.07

22 Cash and bank balances

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Cash	97,494	104,669	62,719	74,467
Current balances with banks	299,235	192,522	260,428	168,775
Unrestricted balances with central banks	91,475	113,574	3,686	5,688
Money market placements	71,328	153,355	67,876	117,646
Restricted balances with central banks (note (i) below)	1,579,378	832,108	1,556,190	815,978
	2,138,910	1,396,228	1,950,899	1,182,554

(i) Restricted balances with central banks comprise:

In millions of Nigerian Naira				
Mandatory reserve deposits with central banks (note (a) below)	1,524,660	777,390	1,501,472	761,260
Special Intervention Reserve (note (b) below)	54,718	54,718	54,718	54,718
	1,579,378	832,108	1,556,190	815,978

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

(b) This represents the Bank's contribution to the Central Bank of Nigeria's (CBN) Real Sector Support Facility (RSSF), warehoused in the Special Intervention Reserve held with the CBN. The Real Sector Support Facility is to be channeled towards providing credit to priority sectors of the Nigerian economy. As stipulated by the CBN, the Bank's contribution is 5% of its total naira deposits.

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

	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Cash and current balances with banks	396,729	297,191	323,147	243,242
Unrestricted balances with central banks	91,475	113,574	3,686	5,688
Money market placements (less than 90 days)	25,885	130,633	27,553	94,924
Financial assets held for trading (less than 90 days)	799	18,073	799	18,073
Cash and cash equivalents	514,887	559,471	355,185	361,927

23 Financial assets at fair value through profit or loss

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Government bonds	2,138	7,719	2,138	7,719
Promissory notes	61,319	59,038	61,319	59,038
Treasury bills (less than 90 days maturity) (note (i) below)	799	18,073	799	18,073
Treasury bills (above 90 days maturity)	2,395	17,558	2,395	17,558
	66,651	102,388	66,651	102,388
Current	66,651	102,388	66,651	102,388

Note 23 continued

Fixed income trading activities are restricted to the parent alone.

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

24 Loans and advances to banks

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Loans:				
Gross amount	68,195	110,123	65,543	101,746
Less: Allowance for credit losses				
Stage 1 loans	(1,002)	(1,912)	(1,002)	(1,897)
	67,193	108,211	64,541	99,849
Current	67,193	108,211	64,541	99,849
	67,193	108,211	64,541	99,849

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

30 June 2020

Group

Allowance for credit loss

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	1,912	-	-	1,912
Charge for the period	(770)	-	-	(770)
Exchange difference	(140)	-	-	(140)
Balance, end of period	**1,002**	**-**	**-**	**1,002**

Bank

Allowance for credit loss

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	1,897	-	-	1,897
Charge for the period	(770)	-	-	(770)
Exchange difference	(125)	-	-	(125)
Balance, end of period	**1,002**	**-**	**-**	**1,002**

(b) 31 December 2019

Group

Allowance for credit loss

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

Note 24 continued

Bank

Allowance for credit loss

In millions of Nigerian Naira

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

25 Loans and advances to customers

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Loans:				
Gross amount	2,284,519	2,147,283	1,661,373	1,557,358
Allowance for credit losses	(98,153)	(86,136)	(58,561)	(53,978)
	2,186,366	2,061,147	1,602,812	1,503,380
Current	1,098,928	1,113,617	414,094	746,696
Non-current	1,087,438	947,530	1,188,718	756,684
	2,186,366	2,061,147	1,602,812	1,503,380

(a) 30 June 2020

Loans and advances to customers

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Gross amount	2,284,519	2,147,283	1,661,373	1,557,358
Allowance for credit losses:				
- Impairment loss on Stage 1 loans	(40,225)	(33,643)	(22,114)	(24,541)
- Impairment loss on Stage 2 loans	(19,522)	(16,200)	(12,869)	(8,222)
- Impairment loss on Stage 3 loans	(38,406)	(36,293)	(23,578)	(21,215)
Total allowance for credit losses	(98,153)	(86,136)	(58,561)	(53,978)
Carrying amount	**2,186,366**	**2,061,147**	**1,602,812**	**1,503,380**

Loans and advances to individuals

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Gross amount	137,616	116,640	60,189	52,166
Allowance for credit losses:				
- Impairment loss on Stage 1 loans	(8,684)	(1,535)	(4,540)	(824)
- Impairment loss on Stage 2 loans	(2,631)	(855)	(2,547)	-
- Impairment loss on Stage 3 loans	(3,200)	(8,478)	(3,702)	(6,407)
Total allowance for credit losses	(14,515)	(10,868)	(10,789)	(7,231)
Carrying amount	**123,101**	**105,772**	**49,400**	**44,935**

Loans and advances to corporate entities and other organizations	**Group**	**Group**	**Bank**	**Bank**
In millions of Nigerian Naira	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Gross amount	2,146,903	2,030,643	1,601,184	1,505,192
Allowance for credit losses:				
- Impairment loss on Stage 1 loans	(35,368)	(32,108)	(17,574)	(23,717)
- Impairment loss on Stage 2 loans	(15,566)	(15,345)	(10,322)	(8,222)
- Impairment loss on Stage 3 loans	(32,704)	(27,815)	(19,876)	(14,808)
Total allowance for credit losses	(83,638)	(75,268)	(47,772)	(46,747)
Carrying amount	**2,063,265**	**1,955,375**	**1,553,412**	**1,458,445**

Group

Loans and advances to individuals	**Gross amount**	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total allowances**	**Carrying amount**
Overdrafts	29,505	(301)	(723)	(3,756)	(4,781)	24,724
Term loans	108,111	(8,383)	(1,908)	556	(9,734)	98,377
	137,616	**(8,684)**	**(2,631)**	**(3,200)**	**(14,515)**	**123,101**
Loans and advances to corporate entities and other organizations						
Overdrafts	443,844	(7,593)	(3,015)	(28,455)	(39,062)	404,782
Term loans	1,699,013	(27,751)	(12,551)	(4,249)	(44,552)	1,654,461
Others	4,046	(24)	-	-	(24)	4,022
	2,146,903	**(35,368)**	**(15,566)**	**(32,704)**	**(83,638)**	**2,063,265**

Bank

Loans and advances to individuals						
Overdrafts	18,499	1,583	(1,717)	(3,685)	(3,819)	14,680
Term loans	41,691	(6,123)	(830)	(17)	(6,970)	34,721
	60,189	**(4,540)**	**(2,547)**	**(3,702)**	**(10,789)**	**49,401**
Loans and advances to corporate entities and other organizations						
Overdrafts	295,088	(3,955)	(544)	(15,279)	(19,778)	275,309
Term loans	1,302,050	(13,595)	(9,778)	(4,597)	(27,970)	1,274,080
Others	4,046	(24)	-	-	(24)	4,022
	1,601,184	**(17,574)**	**(10,322)**	**(19,876)**	**(47,772)**	**1,553,411**

(b) 31 December 2019

(i) Group

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

Bank

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

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

30-Jun-20

(i) Group

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	33,643	16,200	36,293	86,136
Impairment charge/(reversal) for the period (Note 12)	9,177	672	(2,891)	6,958
Transfer between stages	(3,827)	1,325	2,502	-
Exchange difference	5,059	-	-	5,059
Balance, end of period	**40,225**	**19,522**	**38,406**	**98,153**

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	1,535	855	8,478	10,868
Impairment charge/(reversal) for the period (Note 12)	5,263	876	(4,384)	1,755
Transfer between stages	(6)	900	(894)	-
Exchange difference	1,892	-	-	1,892
Balance, end of period	**8,684**	**2,631**	**3,200**	**14,515**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	32,108	15,345	27,815	75,268
Impairment charge/(reversal) for the period (Note 12)	3,914	(204)	1,493	5,203
Transfer between stages	(3,821)	425	3,396	-
Exchange difference	3,167	-	-	3,167
Balance, end of period	**35,368**	**15,566**	**32,704**	**83,638**

(ii) Bank

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	24,541	8,222	21,215	53,978
Impairment charge/(reversal) for the period (Note 12)	3,585	2,294	(1,296)	4,583
Transfer between stages	(6,012)	2,353	3,659	-
Balance, end of period	**22,114**	**12,869**	**23,578**	**58,561**

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	824	-	6,407	7,231
Impairment charge/(reversal) for the period (Note 12)	4,356	1,371	(2,169)	3,558
Transfer between stages	(640)	1,176	(536)	-
Balance, end of period	**4,540**	**2,547**	**3,702**	**10,789**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	23,717	8,222	14,808	46,747
(reversal)/Impairment charge for the period (Note 12)	(771)	923	873	1,025
Transfers between stages	(5,372)	1,177	4,195	-
Balance, end of period	**17,574**	**10,322**	**19,876**	**47,772**

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Group

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

Loans and advances to individuals

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

Loans and advances to corporate entities and other organizations

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

(iv) Bank

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

Loans and advances to individuals

In millions of Nigerian Naira

	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	201	1	6,566	6,768
Impairment charge/(reversal) for the period (Note 12)	642	(1)	259	900
Write offs	-	-	(437)	(437)
Transfer between stages	(19)	-	19	-
Balance, end of period	824	-	6,407	**7,231**

Loans and advances to corporate entities and other organizations

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

26 Investment securities

In millions of Nigerian Naira	Group June 2020	Group Dec 2019	Bank June 2020	Bank Dec 2019
Investment securities at FVOCI comprise (see note (i)):				
Treasury bills	713,239	678,243	704,948	634,209
Bonds	90,481	108,697	22,821	24,931
Equity investments (see note (ii))	127,539	114,108	126,322	113,518
Allowance for credit losses	(31)	-	(31)	-
	931,228	901,048	854,060	772,658
Investment securities at amortised cost comprise (see note (i)):				
Treasury bills	632,848	461,353	-	-
Bonds	413,904	209,645	66,720	74,017
Gross amount	1,046,752	670,998	66,720	74,017
Allowance for credit losses	(621)	(496)	(538)	(461)
Net carrying amount	1,046,131	670,502	66,182	73,556
Carrying amount	**1,977,359**	**1,571,550**	**920,242**	**846,214**

	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
(a) Movement in allowance for impairment for investment securities				
Balance, beginning of the period	496	310	461	244
Charge for the period	156	186	108	217
Balance, end of the period	652	496	569	461
Current	356,038	1,267,963	280,087	762,020
Non-current	1,621,321	303,587	640,155	84,194
	1,977,359	**1,571,550**	**920,242**	**846,214**

Group

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	496	-	-	496
Impairment charge for the period (Note 12)	156	-	-	156
Balance, end of period	**652**	-	-	**652**

Bank

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	461	-	-	461
Impairment charge for the period (Note 12)	108	-	-	108
Balance, end of period	**569**	-	-	**569**

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

	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
In millions of Nigerian Naira				
Bonds (at FVOCI)	248	10,102	-	10,102
Treasury bills (at FVOCI)	328,166	400,625	328,166	400,625
Bonds (at amortised cost)	141,337	44,175	29,175	44,175
	469,751	454,902	357,341	454,902

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

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Africa Finance Corporation	98,523	92,592	98,523	92,592
SMEEIS Investment	9,728	6,588	9,728	6,588
Unified Payment Services Limited	5,652	5,147	5,652	5,147
MTN Nigeria	2,923	2,612	2,923	2,612
Central Securities Clearing System Limited	3,738	3,088	3,738	3,088
Nigeria Interbank Settlement System Plc.	2,143	2,021	2,143	2,021
African Export-Import Bank	2,900	815	2,900	815
FMDQ OTC Plc	499	455	499	455
Credit Reference Company	166	150	166	150
NG Clearing Limited	50	50	50	50
Others1	1,218	590	-	-
	127,539	114,108	126,322	113,518

1 These relate to other unquoted equity investments (in enties such as GIM UEMOA, The Insurance and Reinsurance Company of the Gulf of Guinea (ARGG) and others) held across the Group by different subsidiaries

27 Other assets

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Financial assets				
Electronic payments receivables	25,266	31,870	17,931	29,095
Accounts receivable	32,142	96,635	10,771	53,298
Intercompany receivables	-	-	13,141	13,143
Dividends receivable	421	-	5,733	12,739
Pension custody fees receivable	566	693	-	-
Allowance for impairment on accounts receivable	(6,787)	(8,642)	(4,846)	(5,039)
	51,608	120,556	42,730	103,236

	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Non-financial assets				
Prepayments	21,165	10,913	12,908	4,343
Recoverable taxes	3,388	2,796	1,677	718
Stock of consumables	4,101	5,622	1,964	3,310
	28,654	19,331	16,549	8,371
	80,262	139,887	59,279	111,607
(a) *Movement in impairment for other assets*				
At start of period	8,642	5,310	5,039	1,965
Reversal/charge for the period (Note 12)	(828)	3,738	(194)	3,074
Exchange difference	(1,027)	(406)	-	-
	6,787	8,642	4,845	5,039
(b) Current	75,746	136,041	55,790	108,622
Non-current	4,516	3,844	3,489	2,985
	80,262	139,887	59,279	111,607

28 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 30 June 2020. The Associate Company (UBA Zambia Limited) has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of the Group's ownership interest is the same as the proportion of voting rights held.

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

(a) Movement in investment in equity-accounted investee

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Balance, beginning of the period	4,142	4,610	2,715	2,715
Share of current period's result	353	413	-	-
Share of foreign currency translation differences	(57)	(881)	-	-
Balance, end of the period	**4,438**	**4,142**	**2,715**	**2,715**

(i) Reconciliation of summarised financial information

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

In millions of Nigerian Naira	Jun. 2020	Dec. 2019
Opening net assets	4,103	5,063
Profit for the period	720	837
Foreign currency translation differences	(117)	(1,797)
Closing net assets	**4,705**	**4,103**
Group's interest in associate (49%)	2,305	2,010
Notional goodwill	2,133	2,133
Carrying amount	**4,438**	**4,142**

(b) Nature of investment in associates

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

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

(c) Summarised financial information for associate

(i) Summarised Statement of Financial Position

In millions of Nigerian Naira	Jun. 2020	Dec. 2019
Assets		
Cash and cash equivalents	13,668	4,815
Other current assets	32,822	29,408
Non-current assets	839	1,639
Total assets	**47,328**	**35,862**
Financial liabilities	30,153	24,383
Other current liabilities	12,469	7,376
Total liabiliities	**42,623**	**31,759**
Net assets	**4,705**	**4,103**

(ii) Summarised statement of comprehensive income

	Jun. 2020	Jun. 2019
Operating income	3,020	2,522
Operating expense	(2,269)	(1,821)
Net impairment loss on financial assets	(31)	(3)
Profit/(Loss) before tax	**720**	**698**
Income tax expense	(205)	-
Profit/(Loss) for the period	**515**	**698**
Other comprehensive income	-	-
Total comprehensive income/(loss)	**515**	**698**

The information above reflects the amounts presented in the financial statements of the Associate Company (and not UBA Group's share of those amounts). There are no differences in the accounting policies of the Associate Company and the Group's accounting policies.

29 Investment in subsidiaries

(a) Holding in subsidiaries

In millions of Nigerian Naira						Bank Jun. 2020	Bank Dec. 2019
Bank subsidiaries (see note (i) below):	**Year of acquisition/ Commence ment**	**Holding**	**Non-controlling interest**	**Country**	**Industry**		
UBA Ghana Limited	2004	91%	9%	Ghana	Banking	8,048	8,048
UBA Cameroun (SA)	2007	100%	0%	Cameroun	Banking	1,845	1,845
UBA Cote d'Ivoire	2008	100%	0%	Cote d'Ivoire	Banking	12,295	12,295
UBA Liberia Limited	2008	100%	0%	Liberia	Banking	2,330	2,330
UBA (SL) Limited	2008	100%	0%	Sierra Leone	Banking	1,269	1,269
UBA Uganda Limited	2008	69%	31%	Uganda	Banking	3,705	3,705
UBA Burkina Faso	2008	64%	36%	Burkina Faso	Banking	5,352	5,352
UBA Benin	2008	84%	16%	Benin Republic	Banking	11,451	11,451
UBA Kenya Bank Limited	2009	81%	19%	Kenya	Banking	3,744	3,744
UBA Chad (SA)	2009	89%	11%	Chad	Banking	2,440	2,440
UBA Senegal (SA)	2009	86%	14%	Senegal	Banking	2,400	2,400
UBA Tanzania Limited	2010	82%	18%	Tanzania	Banking	4,332	4,332
UBA Gabon	2010	100%	0%	Gabon	Banking	2,760	2,760
UBA Guinea (SA)	2010	100%	0%	Guinea	Banking	1,475	1,475
UBA Congo DRC (SA)	2011	100%	0%	Congo DRC	Banking	10,375	10,375
UBA Congo Brazzaville (SA)	2011	100%	0%	Congo Brazzaville	Banking	3,024	3,024
UBA Mozambique (SA)	2011	96%	4%	Mozambique	Banking	8,156	8,156
UBA Mali	2017	100%	0%	Mali	Banking	6,300	6,300
UBA UK Limited (see (ii) below)	2012	100%	-	United Kingdom	Banking	9,974	9,974
Non-Bank Subsidiaries:							
UBA Pensions Custodian Limited (see (ii) below)	2004	100%	-	Nigeria	Pension custody	2,000	2,000
						103,275	**103,275**

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

The movement in investment in subsidiaries during the period is as follows:

In millions of Nigerian Naira	Bank Jun. 2020	Bank Dec. 2019
The movement in the investment in subsidiaries during the period is as follows:		
Balance, beginning of the period	103,275	103,275
Balance, end of the period	**103,275**	**103,275**

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

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

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

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

(b) Non-controlling interests

(i) The total non-controlling interests at the end of the period is N24.887 billion (2019: N19.405 billion) is attributed to the following non-fully owned subsidiaries:

	Jun. 2020	**Dec. 2019**
UBA Ghana Limited	5,816	3,709
UBA Burkina Faso	7,442	6,038
UBA Benin	2,730	1,990
UBA Uganda Limited	1,916	1,401
UBA Kenya Bank Limited	1,713	1,633
UBA Senegal (SA)	2,947	2,769
UBA Mozambique (SA)	296	342
UBA Chad (SA)	1,343	1,046
UBA Tanzania Limited	684	477
	24,887	19,405

(ii) Set out below is summarised financial information for each subsidiary that has non-controlling interests as at 30 June 2020. The amounts disclosed for each subsidiary are before inter-company eliminations.

In millions of Nigerian Naira	UBA Ghana Limited		UBA Burkina Faso		UBA Benin	
	Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Summarised statement of financial position						
Cash and bank balances	51,468	32,320	20,254	11,708	13,174	24,553
Other financial assets	175,641	214,027	278,752	175,519	157,411	88,707
Non-financial assets	3,231	2,579	3,512	2,970	2,616	2,016
Total assets	**230,340**	**248,926**	**302,518**	**190,197**	**173,201**	**115,276**
Financial liabilities	160,755	198,131	278,753	171,326	151,813	99,253
Non-financial liabilities	6,568	10,616	3,240	2,220	4,527	3,734
Total liabilities	**167,323**	**208,747**	**281,993**	**173,546**	**156,340**	**102,987**
Net assets	**63,017**	**40,179**	**20,525**	**16,651**	**16,861**	**12,289**
Summarized statement of comprehensive income	**Jun. 2020**	**Jun. 2019**	**Jun. 2020**	**Jun. 2019**	**Jun. 2020**	**Jun. 2019**
Revenue	**24,626**	**25,978**	**8,072**	**6,410**	**6,054**	**826**
Profit for the period	6,430	6,080	1,007	1,120	847	868
Other comprehensive income	-	-	-	-		
Total comprehensive income	**6,430**	**6,080**	**1,007**	**1,120**	**847**	**868**
Total comprehensive income allocated to non-controlling interest	593	561	365	406	137	141
Dividends paid to non-controlling interests	-	-	-	-	-	-
Summarized cash flows						
Cash flows from operating activities	6,682	1,673	102,746	(13,447)	36,850	1,003
Cash flows from financing activities	2,054	704	2,867	(2,658)	3,671	(649)
Cash flows from investing activities	(10,255)	(1,204)	(97,067)	3,415	(51,900)	(1,586)
Net (decrease)/increase in cash and cash equivalents	**(1,519)**	**1,173**	**8,546**	**(12,690)**	**(11,379)**	**(1,232)**

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

In millions of Nigerian Naira	UBA Uganda Limited		UBA Kenya Bank Limited		UBA Senegal (SA)	
	Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Summarised statement of financial position						
Cash and bank balances	24,611	18,290	4,435	13,489	20,395	14,653
Other financial assets	22,969	15,187	56,500	42,675	144,615	124,270
Non-financial assets	2,681	534	1,403	1,558	1,618	1,601
Total assets	**50,261**	**34,011**	**62,338**	**57,722**	**166,628**	**140,524**
Financial liabilities	41,153	29,471	52,005	33,762	136,355	113,860
Non-financial liabilities	2,900	-	1,316	15,364	8,462	6,172
Total liabilities	**44,053**	**29,471**	**53,321**	**49,126**	**144,817**	**120,032**
Net assets	**6,208**	**4,540**	**9,017**	**8,596**	**21,811**	**20,492**
Summarized statement of comprehensive income	**Jun. 2020**	**Jun. 2019**	**Jun. 2020**	**Jun. 2019**	**Jun. 2020**	**Jun. 2019**
Revenue	**2,915**	**1,975**	**3,932**	**2,881**	**6,548**	**5,204**
Profit for the period	493	179	908	99	2,158	671
Other comprehensive income	-	-	-	-		
Total comprehensive income	**493**	**179**	**908**	**99**	**2,158**	**671**
Total comprehensive income allocated to non-controlling interest	152	55	173	19	292	91
Summarized cash flows						
Cash flows from operating activities	12,931	7,301	17,845	18,217	42,334	9,097
Cash flows from financing activities	1,175	(78)	(486)	(17,845)	(838)	(2,487)
Cash flows from investing activities	(7,785)	(7,502)	(26,413)	756	(35,754)	657
Net increase/(decrease) in cash and cash equivalents	**6,321**	**(279)**	**(9,054)**	**1,128**	**5,742**	**7,267**

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

	UBA Mozambique (SA)		UBA Chad		UBA Tanzania	
In millions of Nigerian Naira	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
Summarised statement of financial position						
Cash and bank balances	9,193	10,129	15,792	12,290	7,378	11,040
Other financial assets	7,868	8,515	63,232	38,343	21,905	17,789
Non-financial assets	547	218	771	629	244	206
Total assets	**17,608**	**18,862**	**79,795**	**51,262**	**29,527**	**29,035**
Financial liabilities	10,146	10,706	65,107	40,379	25,465	26,247
Non-financial assets	582	202	2,475	1,371	239	119
Total liabilities	**10,728**	**10,908**	**67,582**	**41,750**	**25,704**	**26,366**
Net assets	**6,880**	**7,954**	**12,213**	**9,512**	**3,823**	**2,669**
Summarized statement of comprehensive income	**Jun. 2020**	**Jun. 2019**	**Jun. 2020**	**Jun. 2019**	**Jun. 2020**	**Jun. 2019**
Revenue	**946**	**1,107**	**3,493**	**3,461**	**2,104**	**1,179**
(Loss)/Profit for the period	(226)	(12)	1,019	1,407	487	92
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(226)**	**(12)**	**1,019**	**1,407**	**487**	**92**
Total comprehensive income allocated to non-controlling interest	(10)	(1)	112	155	87	16
Summarized cash flows						
Cash flows from operating activities	173	(3,726)	21,401	8,968	(3,237)	21,946
Cash flows from financing activities	(851)	2	1,684	(73)	669	11
Cash flows from investing activities	(258)	4,679	(19,583)	(4,795)	(1,094)	(892)
Net increase/(decrease) in cash and cash equivalents	**(936)**	**955**	**3,502**	**4,100**	**(3,662)**	**21,065**

30 Property and equipment

In millions of Nigerian Naira	Group June 2020	Group Dec. 2019	Bank June 2020	Bank Dec. 2019
Property and equipment	134,823	122,290	112,534	102,009
Right-of-use assets	10,140	6,209	6,026	5,439
Carrying amount	**144,963**	**128,499**	**118,560**	**107,448**

(a) Property and equipment
As at 30 June 2020
Group

In millions of Nigerian Naira	Land	Buildings	Leasehold improve ments	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2020	34,365	37,396	15,596	8,564	14,959	13,188	44,233	49,662	15,867	233,830
Additions	178	388	301	-	235	331	13,629	1,639	2,943	19,645
Reclassifications	(27)	164	201	-	863	301	255	2,442	(4,199)	-
Disposals	-	(24)	-	-	(282)	(59)	(203)	(248)	(163)	(979)
Write-off	(3)	(8)	(5)	-	(200)	(305)	(170)	(130)	-	(822)
Exchange difference (note i)	273	2,603	44	-	861	14	37	1,720	438	5,990
Balance at 30 June 2020	**34,785**	**40,518**	**16,137**	**8,564**	**16,436**	**13,470**	**57,781**	**55,085**	**14,886**	**257,664**
Accumulated depreciation										
Balance at 1 January 2020	-	15,035	7,773	2,334	12,066	9,543	31,800	32,989	-	111,540
Charge for the period	-	510	418	204	674	500	2,270	2,540	-	7,116
Reclassifications	-	31	(31)	-	(12)	-	-	12	-	-
Disposals	-	(4)	(0)	-	(167)	(58)	(189)	(233)	-	(651)
Write-off	-	(2)	(4)	-	(199)	(297)	(159)	(129)	-	(791)
Exchange difference (note i)	(13)	2,223	14	-	728	13	29	2,635	-	5,627
Balance at 30 June 2020	**(13)**	**17,792**	**8,170**	**2,538**	**13,089**	**9,701**	**33,751**	**37,814**	**-**	**122,841**
Carrying amounts										
Balance at 30 June 2020	**34,798**	**22,726**	**7,967**	**6,026**	**3,347**	**3,769**	**24,030**	**17,271**	**14,886**	**134,823**
Balance at 31 December 2019	**34,365**	**22,361**	**7,823**	**6,230**	**2,893**	**3,645**	**12,433**	**16,673**	**15,867**	**122,290**

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

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

Group

(b) As at 31 December 2019

In millions of Nigerian Naira	**Land**	**Buildings**	**Leasehold improve ments**	**Aircraft**	**Motor vehicles**	**Furniture and fittings**	**Computer hardware**	**Equipment**	**Work in progress**	**Total**
Cost										
Balance at 1 January 2019	34,390	36,956	13,259	8,564	14,367	11,640	41,936	44,910	11,452	217,474
Additions	381	833	1,016	-	646	1,776	1,320	1,844	10,605	18,421
Reclassifications	(406)	466	532	-	41	108	1,231	3,476	(5,448)	-
Disposals	-	(0)	(9)	-	(240)	(101)	(191)	(242)	(213)	(996)
Transfers	-	-	41	-	-	27	239	28	(112)	223
Write-off	-	(8)	(169)	-	(107)	(54)	(139)	(107)	(6)	(590)
Exchange difference	-	(851)	926	-	252	(208)	(163)	(247)	(411)	(702)
Balance at 31 December 2019	**34,365**	**37,396**	**15,596**	**8,564**	**14,959**	**13,188**	**44,233**	**49,662**	**15,867**	**233,830**
Accumulated depreciation										
Balance at 1 January 2019	-	14,461	7,542	1,666	11,567	9,201	28,783	28,279	-	101,499
Charge for the year	-	934	515	668	850	1,191	3,048	4,774	-	11,980
Reclassifications	-	(13)	13	-	-	2	(44)	42	-	-
Disposals	-	(0)	(2)	-	(235)	(80)	(187)	(221)	-	(725)
Transfers	-	-	-	-	-	-	5	-	-	5
Write-off	-	(1)	(160)	-	(66)	(55)	(131)	(103)	-	(516)
Exchange difference	-	(346)	(135)	-	(50)	(716)	326	218	-	(703)
Balance at 31 December 2019	**-**	**15,035**	**7,773**	**2,334**	**12,066**	**9,543**	**31,800**	**32,989**	**-**	**111,540**
Carrying amounts										
Balance at 31 December 2019	**34,365**	**22,361**	**7,823**	**6,230**	**2,893**	**3,645**	**12,433**	**16,673**	**15,867**	**122,290**

(b) **Right-of-use assets**

Group

In millions of Nigerian Naira	30 June 2020 Land	30 June 2020 Buildings	30 June 2020 Total	31 December 2019 Land	31 December 2019 Buildings	31 December 2019 Total
Right-of-use assets						
Balance, beginning of the period	166	7,926	8,092	115	4,735	4,850
Additions (new lease contracts) during the year	-	5,389	5,389	51	3,191	3,242
Balance, end of the period	166	13,315	13,481	166	7,926	8,092
Depreciation						
Balance, beginning of the period	23	1,860	1,883	-	-	-
Depreciation charge for the period	13	1,260	1,273	23	1,860	1,883
Exchange difference	-	185	185	-	-	-
Balance, end of the period	36	3,305	3,341	23	1,860	1,883
Carrying amounts						
Carrying amounts	**130**	**10,010**	**10,140**	**143**	**6,066**	**6,209**

Bank

(c) **As at 30 June 2020**

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2020	33,347	26,815	4,489	8,564	10,425	8,181	37,261	42,517	12,402	184,001
Additions	178	86	-	-	65	42	13,234	1,225	1,013	15,843
Reclassifications	(27)	115	201	-	861	61	168	990	(2,369)	-
Disposals	-	-	-	-	(258)	(59)	(192)	(216)	(24)	(749)
Write-off	(3)	(8)	(5)	-	(200)	(305)	(170)	(130)	-	(822)
Exchange difference (note i)		-	22	-	26	11	26	33	-	118
Balance at 30 June 2020	**33,494**	**27,008**	**4,707**	**8,564**	**10,920**	**7,931**	**50,327**	**44,419**	**11,021**	**198,391**
Accumulated depreciation										
Balance at 1 January 2020	-	9,488	1,751	2,075	8,773	6,287	26,506	27,112	-	81,992
Charge for the period	-	215	70	204	291	286	1,928	2,159	-	5,153
Reclassifications	-	31	(31)	-	-	-	-	-	-	-
Disposals	-	-	(0)	-	(146)	(58)	(184)	(202)	-	(590)
Write-off	-	(2)	(4)	-	(199)	(297)	(159)	(129)	-	(791)
Exchange difference (note i)	-	(2)	5	-	28	11	18	34	-	93
Balance at 30 June 2020	**-**	**9,730**	**1,790**	**2,279**	**8,747**	**6,228**	**28,108**	**28,975**	**-**	**85,857**
Carrying amounts										
Balance at 30 June 2020	**33,494**	**17,278**	**2,917**	**6,285**	**2,173**	**1,703**	**22,219**	**15,444**	**11,021**	**112,534**
Balance at 31 December 2019	**33,347**	**17,327**	**2,738**	**6,489**	**1,652**	**1,894**	**10,755**	**15,405**	**12,402**	**102,009**

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

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

(d) **As at 31 December 2019**

Bank

In millions of Nigerian Naira	Land	Buildings	Leasehold improve ments	Aircraft	Motor vehicl	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2019	33,372	26,316	4,034	8,564	10,227	7,815	35,336	37,776	7,706	171,146
Additions	381	41	5	-	287	313	873	1,527	9,990	13,417
Reclassifications	(406)	466	446	-	41	83	1,211	3,427	(5,268)	-
Disposals	-	(0)	(2)	-	(83)	(33)	(173)	(206)	(213)	(710)
Write-off	-	(8)	-	-	(48)	(0)	(1)	(7)	-	(64)
Exchange difference	-	-	6	-	1	3	15	-	187	212
Balance at 31 December 2019	**33,347**	**26,815**	**4,489**	**8,564**	**10,425**	**8,181**	**37,261**	**42,517**	**12,402**	**184,001**
Accumulated depreciation										
Balance at 1 January 2019	-	9,082	1,626	1,666	8,364	5,733	24,096	23,077	-	73,644
Charge for the year	-	420	109	409	530	571	2,616	4,187	-	8,842
Reclassifications	-	(13)	13	-	-	2	(44)	42	-	-
Disposals	-	(0)	(1)	-	(78)	(22)	(169)	(186)	-	(456)
Write-off	-	(1)	-	-	(43)	(0)	(1)	(6)	-	(51)
Exchange difference	-	-	4	-	-	3	8	(2)	-	13
Balance at 31 December 2019	**-**	**9,488**	**1,751**	**2,075**	**8,773**	**6,287**	**26,506**	**27,112**	**-**	**81,992**
Carrying amounts										
Balance at 31 December 2019	**33,347**	**17,327**	**2,738**	**6,489**	**1,652**	**1,894**	**10,755**	**15,405**	**12,402**	**102,009**

(e) **Right-of-use assets**

Bank

	30 June 2020			**31 December 2019**		
In millions of Nigerian Naira	**Land**	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Right-of-use assets						
Balance, beginning of the period	166	6,878	7,044	115	4,160	4,275
New lease contracts	-	1,497	1,497	51	2,718	2,769
Balance, end of the period	166	8,375	8,541	166	6,878	7,044
Depreciation						
Balance, beginning of the period	23	1,582	1,605	-	-	-
Depreciation charge for the period	13	897	910	23	1,582	1,605
Balance, end of the period	36	2,479	2,515	23	1,582	1,605
Carrying amounts						
Carrying amounts	**130**	**5,896**	**6,026**	**143**	**5,296**	**5,439**

31 Intangible assets

(a) (i) As at 30 June 2020

Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress	Total
Cost				
Balance at 1 January 2020	9,558	20,022	5,046	34,626
Additions	-	10,859	628	11,487
Reclassifications	-	524	(524)	-
Disposal	-	-	(293)	(293)
Exchange difference	1,758	578	-	2,336
Balance at 30 June 2020	11,316	31,983	4,856	48,155
Amortization				
Balance at 1 January 2020	-	16,956	-	16,956
Amortisation for the period	-	1,201	-	1,201
Exchange difference	-	772	-	772
Balance at 30 June 2020	-	18,929	-	18,929
Carrying amounts				
Balance at 30 June 2020	11,316	13,054	4,856	29,226
Balance at 31 December 2019	9,558	3,066	5,046	17,670

(ii) As at 31 December 2019

Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress	Total
Cost				
Balance at 1 January 2019	9,735	20,092	3,710	33,537
Additions	-	177	1,669	1,846
Reclassifications	-	135	(135)	-
Disposal	-	-	(11)	(11)
Transfers*	-	(37)	(187)	(224)
Exchange difference	(177)	(345)	-	(522)
Balance at 31 December 2019	9,558	20,022	5,046	34,626
Amortization				
Balance at 1 January 2019	-	15,369	-	15,369
Amortisation for the year	-	1,627	-	1,627
Exchange difference	-	(40)	-	(40)
Balance at 31 December 2019	-	16,956	-	16,956
Carrying amounts				
Balance at 31 December 2019	**9,558**	**3,066**	**5,046**	**17,670**

(b) (i) Bank

	Purchased software	Work in progress	Total
Cost			
Balance at 1 January 2020	15,023	5,044	20,067
Additions	9,999	610	10,609
Reclassifications	524	(524)	-
Disposal	-	(293)	(293)
Exchange difference	3	-	3
Balance at 30 June 2020	25,549	4,837	30,386
Amortization			
Balance at 1 January 2020	12,997	-	12,997
Amortisation for the period	1,048	-	1,048
Exchange difference	2	-	2
Balance at 30 June 2020	14,047	-	14,047
Carrying amounts			
Balance at 30 June 2020	11,502	4,837	16,339
Balance at 31 December 2019	2,026	5,044	7,070

(ii) **Bank**

Cost	**Purchased software**	**Work in progress**	**Total**
In millions of Nigerian Naira			
Balance at 1 January 2019	14,886	3,697	18,583
Additions	14	1,669	1,683
Reclassifications	123	(123)	-
Disposal	-	(12)	(12)
Transfers*		(187)	(187)
Exchange difference		-	-
Balance at 31 December 2019	15,023	5,044	20,067
Amortization			
Balance at 1 January 2019	11,672	-	11,672
Amortisation for the year	1,325	-	1,325
Balance at 31 December 2019	12,997	-	12,997
Carrying amounts			
Balance at 31 December 2019	**2,026**	**5,044**	**7,070**

There were no capitalised borrowing costs related to the internal development of software during the period (December 2019: nil). Computer software has a definite useful life of not more than five years while goodwill has an indefinite useful life and is annually assessed for impairment.

* Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets - purchased software (work in progress) during the period as disclosed in Note 30.

Impairment testing for cash-generating units containing Goodwill

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash generating units (CGUs) as the goodwill is monitored at the level of the individual cash generating units. UBA Benin and UBA UK Limited have been identified as individual cash generating units. UBA Benin and UBA UK Limited operate under Rest of Africa and Rest of the World geographic segments respectively. The recoverable amounts of the CGUs have been determined based on value-in-use calculations; using cash flow projections based on financial forecasts covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated economic growth rates for the respective CGUs. These growth rates are consistent with forecasts included in industry reports specific to the economic environment in which each of the CGU's operates.

The following table sets out the key assumptions used in the value-in-use calculations:

	UBA Benin		**UBA UK Limited**	
	June. 2020	**Dec. 2019**	**June. 2020**	**Dec. 2019**
Gross earnings (% annual growth rate)	15.0	13.2	9.0	9.0
Deposits (% annual growth rate)	10.0	15.0	6.0	5.0
Loans and advances (% annual growth rate)	15.0	15.0	10.0	10.0
Operating expenses (% annual growth rate)	16.0	10.0	9.0	5.0
Terminal growth rate (%)	3.9	1.5	1.3	1.0
Discount rate (pre-tax) (%)	27.6	18.9	6.2	5.4

The values assigned to each of the above key assumptions were determined as follows:

Assumption	**Approach used in determining values**
Gross earnings	This is the average annual growth rate over the five-year period. Based on past performance, expectations of market development and the expected positive impact of deposits and loan growth in the forecast period.
Deposits	This is the average annual growth rate over the five-year period. Deposits have been determined to be the key value driver for the CGUs. Projected deposits growth is based on past performance of the CGUs as well as management's plans to expand the businesses and deepen customer base.

Loans and advances	This is the average annual growth rate over the five year period. It is based partly on past performance but largely on the expected positive impact of the forecasted growth in deposits.
Operating expenses	This is the average annual growth rate over the five year period. It is based on the current structure of business of the respective CGUs, adjusting for expected inflationary increases but not reflecting any future restructurings or cost saving measures.
Terminal growth rate	This is the average growth rate used to extrapolate cash flows beyond the five-year period. Based on estimated economic growth rates for the respective CGUs.
Discount rate	The discount rate was a pre-tax measure based on the longest tenured government bond issued by the governments in Benin and United Kingdom respectively adjusted for a risk premium to reflect both the increased risk of investing in equities and generally and the systematic risk of the specific CGU.

Below is the result of the impairment test:

	UBA Benin		**UBA UK Limited**	
	Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
In millions of Nigerian Naira				
Recoverable amount	26,596	58,534	26,858	59,886
Less: Carrying amount				
Goodwill	(7,052)	(5,537)	(4,264)	(4,021)
Net assets	(16,861)	(12,289)	(17,734)	(16,358)
Total carrying amount	(23,913)	(17,826)	(21,998)	(20,379)
Excess of recoverable amount over carrying amount	**2,683**	**40,708**	**4,860**	**39,507**

The key assumptions described above may change as economic and market conditions change. The results of the value-in-use calculations are most sensitive to changes in the deposit growth rates, terminal growth rates and discount rates applied. The recoverable amounts of the respective CGUs would equal their carrying amounts if these key assumptions were to change as follows:

	Jun. 2020		**Dec.2019**	
	%	**%**	**%**	**%**
UBA Benin	**From**	**To**	**From**	**To**
Deposit growth rate	10.0	8.5	6.0	8.1
Discount rate	27.6	35.0	18.9	35.1
UBA UK Limited				
Deposit growth rate	6.0	1.2	5.0	1.2
Discount rate	6.1	16.0	5.4	16.0

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

32 **Deferred tax assets and liabilities**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(a)

In millions of Nigerian Naira	Group			Bank		
30 June 2020	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, equipment, and software	-	16,554	(16,554)	-	16,554	(16,554)
Allowances for loan losses	3,728	-	3,728	3,728	-	3,728
Account receivable	1,454	-	1,454	1,454	-	1,454
Tax losses carried forward	1,235	-	1,235	1,235	-	1,235
Other liabilities	881	-	881	881	-	881
Loss on revaluation of investments securities	59	-	59	59	-	59
Foreign currency revaluation	-	1,794	(1,794)	-	1,794	(1,794)
Unused capital allowance	34,139	-	34,139	32,853		32,853
Net deferred tax assets /liabilities	41,496	18,348	23,148	40,210	18,348	21,862

In millions of Nigerian Naira	Group			Bank		
31 December 2019	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, equipment, and software	25,670	119	25,551	22,406	-	22,406
Allowances for loan losses	3,849	61	3,788	3,728	-	3,728
Account receivable	1,454	9	1,445	1,454		1,454
Financial assets at FVOCI	-	13,475	(13,475)	-	13,475	(13,475)
Tax losses carried forward	7,433	-	7,433	6,362	-	6,362
Other liabilities	882	-	882	882	-	882
Fair value loss on derivatives	-	3,179	(3,179)	-	3,179	(3,179)
Loss on revaluation of investment securities	59	-	59	59	-	59
Foreign currency revaluation Loss	3,624	-	3,624	3,624	-	3,624
Others	83	12	71	-	-	-
Net deferred tax assets /liabilities	43,054	16,855	26,199	38,515	16,653	21,862

(b) **Reconciliation of recognised deferred tax assets and liabilities to the amounts disclosed in the statement of financial position**

(i) **Deferred tax assets**

In millions of Nigerian Naira	**Group Jun. 2020**	**Group Dec. 2019**	**Bank Jun. 2020**	**Bank Dec. 2019**
Recognised deferred tax assets	41,496	43,054	40,210	38,515
Amounts offset*:				
- Fair value gain on derivatives	-	(16,855)	-	(16,653)
-Property, equipment, and software	(16,554)	-	(16,554)	-
-Foreign currency revaluation	(1,794)	-	(1,794)	-
Deferred tax assets in the statement of financial position	23,148	26,199	21,862	21,862

Movements in temporary differences during the period

30 June 2020

Group

In millions of Nigerian Naira	**Opening**	**Recognised in profit or loss**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	25,551	(42,105)	-	(16,554)
Allowances for loan losses	3,788	(60)	-	3,728
Account receivable	1,445	9	-	1,454
Financial assets at FVOCI	(13,475)	13,475	-	-
Tax losses carried forward	7,433	(6,198)	-	1,235
Other liability	882	-	-	882
Tax losses on fair value gain on derivatives	(3,179)	3,179	-	-
Foreign currency revaluation Loss	3,624	(5,418)	-	(1,794)
Loss on revaluation of investment securities	59	-	-	59
Tax losses on fair value gain on derivatives	71	(71)	-	-
Unused capital allowance	-	34,139	-	34,139
	26,199	(3,051)	-	23,148

Bank

In millions of Nigerian Naira	**Opening**	**Recognised in profit or loss balance**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	22,406	-	-	22,406
Allowances for loan losses	3,728	-	-	3,728
Account receivable	1,454	-	-	1,454
Financial assets at FVOCI	(13,475)	-	-	(13,475)
Tax losses carried forward	6,362	-	-	6,362
Other liability	882	-	-	882
Tax losses on fair value gain on derivatives	(3,179)	-	-	(3,179)
Foreign currency revaluation Loss	3,625	-	-	3,625
Loss on revaluation of investment securities	59	-	-	59
	21,862	-	-	21,862

31 December 2019

Group

In millions of Nigerian Naira	**Opening**	**Recognised in profit or loss balance**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	17,706	7,845	-	25,551
Allowances for loan losses	7,111	(3,323)	-	3,788
Account receivable	695	750	-	1,445
Financial assets at FVOCI	-	(13,475)	-	(13,475)
Tax losses carried forward	(3,601)	11,034	-	7,433
Other liability	-	882	-	882
Tax losses on fair value gain on derivatives	(8,069)	4,890	-	(3,179)
Foreign currency revaluation Loss	1,440	2,184	-	3,624
Loss on revaluation of investment securities	9,368	(9,309)	-	59
Tax losses on fair value gain on derivatives	293	(222)	-	71
	24,943	1,256	-	26,199

Bank

In millions of Nigerian Naira	**Opening**	**Recognised in profit or loss balance**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	22,406	-	-	22,406
Allowances for loan losses	3,728	-	-	3,728
Account receivable	1,454	-	-	1,454
Financial assets at FVOCI	(13,475)	-	-	(13,475)
Tax losses carried forward	6,362	-	-	6,362
Other liability	882	-	-	882
Tax losses on fair value gain on derivatives	(3,179)	-	-	(3,179)
Foreign currency revaluation Loss	3,625	-	-	3,625
Loss on revaluation of investment securities	59	-	-	59
Tax losses on fair value gain on derivatives	-	-	-	-
	21,862	-	-	21,862

33 Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount which is recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are indicative of neither the market risk nor the credit risk.

In millions of Nigerian Naira

	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Derivative assets				
Carrying value	56,849	48,131	56,849	48,131
Notional amount	541,657	438,130	541,657	438,130
Derivative liabilities				
Carrying value	138	852	138	852
Notional amount	63,592	129,236	63,592	129,236

(a) Derivative assets

In millions of Nigerian Naira

	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Instrument type:				
Cross-currency swaps	49,497	40,779	49,497	40,779
Foreign exchange forward contracts	7,352	7,352	7,352	7,352
	56,849	48,131	56,849	48,131
The movement in derivative assets is as follows:				
Balance, beginning of period	48,131	34,784	48,131	34,784
Fair value of derivatives derecognised/remeasured in the period	(48,131)	(34,784)	(48,131)	(34,784)
Fair value of derivatives acquired/remeasured in the period	56,849	48,131	56,849	48,131
Balance, end of period	56,849	48,131	56,849	48,131

Derivative assets are current in nature

(b) Derivative liabilities

In millions of Nigerian Naira

	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Instrument type:				
Cross-currency swap	(115)	599	(115)	599
Foreign exchange forward contracts	253	253	253	253
	138	852	138	852
The movement in derivative liability is as follows:				
Balance, beginning of period	852	99	852	99
Fair value of derivatives derecognised/remeasured in the period	(852)	(99)	(852)	(99)
Fair value of derivatives acquired/remeasured in the period	138	852	138	852
Balance, end of period	138	852	138	852

Derivative liabilities are current in nature

(c)	**Fair value gain on derivatives**	**Group Jun. 2020**	**Group Jun. 2019**	**Bank Jun. 2020**	**Bank Jun. 2019**
	Derivative assets :				
	Fair value gain on additions in the period	56,849	41,948	56,849	41,948
	Fair value loss on maturities in the period	(48,131)	(34,784)	(48,131)	(34,784)
	Net fair value gain on derivative assets	8,718	7,164	8,718	7,164
	Derivative liabilities:				
	Fair value loss on additions in the period	(138)	(1,285)	(138)	(1,285)
	Fair value gain on maturities in the period	852	99	852	99
	Net fair value gain/(loss) on derivative liabilities	714	(1,186)	714	(1,186)
	Net fair value gain/(loss) on derivative assets and liabilities (See note 15)	**9,432**	**5,978**	**9,432**	**5,978**

34	**Deposits from banks**	**Group**	**Group**	**Bank**	**Bank**
	In millions of Nigerian Naira	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
	Money market deposits	506,706	140,509	367,711	2,882
	Due to other banks	33,902	126,561	11,652	89,835
		540,608	**267,070**	**379,363**	**92,717**
	Current	540,608	267,070	379,363	92,717

35	**Deposits from customers**	**Group**	**Group**	**Bank**	**Bank**
	In millions of Nigerian Naira	**Jun. 2020**	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
	Retail customers:				
	Term deposits	163,255	385,635	78,284	298,426
	Current deposits	451,256	483,714	271,856	318,213
	Savings deposits	1,193,487	855,079	993,680	711,516
	Corporate customers:				
	Term deposits	870,387	630,358	640,832	529,830
	Current deposits	2,121,925	1,478,098	1,477,677	906,403
		4,800,310	**3,832,884**	**3,462,329**	**2,764,388**
	Current	4,800,292	3,832,757	3,462,311	2,764,261
	Non-current	18	127	18	127
		4,800,310	3,832,884	3,462,329	2,764,388

36	**Other liabilities**	**Group**	**Group**	**Bank**	**Bank**
		Jun. 2020	**Dec. 2019**	**Jun. 2020**	**Dec. 2019**
	In millions of Nigerian Naira				
	Financial liabilities				
	Creditors and payables	127,342	63,306	53,558	32,031
	Managers cheques	6,498	5,942	3,736	4,300
	Unclaimed dividends (note (i))	5,196	5,885	5,196	5,885
	Customers' deposit for foreign trade (note (ii))	12,134	10,174	9,281	8,096
	Lease liabilities (note (iii))	5,748	1,630	2,252	1,109
	Accrued expenses	42,996	18,647	28,696	4,258
		199,914	105,584	102,719	55,679
	Non-financial liabilities				
	Provisions (note (iv))	1,438	252	147	147
	Allowance for credit losses on off-balance sheet items (note (v))	4,289	1,157	3,670	1,062
	Deferred income	277	262	277	262
		6,004	1,671	4,094	1,471
	Total other liabilities	**205,918**	**107,255**	**106,813**	**57,150**
	Current	205,918	107,255	106,813	57,150

(i) The amount represents unclaimed dividends due to UBA Plc's shareholders which have been returned by the Bank's Registrar.

(ii) Customers' deposit for foreign trade represents the naira value of foreign currencies held to cover letter of credit transactions. The corresponding balance is included in current balances with banks in note 22.

(iii) Finance cost on the lease liabilities is included in Interest expense in note 11.

The movement in lease liabilities balance during the period is as follows:

	Group			Bank		
In millions of Nigerian Naira	Land	Buildings	Total	Land	Buildings	Total
Lease liabilities						
Balance - 1 January 2020	83	1,547	1,630	83	1,026	1,109
Additions (new lease contracts) during the year	-	4,421	4,421	-	1,135	1,135
Principal repayments/cashflows during the year	-	(491)	(491)	-	(106)	(106)
Interest repayments/cashflows during the year	-	(54)	(54)	-	(49)	(49)
Interest accrued (note 11)	7	235	242	7	156	162
Balance - 30 June 2020	**90**	**5,658**	**5,748**	**90**	**2,162**	**2,252**

Maturity analysis for Lease Liabilities

	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	More than 1 year	Gross nominal amount	Total
Group	1,636	1,089	644	1,520	860	**5,999**	**5,748**
Bank	641	427	252	595	337	**2,351**	**2,252**

	Group			Bank		
In millions of Nigerian Naira	Land	Buildings	Total	Land	Buildings	Total
Lease liabilities						
Balance - 1 January 2019	53	1,976	2,029	53	1,626	1,679
Additions (new lease contracts) during the year	23	401	424	23	272	295
Principal repayments/cashflows during the year	(2)	(998)	(1,000)	(2)	(986)	(988)
Interest repayments/cashflows during the year	(1)	(98)	(99)	(1)	(95)	(96)
Interest accrued (note 11)	10	266	276	10	209	219
Balance - 30 december 2019	**83**	**1,547**	**1,630**	**83**	**1,026**	**1,109**

Maturity analysis for Lease Liabilities

	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	More than 1 year	Gross nominal amount	Total
Group	14	22	380	378	1070	**1,864**	**1,630**
Bank	9	0	297	220	853	**1,379**	**1,109**

(iv) The amount represents a provision for certain legal claims. The provision charge is recognised in income statement within 'other operating expenses'. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 30 June 2020. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

The movement in provision during the period is as follows:

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
At 1 January	252	252	147	147
Additional provisions	1,186	-	-	-
At 30 June	1,438	252	147	147
Analysis of total provisions:				
Current	1,438	252	147	147

(v) This represents allowance for credit loss for off-balance sheet loan commitments and financial guarantees recognised upon adoption of IFRS 9.

37 **Borrowings**

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Long Term Borrowings				
- Central Bank of Nigeria (note 37.1)	83,565	83,663	83,565	83,663
- Bank of Industry (BoI) (note 37.2)	5,585	6,292	5,585	6,292
- African Development Bank (note 37.3)	44,183	46,385	44,183	46,385
- European Investment Bank (EIB) (note 37.4)	22,434	23,356	22,434	23,356
- Eurobond debt security (note 37.5)	192,226	181,022	192,226	181,022
-Agence Francaise de Development (AFD) (note 37.6)	7,701	-	7,701	-
- Proparco (note 37.7)	33,014	-	33,014	-
	388,709	340,718	388,709	340,718

Short Term Borrowings				
- Africa Trade Finance Limited (note 37.8)	21,115	32,846	21,115	18,258
- Sumitomo Mitsui Banking Corporation (note 37.9)	23,230	36,608	23,230	36,608
-Mashreqbank psc (note 37.10)	35,027	18,277	35,027	18,277
-Rand Merchant Bank (note 37.11)	29,418	55,280	29,418	55,280
-ABSA Bank Limited (note 37.12)	29,034	27,380	29,034	27,380
- Citibank (note 37.13)	19,520	-	19,520	-
- African Export-Import Bank (note 37.14)	38,540	-	38,540	-
- Credit Suisse	-	110,509	-	110,509
- JP Morgan Securities Limited	-	73,185	-	73,185
-Societe Generale Bank	-	63,879	-	63,879
	195,883	**417,964**	**195,883**	**403,376**
Total Borrowings	584,592	758,682	584,592	744,094
Current	195,883	417,964	195,883	403,376
Non-current	388,709	340,718	388,709	340,718
	584,592	758,682	584,592	744,094

Movement in borrowings during the period:

In millions of Nigerian Naira				
Opening balance	758,682	683,532	744,094	657,134
Additions	237,919	140,708	237,919	126,120
Interest expense	19,782	41,408	19,729	39,370
Interest paid	(27,337)	(50,103)	(27,337)	(49,778)
Repayments (principal)	(256,210)	(64,062)	(241,622)	(37,664)
Transfer to deposit from banks	(195,786)	-	(195,786)	-
Exchange difference	47,543	7,199	47,596	8,912
	584,592	758,682	584,592	744,094

37.1 This represents on-lending facilities provided by the Central Bank of Nigeria (CBN):

(a) N20.54 billion of this facility represents the outstanding balance on the Commercial Agriculture Credit Scheme granted to the Bank for the sole purpose of granting loans, at subsidised rates, to the agricultural sector. Interest on the facility cannot exceed 5% per annum inclusive of all charges and is to be shared between the Bank and CBN at 4% and 1% respectively. The facility will terminate on 30 September 2025. The Bank is the primary obligor to CBN and assumes the risk of default.

(b) N34.526 billion of this facility represents the outstanding balance on the concessionary loans granted by the Central Bank of Nigeria to some State Governments. The facility attracts an interest rate of 1% and the Bank is under obligation to lend to participating states at a maximum rate of 5% per annum (inclusive of all charges). The principal is repayable monthly and the tenor of the facility is 20 years.

(c) N28.499 billion of this facility represents the outstanding balance on the loan granted by the Central Bank of Nigeria with respect to Real Sector Support Facility (RSSF) initiative to support the Federal Government's Special Fertilizer Intervention programme. The Central Bank shall lend to the Bank at 1% while the Bank shall on-lend to the customer at a maximum interest rate of 3.5% per annum, all charges inclusive. The 1% interest shall be remitted to CBN on a quarterly basis. The principal is repayable quarterly (after a one year moratorium) and the tenor of the facility is 7 years.

37.2 This represents an intervention credit granted to the Bank by the Bank of Industry (BOI) for the purpose of refinancing/restructuring existing loans to Small and Medium Scale Enterprises (SMEs), manufacturing companies and companies in the power and aviation industries. The maximum tenor of term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum, deductible at source in the first year and quarterly in arrears thereafter, is paid by the Bank under the intervention programme and the Bank is under obligation to on-lend to customers at an all-interest rate of 5% per annum. The Bank is the primary obligor to CBN/BOI and assumes the risk of default.

37.3 This represents the amount granted under a $150million line of credit by African Development Bank in December 2016. The first tranche of $120million was disbursed to the Bank in December 2016 while the second tranche of $30 million was disbursed to the Bank in November 2017. The facility is for a tenor of 8 years and is to be used for medium term financing and on-lending to infrastructure projects, small and medium sized enterprises and women-owned enterprises in the Federal Republic of Nigeria. The interest rate on the facility is six months USD LIBOR plus 440 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 2 years. Facility matures December 2024.

37.4 This represents the outstanding balance on $16.296 million and $62.634million (€60million) term loan facilities granted by European Investment Bank in October 2013 and January 2017 respectively. The purpose of the $16.296 million term loan facility is to support lending to small and medium sized enterprises in Nigeria and through its regional subsidiaries. The facility is for a tenor of 7 years. Of the initial amount granted, $8.079 million was liquidated in June 2014. Interest rate on the facility is six (6) months USD LIBOR plus 351 basis points. Interest on the loan is payable semi-annually while principal repayment commenced in April 2017. The facility will expire in October 2020.

The $62.634million (€60million) term loan facility was granted under the Nigeria Private Enterprise Finance Facility extended by the European Investment Bank to a group of financial institutions located in Nigeria. The purpose of the facility is to finance capital expenditure for development of intermediation capacities and support small and medium sized enterprises in Nigeria. The facility is for a tenor of 9 years. The interest rate on the facility is six months USD LIBOR plus 337 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 36 months. Facility matures December 2025.

37.5 This represents the amortised cost of the Eurobond issued by the Bank on June 8, 2017. The $500million Notes have a tenor of 5 years with a maturity date of June 8, 2022 and a yield of 7.875%. The rate of interest (coupon) is 7.75% payable semi-annually with bullet repayment of the Principal sum at maturity.

37.6 This represents the amount granted under a $20 million trade loan facility granted by Agence Francaise de Development (AFD) in May 2020. The facility is for a tenor of ten (10) years and Interest rate is six (6) months USD LIBOR plus 303 basis points. The interest repayments are payable semi-annually while the principal repayment will commence on a semi-annual basis following the 3 year grace period, final maturity is in May 2030.

37.7 This represents the amount granted under a $85 million trade loan facility granted by Proparco in April 2020. The facility is for a tenor of seven (7) years and Interest rate is six (6) months USD LIBOR plus 320 basis points. The interest repayments are payable semi-annually while the principal repayment will commence on a semi-annual basis following the 2 year grace period, final maturity is in April 2027.

37.8 'This represents the outstanding balance on the $55million term loan facility arranged by Africa Trade Finance Limited, United Kingdom in June 2020. The facility is a trade-related term loan with a tenor of six (6) months and interest rate of six months USD LIBOR plus 220 basis points. The interest and principal repayments are due upon maturity in December 2020.

37.9 This represents the amount granted under a $60 million trade loan facility granted by Sumitomo Mitsui Banking Corporation in March 2020. The facility is for a tenor of one (1) year and Interest rate is three (3) months USD LIBOR plus 260 basis points. The interest repayments are on a quarterly basis while the principal repayment is due upon maturity in May 2021.

37.10 'This represents the amount granted under a $50 million and $40 million trade finance loan facilities granted by Mashreq Bank in March and June 2020. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 275 basis points and 350 basis points respectively. The interest and principal repayments are due upon maturity in September and December 2020.

37.11 This represents the amount granted under a $75 million trade finance loan facility granted by Rand Merchant Bank in March 2020. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 275 basis points. The interest and principal repayments are due upon maturity in September 2020.

37.12 This represents the amount granted under a $75 million trade finance loan facility granted by ABSA Bank Ltd in June 2020. The facility is for a tenor of three (3) months and Interest rate is three (3) months USD LIBOR plus 425 basis points. The interest and principal repayments are due upon maturity in september 2020.

37.13 This represents the amount granted under a $50 million trade finance loan facility granted by Citi Bank in March 2020. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 260 basis points. The interest and principal repayments are due upon maturity in September 2020.

37.14 This represents the amount granted under a $100 million trade loan facility granted by African Export-Import Bank in May 2020. The facility is for a tenor of one (1) year and Interest rate is three (3) months USD LIBOR plus 450 basis points. The interest repayments were on a quarterly basis while the principal repayment is due upon maturity in May 2021.

38 Subordinated liabilities

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Medium term notes - series 3	-	30,048	-	30,048
	-	**30,048**	**-**	**30,048**
Current	-	5,017	-	5,017
Non-current	-	25,031	-	25,031
	-	30,048	-	30,048

Movement in subordinated liabilities:

In millions of Nigerian Naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Opening balance	30,048	29,859	30,048	29,859
Interest accrued	2,947	5,206	2,947	5,206
Interest paid	-	(5,017)	-	(5,017)
Repayments(Principal)	(30,500)	-	(30,500)	-
Repayments (Interest)	(2,495)	-	(2,495)	-
	-	30,048	-	30,048

39 Capital and reserves

(a) Share capital

Share capital comprises:	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
(i) Authorised - 45,000,000,000 Ordinary shares of 50k each	22,500	22,500	22,500	22,500
(ii) Issued and fully paid - 34,199,421,366 Ordinary shares of 50k each	17,100	17,100	17,100	17,100
The movement in the share capital account during the period is as follows:				
In millions				
Number of shares in issue at start of the period	34,200	34,200	34,200	34,200
Number of shares in issue at end of the period	34,200	34,200	34,200	34,200

(b) Share premium

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

(c) Retained earnings

Retained earnings is the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

(d) Other Reserves

Other reserves include the following:	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
In millions of Nigerian Naira				
Translation reserve (note (i))	12,744	7,823	-	-
Statutory reserve (note (ii))	105,386	102,248	89,206	86,068
Fair value reserve (note (iii))	128,588	117,408	128,963	117,995
Regulatory (Credit) risk reserve (note (iv))	37,959	50,594	30,490	36,554
	284,677	278,073	248,659	240,617

(i) Translation reserve

Translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

(ii) Statutory reserve

Statutory reserve includes:

- Statutory reserve: this represents the cumulative appropriation from earnings in accordance with existing legislation that require the Bank to make an annual appropriation, In the current period, the Bank transferred N9.188 billion representing 15% (2019: 15%) of its profit after taxation to statutory reserves.

- Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves of N2.635 billion as at 30 June 2020 (December 2019: N2.635 billion) . The Bank has since suspended further appropriation to SMEEIS reserve in line with the directives of the Central Bank of Nigeria.

- Agriculture/Small and Medium Enterprises Equity Investment Scheme (AGSMEEIS) reserves of N9.689 billion as at 30 June 2020 (December 2019: N6.551). The reserve was set aside in compliance with Central Bank of Nigeria's directive of April 2017.

(iii) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of investments at fair value through other comprehensive income. Such fair value changes are maintained until the investment is derecognised or impaired.

(iv) Regulatory (Credit) risk reserve

The regulatory (credit) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the various Central Banks of the various operating jurisdictions compared with the expected credit loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the expected credit loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

40 Dividends

The Board of Directors have proposed an interim dividend of N0.17 per share (30 June 2019: N0.20 per share) from the retained earnings account as at 30 June 2020.
The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 30 June 2020 and 31 December 2019 respectively.
Payment of dividend to shareholders is subject to withholding tax at a rate of 10%.

41 Contingencies

(i) Litigation and claims

The Bank, in the ordinary course of business is currently involved in 846 legal cases (2019: 644). The total amount claimed in the cases against the Bank is estimated at N300.42 billion (2019: N472.04 billion). The directors having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

(ii) Contingent liabilities

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk. There are no guarantees, commitments or other contingent liabilities arising from related party transactions.

In millions of Nigerian naira	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Performance bonds and guarantees	210,362	48,692	205,361	47,019
Allowance for credit losses	(2,076)	(118)	(2,076)	(118)
Net carrying amount	208,286	48,574	203,286	46,901
Letters of credits	706,935	595,896	201,117	299,756
Allowance for credit losses	(2,213)	(944)	(1,594)	(944)
Net carrying amount	704,722	594,952	199,523	298,812
Gross amount	917,297	644,588	406,478	346,775
Total allowance for credit losses	(4,289)	(1,062)	(3,670)	(1,062)
Total carrying amount for performance bonds and guarantees	913,008	643,526	402,808	345,713

(iii) Loan commitments

Loan commitments are irrevocable commitments to provide credits under pre-specified terms and conditions. The Group's loan commitments are usually conditioned on the maintenance of a satisfactory financial standing by the customer and absence of defaults on other covenants. At the balance sheet date, the Group had loan commitments amounting to N97 billion (December 2019: N87 billion) in respect of various loan contracts.

(iii) Capital commitments

Capital commitments are irrevocable contractual commitments for the acquisition of items of property and equipment or intangible assets. At the balance sheet date, the Group had capital commitments amounting to N3.322 billion (December 2019: N4.204 billion) in respect of authorised and contracted capital projects.

	Group Jun. 2020	Group Dec. 2019
In millions of Nigerian naira		
Property and equipment	1,009	1,664
Intangible assets	2,313	2,540
	3,322	4,204

42 Related parties and insider related credits

United Bank for Africa Plc (UBA Plc) is the ultimate parent/controlling party of the Group. The shares of UBA Plc are listed on the Nigerian Stock Exchange and held by widely varied investors.

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures as well as key management personnel.

(a) Subsidiaries

Transactions between United Bank for Africa Plc and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements but are disclosed in the books of the Bank. The Bank's transactions and balances with its subsidiaries during the period and at period end are as follows:

(i) Cash and cash equivalents with the following subsidiaries are:

Name of Subsidiary	Nature of Balance	Jun. 2020	Dec. 2019
In millions of Nigerian naira			
UBA Tanzania	Money market placement	-	376
UBA Kenya	Money market placement	12,923	3,663
UBA Ghana	Money market placement	-	26,631
UBA UK Limited	Money market placement	42,107	39,969
		55,030	70,639

(ii) Loan and advances

Name of Subsidiary	Type of Loan	Jun. 2020	Dec. 2019
In millions of Nigerian naira			
UBA Tanzania	Term Loans	-	547
UBA Cameroun	Overdraft	23,804	18,055
UBA Senegal	Overdraft	10,779	1
UBA Kenya	Overdraft	6,846	-
UBA Chad	Overdraft	1,082	3,383
UBA Gabon	Overdraft	-	1,719
UBA Mozambique	Overdraft	9	-
UBA Cote D'Ivoire	Overdraft	1	120
UBA Congo Brazzaville	Overdraft	-	1,512
UBA Benin	Overdraft	309	1,968
UBA Burkina Faso	Overdraft	2,989	3,324
		45,819	30,629

Term loans to subsidiaries are unsecured.

(iii) Deposits

Name of Subsidiary	Type of Deposit	Jun. 2020	Dec. 2019
In millions of Nigerian naira			
UBA Benin	Current	1	46
UBA Burkina Faso	Current	9	18
UBA Chad	Current	3	-
UBA Congo DRC	Current	7	2
UBA Cote D'Ivoire	Current	-	16
UBA Congo Brazzaville	Current	132	9
UBA Ghana	Current	7	22
UBA Mozambique	Current	0	11
UBA Pension Custodian	Current	107	12
UBA Kenya	Current	4	135
UBA Guinea	Current	3	5
UBA Senegal	Current	3	9
UBA Tanzania	Current	16	47
UBA Uganda	Current	1,291	637
UBA Gabon	Current	6	8
UBA Liberia	Current	16	18
UBA Sierra Leone	Current	17	-
UBA Cameroon	Current	12	93
UBA Mali	Current	1	17
UBA UK Limited	Current	3	-
UBA Burkina Faso	Domiciliary	45	207
UBA Cote D'Ivoire	Domiciliary	146	39
UBA Gabon	Domiciliary	526	2
UBA Cameroon	Domiciliary	1	336
UBA Benin	Domiciliary	41	19
UBA Ghana	Domiciliary	294	357
UBA Senegal	Domiciliary	608	75
UBA Guinea	Domiciliary	260	114
UBA Sierra Leone	Domiciliary	423	-
UBA Tanzania	Domiciliary	121	91
UBA Uganda	Domiciliary	5,572	84
UBA Kenya	Domiciliary	9	73
UBA Liberia	Domiciliary	7,261	4,671
UBA Congo Brazzaville	Domiciliary	22	222
UBA Mozambique	Domiciliary	11	9
UBA Congo DRC	Domiciliary	867	526
UBA Mali	Domicilliary	74	308
UBA UK Limited	Term deposit	36,160	35,383
UBA Burkina Faso	Term deposit	1,735	1,638
UBA Ghana	Money market deposit	7,743	-
UBA Guinea	Money market deposit	3,295	-
UBA Liberia	Money market deposit	4,653	-
UBA Mozambique	Money market deposit	1,327	-
UBA Tanzania	Money market deposit	1,548	730
UBA Uganda	Money market deposit	1,572	-
UBA Sierra Leone	Money market deposit	-	730
UBA Congo DRC	Money market deposit	7,757	-
UBA Congo Brazzaville	Money market deposit	1,049	-
UBA Pension Custodian	Money market deposit	-	3,241
		84,760	49,960

		Jun. 2020	Dec. 2019
(iv) Accounts receivable from the following subsidiaries are:			
UBA Ghana	Accounts receivable	3,890	3,065
UBA Congo Brazzaville	Accounts receivable	466	650
UBA Gabon	Accounts receivable	442	825
UBA Guinea	Accounts receivable	627	587
UBA Senegal	Accounts receivable	561	627
UBA Chad	Accounts receivable	538	346
UBA Sierra Leone	Accounts receivable	165	182
UBA Liberia	Accounts receivable	136	206
UBA Benin	Accounts receivable	1,077	838
UBA Cameroon	Accounts receivable	1,031	387
UBA Burkina Faso	Accounts receivable	1,280	1,652
UBA Pension Custodian	Accounts receivable	76	172
UBA Uganda	Accounts receivable	395	348
UBA Tanzania	Accounts receivable	197	154
UBA Mali	Accounts receivable	89	67
UBA Mozambique	Accounts receivable	106	23
UBA Cote D'Ivoire	Accounts receivable	1,552	1,206
UBA DRC Congo	Accounts receivable	338	160
UBA Kenya	Accounts receivable	201	148
		13,166	11,643

In millions of Nigerian naira	Jun. 2020	Dec. 2019
(v) Dividend receivable from the following subsidiaries are:		
UBA Ghana	1,083	7,265
UBA Liberia	779	394
UBA Sierra Leone	822	774
UBA Senegal	-	410
UBA Gabon	1,032	973
UBA Chad	848	799
UBA Pension Custodian	-	3,240
UBA Burkina Faso	747	-
	5,311	13,855

	Jun. 2020	June. 2019
(ix) Internal transfer pricing charges from the following subsidiaries are:		
UBA Ghana	213	207
UBA Burkina Faso	286	320
UBA Congo Brazaville	109	91
UBA Senegal	236	212
UBA Chad	79	70
UBA Benin	150	136
UBA Cameroun	134	119
UBA Cote d' Ivoire	228	200
UBA Gabon	163	96
UBA Liberia	114	87
UBA Guinea Conakry	-	63
UBA Sierra Leone	99	81
UBA Tanzania	-	23
UBA Congo DRC	-	70
UBA Kenya	21	18
UBA Mozambique	29	28
UBA Mali	39	11
UBA Uganda	-	69
UBA Pension	76	64
	1,975	1,964

(b) Investment in equity accounted investee

Transactions between United Bank for Africa Plc and UBA Zambia meet the definition of related party transactions. The following transactions and balances are held with respect to the associate.

In millions of Nigerian naira	Jun. 2020	Dec. 2019
Monery market deposit	387	-
	387	-

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of UBA Plc, directly or indirectly, including any director (whether executive or otherwise) of the Bank, and their close family members. Close family members are those family who may be expected to influence, or be influenced by that individual in their dealings with UBA Plc and its subsidiaries.

Key management personnel and their close family members engaged in the following transactions with the Bank during the period:

Loans and advances to key management personnel	**Jun. 2020**	**Dec. 2019**
In millions of Nigerian Naira		
Loans and advances as at period end	304	297

	Jun. 2020	**June. 2019**
Interest income earned during the period	17	21

Loans to key management personnel are granted on the same terms and conditions as loans to other employees. Related party loans are secured over real estate, equity and other assets of the respective borrowers. Expected credit loss which have been recorded against related party loans is N490.6 million.

Loans and advances to key management personnel's related persons and entities as at June 2020:

In millions of Nigerian naira

Name of company/ individual	**Name of Director**	**Facility Type**	**Security**	**Status**	**Rate**	**Currency**	**Jun. 2020**	**Dec. 2019**
Bridge House College	Mrs. Foluke Abdulrazaq	Term loan (Under CBN MSMEDF)	Real Estat	Performing	9.0%	NGN	-	2
Heirs Holdings	Mr. Tony O. Elumelu	Overdraft	Real Estat	Performing	25.0%	NGN	-	752
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	14.0%	NGN	18,382	18,930
							18,382	19,684

	Jun. 2020	**June. 2019**
Interest income earned during the period	1,612	1,408

Deposit liabilities

Deposit liabilities relating to key management personnel and their related persons and entities as at end of the period is as follows:

In millions of Nigerian Naira	**Jun. 2020**	**Dec. 2019**
Deposits as at period end	1,928	1,340

	Jun. 2020	**June. 2019**
Interest expense during the period	1	2

Compensation

Aggregate remuneration to key management staff during the period is as follows:	**Jun. 2020**	**June. 2019**
In millions of Nigerian Naira		
Executive compensation	353	404
Defined contribution plan	10	12
Total benefits cost	363	416

43 Compensation to Employees and Directors

(i) The number of persons in the employment of the Group and the Bank as at period end is as follows:

(In absolute units)	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
Group executive directors	8	9	8	9
Management	101	99	75	90
Non-management	11,091	13,129	7,522	9,697
	11,200	13,237	7,605	9,796

Compensation for the above personnel (including executive directors):	Jun. 2020	June. 2019	Jun. 2020	June. 2019
In millions of Nigerian Naira				
Salaries and wages	43,115	35,867	24,315	20,160
Defined contribution plans	1,450	1,311	658	615
	44,565	37,178	24,973	20,775

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

(In absolute units)

	Group Jun. 2020	Group Dec. 2019	Bank Jun. 2020	Bank Dec. 2019
N300,001 - N2,000,000	4,368	7,426	2,274	5,150
N2,000,001 - N2,800,000	648	2,168	230	1,821
N2,800,001 - N3,500,000	1,552	294	1,305	1
N3,500,001 - N4,000,000	1,468	730	1,359	667
N4,000,001 - N5,500,000	1,022	565	795	331
N5,500,001 - N6,500,000	127	60	1	-
N6,500,001 - N7,800,000	586	628	470	554
N7,800,001 - N9,000,000	467	410	384	380
N9,000,001 - above	954	956	779	883
	11,192	13,237	7,597	9,787

(iii) Directors

In millions of Nigerian naira	Jun. 2020	June. 2019	Jun. 2020	June. 2019
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	50	18	50	18
Executive compensation	353	404	353	404
Defined contribution plan	10	12	10	12
	413	434	413	434
Fees and other emoluments disclosed above includes amounts paid to:				
The Chairman	1	1	1	1
The highest paid Director	70	70	70	70

The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

(In absolute units)				
N1,000,001 - N5,000,000	10	10	10	10
N5,500,001 and above	9	9	9	9
	19	19	19	19

44 Non-audit services

During the period, the Bank's external auditors (Ernst & Young) rendered the following non-audit service to the Bank:

(i) Change request for Leo RPA Deployment which includes automation of international settlement process, automation of ATM transaction fund reversal, automation of dispute resolution process, change in e-journal retrieval architecture, development on of e-journal centralization application, development of FEP & GL Centralization application. The total amount paid by UBA Plc for this service was N6,570,000. This amount is included as part of Contract Services in "other operating expenses" in note 19.

45 Compliance with banking regulations

During the period, the Bank paid the following penalty:

In millions of Nigerian Naira

	Description	Amount
1	Infractions from spot check by CBN	8
2	Delay in refund of charge error on a customer account	2
3	Unauthorized opening of current account	3
4	Infractions on processing of import transactions	552
	Total	**565**

46 Evaluation of the impact of COVID-19

The COVID-19 pandemic has caused disruptions to global economic and social activities during the period ended 30 June 2020. The direct impact in our markets was experienced in the second quarter of the interim reporting period, by way of reduction in social interactions and disruptions in economic activities. The Group has reviewed the current uncertainty as a result of this pandemic and nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

The Group responded as appropriate by activating its Business Continuity Plans across the different entities to ensure continuous service to its stakeholders. The Group has also assesed on a line-by-line basis the impact of Covid-19 on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the interim financial statement. Whilst the Group continues to monitor the situation as more new information becomes available and necessary adjustment will be reflected in the approprate period.

47 Events after the reporting date

There were no events after the balance sheet date that could have material effect on the financial condition of the Group as at 30 June 2020 and the profit and other comprehensive income for the period then ended which have not been adjusted or disclosed.

48 Condensed result of consolidated subsidiaries

For the period ended 30 June 2020

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	24,624	2,251	8,718	6,516	3,932	2,530	3,926	5,883
Total operating expenses	(14,344)	(1,457)	(5,512)	(4,058)	(2,705)	(1,866)	(2,832)	(5,153)
Net impairment (loss)/gain on financial assets	(1,118)	(104)	(48)	(109)	(14)	(78)	646	171
Profit/(loss) before income tax	**9,162**	**690**	**3,158**	**2,349**	**1,213**	**586**	**1,740**	**901**
Income tax expense	(2,733)	-	-	(192)	(306)	(22)	-	(54)
Profit for the period	**6,429**	**690**	**3,158**	**2,157**	**907**	**564**	**1,740**	**847**
Condensed statements of financial position								
Assets								
Cash and bank balances	51,468	28,245	10,574	20,395	4,435	7,248	22,586	13,174
Financial assets at FVTPL	-	-	-	-	-	-	-	-
Loans and advances to customers	67,347	9,554	100,849	69,643	12,789	11,757	19,784	52,880
Investment securities	104,919	4,988	110,402	79,411	40,223	33,484	36,240	102,752
Other assets	3,375	4,831	1,348	(4,439)	3,488	604	2,617	1,779
Property and Equipment	3,176	692	442	1,599	250	443	3,273	2,615
Intangible assets	10	15	16	19	13	22	32	1
Deferred tax asset	45	97	-	-	1,140	-	-	-
	230,340	48,422	223,631	166,628	62,338	53,558	84,532	173,201
Financed by:								
Deposits from banks	60	-	14,734	40,091	24,434	-	217	14,228
Deposits from customers	160,695	39,224	177,058	96,264	27,571	44,208	63,108	137,585
Other liabilities	6,568	2,536	8,305	8,462	1,011	4,684	8,721	4,527
Current tax liability	-	-	-	-	305	-	-	-
Deferred tax liability	-	-	-	-	-	-	-	-
Total Equity	63,017	6,662	23,534	21,811	9,017	4,666	12,486	16,861
	230,340	48,422	223,631	166,628	62,338	53,558	84,532	173,201
Condensed cash flows								
Net cash from operating activities	(51,486)	8,794	36,334	42,334	17,845	11,786	25,846	36,850
Net cash from financing activities	16,409	685	4,290	(838)	(486)	441	496	3,671
Net cash from investing activities	54,225	558	(59,995)	(35,754)	(26,413)	(9,137)	(12,848)	(51,900)
Increase/(decrease) in cash and cash equivalents	**19,148**	**10,037**	**(19,371)**	**5,742**	**(9,054)**	**3,090**	**13,494**	**(11,379)**
Cash and cash equivalents at beginning of period	32,320	18,208	29,945	14,653	13,489	4,158	9,272	24,553
Cash and cash equivalents at end of the period	**51,468**	**28,245**	**10,574**	**20,395**	**4,435**	**7,248**	**22,766**	**13,174**

Condensed result of consolidated subsidiaries continued

For the period ended 30 June 2020

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	3,612	8,025	3,455	2,905	8,174	943	14,882	3,088	2,149
Total operating expenses	(1,349)	(6,766)	(2,161)	(2,268)	(4,574)	(1,014)	(8,827)	(700)	(2,386)
Net impairment gain/(loss) on financial assets	-	(195)	(277)	(10)	(108)	3	729	-	-
Profit before income tax	2,263	1,064	1,017	627	3,492	(68)	6,784	2,388	(237)
Income tax expense	(352)	(57)	-	(134)	-	(155)	-	-	-
Profit for the period	1,911	1,007	1,017	493	3,492	(223)	6,784	2,388	(237)
Condensed statements of financial position									
Assets									
Cash and bank balances	7,637	20,254	15,792	24,611	30,406	9,193	26,823	4,221	9,817
Loans and advances to customers	2,730	102,822	22,387	5,637	38,307	350	77,739	49	5,087
Investment securities	25,457	173,208	39,643	15,392	60,328	7,452	157,806	4,194	8,403
Other assets	268	2,722	1,202	1,940	3,683	66	8,322	1,449	2,431
Property and Equipment	1,256	3,402	763	2,657	551	498	1,676	122	676
Intangible assets	-	110	8	24	25	49	35	105	106
Deferred tax asset	(14)	-	-	-	-	-	-	38	-
	37,334	302,518	79,795	50,261	133,300	17,608	272,401	10,178	26,520
Financed by:									
Deposits from banks	3,099	69,361	-	3,821	18,162	3,292	18,321	105	3
Deposits from customers	23,878	209,392	65,107	37,332	82,647	6,854	205,165	-	18,147
Other liabilities	1,502	3,240	2,475	2,900	3,577	582	10,143	959	3,001
Current tax liability	12	-	-	-	-	-	-	1,452	-
Deferred tax liability	-	-	-	-	-	-	-	13	-
Total Equity	8,843	20,525	12,213	6,208	28,914	6,880	38,773	7,649	5,369
	37,334	302,518	79,795	50,261	133,300	17,608	272,402	10,178	26,520
Condensed cash flows									
Net cash from operating activities	6,682	102,746	21,401	12,931	37,333	173	42,937	(1,178)	5,965
Net cash from financing activities	2,054	2,867	1,684	1,175	(4,290)	(851)	7,041	(204)	456
Net cash from investing activities	(10,255)	(97,067)	(19,583)	(7,785)	(19,965)	(258)	(45,521)	2,340	(26)
(Decrease)/Increase in cash and cash equivalents	**(1,519)**	**8,546**	**3,502**	**6,321**	**13,078**	**(936)**	**4,457**	**958**	**6,395**
Cash and cash equivalents at beginning of period	9,156	11,708	12,290	18,290	17,328	10,129	22,367	3,262	3,422
Cash and cash equivalents at end of the period	**7,637**	**20,254**	**15,792**	**24,611**	**30,406**	**9,193**	**26,824**	**4,220**	**9,817**

Condensed result of consolidated subsidiaries continued

For the period ended 30 June 2020

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA UK Limited	SSIT	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income								
Operating income	2,099	2,932	2,707	-	-	118,120	3,820	235,291
Total operating expenses	(1,622)	(2,364)	(3,243)	-	-	(90,421)	33,496	(132,126)
Net impairment gain/(loss) on financial assets	8	(142)	-	-	-	(7,069)	(92)	(7,807)
(Loss)/Profit before income tax	485	426	(536)	-	-	20,630	37,578	57,129
Income tax expense	-	-	-	-	-	(1,079)	(24,246)	(12,698)
(Loss)/Profit for the period	**485**	**426**	**(536)**	**-**	**-**	**19,551**	**13,332**	**44,431**
Condensed statements of financial position								
Assets								
Cash and bank balances	7,378	9,572	10,017	-	-	1,950,899	(145,835)	2,138,910
Financial assets at FVTPL	-	-	-	-	-	66,651	-	66,651
Derivative assets	-	-	-	-	-	56,849	-	56,849
Loans and Advances to Banks	-	-	36,689	-	-	64,541	(34,037)	67,193
Loans and advances to customers	8,285	17,945	2,862	-	-	1,602,812	(1,165,720)	2,186,366
Investment securities	13,089	5,483	38,879	-	-	920,242	(4,636)	1,977,359
Other assets	531	3,886	323	-	-	59,279	(19,443)	80,262
Investments in equity-accounted investee	-	-	-	-	-	2,715	1,723	4,438
Investments in Subsidiaries	-	-	-	-	-	103,275	(103,275)	-
Property and Equipment	242	555	1,081	-	-	118,560	434	144,963
Intangible assets	2	35	943	-	-	16,339	11,317	29,226
Deferred tax asset	-	-	-	-	-	21,862	(20)	23,148
	29,527	**37,476**	**90,794**	**-**	**-**	**4,984,024**	**(1,459,492)**	**6,775,365**
Financed by:								
Derivative liabilities	-	-	-	-	-	138	-	138
Deposits from banks	9,439	-	66,635	-	-	379,363	(124,757)	540,608
Deposits from customers	16,026	25,608	1,900	-	-	3,462,329	(99,788)	4,800,310
Other liabilities	239	1,885	4,524	-	-	106,813	19,264	205,918
Current tax liability	-	9	-	-	-	1,107	6,147	9,032
Subordinated liabilities	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	584,592	-	584,592
Deferred tax liability	-	21	-	-	-	-	-	34
Total Equity	3,823	9,953	17,734	-	-	449,682	(139,887)	634,733
	29,527	**37,476**	**90,793**	**-**	**-**	**4,984,024**	**(339,021)**	**6,775,365**
	-	**-**	**1**					
Condensed cash flows								
Net cash from operating activities	(3,237)	425	9,388	-	-	309,003	(44,377)	628,495
Net cash from financing activities	669	(284)	1,912	-	-	(287,336)	(51,875)	(302,314)
Net cash from investing activities	(1,094)	(2,503)	(9,734)	-	-	(82,564)	(34,386)	(469,665)
Increase/(decrease) in cash and cash equivalents	**(3,662)**	**(2,362)**	**1,566**	**-**	**-**	**(60,897)**	**(130,638)**	**(143,484)**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	54,155	44,745	98,900
Cash and cash equivalents at beginning of period	11,040	11,934	8,450	-	455	361,927	(88,885)	559,471
Cash and cash equivalents at end of the period	**7,378**	**9,572**	**10,016**	**-**	**455**	**355,185**	**(174,778)**	**514,887**

48 Condensed result of consolidated subsidiaries

For the period ended 30 June 2019

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	16,345	1,780	6,117	5,165	2,881	1,574	3,531	5,425
Total operating expenses	(7,418)	(1,415)	(3,743)	(3,841)	(2,733)	(1,625)	(1,955)	(6,173)
Net impairment (loss)/gain on financial assets	(416)	(51)	(255)	(316)	(50)	(41)	56	1,616
Profit before income tax	**8,511**	**314**	**2,119**	**1,008**	**98**	**(92)**	**1,632**	**868**
Income tax expense	(2,431)	-	-	(337)	-	-	-	-
Profit/(loss) for the period	**6,080**	**314**	**2,119**	**671**	**98**	**(92)**	**1,632**	**868**
Condensed statements of financial position								
As at 31 December 2019								
Assets								
Cash and bank balances	32,320	18,208	29,945	14,653	13,489	4,158	9,272	24,553
Loans and advances to customers	52,542	8,690	92,098	80,305	13,158	13,272	16,540	35,798
Investment securities	159,872	5,593	50,371	44,574	28,363	23,547	24,154	51,452
Other assets	1,613	3,084	4,643	291	1,154	11	2,829	1,457
Property and Equipment	2,447	644	478	674	281	1,259	2,496	1,998
Intangible assets	11	16	16	27	17	6	47	18
Deferred tax assets	121	-	-	-	1,260	-	-	-
	248,926	36,235	177,551	140,524	57,722	42,253	55,338	115,276
Financed by:								
Deposits from banks	68,590	333	1,309	3,501	9,251	-	397	15,230
Deposits from customers	129,541	28,991	150,387	110,359	24,511	36,570	37,477	84,023
Other liabilities	10,532	1,624	9,769	6,172	776	2,038	7,214	3,734
Deferred tax liabilities	84	-	-	-	-	-	-	-
Borrowings	-	-	-	-	14,588	-	-	-
Total Equity	40,179	5,287	16,086	20,492	8,596	3,645	10,250	12,289
	248,926	36,235	177,551	140,524	57,722	42,253	55,338	115,276
Condensed cash flows								
For the period ended 30 June 2019								
Net cash from operating activities	(30,972)	(33)	(74,658)	9,097	18,217	(5,848)	(926)	1,003
Net cash from financing activities	(4,969)	(930)	(331)	(2,487)	(17,845)	(1,002)	(361)	(649)
Net cash from investing activities	45,484	(1,222)	(3,124)	657	756	(6,043)	(8,442)	(1,586)
(Decrease)/Increase in cash and cash equivalents	**9,543**	**(2,185)**	**(78,113)**	**7,267**	**1,128**	**(12,893)**	**(9,729)**	**(1,232)**
Cash and cash equivalents at beginning of period	34,862	20,764	88,024	64,492	12,071	9,991	13,465	14,446
Cash and cash equivalents at end of period	**44,405**	**18,579**	**9,911**	**71,759**	**13,199**	**(2,902)**	**3,736**	**13,214**

Condensed result of consolidated subsidiaries continued
For the period ended 30 June 2019

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	2,432	6,381	3,243	1,962	9,869	1,095	10,156	3,108	536
Total operating expenses	(1,099)	(5,107)	(1,668)	(1,774)	(5,766)	(1,121)	(5,823)	(623)	(1,169)
Net impairment (loss)/gain on financial assets	-	(101)	(168)	(6)	(204)	12	(153)	-	56
Profit/(loss) before income tax	**1,333**	**1,173**	**1,407**	**182**	**3,899**	**(14)**	**4,180**	**2,485**	**(577)**
Income tax expense	(295)	(53)	-	-	-	-	(1,437)	-	-
Profit/(loss) for the period	**1,038**	**1,120**	**1,407**	**182**	**3,899**	**(14)**	**2,743**	**2,485**	**(577)**
Condensed statements of financial position									
As at 31 December 2019									
Assets									
Cash and bank balances	9,156	11,708	12,290	18,290	17,328	10,129	22,367	3,262	3,422
Loans and advances to customers	3,163	97,292	16,682	3,395	29,540	279	69,213	-	5,918
Investment securities	15,934	76,683	20,202	9,754	40,429	7,523	112,864	6,493	6,099
Other assets	382	1,544	1,459	2,038	3,604	713	21,766	1,164	1,657
Property and Equipment	524	2,880	620	504	483	159	1,114	148	756
Intangible assets	-	90	9	30	27	59	18	120	-
Deferred tax assets	2	-	-	-	-	-	-	55	-
	29,161	**190,197**	**51,262**	**34,011**	**91,411**	**18,862**	**227,342**	**11,242**	**17,852**
Financed by:									
Deposits from banks	1,489	25,649	1	3,305	-	2,942	36,105	-	4
Deposits from customers	18,139	145,677	40,378	26,166	58,330	7,764	152,460	18	11,596
Other liabilities	2,735	2,220	1,371	-	3,369	202	10,302	4,351	1,102
Current tax liabilities	9	-	-	-	-	-	3,527	1,407	-
Deferred tax liabilities	-	-	-	-	-	-	-	1	-
Total Equity	6,789	16,651	9,512	4,540	29,712	7,954	24,948	5,465	5,150
	29,161	**190,197**	**51,262**	**34,011**	**91,411**	**18,862**	**227,342**	**11,242**	**17,852**
Condensed cash flows									
For the period ended 30 June 2019									
Net cash from operating activities	1,673	(13,447)	8,968	7,301	8,308	(3,726)	51,510	(971)	(1,260)
Net cash from financing activities	704	(2,658)	(73)	(78)	(1,481)	2	(81)	(12)	91
Net cash from investing activities	(1,204)	3,415	(4,795)	(7,502)	(8,917)	4,679	(3,228)	8,864	582
(Decrease)/Increase in cash and cash equivalents	**1,173**	**(12,690)**	**4,100**	**(279)**	**(2,090)**	**955**	**48,201**	**7,881**	**(587)**
Cash and cash equivalents at beginning of year	6,546	23,857	6,280	10,639	15,898	4,335	26,470	469	3,861
Cash and cash equivalents at end of year	**7,719**	**11,167**	**10,380**	**10,360**	**13,808**	**5,290**	**74,671**	**8,350**	**3,274**

Condensed result of consolidated subsidiaries continued

For the period ended 30 June 2019

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA UK Limited	SSIT	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income									
Operating income	1,171	1,578	-	5,362	-	-	140,186	(11,546)	136,751
Total operating expenses	(1,087)	(1,518)	-	(2,639)	-	-	(74,445)	16,311	(63,378)
Net impairment gain/(loss) on financial assets	8	(38)	-	-	-	-	(3,071)	2	(3,099)
(Loss)/Profit before income tax	**92**	**22**	**-**	**2,723**	**-**	**-**	**62,670**	**4,767**	**70,274**
Income tax expense	-	-	-	-	-	-	(7,164)	(6,371)	(13,535)
(Loss)/Profit for the period	**92**	**22**	**-**	**2,723**	**-**	**-**	**55,506**	**(1,604)**	**56,739**
Condensed statements of financial position									
As at 31 December 2019									
Assets									
Cash and bank balances	11,040	11,934	-	8,450	-	455	1,182,554	(72,755)	1,396,228
Financial assets at FVTPL	-	-	-	-	-	-	102,388	-	102,388
Derivative assets	-	-	-	-	-	-	48,131	(7,173)	48,131
Loans and Advances to Banks	-	-	-	36,727	-	-	99,849	(35,538)	108,211
Loans and advances to customers	5,345	16,731	-	4,340	-	2	1,503,380	(1,119,834)	2,061,147
Investment securities	12,033	2,879	-	29,071	-	-	846,214	(2,554)	1,571,550
Other assets	411	6,094	-	122	-	114	111,607	(26,952)	139,885
Investments in equity-accounted investee	-	-	-	-	-	-	2,715	1,428	4,143
Investments in Subsidiaries	-	-	-	-	-	-	103,275	(103,275)	-
Property and Equipment	202	649	-	1,151	-	203	107,448	1	128,499
Intangible assets	4	42	-	947	-	-	7,070	9,557	17,671
Deferred tax assets	-	-	-	-	-	-	21,862	2,899	26,199
	29,035	**38,329**	**-**	**80,808**	**-**	**774**	**4,136,493**	**(1,354,196)**	**5,604,052**
Financed by:									
Derivative liabilities	-	-	-	-	-	-	852	-	852
Deposits from banks	9,595	-	-	57,008	-	-	92,717	(60,356)	267,070
Deposits from customers	16,652	22,945	-	3,812	-	70	2,764,388	(37,350)	3,832,884
Other liabilities	119	5,526	-	3,630	-	36	57,150	(26,737)	107,255
Current tax liabilities	-	2	-	-	-	-	722	3,497	9,164
Subordinated liabilities	-	-	-	-	-	-	30,048	-	30,048
Borrowings	-	-	-	-	-	-	744,094	-	758,682
Deferred tax liabilities	-	45	-	-	-	-	-	(11)	119
Total Equity	2,669	9,811	-	16,358	-	668	446,522	(105,595)	597,978
	29,035	**38,329**	**-**	**80,808**	**-**	**774**	**4,136,493**	**(226,552)**	**5,604,052**
Condensed cash flows									
For the period ended 30 June 2019									
Net cash from operating activities	21,946	6,390	(578)	12,487	-	-	130,656	90,610	235,747
Net cash from financing activities	11	(1,162)	(96)	(546)	-	-	(10,328)	7,223	(37,058)
Net cash from investing activities	(892)	(2,192)	2	(11,278)	-	-	(59,053)	(8,938)	(63,977)
Increase/(decrease) in cash and cash equivalents	**21,065**	**3,036**	**(672)**	**663**	**-**	**-**	**61,275**	**88,895**	**134,712**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	-	7,212	(29,456)	(22,244)
Cash and cash equivalents at beginning of year	6,423	8,728	672	9,077	-		450,063	(169,188)	662,245
Cash and cash equivalents at end of year	**27,488**	**11,764**	**-**	**9,740**	**-**	**-**	**518,550**	**(109,749)**	**774,713**

ADDITIONAL DISCLOSURES

Statement of Value Added
For the period ended 30 June

	2020 N'million	%	2019 N'million	%
Group				
Gross revenue	300,610		294,032	
Interest paid	(86,262)		(94,762)	
	214,348		199,270	
Administrative overheads:				
- local	(93,583)		(78,408)	
- foreign	(1,674)		(1,478)	
Value added	**119,091**	**100**	**119,384**	**100**
Distribution				
Employees				
- Salaries and benefits	44,565	37	37,178	31
Government				
- Taxation	12,698	11	13,535	11
The future				
- Asset replacement (depreciation and amortization)	9,590	8	8,812	7
- Asset replacement (provision for losses)	7,807	7	3,120	3
- Expansion (transfer to reserves and non-controlling interest)	44,431	37	56,739	48
	119,091	**100**	**119,384**	**100**

	2020 N'million	%	2019 N'million	%
Bank				
Gross revenue	193,032		214,395	
Interest paid	(63,068)		(81,702)	
	129,964		132,693	
Administrative overheads:				
- local	(70,075)		(59,228)	
- foreign	(106)		(59)	
Value added	**59,783**	**100**	**73,406**	**100**
Distribution				
Employees				
- Salaries and benefits	24,973	42	20,775	28
Government				
- Taxation	1,079	2	7,164	10
The future				
- Asset replacement (depreciation and amortization)	7,111	12	5,930	8
- Asset replacement (provision for losses)	7,069	12	3,071	4
- Expansion (transfer to reserves and non-controlling interest)	19,551	33	36,466	50
	59,783	**100**	**73,406**	**100**

UNITED BANK FOR AFRICA Plc

Group Five - Period Financial Summary

Statement of financial position

In millions of Nigerian Naira

	30 June 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
ASSETS					
Cash and bank balances	2,138,910	1,396,228	1,220,596	898,083	760,930
Financial assets at fair value through profit or loss	66,651	102,388	19,439	31,898	52,295
Derivative assets	56,849	48,131	34,784	8,227	10,642
Loans and advances to banks	67,193	108,211	15,797	20,640	22,765
Loans and advances to customers	2,186,366	2,061,147	1,715,285	1,650,891	1,505,319
Investment securities					
- At fair value through other comprehensive income	931,228	901,048	1,036,653	-	-
- Available-for-sale	-	-	-	593,299	276,758
- At amortised cost	1,046,131	670,502	600,479	-	-
- Held to maturity	-	-	-	622,754	693,634
Other assets	80,262	139,887	63,012	86,729	37,849
Investments in equity-accounted investee	4,438	4,142	4,610	2,860	2,925
Property and equipment	144,963	128,499	115,973	107,636	93,932
Intangible assets	29,226	17,670	18,168	16,891	14,361
Deferred tax assets	23,148	26,199	24,942	29,566	33,060
TOTAL ASSETS	**6,775,365**	**5,604,052**	**4,869,738**	**4,069,474**	**3,504,470**
LIABILITIES					
Derivative liabilities	138	852	99	123	14
Deposits from banks	540,608	267,070	174,836	134,289	109,080
Deposits from customers	4,800,310	3,832,884	3,349,120	2,733,348	2,485,610
Other liabilities	205,918	107,255	120,764	98,277	110,596
Current tax liabilities	9,032	9,164	8,892	7,668	5,134
Borrowings	584,592	758,682	683,532	502,209	259,927
Subordinated liabilities	-	30,048	29,859	65,741	85,978
Deferred tax liabilities	34	119	28	40	62
TOTAL LIABILITIES	**6,140,632**	**5,006,074**	**4,367,130**	**3,541,695**	**3,056,401**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	115,815	135,514
Reserves	494,029	462,758	367,654	393,733	299,337
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	609,844	578,573	483,469	509,548	434,851
Non-controlling interests	24,889	19,405	19,139	18,231	13,218
TOTAL EQUITY	634,733	597,978	502,608	527,779	448,069
TOTAL LIABILITIES AND EQUITY	**6,775,365**	**5,604,052**	**4,869,738**	**4,069,474**	**3,504,470**

Summarized Statement of Comprehensive Income

In millions of Nigerian Naira

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Net operating income	196,709	182,639	168,452	161,777	116,196
Operating expenses	(132,126)	(109,587)	(103,704)	(94,804)	(74,540)
Net impairment loss on loans and receivables	(7,807)	(3,120)	(6,732)	(9,441)	(6,821)
Share of profit/(loss) of equity-accounted investee	353	342	124	(1)	(79)
Profit before tax	**57,129**	**70,274**	**58,140**	**57,531**	**34,756**
Income tax expense	(12,698)	(13,535)	(14,348)	(15,192)	(7,649)
Profit after tax	**44,431**	**56,739**	**43,792**	**42,339**	**27,107**
Profit for the period	**44,431**	**56,739**	**43,792**	**42,339**	**27,107**
- Non-controlling interests	1,901	1,444	1,600	890	616
- Equity holders of the parent	42,530	55,295	42,192	41,449	26,491
Other comprehensive income for the period	19,684	5,341	(13,311)	10,877	56,161
Total comprehensive income for the period	**64,115**	**62,080**	**30,481**	**53,216**	**83,268**

UNITED BANK FOR AFRICA Plc

Bank Five - Year Financial Summary

Statement of financial position

In millions of Nigerian Naira

	30 June 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
ASSETS					
Cash and bank balances	1,950,899	1,182,554	1,015,199	727,546	610,910
Financial assets at fair value through profit or loss	66,651	102,388	19,439	31,898	52,295
Derivative assets	56,849	48,131	34,784	7,911	10,642
Loans and advances to banks	64,541	99,849	15,516	19,974	23,850
Loans and advances to customers	1,602,812	1,503,380	1,213,801	1,173,214	1,090,355
Investment securities					
- At fair value through other comprehensive income	854,060	772,658	925,892	-	-
- Available for sale	-	-	-	423,293	244,424
- At amortised cost	66,182	73,556	84,265	-	-
- Held to maturity	-	-	-	242,185	288,592
Other assets	59,279	111,607	49,642	77,949	31,192
Investments in subsidiaries	103,275	103,275	103,777	103,777	70,702
Investments in equity-accounted investee	2,715	2,715	2,715	1,770	1,770
Property and equipment	118,560	107,448	97,502	89,285	80,252
Intangible assets	16,339	7,070	6,911	5,846	4,905
Deferred tax assets	21,862	21,862	21,862	27,178	29,696
TOTAL ASSETS	**4,984,024**	**4,136,493**	**3,591,305**	**2,931,826**	**2,539,585**
LIABILITIES					
Derivative liabilities	138	852	99	123	14
Deposits from banks	379,363	92,717	30,502	15,290	30,484
Deposits from customers	3,462,329	2,764,388	2,424,108	1,877,736	1,698,859
Current tax liabilities	1,107	722	706	1,108	522
Subordinated liabilities	-	30,048	29,859	65,741	85,978
Borrowings	584,592	744,094	657,134	502,209	259,927
Other liabilities	106,813	57,150	84,299	68,759	72,901
TOTAL LIABILITIES	**4,534,342**	**3,689,971**	**3,226,707**	**2,530,966**	**2,148,685**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	115,815	135,514
Reserves	333,867	330,707	248,783	285,045	255,386
TOTAL EQUITY	449,682	446,522	364,598	400,860	390,900
TOTAL LIABILITIES AND EQUITY	**4,984,024**	**4,136,493**	**3,591,305**	**2,931,826**	**2,539,585**

Summarized statement of comprehensive income

In millions of Nigerian Naira

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Net operating income	118,120	121,146	108,737	104,655	86,413
Operating expenses	(90,421)	(74,445)	(72,913)	(63,932)	(55,888)
Net impairment loss on loans and receivables	(7,069)	(3,071)	(1,648)	(7,193)	(5,569)
Profit before tax	**20,630**	**43,630**	**34,176**	**33,530**	**24,956**
Income tax expense	(1,079)	(7,164)	(12,529)	(7,676)	(5,419)
Profit for the period	**19,551**	**36,466**	**21,647**	**25,854**	**19,537**
Other comprehensive income for the period	10,968	16,604	1,635	3,183	23,700
Total comprehensive income for the period	**30,519**	**53,070**	**23,282**	**29,037**	**43,237**