UNITED BANK FOR AFRICA PLC

Interim Consolidated Financial Statements for the period ended 30 September 2020

Africa's Global Bank

Tax Identification Number : 01126011-0001

United Bank for Africa Plc

Condensed Consolidated Statements of Comprehensive Income

In millions of Nigerian Naira	*Notes*	Group 9 months to Sep. 2020	Group 9 months to Sep. 2019	Group 3 months to Sep. 2020	Group 3 months to Sep. 2019
Interest income	5	317,142	297,903	111,556	93,018
Interest income on amortised cost and FVOCI securities		315,249	291,373	110,512	86,597
Interest income on FVTPL securities		1,893	6,530	1,044	6,421
Interest expense	6	(131,120)	(138,989)	(44,858)	(44,227)
Net interest income		**186,022**	**158,914**	**66,698**	**48,791**
Fees and commission income	7	85,011	86,530	29,143	34,186
Fees and commission expense	8	(28,766)	(23,236)	(11,480)	(6,947)
Net fee and commission income		**56,245**	**63,294**	**17,663**	**27,239**
Net trading and foreign exchange income	9	45,721	35,720	10,513	2,974
Other operating income	10	5,796	8,066	2,201	4,351
Total non-interest income		**107,762**	**107,080**	**30,377**	**34,564**
Operating income		**293,784**	**265,994**	**97,075**	**83,355**
Net impairment charge on loans and receivables	11	(11,476)	(6,663)	(3,669)	(3,543)
Net operating income after impairment loss on loans and receivables		**282,308**	**259,331**	**93,406**	**79,812**
Employee benefit expenses	12	(66,617)	(55,204)	(22,052)	(18,026)
Depreciation and amortisation	13	(14,371)	(11,606)	(4,781)	(3,653)
Other operating expenses	14	(111,671)	(94,811)	(33,700)	(30,355)
Total operating expenses		**(192,659)**	**(161,621)**	**(60,533)**	**(52,034)**
Share of profit of equity-accounted investee	23(b)	723	523	371	181
Profit before income tax		**90,372**	**98,233**	**33,244**	**27,959**
Income tax expense	15	(13,240)	(16,605)	(542)	(3,071)
Profit for the period		**77,132**	**81,628**	**32,702**	**24,888**
Other comprehensive income					
Items that will be reclassified to income statement:					
Exchange differences on translation of foreign operations		(7,136)	(10,123)	(15,640)	1,227
Fair value changes on investments at fair value through other comprehensive income(FVOCI):					
Net fair value gains/(loss) during the period		22,092	5,255	20,847	(7,379)
Net amount transferred to the income statement		(11,501)	1,758	(11,501)	-
		3,455	**(3,110)**	**(6,294)**	**(6,152)**
Items that will not be reclassified to the income statement:					
Fair value changes on equity investments at FVOCI		9,935	3,472	-	-
		9,935	**3,472**	**-**	**-**
Other comprehensive income, net of tax		**13,390**	**362**	**(6,294)**	**(6,152)**
Total comprehensive income for the period		**90,522**	**81,990**	**26,408**	**18,736**
Profit attributable to:					
Owners of Parent		73,814	79,319	31,285	24,023
Non-controlling interest		3,318	2,309	1,417	865
Profit for the period		**77,132**	**81,628**	**32,702**	**24,888**
Total comprehensive income attributable to:					
Owners of Parent		83,159	79,738	24,529	18,449
Non-controlling interest		7,363	2,252	1,879	287
Total comprehensive income for the period		**90,522**	**81,990**	**26,408**	**18,736**
Basic and diluted earnings per share expressed in Naira	16	**2.16**	**2.32**	**0.91**	**0.70**

The accompanying notes are an integral part of these condensed consolidated financial

United Bank for Africa Plc

Condensed Consolidated Statements of Financial Position

As at	***Notes***	**Group Sep. 2020**	**Group Dec. 2019**
In millions of Nigerian Naira			
ASSETS			
Cash and bank balances	17	2,103,690	1,396,228
Financial assets at fair value through profit or loss	18	172,609	102,388
Derivative assets	24	56,849	48,131
Loans and advances to banks	19	67,360	108,211
Loans and advances to customers	20	2,382,683	2,061,147
Investment securities:			
- At fair value through other comprehensive income	21	1,089,702	901,048
- At amortised cost	21	897,841	670,502
Other assets	22	88,854	139,885
Investment in equity-accounted investee	23	4,406	4,143
Investments in subsidiaries		-	-
Property and equipment		143,033	128,499
Intangible assets		29,613	17,671
Deferred tax assets		23,157	26,199
TOTAL ASSETS		**7,059,797**	**5,604,052**
LIABILITIES			
Derivative liabilities	24	138	852
Deposits from banks	25	399,788	267,070
Deposits from customers	26	5,202,228	3,832,884
Other liabilities	27	200,454	107,255
Current income tax liabilities	15	6,845	9,164
Borrowings	28	594,927	758,682
Subordinated liabilities	29	-	30,048
Deferred tax liabilities		90	119
TOTAL LIABILITIES		**6,404,470**	**5,006,074**
EQUITY			
Share capital		17,100	17,100
Share premium		98,715	98,715
Retained earnings		234,823	184,685
Other reserves		277,921	278,073
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		628,559	578,573
Non-controlling interests		26,768	19,405
TOTAL EQUITY		655,327	597,978
TOTAL LIABILITIES AND EQUITY		**7,059,797**	**5,604,052**

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

Approved by the board of directors on 22 October, 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

United Bank for Africa Plc

Condensed Consolidated Statements of Changes in Equity

Group

In millions of Nigerian Naira

	Attributable to equity holders of the parent										
	Share Capital	**Share premium**	**Translation reserve**	**Regulatory credit risk reserve**	**Fair value reserve**	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
For the nine months ended 30 September 2020											
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	-	-	-	-	-	-	-	73,814	**73,814**	3,318	**77,132**
Exchange differences on translation of foreign operations	-	-	(11,181)	-	-	-	-	-	**(11,181)**	4,045	**(7,136)**
Fair value change in financial assets classified as FVOCI	-	-	-	-	22,092	-	-	-	**22,092**	-	**22,092**
Fair value change in equity instruments classified as	-	-	-	-	9,935	-	-	-	**9,935**		**9,935**
Net amount transferred to income statement	-	-	-	-	(11,501)	-	-	-	**(11,501)**	-	**(11,501)**
Total comprehensive income for the period	**-**	**-**	**(11,181)**	**-**	**20,526**	**-**	**-**	**73,814**	**83,159**	**7,363**	**90,522**
Transfer between reserves	-	-	-	(12,635)	-	-	3,138	9,497	**-**	-	**-**
Transactions with owners											
Dividends	-	-	-	-	-	-	-	(33,173)	**(33,173)**	-	**(33,173)**
At 30 September 2020	**17,100**	**98,715**	**(3,358)**	**37,959**	**137,934**	**-**	**105,386**	**234,823**	**628,559**	**26,768**	**655,327**
For the nine months ended 30 September 2019											
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	-	-	-	-	-	-	-	79,319	**79,319**	2,309	**81,628**
Exchange differences on translation of foreign operations	-	-	(7,670)	-	-	-	-	-	**(7,670)**	(2,453)	**(10,123)**
Fair value change in financial assets	-	-	-	-	8,727	-	-	-	**8,727**	-	**8,727**
Net amount transferred to income statement	-	-	-	-	1,758	-	-	-	**1,758**	-	**1,758**
Total comprehensive income for the period	**-**	**-**	**(7,670)**	**-**	**10,485**	**-**	**-**	**79,319**	**82,134**	**(144)**	**81,990**
Transfer between reserves	-	-	-	6,073	-	-	-	(6,073)	**-**	-	**-**
Transactions with owners									**-**	-	**-**
Dividends	-	-	-	-	-	-	-	(29,070)	**(29,070)**	-	**(29,070)**
At 30 September 2019	**17,100**	**98,715**	**10,508**	**27,594**	**79,584**	**-**	**90,783**	**212,249**	**536,533**	**18,995**	**555,528**
At 31 December 2019	**17,100**	**98,715**	**18,178**	**21,521**	**69,099**	**-**	**90,783**	**168,073**	**483,469**	**19,139**	**502,608**

United Bank for Africa Plc

Condensed Consolidated Statements of Cash Flows

For the nine months ended 30 September	Notes	Group Sep. 2020	Group Sep. 2019
In millions of Nigerian Naira			
Cash flows from operating activities			
Profit before income tax		**90,372**	**98,233**
Adjustments for:			
Depreciation of property and equipment	13	10,433	8,979
Right of use of assets depreciation	13	1,522	1,367
Amortisation of intangible assets	13	2,416	1,260
Allowance for credit loss on loans to customers	11	11,555	11,183
Allowance for credit loss / (reversals) on loans to banks	11	(910)	(900)
Write-off of loans and advances	11	3,548	1,310
Impairment charge/(reversal) on investment securities	11	156	(2)
Impairment charge/ (reversal) on contingent liabilities	11	1,276	(1,903)
Impairment charge on other assets	11	(1,447)	248
Net fair value gain on derivatives	9	(9,432)	(4,396)
Dividend income	10	(2,843)	(5,911)
Origination and reversal of temporary difference		3,013	1,759
Foreign currency revaluation gain	9	(9,225)	(440)
Net interest income		(186,022)	(158,914)
Share of profit of equity-accounted investee		(723)	(523)
		(86,311)	**(48,650)**
Change in financial assets measure at FVTPL		(82,745)	(40,467)
Change in cash reserve balance		(700,454)	(9,890)
Change in loans and advances to banks		41,761	(32,504)
Change in loans and advances to customers		(336,640)	(233,221)
Change in money market placements		(99,959)	(96,008)
Change in other assets		115,496	39,276
Change in deposits from banks		132,718	(7,346)
Change in deposits from customers		1,369,344	23,783
Change in other liabilities and provisions		91,923	3,251
Interest received		317,142	297,903
Interest paid		(133,548)	(136,588)
Income tax paid		(15,559)	(20,621)
Net cash generated from/(used in) operating activities		**613,168**	**(261,082)**
Cash flows from investing activities			
Purchase of investment securities		(395,624)	251,444
Purchase of property and equipment		(26,489)	(15,326)
Dividend received		2,843	5,911
Purchase/(Sale) of intangible assets		(14,358)	1,403
Net cash (used in)/generated from investing activities		**(433,628)**	**243,432**
Cash flows from financing activities			
Proceeds from borrowings		333,905	85,215
Repayment of borrowings		(377,556)	(33,781)
Transfer to deposit from banks		(116,387)	-
Redemption of subordinated liabilities		(32,554)	-
Dividend paid to owners of the parent		(33,173)	(29,070)
Net cash (used in)/generated from financing activities		**(225,765)**	**22,364**
Net decrease in cash and cash equivalents		(46,225)	4,714
Effects of exchange rate changes on cash and cash equivalents		(59,250)	(90,327)
Cash and cash equivalents at beginning of period	17	559,471	662,245
Cash and cash equivalents at end of period	17	453,996	576,632

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

1 General Information

United Bank for Africa Plc (the "Group") is a Nigerian registered company with address at 57 Marina, Lagos, Nigeria. The consolidated financial statements of the Group for the period ended 30 September 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.

2 Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB).

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

The same accounting policies and methods of computation were followed in preparation of these interim financial statements as compared with the most recent annual financial statements.

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 Significant accounting policies - Continued

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.

Notes to the Condensed Financial Statements

4 Seasonality of operations

The impact of seasonality or cyclicality on operations is not regarded as significant to the condensed consolidated financial statements. The operations of the bank and its subsidiaries are expected to be even within the financial year. However, future macro-economic developments may affect the group's operations depending on the extent of relationship these developments have with the operations.

	Group		Group	
	9 months to		3 months to	
For the nine months ended 30 September	Sep. 2020	Sep. 2019	Sep. 2020	Sep. 2019
5 Interest income				
In millions of Nigerian Naira				
Cash and bank balances	11,366	13,305	4,886	5,033
Loans and advances to banks	2,635	3,337	461	2,112
Loans and advances to customers:				
- To individuals				
Term loans	5,793	3,437	1,961	591
Overdrafts	3,438	1,955	804	744
- To corporates				
Term loans	137,502	117,733	48,088	34,430
Overdrafts	23,606	27,559	5,595	11,276
Investment securities				
- Treasury bills	76,925	89,703	16,854	26,600
- Bonds	53,984	34,344	31,863	9,723
	315,249	291,373	110,512	90,509
Interest income on financial assets at fair value through profit or loss				
- Bonds	261	122	67	18
- Promissory notes	1,632	6,408	977	2,491
Total interest income	**317,142**	**297,903**	**111,556**	**93,018**

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

6 Interest expense	Group		Group	
	9 months to		3 months to	
In millions of Nigerian Naira	Sep. 2020	Sep. 2019	Sep. 2020	Sep. 2019
Deposits from banks	15,860	10,925	5,950	3,803
Deposits from customers	83,288	94,016	29,907	27,387
Borrowings	29,467	30,125	9,001	11,680
Subordinated liabilities	2,505	3,923	-	1,357
	131,120	**138,989**	**44,858**	**44,227**

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

7 Fees and commission income	Group		Group	
In millions of Nigerian Naira	9 months to		3 months to	
	Sep. 2020	Sep. 2019	Sep. 2020	Sep. 2019
Credit-related fees and commissions[1]	8,924	13,494	3,889	8,941
Account maintenance fee	6,892	6,043	2,611	2,039
Electronic banking income	27,867	26,707	9,935	9,845
Funds transfer fee	5,503	6,575	1,649	1,535
Trade transactions income	13,888	10,843	4,396	3,323
Remittance fees	4,824	5,656	1,274	1,473
Commissions on transactional services	13,052	13,393	3,989	5,684
Pension funds custody fees	4,061	3,819	1,400	1,346
	85,011	**86,530**	**29,143**	**34,186**

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

8 Fees and commission expense

In millions of Nigerian Naira	Group 9 months to Sep. 2020	Group 9 months to Sep. 2019	Group 3 months to Sep. 2020	Group 3 months to Sep. 2019
E-Banking expense	24,237	19,920	9,725	6,728
Trade related expenses	2,149	982	774	219
Funds transfer expense	2,380	2,334	981	-
	28,766	**23,236**	**11,480**	**6,947**

9 Net trading and foreign exchange income

In millions of Nigerian Naira	Group 9 months to Sep. 2020	Group 9 months to Sep. 2019	Group 3 months to Sep. 2020	Group 3 months to Sep. 2019
Fixed income securities	7,183	11,312	2,778	82
Foreign exchange trading income	19,882	19,572	6,508	5,146
Foreign currency revaluation gain	9,225	440	1,227	(671)
Net Fair value gain on derivatives (see note 24 (c))	9,431	4,396	-	(1,583)
	45,721	**35,720**	**10,513**	**2,974**

10 Other operating income

In millions of Nigerian Naira	Group 9 months to Sep. 2020	Group 9 months to Sep. 2019	Group 3 months to Sep. 2020	Group 3 months to Sep. 2019
Dividend income	2,843	5,911	226	2,806
Rental income	242	316	83	104
Income on cash handling	2,711	1,839	1,892	1,441
	5,796	**8,066**	**2,201**	**4,351**

11 Impairment charge on loans and receivables

In millions of Nigerian Naira	Group 9 months to Sep. 2020	Group 9 months to Sep. 2019	Group 3 months to Sep. 2020	Group 3 months to Sep. 2019
customers:				
Impairment charge on loans to customers	11,555	11,183	4,597	9,183
Allowance for credit losses on loans and advances to banks:				
Impairment charge/(reversal) on loans to banks	(910)	(900)	(140)	(1,351)
Write-off on loans and advances	3,548	1,310	2,320	1,310
Recoveries on loans written-off	(2,702)	(3,273)	(1,157)	(1,041)
Impairment charge/(reversal) on investment securities	156	(2)	-	(216)
Impairment charge/(reversal) on off-balance sheet items	1,276	(1,903)	(1,332)	(3,667)
Impairment charge/(reversal) on other assets	(1,447)	248	(619)	(675)
	11,476	**6,663**	**3,669**	**3,543**

12 Employee benefit expenses

In millions of Nigerian Naira	Group 9 months to Sep. 2020	Group 9 months to Sep. 2019	Group 3 months to Sep. 2020	Group 3 months to Sep. 2019
Wages and salaries	64,684	53,357	21,569	17,490
Defined contribution plans	1,933	1,847	483	536
	66,617	**55,204**	**22,052**	**18,026**

Notes to the Condensed Financial Statements

For the nine months ended 30 September

13 Depreciation and amortisation

In millions of Nigerian Naira	Group 9 months to Sep. 2020	Group 9 months to Sep. 2019	Group 3 months to Sep. 2020	Group 3 months to Sep. 2019
Depreciation of property and equipment	10,433	8,979	3,317	2,964
Amortisation of intangible assets	2,416	1,260	1,215	422
Right-of-use assets depreciation	1,522	1,367	249	267
	14,371	**11,606**	**4,781**	**3,653**

For the nine months ended 30 September

14 Other operating expenses

In millions of Nigerian Naira	Group 9 months to Sep. 2020	Group 9 months to Sep. 2019	Group 3 months to Sep. 2020	Group 3 months to Sep. 2019
Banking sector resolution cost	22,417	19,992	-	-
Deposit insurance premium	8,110	7,437	2,528	2,462
Non-deposit insurance costs	2,218	1,773	799	955
Occupancy and premises maintenance costs	11,243	9,370	4,806	4,180
Business travels	3,800	4,666	1,352	1,909
Advertising, promotions and branding	6,187	5,686	3,433	2,594
Contract services	15,904	10,451	5,949	5,347
Communication and IT related expenses	9,311	8,228	4,377	3,341
Printing, stationery and subscriptions	4,880	3,815	1,934	1,516
Security and cash handling expenses	5,204	5,316	1,434	2,103
Fuel, repairs and maintenance	14,907	14,836	6,132	4,151
Training and human capital development	2,037	2,048	912	733
Donations	4,706	988	-	948
Loan recovery expenses	174	110	36	44
Loss on disposal of property and equipment	-	14	-	-
Penalties	573	81	8	72
	111,671	**94,811**	**33,700**	**30,355**

15 Income tax expense

For the three months ended 31 March

In millions of Nigerian Naira	Group 9 months to Sep. 2020	Group 9 months to Sep. 2019	Group 3 months to Sep. 2020	Group 3 months to Sep. 2019
(a) **Current tax expense**				
Current period	10,274	16,605	542	3,071
	10,274	16,605	542	3,071
Origination of temporary differences	2,966	-	-	-
Total income tax expense	**13,240**	**16,605**	**542**	**3,071**

(b) **Current income tax liabilities**

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Balance, beginning of period	9,164	8,892
Tax paid	(15,559)	(23,182)
Income tax charge	13,240	23,454
Balance, end of period	**6,845**	**9,164**

16 Earnings per share

	Group 9 months to		Group 3 months to	
For the nine months ended 30 September	Sep. 2020	Sep. 2019	Sep. 2020	Sep. 2019
Profit attributable to owners of the parent	73,814	79,319	31,285	24,023
Weighted average number of ordinary shares outstanding	34,199	34,199	34,199	34,199
Basic and diluted earnings per share expressed in Naira	2.16	2.32	0.91	0.70

17 Cash and bank balances

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Cash	98,648	104,669
Current balances with banks	158,279	192,522
Unrestricted balances with central banks	158,278	113,574
Money market placements	155,923	153,355
Restricted balances with central banks (note (i) below)	1,532,562	832,108
	2,103,690	**1,396,228**

(i) Restricted balances with central banks comprise:

In millions of Nigerian Naira		
Mandatory reserve deposits with central banks (note (a) below)	1,477,844	777,390
Special Intervention Reserve (note (b) below)	54,718	54,718
	1,532,562	**832,108**

(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 increasing 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 Sep. 2020	Group Dec. 2019
Cash and current balances with banks	256,927	297,191
Unrestricted balances with central bank	158,278	113,574
Money market placements (less than 90 days)	33,242	130,633
Financial assets at FVTPL (less than 90 days)	5,549	18,073
	453,996	**559,471**

18 Financial assets at fair value through profit or loss

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Government bonds	72,632	7,719
Promissory notes	62,296	59,038
Treasury bills (less than 90 days maturity) (note (i) below)	5,549	18,073
Treasury bills (above 90 days maturity)	32,132	17,558
	172,609	**102,388**

(i) This represents treasury bills held for trading, 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.

(ii) Fixed income trading activities are restricted to the parent alone.

19 Loans and advances to banks

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Term loans:		
Gross amount	68,362	110,123
Less: Allowance for credit losses	(1,002)	(1,912)
	67,360	**108,211**

20 Loans and advances to customers

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Loans to individuals, corporate entities and other organisations		
Gross amount	2,485,272	2,147,283
Less: Allowance for credit losses	(102,589)	(86,136)
	2,382,683	**2,061,147**

21 Investment securities

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
(a) At fair value through other comprehensive income		
Treasury bills	868,757	678,243
Bonds	93,336	108,697
Equity investments	127,640	114,108
Allowance for credit losses	(31)	-
	1,089,702	901,048
(b) At amortised cost		
Treasury bills	491,297	461,353
Bonds	407,165	209,645
	898,462	670,998
Allowance for credit losses	(621)	(496)
	897,841	670,502

22 Other assets

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Electronic payments receivables	19,550	31,868
Accounts receivable	42,032	96,635
Dividends receivable	355	-
Pension custody fees receivable	546	693
Prepayments	25,693	10,913
Recoverable taxes	4,117	2,796
Stock of consumables	3,756	5,622
Gross amount	**96,049**	**148,527**
Impairment loss on other assets	(7,195)	(8,642)
Carrying amount	**88,854**	**139,885**

23 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 30 September 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) Nature of investment in associates

Name of entity	Country of incorporation	Place of business/ Country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
UBA Zambia Bank Limited	Zambia	Zambia	49	Associate	Equity method

(b) Movement in investment in equity-accounted investee

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Balance, beginning of period	4,143	4,610
Share of current period result	723	413
Share of foreign currency translation differences	(460)	(880)
Balance, end of period	4,406	4,143

24 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 year end and are indicative of neither the market risk nor the credit risk.

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Derivative assets		
Carrying value	56,849	48,131
Notional amount	541,657	438,130
Derivative liabilities		
Carrying value	138	852
Notional amount	63,592	129,236

(a) Derivative assets

In millions of Nigerian Naira

Instrument type:		
Cross-currency swaps	56,849	40,779
Foreign exchange forward contracts	-	7,352
	56,849	**48,131**
The movement in derivative assets is as follows:		
Balance, beginning of period	48,131	34,784
Fair value of derivatives derecognised in the period	(48,131)	(34,784)
Fair value of derivatives acquired and remeasured in the period	56,849	48,131
Balance, end of period	**56,849**	**48,131**

(b) Derivative liabilities

In millions of Nigerian Naira

	Group Sep. 2020	Group Dec. 2019
Instrument type:		
Cross-currency swaps	138	599
Foreign exchange forward contracts	-	253
	138	**852**
The movement in derivative liability is as follows:		
Balance, beginning of period	852	99
Fair value of derivatives derecognised in the period	(852)	(99)
Fair value of derivatives acquired and remeasured in the period	138	852
Balance, end of period	**138**	**852**

Derivative assets and liabilities are current.

(c) Fair value gain on derivatives

	Group Sep. 2020	Group Sep. 2019
Derivative assets :		
Fair value gain on additions in the period	56,849	39,655
Fair value loss on maturities in the period	(48,131)	(34,784)
Net fair value gain on derivative assets	**8,718**	**4,871**
Derivative liabilities:		
Fair value loss on additions in the period	(138)	(574)
Fair value gain on maturities in the period	852	99
Net fair value gain/(loss) on derivative liabilities	**714**	**(475)**
Net fair value gain on derivative assets and liabilities	**9,432**	**4,396**

25 Deposits from banks

In millions of Nigerian Naira

	Group Sep. 2020	Group Dec. 2019
Money market deposits	388,820	140,509
Other deposit from banks	10,968	126,561
	399,788	**267,070**
Current	399,788	267,070

26 Deposits from customers

In millions of Nigerian Naira

	Group Sep. 2020	Group Dec. 2019
Retail customers:		
Term deposits	130,525	385,635
Current deposits	661,041	483,714
Savings deposits	1,341,601	855,079
	2,133,167	**1,724,428**
Corporate customers:		
Term deposits	1,105,043	630,358
Current deposits	1,964,018	1,478,098
	3,069,061	**2,108,456**
Total	**5,202,228**	**3,832,884**
Current	5,202,226	3,832,697
Non-current	2	187
	5,202,228	**3,832,884**

27 Other liabilities

In millions of Nigerian Naira

Financial liabilities	Group Sep. 2020	Group Dec. 2019
Creditors and payables	114,938	63,306
Managers cheques	7,410	5,942
Unclaimed dividends	5,196	5,885
Customers' deposit for foreign trade	35,240	10,174
Lease Liabilities	5,795	1,630
	168,579	86,937
Non-financial liabilities		
Provisions for litigation claims	255	252
Allowance for credit loss for off-balance sheet items *	3,854	1,157
Deferred income	617	262
Accrued expenses	27,149	18,647
	31,875	**20,318**
Total other liabilities	**200,454**	**107,255**

*This represents allowance for credit loss for off-balance sheet loan commitments and financial guarantees recognised upon adoption of IFRS 9.

Current	200,454	107,255

28 Borrowings

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Long Term Borrowings	384,602	340,718
Short Term Borrowings	210,325	417,964
	594,927	**758,682**

Movement in borrowings during the year:

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Opening balance	758,682	683,532
Additions	333,905	140,708
Interest expense	29,467	41,408
Interest paid	(34,401)	(50,103)
Repayments(principal)	(377,556)	(64,062)
Transfer to deposit from banks	(116,387)	-
Exchange difference	1,218	7,199
	594,927	**758,682**

29 Subordinated liabilities

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Medium term notes maturing 2021	-	30,048
	-	**30,048**
Current	-	5,017
Non-current	-	25,031
	-	30,048

Movement in subordinated liabilities:

	Group Sep. 2020	Group Dec. 2019
Opening balance	30,048	29,859
Interest accrued	2,505	5,206
Interest paid	(2,053)	(5,017)
Prinicipal redemption	(30,500)	-
	-	**30,048**

30 Capital and reserves

(a) Share capital

Share capital comprises:

	Group Sep. 2020	Group Dec. 2019
(i) Authorised - 45,000,000,000 Ordinary shares of 50k each	22,500	22,500
(ii) Issued and fully paid - 36,279,526,321 Ordinary shares of 50k each	17,100	17,100

There was no repurchase of shares during the period, and the Bank did not issue any equity instrument during the period.

(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 year profit attributable to shareholders.

(d) Other Reserves

Other reserves include the following:

In millions of Nigerian Naira	Group Sep. 2020	Group Dec. 2019
Translation reserve	(3,358)	7,823
Statutory reserve	105,386	102,248
Fair value reserve	137,934	117,408
Regulatory (Credit) risk reserve	37,959	50,594
	277,921	**278,073**

31 Dividends

The Bank paid interim dividend of N0.17 per share from retained earnings as at 30 June 2020.

32 Contingencies

(i) Litigation and claims

The Bank, in the ordinary course of business is currently involved in 911 legal cases (2019: 644). The total amount claimed in the cases against the Bank is estimated at N464.62 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. There were no material lititigation settlements during the period.

(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 Sep. 2020	Group Dec. 2019
Performance bonds and guarantees	281,986	48,692
Allowance for credit losses	(2,076)	(118)
Net carrying amount	279,910	48,574
Letters of credits	848,916	595,896
Allowance for credit losses	(1,778)	(944)
Net carrying amount	847,138	594,952
Gross amount	1,130,902	644,588
Total allowance for credit losses	(3,854)	(1,062)
Total carrying amount for performance bonds and guarantees	1,127,048	643,526

The possibility of outflows in settlement of the contingent liabilities is considered remote.

(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 N112 billion (2019: N87 billion) in respect of various loan contracts.

(iv) Capital commitments

Capital commitments are irrevocable contractual commitments for the acquisition of items of property and equipment or intangible assets. At the balance sheet date, the Group had capital commitments amounting to N5.797 billion (2019: N4.204 billion) in respect of authorised and contracted capital projects.

	Group Sep. 2020	Group Dec. 2019
In millions of Nigerian naira		
Property and equipment	3,447	1,664
Intangible assets	2,350	2,540
	5,797	**4,204**

33 Significant event after the end of the interim period

There were no significant events that have post-balance sheet adjustment effect, after the period ended 30 September, 2020.

34 Related party transactions

Some of the Bank's Directors are also directors of other companies with whom the Bank does business. All such transactions are in normal course of business, and agreed terms which are comparable to other customers of the Bank.

35 Compliance with banking regulations

The Bank did not contravene any regulation of the Banks and Other Financial Institutions Act CAP B3 LFN 2004 or relevant circulars issued by the Central Bank of Nigeria.

36 Comparatives

The Bank applied the provisions of International Financial Reporting Standards (IFRS) in preparing the comparative information included in these un-audited interim results. Also, there were no prior period errors identified during the period.

37 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 September 2020. The direct impact in our markets was experienced in the second quarter of the year, 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 third quarter financial statement. Whilst the Group continues to monitor the situation as events unfold and necessary adjustment will be reflected in the approprate period.

38 Securities Trading Policy

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule)United Bank for Africa Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's shares. The Policy undergoes periodic reviews by the Board and is updated accordingly. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the period.

39 Free Float Declaration

United Bank for Africa Plc with a free float percentage of 79.71% (and a free float value of N169,012,481,516.80) as at 30 September 2020, is compliant with free float requirements for companies listed on the Premium Board of The Nigerian Stock Exchange.