IMPORTANT NOTICE

THE BASE PROSPECTUS FOLLOWING THIS NOTICE (THE "BASE PROSPECTUS") IS AVAILABLE ONLY TO: (1) QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW); (2) INSTITUTIONAL ACCREDITED INVESTORS (AS DEFINED BELOW); OR (3) CERTAIN PERSONS OUTSIDE OF THE U.S.

IMPORTANT: You must read the following disclaimer before continuing. The following applies to the attached Base Prospectus, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Base Prospectus. In accessing the attached Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the United Bank for Africa Plc (the "**Bank**"), the Arrangers and Dealers (each as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE ATTACHED BASE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE U.S. AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The attached Base Prospectus does not constitute an offer of the securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the securities. The attached Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); (iii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iv) other persons to whom it may lawfully be communicated (all such persons in (i), (ii), (iii) and (iv) above together being referred to as "**relevant persons**"). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the attached Base Prospectus or any of its contents. Any investment activity (including, but not limited to, any invitation, offer or agreement to subscribe, purchase or otherwise acquire securities) to which this Base Prospectus relates will only be available to, and will only be engaged with, persons who fall within the manufacturer target market described in this Base Prospectus.

The attached Base Prospectus and the securities referred to herein have not been and will not be registered with the Nigerian Securities and Exchange Commission (the "**Nigerian SEC**") pursuant to the Nigerian Investments and Securities Act, No. 29 of 2007 (as amended) (the "**Nigerian ISA**") or the Nigerian SEC Rules and Regulations, 2013 (as amended) ("**Nigerian SEC Rules**"). Further, neither the attached Base Prospectus nor any other offering material related to such securities may be utilised in connection with any offering to the public within Nigeria, and the securities may not be offered or sold within Nigeria to, or for the account or benefit of, persons resident in Nigeria, except to the extent that the securities have been registered with the Nigerian SEC and its written approval obtained in accordance with the provisions of the Nigerian ISA, the Nigerian SEC Rules and other Nigerian securities law and regulations. The securities may, however, be offered and sold in Nigeria to select investors by private placement or as a domestic concern within the exemption and meaning of section 69(2) of the Nigerian ISA and with the approval of the Nigerian SEC.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities, investors must be either: (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act); (2) persons who are "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("**Institutional Accredited Investors**") who execute and deliver an IAI Investment Letter (as defined in the attached Base Prospectus) in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof; or (3) non-U.S. persons within the meaning of Regulation S outside the United States. The attached Base Prospectus is being sent at your request and by accepting the email and accessing the attached Base Prospectus, you shall be deemed to have represented to us that (1) you and any customers you represent are either: (a) QIBs; (b) Institutional Accredited Investors; or (c) non-U.S. persons within the meaning of Regulation S outside the U.S., (2) unless you are a QIB or an Institutional Accredited Investor, the electronic mail address that you gave us and to which this email has been delivered is not located in the U.S., (3) you are a person who is permitted under applicable law and regulation to receive the attached Base Prospectus and (4) you consent to delivery of the attached Base Prospectus by electronic transmission.

You are reminded that the attached Base Prospectus has been delivered to you on the basis that you are a person into whose possession the attached Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Base Prospectus to any other person.

The attached Base Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any jurisdiction where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Arrangers and Dealers or any affiliate of the Arrangers or applicable Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arrangers or such Dealer or such affiliate on behalf of the Bank or holders of the applicable securities in such jurisdiction.

The attached Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Bank, the Arrangers and Dealers nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Bank, the Arrangers and Dealers.

Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this document is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

United Bank for Africa

UNITED BANK FOR AFRICA PLC
(*incorporated with limited liability in the Federal Republic of Nigeria*)

U.S.$1,500,000,000
Global Medium Term Note Programme

Under this U.S.$1,500,000,000 Global Medium Term Note Programme (the "**Programme**"), United Bank for Africa Plc (the "**Bank**" or the "**Issuer**") may from time to time issue senior notes (the "**Senior Notes**") and subordinated notes (the "**Subordinated Notes**", and together with the Senior Notes, the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$1,500,000,000 (or its equivalent in other currencies calculated as provided for in the Programme Agreement described herein), subject to increase as described herein.

In respect of Bearer Notes, interests in a temporary global note will be exchangeable, in whole or in part, for (i) interests in a permanent global note in bearer form or (ii) for definitive notes in bearer form, in either case, on or after the date 40 days after the later of the commencement of the offering and the relevant issue date, upon certification as to non-U.S. beneficial ownership. Until the expiration of 40 days after the later of the commencement of the offering of a tranche of Regulation S Registered Notes (as defined below) and the issue date thereof, beneficial interests in a global note may be held only through a nominee for and deposited with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**").

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*" beginning on page 9.

This Base Prospectus is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the United Kingdom and/or offered to the public in the United Kingdom and/or offered to the public other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of Regulation (EU) 2017/1129 as it forms part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK Prospectus Regulation**"). The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid. The requirement to publish a prospectus under the UK Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the United Kingdom and/or offered to the public in the United Kingdom other than in circumstances where an exemption is available under Article 1(4) and/or Article 3(2) of the UK Prospectus Regulation. Notice of the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*", which will be delivered to the United Kingdom Financial Conduct Authority (the "**FCA**") and, where listed, the London Stock Exchange.

This Base Prospectus has been approved by the FCA, which is the United Kingdom competent authority for the purposes of the UK Prospectus Regulation, as a base prospectus issued in compliance with the UK Prospectus Regulation. The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of any Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in such Notes. In relation to any Notes, this Base Prospectus must be read as a whole and together also with the relevant Final Terms. Any Notes issued on or after the date of this Base Prospectus and which are the subject of Final Terms which refer to this Base Prospectus are issued subject to the provisions described herein. This does not affect any Notes already in issue or any Notes issued under any other base prospectus published in connection with the Programme.

References in this Base Prospectus to the Notes being "**listed**" (and all related references) shall mean that, unless otherwise specified in the relevant Final Terms or the Drawdown Prospectus, the Notes have been admitted to trading on the London Stock Exchange's main market and have been admitted to the Official List of the FCA. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Neither this Base Prospectus nor any Notes issued under the Programme are required to be registered or cleared under the Nigeria Investments and Securities Act No. 29 of 2007 (as amended) (the "**Nigerian ISA**") and/or the Rules and Regulations of the Securities and Exchange Commission of Nigeria, 2013 (as amended) (the "**Nigerian SEC Rules**"). The Notes have not been registered with, or approved or disapproved by the Nigerian Securities and Exchange Commission (the "**Nigerian SEC**"), nor has the Nigerian SEC confirmed the accuracy or determined the adequacy of this Base Prospectus. Further, neither the Base Prospectus nor any other offering material related to the Notes may be utilised in connection with any offering to the public within Nigeria. The Notes may not be offered or sold within Nigeria to, or for the account or benefit of, persons resident in Nigeria, except to the extent that the Base Prospectus and the Notes have been registered with the Nigerian SEC and its written approval obtained in accordance with the provisions of the Nigerian ISA, the Nigerian SEC Rules and other Nigerian securities laws. The Nigerian SEC has not recommended an investment in the Notes. The Notes may, however, be offered and sold in Nigeria to certain investors by private placement or as a domestic concern within the exemption and meaning of section 69(2) of the Nigerian ISA and with the approval of the Nigerian SEC. Furthermore, although the Notes may not be offered or sold to the public within Nigeria, the Issuer may apply for Notes issued under the Programme to be eligible for trading or listed on the FMDQ Securities Exchange Limited ("**FMDQ**") and/or Nigerian Exchange Limited ("**NGX**").

Notes issued under the Programme may be rated by S&P Global Ratings Europe Limited ("**S&P**") and Fitch Ratings Ltd. ("**Fitch**"), or may be unrated. Where a Series of Notes is rated, such rating will be disclosed in the relevant Final Terms or the relevant Drawdown Prospectus. The Bank's current long-term foreign currency rating by S&P is B- and its current long-term foreign currency issuer default rating by Fitch is B. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. As of the date of this Base Prospectus, S&P is not established or registered in the United Kingdom under the Regulation (EU) No 1060/2009 as it forms part of United Kingdom domestic law by virtue of the EUWA (the "**UK CRA Regulation**") but credit ratings issued by S&P have been endorsed by S&P Global Ratings UK Limited, which is an entity established in the United Kingdom and included in the list of registered credit rating agencies published by the FCA on its website (https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras) in accordance with the UK CRA Regulation. Fitch is established in the United Kingdom and is registered in accordance with the UK CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Whether or not a rating in relation to any Series of Notes will be treated as having been issued by a credit rating agency established in the United Kingdom and registered under the UK CRA Regulation will be disclosed in the relevant Final Terms or the relevant Drawdown Prospectus.

The Notes have not been, nor will they be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and any Notes issued in bearer form will be subject to U.S. tax law requirements. The Notes may not be offered or sold or, in the case of Bearer Notes, delivered in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

The Bank may agree with any Dealer and Citibank, N.A., London Branch (the "**Trustee**") that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a Drawdown Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arrangers and Dealers

Citigroup **Mashreqbank psc** **Standard Chartered Bank** **Renaissance Capital** **United Capital**

The date of this Base Prospectus is 8 November 2021

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of the UK Prospectus Regulation.

The Bank accepts responsibility for the information contained in this Base Prospectus, including the Final Terms or the Drawdown Prospectus (as applicable) relating to each Tranche of Notes issued under the Programme. To the best of the knowledge of the Bank, the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus does not omit anything likely to affect the import of such information.

Nothing contained in this Base Prospectus is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Dealers, the Trustee or any of their respective directors, affiliates, advisers or agents nor any other party (other than the Bank) in any respect. The contents of this Base Prospectus are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

Copies of the Final Terms and any Drawdown Prospectuses will be available from the registered office of the Bank and the specified office set out below of each of the Paying Agents (as defined below).

Certain information under the headings "*Book Entry Clearance Systems*", "*Exchange Rates and Exchange Controls*", "*Risk Factors*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Nigeria*", and "*The Nigerian Banking Sector*" has been extracted from information provided by the clearing systems, certain government and other third-party sources, referred to therein. The Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Bank has relied on the accuracy of this information without independent verification.

This Base Prospectus must be read in conjunction with any supplements hereto and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus should be read and construed on the basis that such information is incorporated and form part of this Base Prospectus.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers, the Trustee, any of their respective directors, affiliates, advisers or agents nor any other party (other than the Bank) as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Bank in connection with the Programme or offering of any Notes or as to any acts or omissions of the Bank or any other person (other than the relevant Dealer or the Trustee) in connection with the issue and offering of any Notes under the Programme. No Dealer, the Trustee, any of their respective directors, affiliates, advisers or agents nor any other party (other than the Bank) accepts any liability or responsibility in relation to the information contained in this Base Prospectus or any other information provided by the Bank in connection with the Programme of offering of any Notes.

Subject as provided in the relevant Final Terms or the relevant Drawdown Prospectus, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the relevant Final Terms or the relevant Drawdown Prospectus as the relevant Dealer or the Managers, as the case may be.

No person is or has been authorised by the Bank, any of the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or any Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation, or (ii) should be considered as a recommendation by the Bank, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes.

Each investor contemplating purchasing any Notes issued under the Programme should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Bank, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve an adverse change, in the prospects or financial or trading position of the Bank since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Bank throughout the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and the U.S. Treasury regulations promulgated thereunder.

The Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Bank, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (the "**EEA**"), the United Kingdom (the "**UK**"), Singapore and Nigeria. See "*Subscription and Sale and Transfer and Selling Restrictions*".

In making an investment decision, investors must rely on their own independent examination of the Bank and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

None of the Dealers, the Bank or the Trustee makes any representation to any investor regarding the legality of its investment under any applicable laws. Any investor should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

IMPORTANT – EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling any Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2(1) of Regulation (EU) No 2017/565, as it forms part of the United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014, as it forms part of United Kingdom domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014, as it forms part of United Kingdom domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**"), for offering or selling any Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

U.S. INFORMATION

Registered Notes may be offered or sold within the United States only to "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A ("**Rule 144A**") of the Securities Act or to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions ("**Institutional Accredited Investors**"), in either case in transactions exempt from registration under the Securities Act). Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Purchasers of Definitive IAI Registered Notes (as defined in "*Form of the Notes—Registered Notes*") will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes—Transfer of interests*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note (as defined in "*Form of the Notes—Registered Notes*") or any Notes issued in registered form in exchange or substitution therefor (together, "**Legended Notes**") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

The following legend shall also be included on each Note if the Notes are issued with original issue discount for U.S. federal income tax purposes:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED ("THE CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(C) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, THE ISSUE PRICE, THE ISSUE DATE AND THE YIELD TO MATURITY RELATING TO THE NOTES BY CONTACTING THE ISSUER AT ITS REGISTERED OFFICE.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend titled "**MiFID II Product Governance**" that will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes are appropriate. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II product governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend entitled "**UK MiFIR Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (AS AMENDED OR MODIFIED FROM TIME TO TIME, THE "SFA")

Unless otherwise stated in the applicable Final Terms, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

UK BENCHMARKS REGULATION

Interest and/or other amounts payable under the Floating Rate Notes or Reset Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation. Transitional provisions in the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

SUITABILITY OF INVESTMENT

Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in Notes and the impact the Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in Notes or where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of Notes and is familiar with the behaviour of any relevant indices and financial markets;
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- understands the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio. Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal and/or financial advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

RECOGNITION AND ENFORCEMENT OF FOREIGN JUDGMENTS

There are two statutory regimes for the enforcement of foreign judgments in Nigeria: (i) the Reciprocal Enforcement of Judgment Ordinance, Chapter 175, Laws of the Federation of Nigeria ("**LFN**") and Lagos, 1958 (the "**Reciprocal Enforcement Ordinance**" or the "**Ordinance**"), and (ii) the Foreign Judgments (Reciprocal Enforcement) Act, Chapter F35, LFN 2004 (the "**Reciprocal Enforcement Act**" or the "**Act**"). In addition to the statutory regimes described above, foreign judgments may be enforced under the common law by the institution of a fresh civil action (in accordance with the applicable rules of court) for the enforcement of foreign judgments. Furthermore, the court procedures for the practical registration of foreign judgements in Nigeria is not settled, as some courts may take the conservative approach to the implementation of the applicable enforcement regimes listed below whilst others may not.

United Kingdom and Irish Court Judgments

The Ordinance applies to money judgments obtained (a) in the High Courts of England or Ireland, or in the Court of Session in Scotland or in any territory under Her Majesty's dominions to which the Reciprocal Enforcement Ordinance is extended by proclamation; or (b) in the superior court(s) of any country covered by the Reciprocal Enforcement Ordinance. A judgment is defined under the Ordinance as any judgment or order given or made by a court in any civil proceedings, whether before or after the commencement of the Ordinance, whether any sum of money is made payable, and includes an award in proceedings or an arbitration if the award has, in pursuance of the law in force in the place where it was made, become enforceable in the same manner as a judgment given by the court. Subject to certain exceptions, judgments obtained in these jurisdictions are enforceable by registration under the Reciprocal Enforcement Ordinance.

To be enforceable, such judgments must be registered within twelve months after the date of the judgment or such longer period as may be allowed by a High Court or other superior court in Nigeria. In addition, the judgment must (i) derive from civil proceedings; (ii) be final and capable of execution in the country of delivery; (iii) not have been wholly satisfied; (iv) be a monetary judgement for a certain sum; and (v) not suffer from want of jurisdiction, lack of fair hearing or fraud, be contrary to public policy or have been discontinued because the issue had already been decided by another competent court before its determination by the foreign court. *Provided that* the judgment satisfies these requirements, it will be recognised, registered and enforced in Nigeria in the currency of that judgment.

Accordingly, under the Ordinance, foreign judgments relating to the Notes would be registrable and enforceable in Nigeria if such judgments are obtained in (a) the High Courts of England or Ireland or in the Court of Session in Scotland or in other parts of Her Majesty's control to which the Reciprocal Enforcement Ordinance is extended by proclamation; or (b) the superior court of any of the countries covered by the Reciprocal Enforcement Ordinance.

However, notwithstanding that a judgement emanates from a jurisdiction to which the Ordinance applies, such judgments are not registrable or enforceable in Nigeria or where already registered, such registration may be set aside, where (i) the foreign court acted without jurisdiction; (ii) the judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the foreign court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (iii) the judgment debtor was not duly served with the process of the foreign court, and did not appear, notwithstanding that he was ordinarily resident or was carrying on business within the jurisdiction of the foreign court; (iv) the judgment was obtained by fraud; (v) the judgment debtor satisfies the registering court that an appeal is pending against the judgment or that he is entitled, and intends, to appeal against the judgment; or (vi) the judgment was in respect of a cause of action which could not have been entertained by the registering court for reasons of public policy or for some other similar reason. In this regard, notwithstanding that a judgment emanates from a jurisdiction to which the Reciprocal Enforcement Ordinance applies, such judgment will not be registrable or enforceable in Nigeria if the judgment falls within any of the exceptions enumerated in items (i) to (vi) above.

United States and Other Jurisdictions Court Judgments

Part 1 of the Reciprocal Enforcement Act applies to judgments obtained in the superior courts of any country (other than Nigeria). For the Reciprocal Enforcement Act to be applicable to any foreign judgment, the Minister of Justice and Attorney General of Nigeria ("**Minister of Justice**") must have issued an order extending the provisions of Part 1 of the Act to the judgments obtained from the superior courts of the relevant foreign jurisdiction from where the judgment emanated. In extending the provisions of Part 1 of the Reciprocal Enforcement Act to the judgments of any superior courts of any country, the Minister of Justice has to be satisfied that substantial reciprocity of treatment will be accorded in that country to judgments given by superior courts in Nigeria. Once the Minister of Justice has exercised his power by issuing an order extending the provisions of Part 1 of the Reciprocal Enforcement Act to any country, judgment creditors of judgments from the superior courts of such country will be able to apply to a High Court of a State of the Federation of Nigeria, or a High Court of the Federal Capital Territory, Abuja, or the Federal High Court (a "**Nigerian High Court**") within a period of six years from the date of the judgment, or where there have been proceedings by way of appeal against the judgment, within six years after the date of the last judgment given in those proceedings, for the enforcement of the judgment.

However, since the promulgation of the Reciprocal Enforcement Act, the Minister of Justice has not issued any order extending Part 1 of the Reciprocal Enforcement Act to any foreign jurisdiction.

Section 10(a) of the Reciprocal Enforcement Act, however, provides that a judgment issued before the commencement of the Minister of Justice's order extending Part 1 of the Reciprocal Enforcement Act to the foreign country where the judgment was given may be registered within a period of twelve months from the date of the judgment. While some Nigerian courts have relied on this provision to enforce judgments from some foreign countries, where such judgments have been registered within twelve months from the date of the judgment or such longer period as may be allowed by a superior court in Nigeria, some other Nigerian courts have taken a different view of the provision and hence refused to rely on it as a basis for the enforcement of foreign judgments.

To be registered and enforced under this regime, the judgment must: (i) derive from civil proceedings; (ii) be final and conclusive as between the parties thereto and capable of execution in the country of delivery; (iii) not have been wholly satisfied; (iv) be a judgment where there is a sum of money payable thereunder, not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty; and (v) not suffer from want of jurisdiction, lack of fair hearing, or fraud or be contrary to public policy (the "**Additional Requirements**").

In the case of a registration of a foreign judgment by a superior court in Nigeria pursuant to Part 1 of the Reciprocal Enforcement Act, the registering court may, upon the filing of an application by any party against whom such a registered judgment may be enforced, set aside the registration of such judgment where the court is satisfied that: (i) the judgment is not a judgment to which Part 1 of the Reciprocal Enforcement Act applies or was registered in contravention of the provisions of the Reciprocal Enforcement Act; (ii) the courts of the country of the original court had no jurisdiction in the circumstances of the case; (iii) the judgment debtor, being the defendant in the proceedings in the original court, did not (notwithstanding that process may have been duly served on him, in accordance with the law of the country of the original court) receive notice of those proceedings in sufficient time to enable him to defend the proceedings and did not appear; (iv) the judgment was obtained by fraud; (v) the enforcement of the judgment would be contrary to public policy in Nigeria; or (vi) the rights under the judgment are not vested in the person by whom the application for registration was made. The registering court may also set aside a registration pursuant to Part 1 of the Reciprocal Enforcement Act if it is satisfied that the matter in dispute in the proceedings in the original court had, previously on the date of the judgment, been the subject of a final and conclusive judgment by a court having jurisdiction in the matter.

With regard to judgments from the United States, there is currently no treaty between the United States and Nigeria providing for reciprocal enforcement of judgments (except with respect to criminal matters and arbitral awards) and the Minister of Justice has not ordered the application of Part 1 of the Reciprocal Enforcement Act to judgments obtained from United States' superior courts or to the courts of any other country. Thus, as of the date hereof, judgments from courts in the United States or the courts of any other country (apart from: (a) the High Courts in England or Ireland, the Court of Session in Scotland and the courts in any territory under Her Majesty's dominions to which the Reciprocal Enforcement Ordinance is extended by proclamation; or (b) the superior court(s) of any country covered by the Ordinance) can only be enforced in Nigeria by registration pursuant to section 10(a) of the Reciprocal Enforcement Act if such judgments are registered within twelve months after the date of the judgment or such longer periods as may be allowed by a Nigerian High Court and they satisfy the Additional Requirements. However, the enforcement of foreign judgments under section 10(a) of the Reciprocal Enforcement Act is subject to a precedent in Nigeria for judicial decisions refusing to enforce foreign judgments under said section on the grounds that it is ineffective.

Enforcement of Arbitral Awards in Nigeria

Furthermore, under the Arbitration and Conciliation Act, Chapter A18, LFN 2004 (the "**ACA**") an arbitral award shall (irrespective of the country in which such an award is made) be recognised as binding and, subject to section 32 of the ACA, shall, upon application in writing to the court be enforced by the High court in Nigeria. Section 32 of the ACA preserves the rights of any of the parties to request that the court refuse the recognition or enforcement of the award. By section 52 of the ACA, the court where recognition or enforcement of an award is sought or where an application for the refusal of recognition or enforcement thereof is brought, may in certain circumstances refuse to recognise or enforce an award. By section 54 of the ACA, the Convention on Recognition and Enforcement of Foreign Arbitral Awards, 1958 is applicable to the enforcement of any award made thereunder.

Common Law Action on Foreign Judgment

In addition to the registration regimes described above, a foreign judgment may be enforced in Nigeria under the common law. A person seeking to enforce a foreign judgment through such means would be required to commence a civil action before a court of competent jurisdiction in Nigeria, with the foreign judgment as the cause of action. An action brought in this way may also be heard and determined summarily or under the undefended list in accordance with the relevant rules of the relevant Nigerian court. However, some Nigerian courts have taken the view that, subject to the exceptions already discussed above, judgments of both Commonwealth and non-Commonwealth jurisdictions are now enforceable by registration in Nigeria by virtue of Section 10(a) of the Act.

Currency of Judgment

Based on the provisions of the Reciprocal Enforcement Ordinance and Nigerian case law, foreign judgments can be enforced and recovered in Nigerian superior courts in a foreign currency. In contrast, Part 1 of the Reciprocal Enforcement Act provides that a foreign judgment to which part 1 of the Reciprocal Enforcement Act applies may only be enforceable in Nigeria in Naira.

The relevant provision of Part 1 of the Reciprocal Enforcement Act will only become effective when the Minister of Justice makes an order to the effect that the Reciprocal Enforcement Act shall apply to judgments of superior courts of a particular country that accords reciprocal treatment to judgments of superior courts of Nigeria. However, upon the issuance of the order by the Minister of Justice, judgments of superior courts of any country (whether or not previously covered by the Reciprocal Enforcement Ordinance), when registered and enforced in Nigeria, will be enforced only in Naira.

One potential challenge presented by this regime of enforcement only in Naira is that the judgment creditor may be faced with significant exchange rate losses given that, pursuant to section 4(3) of the Act, the judgment sum will be converted into Naira on the basis of the prevailing rate of exchange on the date the judgment sought to be enforced is obtained in the original court. Given that the Minister of Justice is yet to issue any order extending the application of Part 1 of the Reciprocal Enforcement Act to judgments of superior courts of any country, and until such order is made, there is no restriction on Nigerian courts to allow foreign judgments to be registered, enforced and recovered in foreign currency based on the Reciprocal Enforcement Ordinance or section 10(a) of the Reciprocal Enforcement Act (as the case may be).

Effect of Registration of Foreign Judgments in Nigeria

The legal effect of registration of any foreign judgment under the Reciprocal Enforcement Ordinance or the Reciprocal Enforcement Act is that the foreign judgment becomes the judgment of the registering court for the limited purpose of enforcement of the foreign judgment in Nigeria. Therefore, no party may appeal the merits of a foreign judgment registered by a Nigerian High Court before an appellate court in Nigeria merely on the basis that such a foreign judgment has been registered in Nigeria. A party may only appeal the decision of a Nigerian High Court to register or not to register the foreign judgment.

STABILISATION

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (if any) named as the Stabilising Manager(s) (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms, or the applicable Drawdown Prospectus, may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial statements

The Bank maintains its books of accounts in Naira in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

Unless otherwise indicated, financial information set forth herein related to the Bank and its consolidated subsidiaries (the "**Group**") has been derived from the Group's audited consolidated financial statements as at and for the year ended 31 December 2020 (the "**2020 Financial Statements**"), and the Group's audited consolidated financial statements as at and for the year ended 31 December 2019 (including the audited comparative financial information as at and for the year ended 31 December 2018) (the "**2019 Financial Statements**" and together with the 2020 Financial Statements, the "**Annual Financial Statements**"), the Group's audited consolidated financial statements as at and for the six months ended 30 June 2021 (including audited comparative financial information as at 31 December 2020 and for the six months ended 30 June 2020) (the "**H1 Financial Statements**"), as well as the Group's unaudited interim condensed consolidated financial statements as at and for the nine months ended 30 September 2021 (including audited comparative financial information as of 31 December 2020 and unaudited comparative financial information for the nine months ended 30 September 2020) (the "**Q3 Financial Statements**") and together with the H1 Financial Statements and the Annual Financial Statements, the "**Financial Statements**"), each of which were prepared in accordance with IFRS and included elsewhere in this Base Prospectus.

The 2020 Financial Statements, the Q3 Financial Statements and the H1 Financial Statements were prepared in accordance with the provisions of the Companies and Allied Matters Act No. 3 of 2020 (as amended), Banks and Other Financial Institutions Act, 2020**,** the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria ("**CBN**") circulars and guidelines, which requirements are in addition to, and do not conflict with the requirements under IFRS.

The 2019 Financial Statements were prepared in accordance with the provisions of the Companies and Allied Matters Act, Chapter C20 LFN 2004, Banks and Other Financial Institutions Act, Chapter B3 LFN 2004, the Financial Reporting Council Act No. 6, 2011 and relevant CBN circulars and guidelines, which requirements are in addition to, and do not conflict with the requirements under IFRS.

Investors should note that certain other financial information and data set forth herein has been derived from the unaudited management accounts of the Group. See "*Alternative Performance Measures*" below.

The Annual Financial Statements and the H1 Financial Statements, including the audit reports of Ernst & Young Nigeria ("**EY**") and PricewaterhouseCoopers Chartered Accountants ("**PwC**"), as well as the Q3 Financial Statements, are set forth elsewhere in this Base Prospectus. The 2019 Financial Statements were audited by PwC, located at 5B Water Corporation Road, Victoria Island, P.O. Box 2419, Lagos, Nigeria. The 2020 Financial Statements and the H1 Financial Statements were audited by EY, while the Q3 Financial Statements were reviewed by EY, which is located at 10th & 13th Floor, UBA House, 57, Marina, Lagos Island, Lagos, Nigeria, in each case in accordance with International Standards on Auditing ("**ISA**").

Alternative Performance Measures

To supplement the Group's Financial Statements, the Group uses certain ratios and measures included in this Base Prospectus that might be considered to be "alternative performance measures" (each an "**APM**") as described in the ESMA Guidelines on Alternative Performance Measures (the "**ESMA Guidelines**") published by the European Securities and Markets Authority on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework." The ESMA Guidelines also note that they do not apply to APMs "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures."

The APMs included in this Base Prospectus are not alternatives to measures prepared in accordance with IFRS and might be different from similarly titled measures reported by other companies. The Bank believes that this information, when considered in conjunction with measures reported under IFRS, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors' overall understanding of the Group's financial performance. In addition, these measures are used in internal management of the Group, along with financial measures reported under IFRS, in measuring the Group's performance and comparing it to the performance of its competitors.

In addition, because the Group has historically reported certain APMs to investors, the Bank believes that the inclusion of APMs in this Base Prospectus provides consistency in the Group's financial reporting and thus improves investors' ability to assess the Group's trends and performance over multiple periods. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS.

For the Group, measures that might be considered to be APMs in this Base Prospectus (and that are not defined or specified by IFRS or any other legislation applicable to the Bank) include (without limitation) the following (such terms being used in this Base Prospectus as defined below):

- *Average interest-earning assets*: This includes loans and receivables to customers, loans and advances to banks, financial investments available for sale, financial investments held to maturity and other interest-earning assets. Averages are based on opening and closing balances for the applicable period.

- *Loan to deposit ratio*: As of a particular date, this is: (a) the total amount of loans and advances to customers excluding total impairments as of such date *divided by* (b) total deposits from customers as of such date.

- *Cost of risk*: This represents the impairment charge on loans and advances for the period minus recoveries and reversals for the period, divided by average gross loans (which is the average of the opening and closing balances for the applicable period).

- *Cost-to-income ratio*: This represents total operating expenses divided by total operating income. Operating income and operating expenses are comprised of the following components for the periods indicated:

	For the six months ended 30 June		For the years ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(₦ millions)		
Operating Income					
Net interest income	148,068	119,324	259,467	221,875	205,646
Net fee and commission income	45,768	38,582	82,608	80,004	65,446
Net trading and foreign exchange income	9,102	35,208	59,450	37,627	31,675
Other operating income	9,508	3,595	6,120	6,787	5,451
Total operating income	**212,446**	**196,709**	**407,645**	**346,293**	**308,218**
Operating Expenses					
Employee benefit expenses	(42,623)	(44,565)	(87,545)	(75,099)	(71,158)
Depreciation and amortisation	(11,457)	(9,590)	(20,005)	(15,490)	(11,801)
Other operating expenses	(78,753)	(77,971)	(142,297)	(126,578)	(114,383)
Total operating expenses	**(132,833)**	**(132,126)**	**(249,847)**	**(217,167)**	**(197,342)**

- *Credit impairment charge*: Writeback/(provision) for impairment on loans and receivables divided by loans and receivables from customers.

- *Debt securities issued*: 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.

- *Liquid asset ratio*: As of a particular date, this is: (a) the Group's total amount of cash and balances with banks (excluding restricted balances with central banks), money market placements, financial assets at FVTPL, gross investment securities at FVOCI (excluding equity investments) and gross investment securities at amortised cost as of such date *divided by* (b) the Group's total assets as of such date.

- *Liquidity ratio*: As of a particular date, this is: (a) the Group's total amount of cash and balances with banks (excluding restricted balances with central banks), money market placements, financial assets at FVTPL, gross investment securities at FVOCI (excluding equity investments) and gross investment securities at amortised cost as of such date *divided by* (b) the Bank or Group's (as applicable) total deposits from customers and banks.

- *Net interest margin*: For a particular period, this is: (a) net interest income for such period *as a percentage of* (b) the average interest-earning assets for such period.

- *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 instruments measured at fair value through profit or loss are also included in net trading income.

- *NPL coverage ratio*: As of a particular date, this is: (a) total provisions (excluding regulatory risk reserves) on loans and advances to customers as of such date *divided by* (b) non-performing loans ("**NPLs**") as of such date.

- *NPL ratio*: As of a particular date, this is: (a) NPLs as of such date *as a percentage of* (b) the aggregate amount of gross loans (performing and NPLs) as of such date.

- *Return on average equity*: This represents net income for the period as a percentage of average equity (which is the average of the opening and closing balances for the applicable period).

- *Return on average assets*: This represents net income for the period as a percentage of average total assets (which is the average of the opening and closing balances for the applicable period).

- *Spread*: For a particular period, this is: (a) the average interest rates earned on average interest-earning assets during such period *minus* (b) the average interest rates accrued on average interest-bearing liabilities during such period.

- *Stock of consumables*: Stock of consumables comprises 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.

- *Volume/Rate change*: Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate/volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total.

- *Yield*: This represents interest income as a percentage of average interest-earning assets (which is the average of the opening and closing interest-earning assets for the applicable period).

Reconciliations for the above APMs to the applicable financial statements are not included as they are not required by the ESMA Guidelines in these circumstances, including as a result of Article 29 thereof where the items described in the APM are directly identifiable from the financial statements (e.g., where an applicable APM is merely a calculation of one item in the financial statements as a percentage of another item in the financial statements).

Third party information

The Bank obtained certain statistical and market information that is presented in this Base Prospectus in respect of the Nigerian banking sector, the Nigerian economy, and the Nigerian political landscape in general from certain government and other third-party sources (including annual reports) as identified where it appears herein.

This third-party information is presented in the following sections of the Base Prospectus: "*Exchange Rates and Exchange Controls*", "*Risk Factors*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Nigeria*", and "*The Nigerian Banking Sector*". The Bank has accurately reproduced such information and, so far as the Bank is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Neither the Bank nor any of the Dealers have independently verified the figures, market data or other information on which third parties have based their studies.

Certain statistical information reported herein has been reproduced from official publications of, and information supplied by, a number of government agencies and ministries, and other governmental and intergovernmental organisations, including:

- the CBN;
- the International Monetary Fund ("**IMF**");
- the Nigerian Debt Management Office ("**DMO**");
- the National Bureau for Statistics of Nigeria ("**NBS**");
- the Nigerian Federal Ministry of Finance ("**FMF**");
- the Nigerian Exchange Limited ("**NGX**");
- the U.S. Central Intelligence Agency ("**CIA**"); and
- the World Bank ("**World Bank**").

Official data published by the Federal Government may be substantially less complete or researched than those of more developed countries. Nigeria faces a number of challenges in gathering statistical data such as inadequate data coverage, inadequate information on sub-national public finances, and lack of regularly available data on economic activity and significant errors and omissions in the balance of payment data, all of which hinder compilation of timely and consistent data. Nigeria has attempted to address some inadequacies in its national statistics through the adoption of the Statistics Act No. 9 of 2007, which established the National Statistical System ("**NSS**") and created the NBS (which came into existence as a result of the merger of the Federal Office of Statistics and the National Data Bank) as its coordinator but there is no assurance that such inadequacies have been resolved.

Information under the heading "*Book-Entry Clearance Systems*" has been extracted from information provided by the clearing systems referred to therein. The Bank confirms that such information has been accurately reproduced and that, so far as the Bank is aware, and is able to ascertain from information published by the relevant clearing systems, no facts have been omitted which would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution.

Rounding

Certain figures included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category of information presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain defined terms

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or as otherwise defined in any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

"**Agents**" refers to the Principal Paying and Transfer Agent and the Registrar;

"**AMCON**" refers to the Asset Management Corporation of Nigeria;

"**Bank**" or "**Issuer**" refers to United Bank for Africa Plc;

"**billions**" refers to thousands of millions;

"**Board of Directors**" or "**Board**" refers to the Board of Directors of the Issuer and of the Group, unless otherwise indicated;

"**BOFIA**" refers to the Banks and Other Financial Institutions Act, 2020;

"**CAMA**" refers to Companies and Allied Matters Act No. 3 of 2020 (as amended);

"**CBN**" refers to the Central Bank of Nigeria;

"**CRR**" refers to the cash reserve ratio set by the CBN from time to time;

"**euro**" or "**€**" refers to the currency introduced at the start of the third stage of the European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended;

"**Federal Government**" refers to the Federal Government of Nigeria;

"**FVOCI**" means fair value through other comprehensive income;

"**FVTPL**" means fair value through profit and loss;

"**Group**" refers to the Bank and its consolidated subsidiaries;

"**LDR**" means loan-to-deposit ratio;

"**LFN**" refers to Laws of the Federation of Nigeria;

"**Management**" refers to the management of the Group, unless otherwise indicated;

"**Mb/d**" refers to million barrels per day;

"**MPR**" refers to the monetary policy rate set by the CBN Monetary Policy Committee from time to time;

"**NAFEX**" means the Nigerian Autonomous Foreign Exchange Rate;

"**NAFEX Rate**" means the rate developed and published by FMDQ Securities Exchange Limited on https://fmdqgroup.com pursuant to the CBN's circular dated 21 April 2017 establishing the foreign exchange window known as the NAFEX as the market trading segment for investors, exporters and end-users;

"**Naira**" or "**₦**" refers to the Nigerian Naira, the official currency of Nigeria;

"**NDIC**" refers to the Nigeria Deposit Insurance Corporation;

"**Nigeria**" refers to the Federal Republic of Nigeria;

"**SEC**" or "**Nigerian SEC**" refers to the Nigerian Securities and Exchange Commission;

"**United States**" or the "**U.S.**" refers to the United States of America; and

"**U.S. dollar**" or "**U.S.$**" refers to the lawful currency of the United States of America.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. They may also constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"); however, this Base Prospectus is not entitled to the benefit of the safe harbour created thereby. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts and are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. They appear in a number of places throughout this Base Prospectus and include statements regarding the Group's intentions, plans, beliefs or current expectations concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if the Group's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include but are not limited to:

- anticipated growth of the Group's corporate and investment banking, commercial banking, business banking, personal and private banking businesses;
- the Group's ability to grow its loan portfolio at historical rates or at all;
- the Group's inability to successfully implement its strategy;
- the demand for the Group's products and services;
- the effectiveness of the Group's risk management and internal control policies and procedures; and
- the Group's ability to manage liquidity risks.

Factors that could cause actual results to differ materially from the Group's expectations are contained in cautionary statements in this Base Prospectus and include, amongst other things, the following:

- overall political, economic and business conditions in Nigeria, including oil prices and oil production and the impact of the 2019 coronavirus disease ("**COVID-19**") pandemic;
- exchange rate fluctuations, including following the Naira float and any currency control measures imposed or reinstated;
- changes in government regulations applicable to the Group's activities and the Group's customers;
- the demand for the Group's products and services;
- competitive factors in the industries in which the Group and its customers compete;
- interest rate fluctuations and other capital market conditions;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- economic and political conditions in international markets, including governmental changes;

- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing, impact and other uncertainties of future actions.

The sections of this Base Prospectus entitled "*Risk Factors*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Description of the Group*" and "*Selected Statistical and Other Information*" contain a more complete discussion of the factors that could affect the Group's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Base Prospectus may not occur.

These forward-looking statements speak only as at the date of this Base Prospectus. Except as required by applicable law or regulation, the Bank does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Bank or the Group or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

EXCHANGE RATES AND EXCHANGE CONTROLS

The CBN, through the Revised Guidelines for the Operation of the Nigerian Inter-Bank Foreign Exchange Market dated 15 June 2016, introduced a single foreign exchange market structure with the CBN operating through the Nigerian autonomous/interbank foreign exchange market with the following features:

- the maximum spread between bid and offer rates in the market is determined by the FMDQ Securities Exchange Limited via its market organisation with the Financial Market Dealers Association;
- rather than having a separate CBN official exchange rate, the CBN at its discretion, may (a) intervene in the interbank foreign exchange market in several stipulated ways or intervene through the sale in wholesale of foreign exchange to primary market dealers (appointed from amongst the authorised dealers in the market); or (b) intervene through the sale of foreign exchange to end-users for eligible transactions through authorised dealers at a price discovered using a multiple-price book building process and the FMDQ-Thomson Reuters FX Auction Systems or any other CBN sanctioned system; and
- selling by authorised dealers to end-users of Naira-settled non-deliverable over-the-counter foreign exchange futures for the purpose of hedging foreign exchange risks of actual transactions.

Due to a currency crisis in 2017, the CBN introduced the NAFEX to support appropriate benchmarking and facilitate derivatives activities in the Investors' & Exporters' foreign exchange window.

In March 2020, global oil prices fell drastically at the peak of the COVID-19 pandemic and, as a result, the value of the Naira versus the US dollar fell significantly in market trading. In July 2020, the CBN requested authorised dealers to submit bids at the rate of ₦380 to U.S.$1 which was interpreted as an indirect official devaluation of the Naira. The exchange rate continued to decline in market trading and, in May 2021, the CBN ceased the publication of an official exchange rate on its website in a bid to unify Nigeria's foreign exchange rates, effectively adopting NAFEX for its interventions at the Nigerian autonomous and interbank foreign exchange market and at Secondary Market Intervention Sales ("**SMIS**"). Following the foregoing cessation, the price of the Naira plummeted by 7.6 per cent.

In 2009, the CBN introduced the Bureaux De Change ("**BDCs**") and issued licences to BDCs as one of the measures to stabilise the exchange rate. Prior to 27 July 2021, the CBN typically sold foreign exchange to the BDCs for onward sale to retail users of foreign exchange, albeit in minimal amounts. However, after the CBN's Monetary Policy Committee meeting on 27 July 2021, the CBN decided against further sale of foreign exchange to BDCs and instead decided to increase its sale of foreign exchange to Deposit Money Banks ("**DMBs**") to meet genuine demands for foreign exchange. The CBN further authorised DMBs to set up teller points at designated branches across Nigeria to fulfil foreign exchange requests.

Exchange Rate Information

Naira has been selected as the presentation currency for the Financial Statements, as the majority of the Group's transactions are denominated, measured, or funded in Naira.

The following table sets forth, for the periods indicated, the high, low, average and year-end official rates set by the NAFEX in reference to CBN window in each case for the purchase of Naira, all expressed per U.S. dollar. These translations should not be construed as representations that Naira amounts actually represent such

U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated as at any of the dates mentioned in this Base Prospectus or at all.

	Average[(1)]	High	Low	Period End
		(Naira per U.S. dollar)		
November 2021 (through to 5 November 2021) ...	413.62	413.88	413.28	413.88
October 2021	414.10	422.17	412.68	413.95
September 2021	412.04	413.53	411.08	413.05
August 2021..	411.19	411.28	411.08	411.20
July 2021...	411.12	411.42	410.42	411.1
June 2021	410.55	411.13	409.05	410.66
May 2021..	410.50	411.25	409.84	411.25
April 2021...	409.33	410.33	407.83	410.21
March 2021...	408.73	410.92	407.63	407.63
February 2021...	403.46	410.50	393.15	410.48
January 2021...	393.66	398.6	392.18	393.45
2020	356.7	381.1	305.9	379.5
2019	306.6	361.0	305.7	360.5
2018	305.6	307.0	304.6	306.5
2017	305.3	308.0	304.0	305.5

Source: *FMDQ, CBN.*

(1) The average of the exchange rates for each day during the year or period, as applicable. NAFEX is the foreign exchange window developed and managed by FMDQ Securities Exchange Limited pursuant to the CBN circular dated 21 April 2017 establishing the Investors' and Exporters' Foreign Exchange Window as the market trading segment for investors, exporters and end-users at rates. NAFEX Rates have been applied throughout the periods set out above although it only became the official rate in May 2021.

As of 5 November 2021, the NAFEX Rate was ₦413.88 to U.S.$1.

Exchange controls

The Exchange Control (Repeal) Act No. 8 of 1995 and the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, Chapter F34, LFN 2004 (the "**Forex Act**"), which repealed various pieces of legislation, substantially liberalised exchange controls in Nigeria which had been in place since 1982. The Forex Act introduced regulatory monitoring provisions on foreign exchange in Nigeria in place of exchange control provisions. The Forex Act allows any person to invest foreign currency or capital imported into Nigeria through an authorised dealer in any enterprise or security in Nigeria (except enterprises expressly prohibited by relevant provisions of Nigerian law). Following importation of the investment capital, the authorised dealer shall, within a period of 24 hours, issue to the investor, a Certificate of Capital Importation ("**CCI**") which guarantees unconditional repatriation and/or transferability of funds in freely convertible currency. Following a policy of the CBN announced in 2016 and implemented in 2017 the electronic CCIs ("**eCCI's**") replaced the CCI. Thus, investors now receive eCCIs which are issued and managed on the Electronic Certificate of Capital Importation System.

The eCCI enables foreign investors (through an authorised dealer) to access the CBN regulated foreign exchange market for the purpose of converting the proceeds of capital invested in Nigeria into freely convertible currency.

The Bank intends to use the net proceeds from the issue of Notes under the Programme for general banking purposes, which may include refinancing, retiring or otherwise restructuring existing indebtedness. See "*Use of Proceeds*".

The Bank does not intend to import the proceeds from the issue of Notes under the Programme into Nigeria or convert such proceeds into Naira and, as a result, the Bank will not obtain a CCI for any portion of the proceeds not imported which would otherwise give it access to the foreign exchange markets in Nigeria in respect of principal repayment and interest repayment. The proceeds of any Notes issued under the Programme will be paid into the Bank's foreign currency domiciliary account and the Bank will make principal repayment and interest payment on such Notes from its foreign currency reserves as it will not be able to obtain access to the Nigerian foreign exchange market. See "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies*".

In the event that the proceeds of any Notes issued under the Programme are imported into Nigeria and converted into Naira, the Bank will obtain an eCCI evidencing the inflow of the proceeds of the Notes into Nigeria. The eCCI will be issued in the name of the Trustee as trustee on behalf of the Noteholders. The eCCI facilitates access to the Nigerian foreign exchange market for the unconditional repatriation and/or transferability of the interest payable on the Notes and the principal amount of the Notes in freely convertible currency.

See "*Risk Factors—Risks Related to the Notes and the trading market*".

OVERVIEW OF THE GROUP

This section contains an overview of the detailed information and financial information included elsewhere in this Base Prospectus. This overview may not contain all of the information that may be material to prospective investors and, therefore, should be read in conjunction with this entire Base Prospectus, including the more detailed information regarding the Group's business and financial information and related notes included elsewhere in this Base Prospectus or referenced herein. Prospective investors should also carefully consider the information set forth in the section "Risk Factors".

United Bank for Africa Plc, together with its consolidated subsidiaries and affiliates, is a leading full-service pan-African banking group operating through branches, service outlets and digital platforms in Nigeria and 19 other African countries (as well as the United Kingdom, the United States of America and a representative office in France). The Group provides a wide range of banking and other financial services to over 25 million customers globally in retail and corporate market segments through one of the most diverse and largest distribution networks in sub-Saharan Africa with over 1,000 branches and customer touch points across Africa (comprising 463 branches and customer touch points in Nigeria and 537 branches and customer touch points in the rest of Africa (excluding Nigeria)), 2,660 automated teller machines ("**ATMs**") and over 103,442 point-of-sale ("**POS**") machines, in each case as at 30 June 2021, as well as robust online and mobile banking platforms. As at 30 June 2021, the Group had total assets of ₦8.3 trillion, deposits from customers and banks of ₦6.7 trillion and gross loans of ₦2.8 trillion. According to the most recently published financial statements of Nigerian banks for the first six months of 2021 prepared in accordance with IFRS, the Group has become the third largest bank in terms of total assets, the largest bank in terms of deposits and ranks fourth in profits before tax, in each case as compared to its tier one Nigerian commercial bank competitors (on a consolidated basis).

The Bank's shares are publicly traded on the premium board of the Nigerian Exchange Limited and, as at 30 June 2021, the Bank had over 273,990 shareholders comprising local and international institutional investors, as well as individual shareholders. As at the date of this Base Prospectus, the Bank's long-term foreign currency rating by S&P is B- and its long-term foreign currency issuer default rating by Fitch is B.

The Group's business in Africa (excluding Nigeria) is growing rapidly. The Group's gross revenue was ₦141.9 billion for the six months ended 30 June 2021, compared to ₦107.6 billion for the six months ended 30 June 2020; whereas the Group's gross revenue was ₦232.1 billion for the year ended 31 December 2020 as compared to ₦166.3 billion for the year ended 31 December 2019 and ₦152.0 billion for the year ended 31 December 2018. The Group's gross loans and advances in Africa (excluding Nigeria) was ₦829.6 billion as at 30 June 2021, compared to ₦854.9 billion as at 31 December 2020, ₦625.1 billion as at 31 December 2019 and ₦550.7 billion as at 31 December 2018.

The table below sets forth the revenue, loans and deposits of each member of the Group across its operating geographies, which consists of the Nigerian bank holding company, its pensions custody subsidiary in Nigeria, its consolidated African subsidiaries and its subsidiary in the United Kingdom, as well as the percentage that such figures represent of the Group's total revenue, assets and liabilities, in each case as at and for the year ended 31 December 2020:

Country	For the year ended 31 December 2020		As at 31 December 2020			
	Total revenue	% of Group's Gross revenue	Total Assets	% of the Group's Assets	Total Liabilities	% of the Group's Liabilities
			(₦ millions, except percentages)			
Nigeria	372,223	60	5,232,415	68	4,763,277	68.3
Ghana	43,658	7.0	273,476	3.6	205,239	2.9
Cameroon	31,495	5.1	359,033	4.7	316,488	4.5
Burkina Faso	19,095	3.1	356,209	4.6	330,045	4.7
Congo Brazzaville	21,026	3.4	168,731	2.2	130,442	1.9
Benin	14,484	2.3	247,793	3.2	226,300	3.2
Cote D'Ivoire	21,206	3.4	383,270	5.0	353,298	5.1
Senegal	14,762	2.4	196,653	2.6	169,076	2.4
Chad	8,494	1.4	116,776	1.5	102,814	1.5
Guinea	7,277	1.2	74,482	1.0	68,046	1.0
Liberia	4,661	0.8	63,595	0.8	56,438	0.8
Sierra Leone	8,069	1.3	51,652	0.7	41,193	0.6
Kenya	7,181	1.2	68,987	0.9	49,126	0.7
Tanzania	3,766	0.6	29,353	0.4	25,301	0.4
Uganda	7,518	1.2	54,743	0.7	29,471	0.4
Mozambique	1,706	0.3	22,750	0.3	16,269	0.2
Congo DR	3,351	0.5	79,741	1.0	72,850	1.0
Gabon	9,741	1.8	63,579	0.8	88,506	1.3
Mali	4,565	0.7	43,497	0.6	35,623	0.5
Rest of the World (Excluding Africa)	19,750	3.2	244,824	3.2	219,457	3.1
Group Intercompany Elimination	(3,653)	(0.6)	(433,579)	(5.6)	(325,427)	(4.7)
Group	**620,375**	**100**	**7,697,980**	**100**	**6,973,832**	**100**

The Group's operations comprise three main business segments: corporate banking ("**Corporate Banking**"); retail and commercial banking ("**Retail & Commercial Banking**"); and treasury and financial markets ("**Treasury & Financial Markets**"):

- *Corporate Banking*, which provides a broad range of banking services to multinationals, regional companies, state-owned companies, non-governmental organisations, international and multinational organisations and financial institutions;

- *Retail & Commercial Banking*, which provides commercial banking products and services to medium-sized entities and retail segments in all major cities in Nigeria and in 19 other African countries; and

- *Treasury & Financial Markets*, which structures and implements financial market products and provides innovative financing and risk management solutions and advisory services to the Group's corporate and institutional customers.

The following table sets out the Group's gross revenue and outstanding gross loans and deposits from customers as at and for the six months ended 30 June 2021:

	For the six months ended 30 June 2021		As at 30 June 2021			
	Total revenue(1)	% of the Bank's Gross revenue	Loans and advances	% of the Bank's Loans and advances	Deposits from customers and banks	% of the Bank's Deposits from customers and banks
			(₦ millions, except percentages)			
Corporate Banking	88,296	28.0	1,640,321	58.9	1,077,866	16.2
Retail & Commercial Banking	156,942	49.8	1,098,719	39.4	4,480,589	67.3
Treasury & Financial Markets	70,088	22.2	47,481	1.7	1,098,664	16.5
Total	**315,326**	**100.0**	**2,786,521**	**100.0**	**6,657,119**	**100.0**

(1) Gross revenue is presented net of intra-segment eliminations

The following table sets out the Group's gross revenue and gross loans and deposits from customers as at and for the year ended 31 December 2020:

	For the year ended 31 December 2020		As at 31 December 2020			
	Total revenue(1)	**% of the Group's Gross revenue**	**Loans and advances**	**% of the Group's Loans and advances**	**Deposits from customers and banks**	**% of the Group's Deposits from customers and banks**
			(₦ millions, except percentages)			
Corporate Banking....................	201,024	32.4	1,759,083	66.8	1,604,685	26.3
Retail & Commercial Banking ..	214,392	34.6	566,783	21.5	3,520,622	57.8
Treasury & Financial Markets...	204,959	33.0	306,527	11.6	968,861	15.9
Total..	**620,375**	**100.0**	**2,632,394**	**100.0**	**6,094,168**	**100.0**

(1) Gross revenue is presented net of intra-segment eliminations

The Group's total profits for the years ended 31 December 2020, 2019 and 2018 were ₦113.8 billion, ₦89.1 billion and ₦78.6 billion, respectively. The Group's consolidated assets as at 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were ₦8.3 trillion, ₦7.7 trillion, ₦5.6 trillion and ₦4.9 trillion, respectively.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth selected historical financial and other information of the Group as at the dates and for the periods indicated and are presented in millions of Naira. The following tables set forth selected historical consolidated financial information derived from the Financial Statements and are presented in Naira and included elsewhere in this Base Prospectus. See "*Presentation of Financial and Other Information*".

Prospective investors should read the following selected financial and other information in conjunction with the information contained in "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Selected Statistical and Other Information*" and the Financial Statements, and the related notes thereto.

Statement of financial position of the Group

	As at 30 June	**For the year ended 31 December**		
	2021	**2020**	**2019**	**2018**
		(₦ millions)		
ASSETS				
Cash and bank balances	2,065,021	1,874,618	1,396,228	1,220,596
Financial assets at fair value through profit or loss	147,867	214,400	102,388	19,439
Derivative assets	47,594	53,148	48,131	34,784
Loans and advances to banks	151,965	77,419	108,211	15,797
Loans and advances to customers	2,634,556	2,554,975	2,061,147	1,715,285
Investment securities:				
At fair value through other comprehensive income	807,553	1,421,527	901,048	1,036,653
At amortised cost	2,022,940	1,159,264	670,502	600,479
Other assets	196,495	115,432	139,885	63,012
Investment in equity-accounted investee	5,299	4,504	4,143	4,610
Property and equipment	166,735	153,191	128,499	115,973
Intangible assets	28,304	28,900	17,671	18,168
Deferred tax assets	40,981	40,602	43,054	24,942
Total assets	**8,315,310**	**7,697,980**	**5,620,907**	**4,869,738**
LIABILITIES				
Derivative liabilities	220	508	852	99
Deposits from banks	561,545	418,157	267,070	174,836
Deposits from customers	6,095,574	5,676,011	3,832,884	3,349,120
Other liabilities	315,879	157,827	107,255	120,764
Current tax liabilities	7,319	9,982	9,164	8,892
Borrowings	565,095	694,355	758,682	683,532
Subordinated liabilities	-	-	30,048	29,859
Deferred tax liabilities	17,157	16,992	16,974	28
Total liabilities	**7,562,789**	**6,973,832**	**5,022,929**	**4,367,130**
EQUITY				
Share capital	17,100	17,100	17,100	17,100
Share premium	98,715	98,715	98,715	98,715
Retained earnings	271,406	255,059	184,685	168,073
Other reserves	333,962	324,194	278,073	199,581
Equity attributable to owners of the parent	721,183	695,068	578,573	483,469
Non-controlling interests	31,338	29,080	19,405	19,139
Total equity	**752,521**	**724,148**	**597,978**	**502,608**
Total liabilities and equity	**8,315,310**	**7,697,980**	**5,620,907**	**4,869,738**

Selected statements of comprehensive income information of the Group

	For the six months ended 30 June		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(₦ millions)		
Interest income	222,631	205,586	427,862	404,830	362,922
Interest income on amortised cost and FVOCI securities	220,322	204,737	422,655	390,304	360,583
Interest income on FVTPL securities	2,309	849	5,207	14,526	2,339
Interest expense	(74,563)	(86,262)	(168,395)	(182,955)	(157,276)
Net interest income	**148,068**	**119,324**	**259,467**	**221,875**	**205,646**
Impairment charge for credit losses on loans	(4,137)	(7,807)	(22,443)	(16,336)	-
Net impairment charge on other financial assets	-	-	(4,566)	(1,916)	-
Allowance for credit losses on financial and non-financial instruments	-	-	-	-	(4,529)
Net interest income after impairment on financial and non-financial instruments	**143,931**	**111,517**	**232,458**	**203,623**	**201,117**
Fees and commission income	74,085	55,868	126,943	110,561	93,997
Fees and commission expense	(28,317)	(17,286)	(44,335)	(30,557)	(28,551)
Net fee and commission income	**45,768**	**38,582**	**82,608**	**80,004**	**65,446**
Net trading and foreign exchange income	9,102	35,208	59,450	37,627	31,675
Other operating income	9,508	3,595	6,120	6,787	5,451
Employee benefit expenses	(42,623)	(44,565)	(87,545)	(75,099)	(71,158)
Depreciation and amortisation	(11,457)	(9,590)	(20,005)	(15,490)	(11,801)
Other operating expenses	(78,753)	(77,971)	(142,297)	(126,578)	(114,383)
Share of profit of equity-accounted investee	710	353	1,071	413	419
Profit before income tax	**76,186**	**57,129**	**131,860**	**111,287**	**106,766**
Income tax expense	(15,605)	(12,698)	(18,095)	(22,198)	(28,159)
Profit for the period	**60,581**	**44,431**	**113,765**	**89,089**	**78,607**

Key ratios

The table below sets forth the Group's key ratios as at and for the six months ended 30 June 2021 and 2020 and as at and for the year ended 31 December 2020, 2019 and 2018. The basis for calculation of ratios that are non-IFRS financial measures is set out in the notes below. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS measures. See also "*Presentation of Financial and Other Information—Alternative Performance Measures*".

	As at and for the six months ended 30 June		As at and for the years ended 31 December		
	2021	2020	2020	2019	2018
			(%)		
Profitability ratios:					
Return on average equity(1)	17.5	14.4	17.2	16.2	15.3
Return on average assets(2)	1.6	1.4	1.7	1.7	1.8
Net interest margin(3)	5.8	5.7	5.5	6.0	6.5
Effective tax rate(4)	20.0	22.0	14.0	19.9	26.4
Balance sheet ratios:					
Loans to customers, net/total assets	31.7	32.3	33.2	36.8	35.2
Loans to customers, net/customer deposits	43.2	45.5	45.0	53.8	51.2
Deposits from customers/total assets	73.3	70.8	73.7	68.4	68.8
Total equity/total assets	9.0	9.4	9.4	10.7	10.3
Liquid assets(5)/total assets	45.6	36.6	44.7	37.9	45.4
Liquid assets(5)/total deposits	57.0	46.4	56.4	51.8	62.7
Liquid assets(5)/customer deposits	62.3	51.6	60.6	55.4	66.0
Liquid assets5/liabilities of up to three months	55.9	46.5	52.9	48.6	60.5
Capital adequacy ratios:					
Total capital	23.9	25.0	22.4	24.2	23.8
Tier 1 Capital	19.8	20.8	18.5	19.4	19.2
Credit quality ratios:					
NPL ratio(6)	3.5	4.2	4.9	5.1	6.4
Allowances for impairment losses/NPLs	94.6	105.0	88.0	77.2	79.3
Allowances for impairment losses/total gross loans to customers	3.3	4.1	4.1	3.9	5.1
Impairment charges/average net loans(7)	3.8	4.7	4.7	4.5	5.4

(1) Return on average equity is calculated as the Group's net profit for the period divided by the average of opening and closing balances of equity of the Group. Return on average equity is presented on an annualised basis for the six months ended 30 June 2021.

(2) Return on average assets is calculated as the Group's net profit for the period attributable to equity holders of the Group divided by the average of opening and closing balances of its total assets. Return on average assets is presented on an annualised basis for the six months ended 30 June 2021.

(3) Net interest margin is calculated as the Group's net interest income divided by the daily average balance of the Group's total interest-earning assets during the applicable period. Net interest margin is presented on an annualised basis for the six months ended 30 June 2021.

(4) The Group had tax credits of ₦147,013 million, ₦136,700 million, ₦111,080 million and ₦114,950 million as at 30 June 2021 and 31 December 2020, 2019 and 2018, respectively.

(5) Liquid assets is comprised of the following components:

	As at 30 June		As at 31 December		
	2021	2020	2020	2019	2018
			(₦ millions)		
Cash and bank balances (including unrestricted balances with central banks, but excluding restricted balances with central banks)	728,843	488,204	643,898	410,765	648,446
Money market placements	216,689	71,328	126,832	153,355	8,467
Financial assets at FVTPL	147,867	66,651	214,400	102,388	19,439
Investment securities at FVOCI	677,815	803,720	1,293,730	786,940	933,900
Investment securities at amortised cost	2,024,041	1,046,752	1,160,156	670,998	600,789
Total	**3,795,255**	**2,476,655**	**3,439,016**	**2,124,446**	**2,211,041**

(6) NPL ratio is calculated as NPLs as of the specified date as a percentage of the aggregate amount of gross loans (performing and NPLs) as of such date.

(7) Impairment charges to average net loans ratio is calculated as impartment charges on loans for the period divided by the average of opening and closing balances of net loans.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the relevant Final Terms or the relevant Drawdown Prospectus.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

"**Issuer**"..	United Bank for Africa Plc.
"**Issuer Legal Entity Identifier (LEI)**".................	0292002067E3RH4D8768.
"**Risk Factors**"..	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These factors are set out under "*Risk Factors*". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are also set out under "*Risk Factors*" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
"**Description**"...	Global Medium Term Note Programme.
"**Arrangers**"...	Citigroup Global Markets Limited, Mashreqbank psc, Renaissance Securities (Cyprus) Limited, Standard Chartered Bank and United Capital Plc.
"**Dealers**"...	Citigroup Global Markets Limited, Mashreqbank psc, Renaissance Securities (Cyprus) Limited, Standard Chartered Bank, United Capital Plc and any other Dealers appointed from time to time in accordance with the Programme Agreement.
"**Trustee**"..	Citibank, N.A., London Branch.
"**Certain Restrictions and Approvals**".................	The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Bank dated 26 October 2021. All necessary corporate and regulatory approvals will be obtained by the Bank prior to each issuance of Notes under the Programme. Each issue of Notes under the Programme that is denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*") including the following restrictions applicable at the date of this Base Prospectus: **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United

Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "*Subscription and Sale and Transfer and Selling Restrictions*".

Bearer Notes

The Notes in bearer form are subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions*".

"**Principal Paying and Transfer Agent for the Registered Notes**"..	Citibank, N.A., London Branch.
"**Registrar**"	Citibank Europe Plc.
"**Programme Size**"	Up to U.S.$1,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) aggregate nominal amount of Notes outstanding at any time. The Bank may increase the size of the Programme in accordance with the terms of the Programme Agreement.
"**Distribution**"..	Notes issued under the Programme may be distributed by way of private or public placement and in each case on a syndicated or non- syndicated basis.
"**Currencies**"..	Notes issued under the Programme may be denominated in any currency agreed between the Issuer and the relevant Dealer, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
"**Maturities**"..	The Notes issued under the Programme will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
"**Issue Price**"	Notes may be issued under the Programme at an issue price which is at par or at a discount to, or premium over, par.
"**Final Terms or Drawdown Prospectus**"	Each Tranche of Notes will be the subject of a Final Terms or a Drawdown Prospectus which, for the purpose of that Tranche of Notes only, completes (in the case of Final Terms) or supplements, amends and/or replaces (in the case of a Drawdown Prospectus) the Terms and Conditions of the Notes (the "**Conditions**") and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Conditions as completed by the relevant Final Terms

	or as supplemented, amended and/or replaced by the relevant Drawdown Prospectus.
"**Form of Notes**"...	The Notes will be issued under the Programme in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
"**Clearing Systems**"..	Euroclear and Clearstream, Luxembourg for Bearer Notes. Euroclear and Clearstream, Luxembourg or Euroclear, Clearstream, Luxembourg and the Depository Trust Company ("**DTC**") for Registered Notes or as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus.
"**Fixed Rate Notes**"...	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer. Interest on Fixed Rate Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 6(e) (*Payments—General provisions applicable to payments*).
"**Reset Notes**"...	Reset Notes will have reset provisions pursuant to which the relevant Notes will, in respect of an initial period, bear interest at the Initial Rate of Interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) by reference to a Mid Swap Rate for the relevant Specified Currency, and for a period equal to the First Reset Period and each Subsequent Reset Period, the rate of interest will reset to the Mid-Swap Rate plus the First Reset Margin or the Subsequent Reset Margin (as applicable), in each case as may be specified in the applicable Final Terms or Drawdown Prospectus. Interest on Reset Notes will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or the relevant Drawdown Prospectus.

"**Floating Rate Notes**" .... Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions;

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(c) on such other basis as may be agreed between the Issuer and the relevant Dealer (as indicated in the relevant Final Terms or the relevant Drawdown Prospectus).

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes and specified in the relevant Final Terms or the relevant Drawdown Prospectus. Floating Rate Notes may have a maximum and/or a minimum interest rate. Interest on Floating Rate Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 6(e) (*Payments—General provisions applicable to payments*).

"**Other provisions in relation to Floating Rate Notes**" .... Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or the relevant Drawdown Prospectus.

"**Zero Coupon Notes**" .... Zero Coupon Notes will be offered and sold at a discount to their nominal amount and redeemed at their nominal amount, or offered and sold at their nominal amount and redeemed at a premium to their nominal amount, as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus, and will not bear interest.

"**Alternative Terms and Conditions**" .... The Issuer may agree with any Dealer that Notes may be issued under the Programme in a form not contemplated by the Conditions and this general description of the Programme, in which event the relevant provisions will be included in the applicable Final Terms or Drawdown Prospectus.

"**Redemption**" .... The relevant Final Terms or the relevant Drawdown Prospectus will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or (in respect of Senior

Notes only) the Noteholders. The terms of any such redemption, including notice periods and the relevant redemption dates and prices will be indicated in the relevant Final Terms or the relevant Drawdown Prospectus, and in the case of any relevant conditions to redemption to be satisfied, will be specified in the Conditions or the relevant Drawdown Prospectus.

In respect of Senior Notes only, if the relevant Final Terms or the relevant Drawdown Prospectus so specify, Noteholders shall have the option, in the event of a Put Event, to require the Issuer to redeem or purchase the relevant Senior Notes at par plus accrued interest, as further described in Condition 7(f) (*Redemption and Purchase—Redemption or Purchase at the option of the Noteholders on a Put Event (Change of Control Put)*).

In respect of Subordinated Notes only, if the relevant Final Terms or the relevant Drawdown Prospectus so specify, the Issuer shall have the option, in the event of a Capital Disqualification Event, to redeem all but not some only of the relevant Subordinated Notes, subject to having obtained the prior approval of the CBN if required pursuant to the Applicable Banking Regulations, at par plus accrued interest, as further described in Condition 7(d) (*Redemption and Purchase—Early Redemption of Subordinated Notes at the Option of the Issuer following a Capital Disqualification Event*).

The Notes may be redeemed at the option of the Issuer in whole, but not in part, if the Issuer satisfies the Trustee that (i) following a Change in Tax Law becoming effective after the Issue Date of the Notes, on the next interest payment date the Issuer would be required to pay additional amounts and (ii) the requirement cannot be avoided by the Issuer taking reasonable measures available to it, *provided that* any additional amounts that become payable as a result of the expiration of the exemption contemplated by the CIT Order shall not be treated as a Change in Tax Law.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution. See "*Certain Restrictions and Approvals: Notes having a maturity of less than one year*" above.

"**Denomination of Notes**"...................................... The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see

	"*Certain Restrictions and Approvals: Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). Unless otherwise stated in the relevant Final Terms or the relevant Drawdown Prospectus, the minimum denomination of each Definitive IAI Registered Note will be U.S.$500,000 or its approximate equivalent in other Specified Currencies.
"**Taxation**"	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction as provided in Condition 8 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8 (*Taxation*), be required to pay additional amounts to cover the amounts so withheld or deducted.
"**Negative Pledge**"	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4(a) (*Covenants—Negative Pledge*).
"**Certain Other Covenants**".................................	The Senior Notes and, where and to the extent specified as applicable in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), Subordinated Notes will also contain covenants relating to certain capital adequacy requirements and, amongst other things, a limited restriction on dividends and similar payments, and restrictions on certain consolidations or mergers, disposals and transactions with affiliates. See Condition 4 (*Covenants*).
"**Cross Default**"...	The terms of the Senior Notes will contain a cross-default provision as further described in Condition 10 (*Events of Default and Enforcement*).
"**Status of the Senior Notes**"................................	The Senior Notes and any related Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4(a) (*Covenants—Negative Pledge*)) unsecured obligations of the Issuer and (subject as stated above) rank and will at all times rank *pari passu*, without preference amongst themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
"**Status of the Subordinated Notes**"......................	Payments in respect of the Subordinated Notes will be subordinated as described in Condition 3(b)

	(*Status of the Notes—Status of the Subordinated Notes*) and the Trust Deed.
"**Rating**"...	The Bank's current long-term foreign currency rating by S&P is B- and its current long-term foreign currency issuer default rating by Fitch is B. Notes issued under the Programme may be rated by S&P or Fitch, or may be unrated. Where a Series of Notes is rated, such rating will be disclosed in the relevant Final Terms or the relevant Drawdown Prospectus. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
"**Listing and admission to trading**"	Application has been made to the FCA for the Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List of the FCA and to the London Stock Exchange for such Notes to be admitted to trading on its main market. Notes issued under the Programme may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Unlisted Notes and/or Notes not admitted to trading on any market may also be issued. The relevant Final Terms or the relevant Drawdown Prospectus will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.
"**Governing Law**"..	Notes issued under the Programme and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law, except Condition 3(b) (*Status of the Notes—Status of Subordinated Notes*) and Condition 3(c) (*No Set-Off*) which shall be governed by, and construed in accordance with, Nigerian law.
"**Selling Restrictions**"...	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the EEA, Nigeria, Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*".
"**United States Selling Restrictions**"	Regulation S (Category 2), Rule 144A and Section 4(a)(2); Bearer Notes will be issued in compliance with rules identical to those provided in: (a) U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) ("**TEFRA D**") or (b) U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) ("**TEFRA C**") such that the Bearer Notes will not constitute "registration

required obligations" under section 4701(b) of the Code, as specified in the applicable Final Terms or the applicable Drawdown Prospectus. Such rules impose certain additional restrictions on transfers of the Bearer Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*".

RISK FACTORS

The Bank believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

If the risks described below materialise, the Bank's business, results of operations, financial condition and/or prospects could be materially adversely affected, which could cause the trading price of the Notes to decline and investors to lose all or part of their investment. Furthermore, Notes issued under the Programme will have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily, or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

The Bank believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Bank to pay interest, principal or other amounts on or in connection with any Notes issued under the Programme may occur for other reasons which may not be considered significant risks by the Bank based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Risks related to the Group

The outbreak of communicable diseases around the world, in particular COVID-19, has led to higher volatility in the global capital markets, which may materially and adversely affect the Group's business, results of operations and financial condition

In December 2019, the emergence of a new strain of coronavirus, COVID-19, was reported in Wuhan, Hubei Province, China. This new strain has subsequently spread throughout the world, including to Nigeria and other countries in which the Group operates. In March 2020, many countries including the United States and member states of the European Union began imposing travel restrictions, as well as other restrictions, aimed at reducing in-person interactions. These measures, while aimed to slow the spread of COVID-19, have resulted in significant reductions in economic activity globally. While a number of restrictive measures have been reduced across numerous countries, the duration of the remaining restrictions and their impact on global, regional and local economies remains unclear. To date, the COVID-19 pandemic has negatively impacted the global economy and the Nigerian economy due to, among other things, disrupted global supply chains and lowered equity market valuations. The COVID-19 pandemic has also created significant volatility and disruption in financial markets, whilst increasing unemployment levels. The COVID-19 pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities.

Following the outbreak of COVID-19 in the first quarter of 2020, the CBN unveiled a number of measures to mitigate its economic impact on the financial system, including a temporary regulatory forbearance for banks to restructure loans granted to clients in the agriculture, oil and gas and manufacturing industries in a transparent way, while maintaining financial system stability. Commercial banks in Nigeria took advantage of the regulatory forbearance to restructure loans, with up to ₦7.7 trillion or 43.02 per cent. of industry loans restructured by commercial banks in September 2020. As at 31 December 2020, the Group restructured approximately 16.5 per cent. of its total loan portfolio, by volume. As at 30 June 2021, the Group restructured 16.3 per cent. of its loan portfolio (by volume) of which 11.1 per cent. were restructured due to the COVID-19 pandemic. See *"Management's Discussion and Analysis of Results of Operations and Financial Condition—Significant factors affecting results of operations—The Forbearance Programme"*. The asset quality of the Nigerian banking sector may deteriorate further as a result of the uncertain and ongoing risks presented by the COVID-19 pandemic, including the impact of resurgent waves of COVID-19 (including as a result of any additional virus variants which spread more easily or against which available vaccines and treatments are less effective) or the implementation of mass vaccination programmes, which may individually or in the aggregate have an adverse effect on the Group's financial position.

For the Group, normal banking activities were disrupted in 2020 as a result of COVID-19 and the impact of social restriction measures, such as supply chain challenges, restrictions on travelling, increased expenses associated with disinfectants and disinfection of office premises, health and safety concerns, cyber threats and issues associated with remote working and virtual arrangements. While a number of the Group's business operations have moved from traditional banking to digital banking and a number of its employees have moved to working remotely, the Group's operations may be disrupted if significant portions of the Group's workforce are unable to work effectively, due to illness, additional quarantine measures, government actions, or other restrictions that are imposed in connection with COVID-19.

COVID-19 also resulted in an increase of customers utilising electronic banking ("**e-banking**") products more frequently given the associated social restrictions that were implemented by governments and local authorities to mitigate the impact of the pandemic. The Group may not be able to implement the necessary upgrades to its infrastructure as required from time to time for the proper functioning of its operations and services, maintain and upgrade the necessary protections against cybersecurity and other threats to its business activities, or develop appropriate e-banking products in time to meet the evolving digital banking landscape particularly in light of intensified competition. Such customer trends may also result in an underutilisation of the Group's existing physical branch network throughout the countries in which it operates which may impact their cost efficiency. These factors, individually or in the aggregate, may impact the Group's ability to compete effectively in the countries in which it operates, which may in turn materially and adversely affect the Group's business, results of operations and financial conditions. See also "*—The Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems*" and "*—The effect of the unsuccessful introduction of new products could result in the Group not being able to achieve its intended results*".

In Nigeria and the various African countries in which the Group operates, COVID-19 has affected the business of many of the Group's borrowers resulting in the recognition of credit losses in the Group's loan portfolios and increases in the Group's allowance for credit losses, particularly as businesses remain closed, migration is restricted and more customers are expected to draw on their lines of credit or seek additional loans to help finance their businesses. Notably, the Group's impairment charges for credit losses on loans grew from ₦16,336 million in 2019 to ₦22,443 million for 2020. In order to mitigate the impact of COVID-19 in Nigeria, the Federal Government and CBN introduced financial forbearance and other measures to support businesses and individuals that were particularly affected by the pandemic. These credit losses may increase in the future once the Federal Government and CBN COVID-19 related support programmes (including the CBN's forbearance programme (the "**Forbearance Programme**")) expire. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Significant factors affecting results of operations—The Forbearance Programme*". The Forbearance Programme and similar measures in other countries in which the Group operates may not sufficiently mitigate the adverse effects of the COVID-19 pandemic on the Group's customers and borrowers, which may materially and adversely affect the Group's business, results of operations and financial conditions.

The extent to which the COVID-19 pandemic impacts the Group's business, results of operations, and financial condition, as well as the Group's regulatory capital and liquidity ratios, will depend on future developments including any vaccination initiatives and their success in Nigeria and the other countries in which the Group operates, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. For example, as at 2 November 2021, approximately 8.8 million vaccine doses had been administered in Nigeria according to the World Health Organisation (the "**WHO**"), in spite of the Federal Government's stated aim of effectively vaccinating 80 million people by the end of 2021. Governmental vaccination targets remain exposed to the availability and ability to acquire a sufficient number of vaccination doses, supply shortages and/or delays and widespread participation by local populations. Further, additional virus variants could arise which spread more easily or against which available vaccines and treatments are less effective.

The foregoing factors may prolong and/or worsen the effects of COVID-19, and so the Group may need to consider adjustments to specific elements of its operations and/or customer exposures, including loan maturity or repayment extensions and restructuring, full migration of customer transactions to alternative channels, and adoption of a remote-work model to support critical functions and manage key customer relationships, which individually or in aggregate may materially and adversely affect the Group's business, results of operations and financial condition.

The Group's business and operations, a significant portion of which are located in Nigeria, are highly dependent on the health of the Nigerian economy

The Group's operating results, financial condition and prospects depend to a significant extent on the performance of the Nigerian economy. The Group's operations in Nigeria represented 54.3 per cent., 29.7 per cent. and 63.1 per cent. of its total revenue, profit before tax and assets, respectively, as at and for the six months ended 30 June 2021, 60.0 per cent., 40.3 per cent. and 68.0 per cent. of its total revenue, profit before tax and assets, respectively, as at and for the year ended 31 December 2020, and 69.0 per cent., 48.0 per cent. and 69.5 per cent. of its total revenue, profit before tax and assets, respectively, as at and for the year ended 31 December 2019.

The Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects, and the ability to recover on its loans and other assets, could also depend significantly on the economic and political conditions prevailing in Nigeria, which may be impacted by, for example, the upcoming general elections in February 2023 which may intensify or cause unrest in the country. See "*—Risks related to Nigeria and other African countries where the Group has operations—Political, economic and social stability in Nigeria and other African countries has been and will continue to be adversely affected by political and religious conflicts, terrorism, and social and religious tensions, any or all of which may materially and adversely impact the Group*" for further information.

In recent years, the Nigerian economy has experienced periods of slow growth or contraction, high inflation, significant devaluation of the Naira and the imposition of exchange controls, each of which has had an impact on the Group's business. In recent years, prior to the impact of COVID-19, Nigeria's economy showed signs of steady recovery after a period of contraction, high inflation and fluctuations in the value of the Naira. Real GDP grew by 1.9 per cent. in the first quarter of 2020, representing a 0.7 per cent. decrease in growth from the fourth quarter of 2019, largely as a result of fluctuations in oil prices and the initial impact of COVID-19 on global economies. However, as a result of the detrimental effects of COVID-19 on the Nigerian economy and the associated restrictions on social movement and economic activity implemented throughout the country in the second half of 2020, Nigeria's growth trajectory was reversed by a 6.1 per cent. and 3.6 per cent. contraction in real GDP during the second and third quarters of 2020, respectively, before realising a 0.1 per cent. growth in the fourth quarter of 2020, in each case according to the NBS.

COVID-19 has had an unprecedented adverse impact on the Nigerian economy. As a result of significantly lower levels of both domestic and international economic activity during the second and third quarters of 2020, occasioned by quarantine measures, foreign exchange illiquidity, reduction in trade lines from international financiers and Naira volatility, Nigeria's economy contracted by 1.8 per cent. in 2020 according to the IMF. The Group's results of operations in 2020 and for the six months ended 30 June 2021 were impacted by these macroeconomic issues, and the Group continues to experience adverse conditions as a result of COVID-19. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" for further information. Given the uncertainty surrounding COVID-19, including delays to mass vaccination programme in Nigeria and other African countries in light of global supply shortages coupled with low population uptake, the effects of the pandemic may be prolonged and in turn the Group's business, results of operations and financial condition could be adversely impacted. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Changes in the value of the Naira against other currencies*".

Further, the Nigerian economy is dependent on the oil and gas sector, which, in 2020, accounted for 8.2 per cent. of real GDP, 75.4 per cent. of export earnings and 51.6 per cent. of total gross federally collectible revenue. Dependence on oil makes the economy vulnerable to oil price fluctuations, as many economic sectors in Nigeria depend on public spending which in turn is significantly dependent on oil and gas revenues. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Nigeria's oil production and supply*". Due to the significant link between the oil and gas sector, and the performance of the Nigerian economy as a whole, many of the Group's clients in the manufacturing, power and energy and construction and real estate sectors, in particular, have been adversely affected by fluctuations in oil prices and production levels. See "*—Global oil prices and oil production in Nigeria have had, and will continue to have, a significant impact on the Group's results of operation, financial condition and prospects*" and "*—The Group may experience credit default arising from adverse changes in credit quality and recoverability of outstanding loan balances inherent to the Group's banking business, which could impact its profitability*".

The Group's retail business may also be adversely impacted by a slowdown in the Nigerian economy should the Group's retail customers be unable to make payments on existing loans provided by the Group, maintain their deposit accounts or experience a significantly decreased appetite for new loan products and services due to a decrease in consumer confidence and spending, late salary payments (including by state employers) or job loss caused by the factors described above or other factors. The impact on retail customers' ability to repay loans can be observed in the Group's expected credit losses ("**ECL**") for loans and advances to individuals which stood at ₦2,189 million in Stage 2 loans and ₦8,866 million in Stage 3 loans as at 30 June 2021. See "*Selected Statistical and Other Information—Loan portfolio*" and "*Selected Statistical and Other Information—Non-performing loans*" for further information. Any significant declines in retail deposits or substantial increases in retail loan defaults could increase the Group's liquidity risk, lower its credit quality and have a material adverse effect on the Group's business, results of operation and financial condition.

The Group recorded net impairment losses on loans and advances to customers of ₦91,797 million for the six months ended 30 June 2021, as compared to ₦111,347 million and ₦86,136 million for the years ended 31 December 2020 and 31 December 2019. In Nigeria, the Group recorded net impairment losses on loans and advances to customers of ₦62,369 million for the six months ended 30 June 2021, as compared to ₦62,322 million for the year ended 31 December 2020 and ₦53,978 million for the year ended 31 December 2019. The Group's NPLs in Nigeria were ₦43,329 million, ₦39,650 million and ₦53,992 million as at 31 December 2020, 31 December 2019 and 31 December 2018, respectively. In light of the extent of its operations in Nigeria, the Group will continue to be materially and adversely affected should the Nigerian economy continue to stagnate or decline.

Global oil prices and oil production in Nigeria have had and will continue to have a significant impact on the Group's results of operation, financial condition and prospects

The oil and gas sector plays a central role in Nigeria's economy, accounting for a substantial portion of export earnings. During 2018, 2019 and 2020, the oil and gas sector accounted for approximately 8.6 per cent., 8.8 per cent. and 8.2 per cent. of real GDP, respectively, and 81.8 per cent., 76.5 per cent. and 75.4 per cent. of export earnings, respectively. The Federal Government's revenues are also substantially dependent on oil sector revenues, which arise from sales of crude oil and gas, royalties and taxes and fees. Government oil revenues increased from ₦4,109.7 billion in 2017 to ₦5,546.6 billion in 2018, before decreasing to ₦5,536.7 billion and ₦4,731.5 billion in 2019 and 2020, respectively. Given the dependence of the Nigerian economy on the oil and gas sector, the Group's results of operations and financial condition are materially impacted by world oil prices, oil production in Nigeria, customers in the oil and gas sector and sectors linked to the performance of the oil and gas sector.

Oil prices are subject to wide fluctuations in response to relatively minor changes (or expectations with respect to potential changes) in the supply of, and demand for, oil, market uncertainty and a variety of additional factors that are beyond the Group's control. These factors include, but are not limited to, the impact of the COVID-19 pandemic, political conditions in the Middle East, Africa and other regions, internal and political decisions of the Organisation of the Petroleum Exporting Countries ("**OPEC**") and other oil producing nations as to whether to decrease or increase production of crude oil, domestic and foreign supplies of oil, consumer demand, weather conditions, domestic and foreign government regulations, transport costs, the price and availability of alternative fuels and overall economic conditions. Such factors have led to significant fluctuations in world oil prices in recent years. Given the significant contribution of oil revenues to GDP growth in Nigeria, a decline in oil prices might lead to, or signal, weak performance of the Nigerian economy, including the possibility of worsening the economic recession. The CBN directive issued in January 2019 that waived interest earned from 1 July 2017 to 31 December 2018 on loans from banks (including the Group) to obligors in the downstream oil and gas sector increased the financial exposure of Nigerian banks (including the Group) to the downstream participants. These participants had exposure to subsidy arrears due to them from the Federal Government and these subsidy arrears exacerbated their financial condition, which has in turn had a negative financial impact on Nigerian banks, including the Group. The Federal Government responded by issuing promissory notes for the payment of subsidy debts, which matured in December 2019 but were used by the Group's creditors to repay their outstanding loans. These developments have impacted the amount of credit provisioning required by the Group, contributing to NPLs in the oil and gas sector comprising 37 per cent. of the Group's total NPLs as at 31 December 2020.

Further, in 2020, the Federal Government announced the removal of fuel subsidy through the implementation of the market-based pricing regime for Premium Motor Spirit. The price of Premium Motor Spirit consequently moved up to ₦165.7/litre in December 2020 from ₦145.4/litre in December 2019. However, as oil prices surged above U.S.$60/barrel in the first quarter of 2021, the Federal Government has been struggling to rally the support of the labour unions in order to pass on the increase to consumers. This represents a downside risk to companies within the downstream oil and gas sector as margins will struggle to improve in the absence of full deregulation of the sector. This could have an adverse impact on the Group's downstream oil and gas loan portfolio.

Weak oil production in Nigeria and significantly lower global oil prices, particularly in light of the Group's exposure to oil and gas sector customers, have adversely affected the Group's credit quality and loan portfolio growth. The Group's NPLs to the oil and gas sector decreased from ₦40,831 million as at 31 December 2018 to ₦32,010 million as at 30 June 2021. See "*—The Group may experience credit default arising from adverse changes in credit quality and recoverability of outstanding loan balances inherent to the Group's banking business, which could impact its profitability*". The impact of continued weak or declining oil production or oil prices, however, is not just limited to an adverse impact on the Group's oil and gas customers, but has also adversely impacted the performance of the Group's customers in those sectors whose performance is linked with that of the oil and gas sector. These include the public sector, the manufacturing and construction sector (where demand for services is linked with the oil and gas sector) and the consumer sector, which is dependent on consumer confidence, employment rates and the performance of the economy as a whole. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Significant factors affecting results of operations—Nigeria's oil production and supply*" and "*Selected Statistical and Other Information—Non-performing loans—Distribution of non-performing loans by sector*".

Additionally, high levels of disruptions resulting from militant activities, pipeline vandalism and oil theft in the Niger Delta area have resulted in significant fluctuations in oil production in Nigeria. The outcome of such disruptions may continue to have a material impact on Federal Government revenues from oil production, given that most of Nigeria's oil revenues come from oil produced in the Niger Delta region. For example, since 2016, the Niger Delta Avengers militant group has carried out attacks in the Niger Delta on infrastructure belonging to several international oil companies such as Shell, ENI and Chevron which has in some cases resulted in the invocation of force majeure provisions under certain operating contracts. There may also be a loss of revenue arising from the interruption of production operations and theft of crude oil from pipelines and tank farms. According to the Nigerian National Petroleum Corporation ("**NNPC**"), a total of 546 instances of vandalism incidents were recorded between April 2020 and April 2021. Militant and vandalism activities may continue or increase from current levels and violence in the Niger Delta region may lead to significant disruptions in oil production in future periods.

In addition, increased oil activity may create new conflicts between local communities and oil companies. In March 2016, certain Niger Delta communities brought a court action against Royal Dutch Shell due to the damage that farming and fishing communities had allegedly suffered as a result of repeated oil spills from pipelines. In January 2021, the court granted its verdict in favour of the host communities, and ordered Royal Dutch Shell to pay ₦45.9 billion as compensation to the Niger Delta community in Rivers State.

Another important factor currently affecting Nigeria's oil and gas industry is the outbreak of COVID-19, which led to the imposition of oil production limits by OPEC and other oil producing nations. As a result of these oil production cuts, Nigeria's oil production decreased to 1.72 mb/d in the first quarter of 2021 from 2.07 mb/d in the first quarter of 2020. The decline in oil production, as well as the restrictions related to COVID-19, contributed to a weakened economic output by Nigeria in 2020. As at the date of this Base Prospectus, OPEC and other oil producing nations are yet to fully lift their oil production limits, and oil production may not return to pre-COVID-19 levels of approximately 2.0 mb/d.

In addition, many developed economies are actively seeking to develop alternative sources of renewable energy and reduce their dependence on fossil fuels as a source of energy. Any long-term shift away from fossil fuels could adversely affect oil prices and demand and the resulting oil revenue of Nigeria and the Nigerian economy in general, and, as a result, have a material adverse effect on the Group's business, results of operations and financial condition.

As at 30 June 2021, the Group's exposure to the oil and gas sector comprised 13.5 per cent. of its total loan portfolio in Nigeria, and such sector remains sensitive to such fluctuations to price changes and production issues. No assurances can be given that oil production or oil prices will not decline and have a material adverse effect on the Nigerian economy as a whole, which could adversely impact the Group's business and the Group's customers.

The impact of continued weak or declining oil production or oil prices may not just be limited to an adverse impact on the Group's oil and gas customers, but could adversely impact the performance of the Group's customers in those sectors whose performance is linked with that of the oil and gas sector. Any weakening of oil production and oil prices is likely to further adversely affect the Group's credit quality and loan portfolio growth, which may lead to further increases in NPLs and loan impairment charges. The Group's businesses, results of operations, financial condition and/or prospects therefore remain exposed to the risk of any downturns in the oil and gas sector.

The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies

The Group is exposed to foreign exchange risk as a result of adverse movements in exchange rates, primarily through its loan, investment securities and deposit portfolios that are denominated in foreign currencies.

Following strong recommendations by the IMF and the private sector, on 20 June 2016 the CBN abandoned its previous policy of pegging the Naira to the U.S. dollar and reintroduced market-driven currency trading under a flexible exchange rate system. On the day of the CBN's announcement, the CBN official exchange rate for the Naira fell approximately 42.2 per cent. in value, from ₦196.5 to the U.S. dollar to ₦279.5. The Naira subsequently stabilised, and was valued at ₦379.5, ₦360.5, and ₦306.5 to the U.S. dollar as at 31 December 2020, 31 December 2019 and 31 December 2018, respectively. However, as a result of the impact of the COVID-19 pandemic, the Naira experienced a further devaluation, and the CBN exchange rate per U.S. dollar was ₦410.66 as at 30 June 2021. There can be no assurances that the Naira will not devalue further against the U.S. dollar or other currencies. In March 2017, the CBN directed all banks to adopt certain measures aimed at facilitating and expediting authorised retail sales of foreign currency. In April 2017, the CBN established a special foreign exchange window dedicated to investors, exporters and end-users (the "**I&E Window**"). According to the CBN, the I&E Window is expected to boost liquidity in the foreign exchange market and ensure timely execution and settlement of eligible transactions. The exchange rate at I&E Window is determined and published by the FMDQ on the basis of prevailing market circumstances, thus ensuring efficient and effective price discovery in the Nigerian foreign exchange market. However, at the SMIS, the CBN auction foreign exchange to importers at rates within a band determined by the CBN. Prior to July 2020, rates were set at a floor of ₦360/U.S.$1 and a ceiling of ₦385/U.S.$1 and bidders were expected to bid within that range. The floor subsequently increased to ₦380/U.S.$1 in July 2020. The higher the bid the better the chances of getting foreign exchange. In May 2021, the CBN ceased the publication of an exchange rate on its website in a bid to unify Nigeria's foreign exchange rates; and effectively adopted the NAFEX Rate as the exchange rate for its operations at the SMIS and autonomous and interbank foreign exchange market. As at 30 June 2021, the Bank uses the NAFEX Rate for its banking operations. While the Bank primarily uses the NAFEX Rate to translate its balance sheet, its borrowers may choose or, due to a currency shortage at a particular rate, be forced to use, any of the above mentioned exchange rates to obtain the necessary currency to pay their debts. As the rates differ materially, the foreign exchange cost to the Bank's borrowers could also significantly vary each time they translate their loan payments. In 2020, foreign exchange liquidity challenges resurfaced as a result of COVID-19 induced sharp decline in oil prices and decline in private capital inflows. Turnover in the I&E Window fell by 45 per cent. to U.S.$145 million in 2020 from U.S.$263 million in 2019, and further declined to an average of U.S.$79 million year to date in 2021, while the foreign exchange rate in the segment weakened by 11.3 per cent. to ₦410 to the U.S. dollar. However, parallel market spread has widened as a result of lack of flexibility in the pricing of the currency in the official segments, with the currency exchanging within the range of ₦490 to ₦500 to the U.S. dollar within the segment. Following the CBN's Monetary Policy Committee meeting convened on 27 July 2021, the CBN decided against the further sales of foreign exchange to bureaux de change, which contributed to the further adjustment of the Naira to the U.S. dollar to ₦525/U.S.$1.

To that end, the Group's customers may be subject to substantial foreign exchange risk, which indirectly affects the Group's credit risk profile. As at 30 June 2021, 30.5 per cent., 2.4 per cent. and 29.1 per cent. of the Group's net loans and advances, 2.5 per cent., 4.9 per cent. and 35.2 per cent. of the Group's investment securities and 18.9 per cent., 3.3 per cent. and 26.9 per cent. of the Group's deposits were denominated in U.S. dollars, Ghanaian cedi and West African or Central African CFA franc, respectively. Any significant further decline in the value of the Naira may also result in borrowers being unable to repay foreign currency denominated loans. The Group is also exposed to increased costs from foreign exchange-related contracts and other operating expenses, and acts as an intermediary in foreign exchange transactions between central and commercial banks. Although the Group has entered into derivative contracts, including cross-currency linked forward contracts and swaps, to hedge against the mismatches in the foreign currency structure of its on-balance sheet assets and liabilities, these measures may not adequately protect the Group from the effect of exchange rate fluctuations or may limit any benefit that the

Group might otherwise receive from favourable movements in exchange rates. Any such fluctuations in the value of the Naira against foreign currencies may have a material adverse effect on the Group's business, financial condition and results of operation.

The Group is also subject to translation risk, which can result in the Group's reported gross revenue, assets and liabilities being significantly affected by changes in the value of the Naira, its financial presentation currency, against foreign currencies. Assets and liabilities originally denominated in foreign currencies are translated into Naira at the relevant balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in the Group's income statement. Having a significant net foreign currency balance sheet position tends to result in foreign exchange translation gains when the Naira depreciates against such foreign currencies and in foreign exchange translation losses when the Naira appreciates against such foreign currencies in nominal terms. Any gains and losses arising from such translations are reflected in the Group's income statement as foreign translation gains less losses. As a result, the Group's reported income is affected by changes in the value of the Naira with respect to foreign currencies. As at 30 June 2021, the gap between the Group's non-Naira denominated assets and liabilities was a long position of ₦158.9 billion. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Significant factors affecting results of operations—Changes in the value of the Naira against other currencies*".

The Group has experienced material declines in asset quality following the Naira depreciation, which has impacted the capacity of certain borrowers who are reliant on foreign currency to meet their obligations under their loan agreements with the Group. The Group's cost of risk was 0.8 per cent. for the year ended 31 December 2020 compared to 0.7 per cent. and 0.2 per cent. for the years ended 31 December 2019 and 31 December 2018 as the Group has had to take additional impairment charges as a result of increase in Naira value of foreign currency loans as well as due to the impact of the Naira's devaluation on certain sectors of the economy (especially the oil and gas industry, commerce and manufacturing), particularly in light of the impact of COVID-19. The consequential slowdown in the Nigerian economy has also forced the Group to decelerate the growth of its loan portfolio in Nigeria. The Naira depreciation has also increased the value of the Group's U.S. dollar risk-weighted assets and put pressure on the Group's capital ratios.

The Group may continue to experience declines in its asset quality should the value of the Naira continue to depreciate or remain depressed, as a significant percentage of the Group's loan portfolio is denominated in U.S. dollars. Such fluctuations may also affect the Group's ability to comply with its loan covenants. Some of the Group's existing customers may also have difficulty repaying their U.S. dollar denominated debt. As such, any further significant fluctuations in the Naira against such foreign currencies could have a material adverse effect on the Group's financial condition, liquidity and/or results of operations.

The Group may be increasingly affected by political or economic instability and adverse business conditions in the African markets outside of Nigeria where the Group has operations

The Group's operations in 19 other African countries (excluding Nigeria) represent a significant and increasing proportion of the Group's asset base. The Group's gross loans and advances to customers from its non-Nigerian African subsidiaries as at 30 June 2021 amounted to ₦829,620 million, representing 29.8 per cent. of the Group's gross loans and advances, compared to ₦854,898 million or 32.5 per cent. of gross loans and advances as at 31 December 2020, and ₦625,100 million or 27.3 per cent. of gross loans and advances as at 31 December 2019.

As the Group's presentation currency is the Naira, any significant change in the value of the Naira relative to the currencies of other African countries in which the Group has operations will impact the Group's financial results. See "*—The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies.*"

As the contribution of the Group's non-Nigerian business continues to grow, the Group will become more sensitive to the varying social, political, economic and financial developments affecting the African countries where the Group does business. The Group's pan-African business model also results in a greater burden of regulatory management and compliance than if it operated in a single jurisdiction. See "*—The Group operates in an uncertain regulatory environment in the African jurisdictions in which it has operations and recent changes to and by the CBN and other African banking regulators may have a material adverse effect on the Group*."

African economies have historically experienced significant volatility characterised by slow or negative growth, significant inflation, weak fiscal and monetary policies, low foreign currency reserves, high external debts, currency depreciation, political uncertainty, declining investments, government and private sector debt defaults, high taxes, nationalisation issues, skilled labour shortages, inadequate legislation and bureaucratic red tape. In addition, African economies are often overly dependent on commodity exports. For example, Ghana's economy is highly dependent on oil, gold and cocoa exports, Mozambique's economy is highly dependent on aluminium production, Tanzania's economy is highly dependent on gold mining and on other rare metals and Zambia's economy is particularly dependent on copper mining. As a result, African economies are highly susceptible to global economic changes, such as fluctuations in commodity prices, U.S. dollar interest and exchange rate movements and the demand for primary commodities by developed and emerging market economies.

Adverse recent trends in global commodity prices have put a strain on the fiscal position and balance of payments of African economies that are heavily dependent on commodity exports. A depreciation of the local currencies of African countries and shortage of availability of foreign currency put pressure on the Group's borrowers that earn local currency cash flows and negatively impacted their ability to service their obligations to the Group, which in turn had a material adverse effect on the Group's credit quality.

In addition, certain emerging market economies have been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. For example, the growth of the Chinese economy has slowed down in recent years, particularly in 2020 during the onset of COVID-19, which has corresponded with a reduction in Chinese investment in Africa and demand for African commodities exports. As has happened in the past, financial issues outside countries with emerging or developing economies or an increase in the perceived risks associated with investing in such economies could dampen foreign investment in, and adversely affect the economies of, these countries. Disruptions in the international capital markets could lead to reduced liquidity and increased credit risk premiums for certain market participants and could result in a reduction of available financing. Entities located in the countries in which the Group has operations may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in their experiencing financial difficulty. The results of a market downturn in Africa generally, or in certain of the countries in Africa in which the Group has operations, could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Any failure to manage growth effectively in the Group's pan-African banking network may adversely affect the Group's business

The substantial infrastructure investments taking place across Africa, together with the Group's extensive pan-African banking network across 20 African countries, create substantial opportunities for the Group. In particular, the Group aims to replicate the market share gains of its subsidiaries in Ghana, Senegal and Cameroon in other jurisdictions and increase the contribution of its African subsidiaries to its overall profits. The Group's business in Africa (excluding Nigeria and the rest of world) accounted for 44.9 per cent. of the Group's total revenue for the six months ended 30 June 2021, an increase from 37.4 per cent. and 28.4 per cent. of total revenues for the years ended 31 December 2020 and 31 December 2019, respectively. In the long-term, the Group aims to retain the contribution of its African banking network (excluding Nigeria) at 50 per cent. of its earnings and profits.

The Group's growth across Africa has thus far required significant managerial and operational resources. Cultural, linguistic and regulatory differences, as well as variations in the degree of banking sector penetration, across each of the Group's African subsidiaries have increased the overall complexity of the Group's business, and such complexities are expected to increase as the Group's banking business in Africa expands. As the Group's loan and deposit portfolios and business grows in Africa, the Group will need to obtain new resources, particularly personnel and upgraded information technology infrastructure, to manage the growth and to control the credit quality of the Group's overall loan book. This investment in resources, personnel and infrastructure will remain challenging given the different levels of economic development, political stability and banking sector penetration in the various African countries where the Group has operations.

If the Group fails to manage its growth across Africa successfully, this could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group operates in an uncertain regulatory environment in the African jurisdictions in which it has operations and recent changes to and by the CBN and other African banking regulators may have a material adverse effect on the Group

The Group's pan-African business model creates an increased burden of regulatory management and compliance than if it operated in a single jurisdiction. The Group's operations are subject to regulation by various government and banking authorities in the jurisdictions in which it operates, and it must comply with these regulatory requirements in order to obtain, maintain and renew operating licences and permits. Changes in the nature of the regulatory requirements applicable to subsidiaries in any jurisdiction in which the Group operates could limit the Group's ability to execute its strategy and could adversely affect existing business and results of operations.

Regulatory obligations require a commitment of resources. The Group's ability to comply with applicable laws, rules and regulations is largely dependent on its establishment and maintenance of compliance, control and reporting systems, as well as its ability to attract and retain qualified compliance and other risk management personnel. If it fails to maintain such compliance and reporting systems, or fails to attract and retain personnel who are capable of designing and operating such systems, this will increase the likelihood that the Group may breach applicable laws and regulations, exposing it to the risk of civil litigation and investigations by regulatory agencies. Similarly, any failure of commercial management to understand and act upon applicable laws and regulations would present a similar risk.

The requirements imposed by the regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with the Group and are not designed to protect the Group's shareholders or investors. Consequently, these regulations can serve to limit the Group's flexibility regarding capital structure. Customer protection and market conduct requirements may also limit the scope of the Group's activities, or increase the costs of carrying out its business. In recent years, a number of banking regulators in sub-Saharan Africa have tightened the regulatory frameworks within which the Group conducts its businesses. These measures have included increasing the amounts of the minimum regulatory capital the banks are required to maintain, increasing cash reserve ratios on public sector deposits, increasing the risk weighting of loans to selected public sector borrowers, reducing fees chargeable to customers and introducing a floor on savings deposits. For example, in the Democratic Republic of Congo, the financial regulators have increased the minimum capital requirement to U.S.$50 million effective 1 January 2022 as compared to the current requirement of U.S.$30 million.

There have also been a series of regulatory measures from the CBN and/or the Federal Government which have had a material impact on the Group's result of operations and financial condition. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Significant factors affecting results of operations—Banking regulation*" for further information.

The Group is also required to contribute to a sinking fund to cover any net deficits incurred by AMCON. On this basis, each Nigerian bank is currently required to contribute to the sinking fund an amount equal to 0.5 per cent. of its total assets as of 31 December each year, in respect of the immediately preceding financial year, and an additional charge of 0.5 per cent. of one-third of the amount of each banks off-balance sheet liabilities. The Group's contribution to (AMCON) banking sector resolution costs as at 30 June 2021 was ₦28 billion. Any increase in such charge would likely have a negative impact on the Group's profitability.

These regulatory changes, and any future regulatory changes introduced by the CBN or other African banking regulators in jurisdictions where the Group has operations, create an uncertain regulatory environment which could increase the Group's costs, decrease the Group's financial and operational flexibility, or otherwise have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. See "*The Nigerian Banking Sector*".

Capital adequacy requirements in Nigeria and other African countries differ from international standards and each member of the Group may face difficulties meeting such capital adequacy requirements

The Group's risk-weighted capital adequacy ratio was 23.9 per cent. as at 30 June 2021, 22.4 per cent. as at 31 December 2020, and 24.2 per cent. as at 31 December 2019. There can be no assurance that the banking regulators in the African jurisdictions in which each member of the Group has operations will not further amend or raise the capital requirements applicable to each member of the Group in the relevant jurisdiction and if the Group requires additional capital in the future, the Group may not be able to obtain this capital on favourable terms, in a timely manner or at all. The Group's capital adequacy could decline as a result of various factors, such as a decline in the quality of the Group's credit portfolio or exchange rate movements.

In Nigeria, for example, the capital adequacy requirements differ from those in more developed regulatory jurisdictions and the requirements are not as stringent as the guidelines issued by the Bank for International Settlements (the "**BIS**"). The BIS Basel Committee on Banking Supervision (the "**Basel Committee**") recommends a minimum risk-based capital adequacy ratio of 8.0 per cent., calculated in accordance with the International Regulatory Framework for Banks ("**Basel III**"). By a circular dated 2 September 2021 to deposit money banks (the "**CBN Basel III Circular**"), the CBN released guidelines (the "**CBN Basel III Guidelines**") on the implementation of Basel III, stating that the implementation of Basel III through such CBN Basel III Guidelines will commence with effect from November 2021 in parallel with existing Basel II guidelines in Nigeria for an initial period of six months, which may be extended by another three months subject to the milestones achieved in line with supervisory expectations. It is expected that during the parallel run, the Basel III guidelines will operate concurrently alongside the existing Basel II guidelines and then, subject to the successful conclusion of the parallel run, the CBN Basel III Guidelines will become fully effective and replace the Basel II guidelines. Upon becoming effective, the implementation of Basel III may result in a need for further actions by the Bank to meet any new requirements, such as: increasing capital, reducing leverage and risk weighted assets, modifying legal entity structure (including with regard to issuance and deployment of capital and funding for the Bank) and changing the Bank's business mix or exiting certain businesses and/or undertaking other actions to strengthen the Bank's capital position. See also "*The Nigerian Banking Sector—Other policy and regulatory considerations*" for information on the implementation in Nigeria of the capital adequacy framework by the Basel Committee, which may differ in material respects from the capital requirements as adopted by the Basel Committee. See "*Asset, Liability and Risk Management—Basel II and Basel III Implementation*".

Under the CBN Scope, Conditions & Minimum Standards for Commercial Banks Regulations, key regulations were passed such as the separation of non-core business lines from deposit-money commercial banking and maintenance of a minimum paid-in share capital of ₦25.0 billion for institutions granted a national banking licence and ₦50.0 billion for institutions granted an international banking licence. In April 2020, the CBN issued Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for the 2020 and 2021 fiscal years, which will continue to apply through 2021 unless the CBN indicates otherwise.

There can be no assurance that the CBN will not further amend or raise the capital requirements applicable to the Bank and if the Bank requires additional capital in the future, the Bank may not be able to obtain this capital on favourable terms, in a timely manner or at all. As of 31 December 2020, the Bank's risk-weighted capital adequacy ratio was 22.4 per cent. (calculated on the basis of IFRS) whereas the CBN's minimum requirement for banks in Nigeria with international activities stood at 15 per cent. While the Bank's risk-weighted capital adequacy ratio currently exceeds the CBN's minimum requirements, if the Bank fails to meet the capital adequacy requirements in the future, the CBN may take certain actions, including restricting its asset growth, suspending all but its low risk activities and imposing restrictions on the payment of dividends. The devaluation of the Bank's foreign currency loans could negatively affect the Bank's CAR. Failure of the Bank to comply with capital adequacy or other ratios may also result in the revocation of the Bank's licences and breach of loan covenants. These actions could materially and adversely affect the Group's business, results of operations, financial condition, and ability to grow its loans to customers and other risk assets and/or prospects.

In addition, the CBN has previously prohibited Nigerian banks from using their capital to recapitalise foreign subsidiaries, meaning that the Group risks having to raise external capital to recapitalise its foreign subsidiaries, should the need arise. Conversely, if the CBN lowers minimum requirements, temporarily or permanently, in response to industry-wide concerns, while the Group's risk of not meeting the requirements would fall, there could be other risks for the Group and the Nigerian banking sector as a whole. This could include the perception of weakness in the international markets and reluctance to lend or place deposits with the banks as well as a decline in the price of Notes issued under the Programme. Any failure by the Bank or the Group to comply with capital adequacy or other ratios set by the CBN or other African regulators may also result in the revocation of the Group's licences in the relevant jurisdictions and breach of loan covenants. These actions could adversely impact the Group's ability to operate portions of its business, grow its loans to customers and other risk assets, or otherwise materially adversely affect the Group's business, results of operations, financial condition, and/or prospects.

The Group may be sanctioned for non-compliance with regulations applicable to banks in Nigeria and other African countries in which the Group operates

The Bank is subject to the risk of being sanctioned by the CBN for non-compliance with applicable regulations including, for example, as a result of non-compliance with the ratios described in "*—Capital adequacy requirements in Nigeria and other African countries differ from international standards and each member of the Group may face difficulties meeting capital adequacy requirements*". The Bank and the Group is subject to many regulations, which in some cases may not be clearly defined and may inadvertently contravene an extant provision, in the relevant countries in which they operate. In Nigeria, the powers of the CBN under the laws and regulations are extensive and include the power to take over the management of banks. The CBN has recently targeted Nigerian banks who fail to comply with specific regulations issued by the CBN by taking action directly against senior management. For example, in May 2017, the CBN barred the Bank and all but eight Nigerian banks from participating in the weekly foreign exchange wholesale spot and forward interventions following complaints that some deposit money banks have deliberately frustrated efforts by many small and medium-sized enterprises ("**SMEs**") to access foreign exchange through the medium created for the SMEs. Although the CBN subsequently lifted the suspension of the Bank within 24 hours upon provision by the Bank of evidence of significant utilisation of the funds allocated to it under the SME window, the Group may experience similar or more significant or protracted issues in the future.

The Bank is also subject to the regulatory purview of certain regulators such as the Financial Reporting Council of Nigeria ("**FRCN**"), whose role in the industry is yet to be agreed by industry participants. The FRCN was set up to develop and publish accounting and financial reporting standards to be observed in the preparation of financial statements of public interest entities in Nigeria, including the Bank. In the current environment of what the Bank believes to be heightened scrutiny by regulators, the Group may be subject to similar investigation and disciplinary action to those taken against other commercial banks by regulators, and such actions could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group relies on short-term deposits as its primary source of funding and is further exposed to liquidity risks due to maturity mismatches, which may result in the Group being unable to meet its liabilities as they fall due

The Group has historically relied on corporate and retail depositors to meet its funding needs as access to other funding sources, including the capital markets, has been limited. As at 30 June 2021, 31 December 2020 and 31 December 2019, the Group's low-cost deposits (comprised of current deposits and savings deposits) accounted for 84.3 per cent., 81.8 per cent. and 73.5 per cent. of total deposits from customers, respectively. Nigerian depositors (and depositors in other African countries where the Group has operations) usually withdraw their deposits on a frequent basis and are not typically in a position to place significant funds within the banking sector on a long-term basis, and this trend was particularly evident following the economic impact of COVID-19.

Furthermore, a significant proportion of the Group's deposit base has historically come from corporate or commercial customers whose deposit sizes tend to fluctuate more frequently than for retail customers. Some of the Group's customers may exceed their own internal limits, and these customers may be required by their management to withdraw some or all of their deposits from the Group. Most corporate deposits are susceptible to interest rate fluctuations. This poses a risk to deposit stability as corporate clients are inclined to move their funds depending on the interest rate offerings of commercial banks.

As at 30 June 2021, 89.4 per cent. of the gross nominal amount of the Group's financial liabilities (comprising deposits from banks, deposits from customers, lease liabilities, borrowings and other financial liabilities) were due within ninety days (compared to 92.4 per cent. of the gross nominal amount of the Group's financial liabilities as at 31 December 2020), while 40.5 per cent. of the gross nominal amount of the Group's financial assets (comprising cash and balances, financial assets held for trading, loans and advances to customers and banks, derivative assets, investment securities and other assets) had maturities of ninety days or less (compared to 45.5 per cent. of the gross nominal amount of the Group's financial assets as at 31 December 2020). See Note 4.3 of the H1 Financial Statements for additional information.

No assurance can be given that the Group will be able to maintain its existing level of deposits without increasing its cost of funding, particularly as the Nigerian banking sector, and banking sectors in other African countries, become more competitive. If a substantial portion of the Group's depositors withdraw their demand deposits, or do not roll over their term deposits upon maturity, the Group may need to seek more expensive sources of funding to meet its funding requirements, and the Group may not be able to obtain additional funding on commercially reasonable terms as and when required. In addition, there are limited opportunities in Nigeria (and in other African countries where the Group has operations) for banks to sell or factor assets other than those that are highly liquid, such as government securities. Decreases in corporate deposits and/or unexpected withdrawals of retail deposits may result in liquidity gaps that the Group would need to cover or that the Group may not be able to cover any such liquidity gaps in a timely or cost effective manner.

A deterioration of the Nigerian economy, or in the economies of other African countries where the Group has operations, an inability to access alternative sources of funds in the international capital, syndicated loan and interbank markets, significant withdrawals of corporate and retail deposits and/or continued mismatches between the Group's assets and liabilities may, together or separately, have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group's investment portfolio is concentrated in Government Bonds and decline in yields on Government Bonds has had and may continue to have an adverse impact on the Group

The Group's investment portfolio (consisting of non-pledged trading assets, pledged assets, and investment securities) constituted 35.8 per cent. of total assets, or ₦2,978,360 million, as at 30 June 2021, compared to 34.7 per cent. of total assets, or ₦2,673,732 million, as at 31 December 2020 and 29.8 per cent. of total assets, or ₦1,673,938 million, as at 31 December 2019. Sovereign treasury bills and government bonds issued by Nigeria and other African countries where the Group has operations (the "**Government Bonds**") represent a significant portion of the Group's investment portfolio.

In 2020, the Group's average yield on Government Bonds was 9.8 per cent. compared to 10.8 per cent. in 2019, and this decline was primarily attributable to the downturn of global and domestic economic activities as a result of COVID-19 and fluctuations in the prices of oil and gas. In recent years, however, Government Bonds have been on a steady decline with rates in Nigeria, for example, reaching as low as 1.15 per cent. in August 2020 compared to a high of 17.1 per cent. in 2019. The average rate on such Government Bonds as at 30 June 2021 was 3.5 per cent. The sharp decrease in interest rates was largely due to the Federal Government's focus on the LDR of commercial banks with a view to stimulating the economy by ensuring financial institutions focus on growing credit rather than investing in Government Bonds, which consequently impacted the Group's income due to the reductions in the yields of such instruments. The Group remains exposed to Government Bonds which, as at 30 June 2021, comprised 25.6 per cent. of the Group's investment portfolio as compared to 22.6 per cent. as at 31 December 2020 and 20.2 per cent. as at 31 December 2019. In the event of any new or continued decreases in interest rates on Government Bonds or a default by the Federal Government or another African government to which the Group has significant exposure (such as Ghana and the WAEMU region), the income derived from the Government Bonds held by the Group may decline. Such events, or some other interruption in the market for Government Bonds, could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group's loan portfolio and deposit base are concentrated

As at 30 June 2021, 31 December 2020 and 31 December 2019, the Group's top 20 borrowers comprised 35.5 per cent., 29.6 per cent. and 35.0 per cent. of its gross loan portfolio, respectively, and 135.9 per cent., 112.3 per cent. and 125.6 per cent. of its shareholders' equity, respectively. As at 30 June 2021, 35.2 per cent. of the Group's total loans were denominated in foreign currencies (primarily U.S. dollars), of which its top 20 borrowers accounted for 28.0 per cent. Any impairment in the ability of any of the Group's significant borrower groups, which include the oil and gas, manufacturing and power and energy sectors (comprising 13.5 per cent., 12.9 per cent. and 9.4 per cent., respectively, of the Group's loan portfolio as at 30 June 2021), to service or repay their obligations could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. The Group will require continued emphasis on credit quality and the continued development of credit management and credit control systems to monitor this credit exposure; the failure to monitor and manage credit quality could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. In addition, if the Group fails to conduct periodic stress tests of its major credit risk concentrations in compliance with prudential regulations for Deposit Money Banks in Nigeria issued by the CBN in May 2010 to ensure a stable, safe and sound banking sector and the financial system as a whole (the "**CBN Prudential Guidelines**"), or any other applicable prudential guidelines established by banking regulators in the African jurisdictions where the Group has operations, it may not be able to identify and respond to potential changes in market conditions in a timely manner, which could adversely affect the Group's business, results of operations, financial condition and/or prospects. The CBN has recently issued the "Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for Fiscal Years 2020/2021", which state that the CBN Prudential Guidelines shall continue to apply through 2021. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Funding and liquidity*" and "*Asset, Liability and Risk Management*".

As at 30 June 2021, 31 December 2020 and 31 December 2019, the Group's 20 largest depositors accounted for 7.2 per cent., 7.6 per cent. and 8.5 per cent. of total deposits, respectively. As at 30 June 2021, 17.8 per cent. of the Group's total deposits were denominated in foreign currencies (primarily U.S. dollars), of which its 20 largest depositors accounted for 18.8 per cent. Failure to diversify or otherwise reduce the concentration in the Group's deposit base, or to attract low-cost deposits, could expose the Group to increased liquidity risk, which could in turn result in increased costs of borrowing and a potential constraint on growth. See "*—The Group relies on short-term deposits as its primary source of funding and is further exposed to liquidity risks due to maturity mismatches, which may result in the Group being unable to meet its liabilities as they fall due*". Any increase in borrowing costs could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group may experience credit default arising from adverse changes in credit quality and recoverability of outstanding loan balances inherent to the Group's banking business

The Group's business is subject to inherent risks concerning the credit quality of borrowers and counterparties which have affected, and are expected to continue to affect, the value of the Group's assets, particularly if economic conditions deteriorate in Nigeria or other African countries where the Group has banking operations.

Changes in the credit quality of the Group's customers and counterparties arising from the individual circumstances of such customers or systemic risks in both the Nigerian and global financial system (and the financial systems of other African countries where the Group operates) can negatively affect the value of the Group's assets. Such risks could also result in increased unemployment, reduced corporate liquidity and profitability, increased corporate insolvencies and the inability of individuals to service their personal debt, which would negatively affect the Nigerian banking sector and the banking sectors of other African countries in which the Group has operations. In addition to an increased loan portfolio, factors which may contribute to an increase in the total amount of the Group's NPLs or the Group's NPLs as a percentage of total loans include generally any slowdown in the Nigerian economy (or in the economies of other African countries where the Group has operations), general security concerns in such countries, or other political issues, a significant decline in oil prices or a slowdown in particular industries served by the Group as well as a reduced ability of existing customers to pay their foreign currency denominated debt due to the Naira depreciation and/or devaluation. See "*—The Group's business and operations, a significant portion of which are located in Nigeria, are highly dependent on the health of the Nigerian economy*" and "*—Global oil prices and oil production in Nigeria have had, and will continue to have, a significant impact on the Group's results of operation, financial condition and prospects*". Government policies and economic changes which adversely affect sectors to which the Group has significant exposure may contribute to the amount of the Group's NPLs, and any such increase may impact the Group's ability to comply with its loan covenants.

The Group's gross loans and advances to customers was ₦2,726,353 million as at 30 June 2021, ₦2,666,322 million as at 31 December 2020 and ₦2,147,283 million as at 31 December 2019. The increase over the period was largely as a result of the Group's growth strategy, as well as emerging lending opportunities in certain sectors of the economies where the Group has banking operations. According to data from the CBN, the Nigerian banking industry's NPLs, as a proportion of total loans, declined to 6.0 per cent. as at 31 December 2020, 6.1 per cent. from 31 December 2019 and 11.6 per cent. as at 31 December 2018. The Group's NPLs as at 30 June 2021 stood at ₦100,062 million, representing 3.5 per cent. of total gross loans and advances compared to ₦128,801 million, representing 4.9 per cent. of total gross loans and advances as at 31 December 2020 and ₦114,003 million, representing 5.1 per cent. of total gross loans and advances as at 31 December 2019. In the future, the Group may not be able to maintain a stable or decreasing trend in its NPLs as a proportion of its total loan portfolio.

The Group does not classify as NPLs loans which have been restructured, given that such loans meet the criteria for restructuring. Furthermore, due to the size of the loans to certain corporate customers, a single default by a large corporate borrower could significantly impact the Group's NPL ratio. For information on the Group's NPLs, see "*Selected Statistical and Other Information*." The Group's impairment coverage ratio was 97 per cent.

(excluding regulatory risk reserves) and 157 per cent. (including regulatory risk reserves) in each case as at 30 June 2021.

An increase in the overall level of lending could increase the credit risk of the Group. In particular, retail and small commercial banking customers typically have less financial strength than large companies, and as the Group's retail and small enterprises business expands, negative developments in the Nigerian economy (or in the economies of other African countries where the Group has operations) could affect these borrowers more significantly than large companies. For example, the Group recorded an impairment charge for credit losses on financial assets of ₦4,137 million for the six months ended 30 June 2021 as compared to ₦7,807 million for the six months ended 30 June 2020, and an impairment charge for credit losses on loans of ₦22,443 million for the year ended 31 December 2020 as compared to ₦16,336 million for the year ended 31 December 2019, which in each case was driven, in part, by the Group's increased exposure to retail customers and the impact of COVID-19 on its customers.

Furthermore, the availability of accurate, up-to-date and comprehensive financial information and general credit information on which to base credit decisions is more limited for retail and small commercial banking customers than for large corporate clients. As a result, the Group may be unable to evaluate correctly the current financial condition of each prospective retail or small commercial borrower and to determine their creditworthiness. This could result in higher levels of NPLs, and as a result, higher levels of provisioning.

As at 30 June 2021, the largest components of the Group's NPLs were the oil and gas sector (accounting for 32.0 per cent.) and the general sector (accounting for 24.8 per cent.), and such sectors comprised 13.5 per cent. and 5.3 per cent., respectively, of the Group's gross loans and advances to customers as at that date. See "*— Global oil prices and oil production in Nigeria have had, and will continue to have, a significant impact on the Group's results of operation, financial condition and prospects*". The Group's NPLs were also concentrated among a small number of borrowers, with the 20 largest NPLs accounting for 45.2 per cent. of total NPLs as at 30 June 2021.

Any significant increase in credit exposure will require continued emphasis by the Group on credit quality, the appropriateness of its provisioning levels and the continued development of financial and management control. Failure to successfully manage growth and development and to maintain the quality of its assets could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group's net interest margin may be under pressure due to Government monetary policies and the Nigerian banking sector environment

The banking industry in Nigeria has become increasingly competitive, which has resulted in increasing pressure on interest rates charged by the Bank on loans and deposits, particularly in the corporate segment, as the Group competes for business. The Group's net interest margin (defined as net interest income divided by daily average interest-earning assets) was 5.8 per cent. for the six months ended 30 June 2021, as compared to 5.3 per cent. for the six months ended 30 June 2020, 5.5 per cent. for the year ended 31 December 2020 and 6.0 per cent. for the year ended 31 December 2019, respectively. There is no assurance that the Group will be able to maintain net interest margins at similar rates in the future.

Additionally, the Federal Government has implemented several policies that have resulted in a decrease in interest income of Nigerian banks. The CBN's MPR serves as an indicative rate for transactions in the interbank money market, as well as other market rates. Increases in the MPR cause increases in the cost of borrowing and therefore may have a negative impact on the net interest rate margin. The CBN held the MPR constant at 14.0 per cent. throughout 2017 and 2018, but in March 2019 decreased it to 13.5 per cent. In a departure from past policy, during the fourth quarter of 2019, the CBN began unwinding its balance sheet by electing to refrain from rolling over maturing open market operation bills ("**OMO Bills**"). The CBN also passed a regulation excluding individuals and domestic corporate investors from the primary and secondary markets for OMO Bills in order to drive domestic interest rates lower, whilst maintaining higher rates for OMO Bills to attract foreign inflows. This resulted in excess liquidity in the Nigerian economy and a significant decline in interest rates. The decrease in interest rates in the fourth quarter of 2019, coupled with inflation levels of about 11.9 per cent. in December 2019, exerted increasing pressure on the Group's net interest margins. The CBN decreased the MPR to 12.5 per cent. in May 2020 due to the impact of COVID-19 on the Nigerian economy, and then further reduced it to 11.5 per cent. in September 2020, where it remained as of the date of this Base Prospectus. The result of the lower interest rate environment is that while the Bank's cost of funds remained stable, the interest income it has earned on assets has declined, due to repricing risk, thereby putting pressure on net interest margins. As a result, the Group's investment in Government

Bonds has followed a similar pattern. As at 31 December 2018, the Group held ₦413.6 billion of Government Bonds which increased to ₦617.4 billion as at 31 December 2020 and has further increased to ₦736.5 billion as at 30 June 2021. Any prolonging or further reduction of the current low interest rates is likely to impact the Group's profit margins, and in turn have a material adverse impact on the Group's business, results of operations, financial condition and/or prospects.

In addition, as a result of the recent banking sector reforms, largely through the AMCON's purchase of NPLs in the Nigerian banking sectors and subsequent recapitalisation of certain Nigerian banks (amongst which the Group was not included), as well as increased levels of capital and availability of funding (such as the ability to access the international capital markets), the banking industry in Nigeria has become increasingly competitive, which has resulted in increasing pressure on the Group's yields earned in the corporate segment as the Group competed for business. For example, the Group's net interest margin decreased to 5.8 per cent. as at 30 June 2021 due to the lower interest rate environment, which was in part fuelled by higher effective CRR by the CBN. In the future, these factors could materially and adversely affect the Nigerian banking industry as a whole and have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. For more information on banking sector reforms in Nigeria, see "*—The Group operates in an uncertain regulatory environment in the African jurisdictions in which it has operations and recent changes to and by the CBN and other African banking regulators may have a material adverse effect on the Group*".

Changes in interest rate levels may affect the value of the Group's assets that are sensitive to interest rate and spread changes, as well as its net interest margins and borrowings costs

The Group is exposed to interest rate risk through the interest-bearing assets and liabilities in its investment securities and banking books. Fluctuations in interest rates could adversely affect the Group's operations and financial condition in a number of different ways. An increase in interest rates generally may decrease the value of the Group's fixed-rate debt securities (primarily comprised of Government treasury bills and bonds) as well as fixed-rate loans, and could raise the Group's funding costs. In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of customer default, while general volatility in interest rates may result in a gap between the Group's interest-rate sensitive assets and liabilities. This risk could be heightened in the event of sudden large fluctuations or changes in interest rates in response to economic or other conditions, such as the decrease in the MPR in July 2020 to 13.5 per cent. in March 2020 and a further decrease to 11.5 per cent. in September 2020. In 2020, both Ghana and Kenya recorded similar trends with decreased policy interest rates in part as a result of the impact of COVID-19 and, as at the date of this Base Prospectus, such rates stood at 13.5 per cent. and 7 per cent., respectively. Interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as the CBN (and other central banks of African countries where the Group has operations), domestic and international economic conditions and political factors. There can be no assurance that the Group will be able to protect itself from the adverse effects of future interest rate fluctuations. The Group does not synthetically hedge against interest rate fluctuations but has put in place gap limits in accordance with the Group's risk appetite and historical understanding of the interest rate environment. Any fluctuations in market interest rates, and the Group's inability to monitor such fluctuations so as to respond in a timely and cost effective manner, could lead to a reduction in net interest income and adversely affect the Group's financial condition, results of operations and/or prospects.

The Bank's cost of funds is also linked to certain interest rates set by the Federal Government. The Revised Guide to Bank Charges provides that Nigerian savings accounts must earn interest at a minimum rate of 30 per cent. of the MPR per annum. At the current MPR of 11.5 per cent., this translates to a minimum interest rate on savings accounts of 4.1 per cent. per annum for the Bank. Changes in the MPR have had, and are expected to continue to have, an impact on the Bank's interest expense on savings accounts and may reduce the Group's net interest margin. See "*—The Group's net interest margin may be under pressure due to Government monetary policies and the Nigerian banking sector environment*" and "*Nigerian Banking Sector—Monetary Policy*."

The Group's operations remain subject to the risk of interest rate fluctuations to the extent that its interest rate risk management procedures fail, its hedging activities are not successful or its interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts, among other things. These risks impact both the earnings and the economic value of the Group which, if material, could have a material adverse effect on the Group's financial condition, liquidity, results of operations and/or prospects.

The Group faces increased levels of competition in Nigerian and other African markets, which may negatively affect the Group's prospects

Although the banking market in Africa is still underdeveloped and a significant proportion of the population remains unbanked, competition in the Group's key markets in Ghana, Senegal and Cameroon as well as Nigeria is extensive. In recent years, many local banks and international banks with strong operations in Africa, such as Ecobank Nigeria Limited, Zenith Bank Plc, Access Bank Plc and Guaranty Trust Bank Limited in Nigeria, and Ecobank, GCB Bank Limited and Stanbic Bank in Ghana, have commenced expansion plans, increased their product portfolio and tried to enhance quality of service. The Group's ability to form a leading pan-African banking group and to create leading banks in each of its principal target markets requires it to effectively compete with the other main banks in the area and to differentiate from the competition, specifically in terms of quality, capitalisation, business know-how and scope of business network as well as technology. Competitors may also have more financial and management resources and better access to debt and equity capital markets. Failure of the Group to effectively compete in its key markets could have a material adverse effect on its business, results of operations, financial condition and/or prospects.

In particular, the Nigerian banking sector is undergoing a transformation which is expected to continue over the next few years. In the aftermath of the global economic and financial crisis, the banking sector consolidation, aided by AMCON and the CBN, has reduced the number of existing banks and is continuing to change the Nigerian banking landscape. As at the date of this Base Prospectus, there are a total of 22 commercial deposit-taking banks registered in Nigeria, and various international banks are increasing their presence in Nigeria and competing with the Group for its corporate clients. AMCON's divestment from the last of its three wholly-owned temporary banks established pursuant to the provisions of the Nigeria Deposit Insurance Corporation Act, which AMCON expects to complete in the short to medium-term, may also lead to further consolidation which would further increase competition amongst commercial banks and in the retail banking business. The Group believes that in order to meet the competition driven by a more concentrated Nigerian banking industry, it will be critical for the Group to sustain its economies of scale, which enable it to effectively offer greater reach and financial capacity, like other large commercial banks.

Additionally, the CBN has restricted exposure to certain investments by Nigerian banks, such as equity investments, to 10.0 per cent. of paid-up capital and statutory reserves pursuant to the BOFIA, and loans to any single borrower are limited to 20.0 per cent. of shareholders' funds, thus making it potentially difficult for the Group to make future loans or investments in Nigeria compared to banks with larger capital bases. In addition, commercial banks like the Group are now restricted to only those equity investments permitted under the BOFIA and the CBN regulations. The Group's inability to continue to compete successfully in the competitive markets in which it operates would have a material adverse effect on its business, financial condition, results of operations and/or prospects.

The competitive landscape of Nigeria's banking industry has also changed in recent years as a result of the entry of various new participants. For example, pension funds have become an increasingly important source of debt financing and, as at 31 December 2020, control almost ₦12.3 trillion of liquid assets and also benefit from income tax exemptions that is not extended to traditional commercial bank lenders. Further, in October 2018, the CBN began licensing companies such as pension funds, oil traders, microfinance banks, micro-lenders and telecommunications companies, to facilitate high-volume low-value transactions in remittance services, micro-savings and withdrawal services. The Nigerian banking industry has also observed the entry of payment service banks following the CBN's licensing of Hope PSB, 9PSB and Money Master in September 2019, which prompted additional financial technology companies ("**FinTech**") such as Flutterwave, Paystack, Opay, PiggyVest and Interswitch to enter the market.

In 2017, the CBN banned banks from facilitating cryptocurrency-related transactions and, in February 2021, the CBN ordered banks to identify persons and/or entities conducting transactions in cryptocurrencies or running cryptocurrency exchanges and to ensure that such accounts are closed immediately. Despite the CBN ban, the U.S. dollar value of cryptocurrencies received by Nigerian users has grown in 2020 and 2021 and estimates suggest that of the top 10 countries for cryptocurrency trading volumes in 2020, Nigeria ranked third after the United States and Russia, amounting to more than U.S.$400 million of transactions. As observed in global banking trends, Nigeria's banking industry remains susceptible to the rise of digital currencies which may induce consumers away from traditional banking channels.

Against this background, the Group's growth depends on its ability to gain market share, extend its distribution network, manage its cost base, access low cost deposits and grow quality risk assets, in order to allow it to maintain strong levels of profitability and returns despite being required to hold higher levels of capital by the CBN. If the Group is not able to sustain the profitability, economies of scale and financial capacity to enable it to compete with other large Nigerian banks, the Group's business, financial condition, results of operations and/or prospects may be materially and adversely affected. See "*Description of the Group—Competition"*.

A decline in the value or the illiquidity of the collateral securing the Group's loans and difficulty in obtaining and enforcing adequate security as collateral for the Group's loans may adversely affect its loan portfolio

As at 30 June 2021, 91.7 per cent. of the Group's total loan portfolio was secured by collateral such as real property, land leasing rights, production equipment, vehicles and securities. Securing effective collateral over such assets has limitations. For example, certain types of collateral securing the Group's loans may be difficult to perfect, such as mortgages, due to forged or incomplete documentation and regulatory changes. Downturns in the relevant markets, or the lack of an existing market within Nigeria and/or any other countries in which the Group has operations, or a general deterioration of economic conditions may result in declines in the value of collateral securing a number of the Group's loans to levels below the amounts of the outstanding principal and accrued interest on those loans. If collateral values decline, as they did during the global financial crisis, such collateral values may not be sufficient to cover uncollectible amounts on the Group's secured loans (including any NPLs) which may require the Group to reclassify the relevant loans, establish additional loan loss expenses and increase reserve requirements. Inability to recover the expected value of collateral may expose the Group to losses, which may materially adversely affect the Group's financial condition, results of operations and/or prospects.

If the Group enforces the security, for various reasons the realisable value from the security may be less than the outstanding loan. Some secured loans, particularly those disbursed to retail customers, have lower recovery rates on the collateral following a default in the loan, due to the types of collateral involved – generally consumer products, such as appliances and cars, which are difficult to recover. Certain types of security are also difficult to perfect such as mortgages, due to government bureaucracy, perfection costs and incomplete documentation.

Under the Nigerian land laws, the Group is required to obtain the consent of the Governor of the relevant state in which real property collateral is situated or the consent of the minister in charge of lands in respect of lands designated as federal lands in order to perfect its security in the property. The process of perfecting title to land is bureaucratic and may delay or interfere with the Group's ability to realise security for loans advanced. In addition, the Nigerian judicial system is still developing and faces a number of challenges, which often result in delays in the judicial process. Accordingly, there is a possibility that the Group's loan portfolio may be affected by challenges in realising security for loans due to inefficiencies in the judicial system.

Failure to obtain security with sufficient value, to adequately perfect security interests or to recover collateral held for loans could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems

The Group depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Group's business and operating data. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems (such as its electronic fraud monitoring and surveillance systems and customer insurance programmes), as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and ability to compete effectively.

Unlike banks in many other countries, the Group is unable to rely on state or utility providers of power and telecommunication services for the quality and quantity of services it requires for its operations, and has to make its own arrangements to augment power supply. In addition, limited national fibre optic coverage in Nigeria and other African countries where the Group has operations makes reliance on technology used to transmit narrowband data, such as (in Nigeria) the Very Small Aperture Terminal ("**VSAT**"), mandatory in certain remote areas, which may also be affected by occurrences of similar events. The proper functioning of the Group's information technology systems also depends on accurate and reliable data and other system inputs, which are subject to human errors. Any failure or delay in recording or processing the Group's transaction data could subject it to claims for losses and regulatory fines and penalties.

The Group's business activities would be materially disrupted if there were to be a partial or complete failure of any of the Group's material information technology systems or communications networks. Such failures can be caused by a variety of factors, including natural disasters, extended power outages, computer viruses and other types of cybersecurity incidents. Information security risks for large financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of organised criminals and hackers. In addition, to access the Group's products and services, customers may use personal smartphones, personal computers and other computing devices, personal tablet computers and other mobile devices that are beyond the Group's control systems. The Group's computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service attacks, ransomware attacks, phishing attacks (including Short Message Service ("**SMS**") phishing by which individuals or even organised groups send SMS or text messages to the Group's customers to obtain sensitive information or account credentials), computer viruses or other malicious code and other events that could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential proprietary, sensitive, personal and other types of information of the Group, its employees, customers or third parties or otherwise materially disrupt the Group's or its customers' or third parties' network access or business operations.

The Group's ability to improve its business, results of operations and financial condition will depend in large part on its ability to continue to improve and enhance the functionality, performance, reliability, design, security and scalability of its technology platform. However, the Group may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements to its technology platforms. Software development involves significant amounts of time and it can take months to test new and upgraded solutions and integrate them into the Group's systems. The Group must also continually update, test and enhance its software and make sure that its technology platform operates effectively across multiple devices, operating systems and internet browsers and subsidiaries as the Group expands. The continual improvement and enhancement of the Group's technology platform requires significant investment. The Group is currently upgrading its cyber and IT infrastructure through several projects that are expected to be completed by 31 March 2022 (see "*Description of the Group—ICT and Operations*" for further information). In 2021, the IT capital budget is ₦35.8 billion and the recurrent expenditure in the same year is expected to be ₦14.7 billion. To the extent the Group is not able to improve and enhance the functionality, performance, reliability, design, security and scalability of its technology platform, the Group's business, results of operations and financial condition will be adversely affected.

The Group and its customers have in the past been, and continue to be, subject to a range of cyber-attacks, such as denial of service, malware and phishing and the Group has experienced fraudulent SMS accounts. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). For example, in 2019, the Group's servers were hacked and ₦752 million was stolen from a customer account in the name of Flour Mills of Nigeria. Cyber-attacks could give rise to the disablement of the Group's information technology systems used to service the Group's customers as a result of ransomware or other attacks or incidents. As attempted attacks continue to evolve in scope and sophistication, the Group may incur significant costs in its attempt to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to its customers. If the Group fails to effectively manage its cybersecurity risk, e.g. by failing to update its systems and processes in response to new threats, this could harm its reputation and adversely affect its operating results, financial condition and/or prospects through the payment of customer compensation, regulatory penalties and fines and/or through the loss of assets. It is possible that the Group (or its third-party suppliers) may not be able to anticipate or to implement effective measures to prevent or minimise damage that may be caused by all information security threats, because the techniques used can be highly sophisticated, can evolve rapidly and those that would perpetrate attacks can be well resourced.

Information security threats may also occur as a result of the Group's size and role in the financial services industry, its plans to continue to implement internet banking and mobile banking channel strategies and develop additional remote connectivity solutions, and the threat of cyber-terrorism. An information security failure could have serious consequences for the Group, including operational disruption, financial losses, a loss of customer or business opportunities, litigation, regulatory penalties or intervention, payment of ransoms, reputational damage, theft of intellectual property and customer data.

The Group's ability to remain competitive will, to a certain extent, depend on its ability to upgrade its information technology systems on a timely and cost-effective basis. In addition, the information available to and received by the Group through its existing information technology systems may not be timely or sufficient for the Group to manage risks and plan for, and respond to, market changes and other developments in the current operating environment. As additional information technology platforms are introduced, and become integral to the Group's product offering, unforeseen technical difficulties may cause disruption in the Group's operations. There is no assurance that the Group will implement these projects effectively or execute them efficiently, which could lead to increased project costs, delays in the Group's ability to comply with regulatory requirements, failure of the Group's information security controls or a decrease in the Group's ability to service its customers. Any substantial failure to improve or upgrade the Group's information technology systems effectively or on a timely basis, or failure to implement more efficient process automation, could materially and adversely affect the Group's business, results of operations, financial condition and/or prospects.

The Group's risk management and internal control policies and procedures may leave it exposed to unidentified or unanticipated risks

The Group continues to develop its risk management policies and procedures, particularly in connection with credit, market, liquidity, interest rate and operational risks in accordance with its Enterprise Risk Management Policy ("**ERM Policy**"). Some of the Group's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than or different from what historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets which the Group operates in, its clients or other matters that are publicly available or otherwise accessible by the Group. Any failure in the Group's risk management techniques may have a material adverse effect on its business, results of operations, financial condition and/or prospects.

The Group's risk management and internal control policies and procedures may not adequately control, or protect the Group against, all credit and other risks to which it is subject. Certain risks are unidentified or unforeseeable, and could be greater than the Group's empirical data would otherwise indicate. In addition, the Group cannot guarantee that all of its staff will adhere to its risk management and internal control policies and procedures or that Group's internal control policies and procedures will be sufficient to protect the Group against employee misconduct such as embezzlement. For example, in 2020, UBA Pensions Custodian Limited was subjected to a fraudulent transfer of funds using forged manual transfer instructions received from cloned email addresses, which was facilitated by certain Group employees whose employment was subsequently terminated following the discovery of such fraud. Moreover, the Group's growth and expansion into other African markets over the last decade may affect its ability to implement and maintain stringent internal controls. The Group's risk management and internal control capabilities are also limited by the information, tools and technologies available to the Group. Any material deficiency in its risk management or other internal control policies or procedures may expose the Group to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

If the Group fails to receive or maintain licences required to conduct its operations, or if any existing licences are revoked, its operations may be adversely affected

The Group holds banking licences in all 20 African countries in which it operates. The central bank of each jurisdiction issuing a universal banking licence also supervises local banks operating under such banking licences and may prescribe different business standards and minimum capitalisation requirements for operating subsidiaries of the Group in that jurisdiction or subject to its regulatory authority. In recent years, regulators in the several markets in which the Group operates, including the CBN, have implemented more stringent and burdensome compliance requirements and controls for banks. Compliance with local controls may be onerous and it cannot be assured that the operating subsidiaries and related companies of the Group will be able to retain their respective banking licences or that they can continue to operate under their respective licences in the same way they have in the past.

Banking and other operations performed by Nigerian banks in Nigeria require licences from the CBN. The CBN has granted the Group its commercial banking licence with international authorisation. The Group has obtained all other licences in connection with its Nigerian banking operations, including banking operations involving foreign currencies. In the event that the Bank's CBN licence or other licence of any member of the Group is revoked, or any member of the Group is required to apply for a new licence, the process could be burdensome and time-consuming. Pursuant to the Regulation on Banking Activities and Ancillary Matters No. 3 of 2010 issued by the CBN (the "**CBN Regulations**"), which repealed the Universal Banking Guidelines, every Nigerian bank that held a universal banking licence was required to apply to the CBN to have its universal banking licence exchanged for an appropriate licence to conduct banking business as one of the permitted types of banks in Nigeria (commercial, merchant or specialised). The CBN may, at its discretion, impose additional requirements or deny any request by the Bank for licences. Similar actions by the CBN could limit the Group's operations or materially and adversely affect its business, financial condition, results of operations and prospects.

In particular, the loss of its commercial banking licence, a breach of the terms of a general banking licence by the Group or a failure to obtain such a licence in the future could result in the Group being unable to continue some or all of its banking activities, being unable to expand its business internationally and being subject to penalties and fines by the CBN or the regulator of the relevant jurisdiction. Any such failure could, in turn, have a material adverse effect on the Group's results of operations, financial condition and/or prospects.

The effect of the unsuccessful introduction of new products could result in the Group not being able to achieve its intended results

As part of its strategy, the Group intends to increase its transaction banking income through enhanced service offerings, such as e-banking products, and cross-selling initiatives and referrals. It also intends to leverage its pan-African banking franchise further by providing cross-border transactional services and trade facilitation. Expansion of the Group's business activities (into new geographies or new market segments) or the introduction of new products (e.g. franchised products or additional e-banking products) exposes the Group to a number of risks and challenges, including the following:

- the Group may have limited or no experience in certain new business activities and may not compete effectively in these areas;
- new business activities may not meet expectations for profitability;
- the Group may be unable to hire or retrain appropriate personnel who are able to conduct new business activities; and
- the Group may fail to adequately develop and expand the capability of its risk management and information technology systems to support a broader range of activities.

If the Group is not able to achieve the intended results in these new business areas, its business, results of operations, financial condition and/or prospects may be materially and adversely affected. In addition, if the Group fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, the Group may fail to maintain its market share or lose some of its existing customers to its competitors. See "*—The Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems*", "*Description of the Group—Strategy"* and *"Description of the Group—Distribution Channels—Digital Banking*".

The Group may not be able to fully comply with anti-corruption regulations, which could result in governmental finds and a damaged reputation

The Group operates in countries and sectors known to experience corruption. While the Group is committed to conducting business in a legal and ethical manner, there is a risk that its employees or agents may take actions that would be prohibited by the U.S. Foreign Corrupt Practices Act, the United Kingdom Bribery Act 2010 (the "**Bribery Act**"), any legislation promulgated pursuant to the 1997 Organisation for Economic Co-Operation and Development (the "**OECD**") Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the Nigerian Corrupt Practices and Other Related Offences Act No. 5 of 2000 or other applicable anti-corruption rules or regulations. These actions could result in monetary penalties against the Group and could damage the Group's reputation and, therefore, its ability to do business.

Similar to other financial institutions operating in jurisdictions known to experience corruption, the Group is unable to ensure that its internal control policies and procedures will fully protect it from fraud, bribery or other criminal acts committed by its employees, and any such policies and procedures may not protect it from such acts committed by its employees in the future. The Group maintains a system of controls designed to keep operational risk at appropriate levels. However, the Group may still suffer losses or have its reputation affected as a result of any failure of these controls to detect or contain operational risk in the future. For example, the controls in place may not be sufficient to make out the "adequate procedures" defence under the Bribery Act. The Group also manages its operational risk by obtaining outside insurance. However, the Group does not carry insurance coverage at levels comparable to those customary in other countries with more developed markets. The inadequacy or a failure of the Group's internal processes or systems may result in unauthorised transactions and errors which may not be detected. The Group's insurance may not cover the Group's losses from such transactions or errors, which may have a material adverse effect on the Group's financial condition, results of operations and/or prospects.

The Group may not be able to fully comply with anti-money laundering and anti-terrorism regulations, which could result in governmental fines and a damaged reputation

The Group is required to comply with a variety of anti-money laundering, anti-terrorism laws and other regulations in Nigeria as well as in other jurisdictions in which it has operations. However, the Group's policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and terrorist activities may not completely eliminate instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. The Group continues to face on-going risks relating to corruption and potential money laundering schemes perpetrated by individuals and companies in Nigeria and other African countries in which it has operations. To the extent the Group fails to fully comply with applicable laws and regulations, the relevant government agencies to whom it reports have the power and authority to impose fines and other penalties on the Group, including the suspension or removal of its banking licence. The Group's business and reputation could also suffer as a result of the imposition of any such penalties or any allegations relating thereto, which could, in turn, have a material adverse effect on the Group's financial condition, results of operations and/or prospects. See "*Description of the Group—Anti-Money Laundering*".

The Group's inability to recruit and retain qualified personnel could have an adverse effect on its business

The Group's success will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The Group is likely to face challenges in recruiting and retaining qualified personnel to run its business, as a result of the shortage of qualified candidates in African countries with experience in the banking industry. As a result, competition in the African banking industry for personnel is considerable. Additionally, if the Group continues to grow at its current pace, it will continually need to increase the number of employees. In order to recruit qualified and experienced employees and to minimise the likelihood of their departure to other banks, the Group must provide attractive salary packages, awards and other incentives to employees as well as provide training to its employees through a variety of in-house and external training programmes. Recruiting and retaining qualified and experienced personnel could result in an increase in the Group's operating expenses which could result in a decrease in the Group's overall profitability.

The CBN Prudential Guidelines prescribe a maximum term of 10 years for chief executive officers of commercial banks and prohibit such officers from qualifying for appointment in their former bank or subsidiaries of such bank in any capacity until after three years following the expiration of their tenure as a chief executive officer. The Group is in compliance with this directive, with its current Chief Executive Officer, Mr. Kennedy Uzoka, having served for approximately five years as at the date of this Base Prospectus.

The Group's failure to recruit, train and/or retain necessary personnel could have a material adverse effect on its business, financial condition, results of operations and/or prospects. The Group is not insured against damage that may be incurred in the event of the loss or dismissal of its key personnel.

The Group may not have adequate insurance to cover losses suffered as a result of deficiencies in its internal control policies and procedures

There is a risk that the Group will not be able to ensure that its internal control policies and procedures will protect it from fraud or other criminal acts committed by its employees. The Group maintains a system of controls designed to keep operational risk at appropriate levels. These operational risks include loss arising from employee errors, cash shortages, write-offs, income reversals, system failures, attempted fraud and forgeries security incident, fire, attempted robbery/theft, power issues, IT issues/system downtime, information security, flood, medical emergency, other emergencies, and other events that may disrupt the Group's day-to-day business and operations.

However, the Group may still suffer losses from any failure of these controls to detect or contain operational risk in the future and the inadequacy or a failure of the Group's internal processes or systems may result in unauthorised transactions and errors which may not be detected. The Group also manages its operational risk by obtaining insurance from external providers. Nevertheless, the Group's insurance may not be sufficient to cover the Group's losses from all such transactions or errors which, in turn, may have a material adverse effect on the Group's business, results of operations and financial condition.

The Bank has significant off-balance sheet credit related commitments that may lead to potential losses

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. These instruments involve varying degrees of credit risk and are not reflected in the balance sheet of the Group. As at 30 June 2021, the Group had ₦1,347,545 million in off-balance sheet liabilities, compared to ₦856,022 million as at 31 December 2020 and ₦643,526 million as at 31 December 2019.

All such credit related commitments are classified as off balance sheet items in the Group's financial statements. There can be no assurance that the Group's credit procedures will be sufficient to protect the Bank from the actual losses that the Group may potentially incur in the event of a default in any of its credit related commitments. The Group does not create provisions for off balance sheet liabilities so long as they are performing. However, in the event that an off balance sheet liability becomes non-performing the Group will take it on balance sheet and create a provision. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Off-balance sheet arrangements*".

The Bank is subject to the Nigerian data protection laws and regulations

In the ordinary course of its operations, the Bank collects, stores and uses data that is protected by data protection laws, as set out in the Nigeria Data Protection Regulation 2019 (the "**NDPR**"). The NDPR applies to all processing of personal data, being any operation performed upon identifiable information of a natural person residing in Nigeria or outside Nigeria being a Nigerian citizen. Breaches of the NDPR could result in criminal liability as well as administrative fines of up to ₦10 million or 2 per cent. of an undertaking's annual gross revenue of the financial year preceding the breach, whichever is the higher. As at the date of this Base Prospectus, the Bank has completed the process of adapting to the requirements of the NDPR. However, it is possible that personal data systems are misused either intentionally or unintentionally, or customer data is leaked as a result of human error or technological failure. Any destruction, damage, loss, unauthorised use or dissemination of customer data by the Bank in breach of the NDPR requirements, and any violation of data protection laws by the Bank's employees and officers resulting in losses for which the Bank is not fully indemnified against, may result in significant fines and reputational harm and could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to the Nigerian and other African Banking Sectors

The bank regulatory systems in Nigeria and other African countries in which the Group operates are still developing and may change in a manner that is adverse to the Group

The banking sectors in Nigeria and the other African countries in which the Group operates are at a relatively early stage of development compared to more developed countries and have historically been characterised as highly fragmented, poorly capitalised and weak in banking regulations, and it is unclear how legal and regulatory developments may affect the competitive banking landscape in Nigeria and such African countries.

In Nigeria, the banking sector has experienced rapid credit growth over the past few years, without necessarily having the appropriate regulatory structure, risk management practices and controls in place to protect asset quality. There may also be an increased risk of smaller banks failing to adapt to regulatory changes and the new, more competitive environment. To support the CBN's cashless policy in Nigeria and to encourage wider adoption and use of the electronic payments channel in Nigeria, the CBN intends to strengthen the legal framework to protect consumers against fraud, losses and undue charges by pursuing the enactment of several bills to tighten financial sector regulations. For example, the proposed Electronic Transaction Bill would give effect to the admission in evidence of all electronically generated statements of account; the proposed Financial Ombudsman Bill would facilitate a swifter resolution of financial disputes; and the proposed Alternative Dispute Resolution Regulatory Commission Bill would establish a new commission to promote and regulate the practice and use of alternative dispute resolution in Nigeria. Nigeria has also been faced with a foreign exchange crisis and dwindling oil prices leading to the adoption of stringent measures to protect the Naira and protect Nigeria's foreign reserves. See "*—Risks related to the Group—The Group is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies*".

Regulatory standards, oversight and enforcement applicable to commercial banks in Nigeria and the other African countries in which the Group operates may differ from those applicable to banking operations in countries with highly developed regulatory regimes. As a result, prospective investors may not have the benefit of all of the protections available in such other countries. The regulatory environment in which the Group operates in Nigeria or any other African countries may change in the future and in a manner that may have a material adverse effect on the Group's ability to compete and thus on its business, results of operations, financial condition and/or prospects.

The Nigerian banking system has in the past required and may, in the future require, significant state support and has been impacted by the recession in Nigeria

Deteriorating economic conditions in Nigeria as a result of reduced oil prices has previously led to a significant increase in non-performing loans and lower capital adequacy ratios in the Nigerian banking sector as a whole, with a ratio of non-performing loans in the banking sector of 14.8 per cent. as at December 2017, largely attributable to the challenges faced by the public sector and by Nigerian corporate borrowers (accounting, according to the IMF, for approximately 80 per cent. of Nigerian bank loans), whose liquidity and balance sheet positions weakened due to their high degree of exposure to the oil and gas sector and foreign exchange risk. Although the health of the Nigerian banking sector has since improved, with a ratio of non-performing loans of 6.1 per cent. as of December 2020 and 5.4 per cent. as of 30 June 2021, the ratio is marginally above the prudential requirement of 5.0 per cent.

The CBN continues to provide support to the Nigerian banking sector through AMCON which was established in 2010 in the wake of the 2007 global financial crisis to, amongst other measures, acquire non-performing loans held by Nigerian banks and issue notes guaranteed by the DMO to Nigerian banks to improve their capitalisation. The notes were guaranteed by the DMO at inception of AMCON, and thereafter were subsequently guaranteed by the CBN.

Currently, the CBN holds all of AMCON's outstanding liabilities of ₦3.8 trillion bonds due in 2023 and ₦500 billion debentures due in 2022. The CBN gave AMCON a one-year moratorium, with the 6 per cent. interest rate capitalised into principal in the second year, bringing the liability to ₦4.028 trillion. AMCON commenced annual payment of the interest only on the notes in 2014 and, in 2020, AMCON started making principal repayments. For the year ended 31 December 2020, the sum of ₦60.85 billion was repaid, reducing the outstanding principal to ₦3.97 trillion. No assurance can be given that AMCON's performance will continue to be positive and will enable it to repay or refinance its outstanding debt.

In August 2019, President Buhari assented to the AMCON (Amendment) Bill 2019. Implementation of the new law is ongoing, which will empower the AMCON to access the financial details of its debtors, place bank accounts of debtors under surveillance and advise the Federal Government to deny contracts to defaulting companies and persons. Vice President Yemi Osinbajo has also set up a task force to facilitate ways to recover over ₦5 trillion debts owed to AMCON. On 28 April 2021, the Senate passed the Asset Management Corporation of Nigeria Act No 3 2014 (Amendment), Bill, 2021 (the "**AMCON Bill 2021**"). The AMCON Bill 2021 was transmitted to the House of Representatives on 6 May 2021 for its concurrence, after which the AMCON Bill 2021 will be sent to the President for his assent.

Should initiatives introduced by the CBN fail to materialise or fail to achieve the desired results, weakness in the banking sector may continue to have a material adverse effect on investment and confidence in, and the performance of, the Nigerian economy. In addition, the ability of the Federal Government to provide further support may be limited in light of the impact of the recent economic downturn on public finances.

The high credit risk of borrowers in Africa and the lack of fully developed central credit bureaus in some of the African countries in which the Group has operations may adversely affect the Group's loan portfolio.

The Group is subject to the credit risk that borrowers in African countries may not make payments of principal and interest on loans in a timely manner, if at all, and that upon any such failure to pay, the Group may not be able to enforce any security interest or guarantee that it may have against such borrowers. The credit risk of borrowers in African countries is relatively high when compared to borrowers from developed markets due to the stage of maturity of the African banking markets and uncertainties inherent in the political, economic, legal and regulatory environment and the higher risk of fraud. Additionally, the current legal and administrative framework for ownership and transfer of land in many African countries makes it difficult and expensive for landowners to register land rights and therefore it is difficult for them to pledge their land ownership rights as collateral for a mortgage or other loan.

Generally, the presence or quality of credit bureaus and credit risk registers, and the overall quality of credit history and credit information about potential borrowers, in Africa still lags behind that of developed markets. As a result, the Group's risk management methods depend, in part, upon an evaluation of information regarding the current market in question, character of sponsors, and the credit history and capacity of a borrower to repay. This information may not be accurate, complete, up-to-date or properly evaluated. General limitations on available and reliable information about borrowers may negatively affect the credit review process that the Group undertakes and the asset quality of the loan portfolio, which may result from the Group failing to become aware of any borrower's default and could result in an increase in the number of NPLs.

Delay or failure to effectively implement industry reforms may adversely affect the growth prospects of Nigerian banks, including the Group

In August 2021, the Federal Government signed into law, the Petroleum Industry Act 2021 (the "**PIA**") as part of its reforms to the oil and gas sector in Nigeria. Among other things, the PIA seeks to increase profit from petroleum sharing contracts to be spent on frontier exploration. Moreover, the PIA could improve transparency in the oil and gas sector which could increase revenue by reducing the losses due to corruption. The Bank believes that such reforms will generate new business opportunities (including increased lending opportunities) for Nigerian banks. There can be no assurance on the result of the implementation (or lack of implementation) of any reforms, whether in Nigeria or other African countries in which the Group operates, or that such reforms will provide the intended or expected benefits to the local banking sector. Any uncertainty or turbulence caused in the Nigeria or other African banking sectors as a result of the introduction or implementation of reforms may have a material adverse effect on the banking sector, and in turn the Group's business, results of operations, financial condition, and/or prospects in each affected country.

Risks relating to Nigeria and other African countries where the Group has operations

Investments in many African countries can be subject to greater risks than investments in more developed countries and financial turmoil in any of these markets could disrupt the business operations

As at 30 June 2021, 54.3 per cent. and 44.9 per cent. of the Group's revenues and 63.1 per cent. and 37.0 per cent. of its assets were derived from operations in Nigeria and other African countries (excluding Nigeria), respectively. Therefore, the Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects, and the ability to recover on its loans and other assets, could depend significantly on the economic and political conditions prevailing in Nigeria and Africa more generally. Operating a banking business in Africa can involve a greater degree of risk than operating a business in more developed countries and carries risks that are not typically associated with investing in more mature markets. Among other things, emerging market investments may carry the risk of a greater likelihood of severe inflation or deflation, unstable currency, corruption, war and expropriation of personal property than investment in more developed countries. In addition, investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities.

With respect to African countries, there is the possibility of nationalisation, expropriation or confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political changes, government regulation, political and social instability, terrorism, civil wars, guerrilla activities, military repression, crime, extreme fluctuations in currency exchange rates and hyperinflation, which could affect adversely the economies of such countries or the value of the Group's assets in those countries. There may also be restrictions on the right to convert or repatriate currency or export assets.

Moreover, financial turmoil in any African country tends to adversely affect prices in bond markets of other African countries, as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in African economies could dampen foreign investment in Africa and adversely affect the economies of African countries. In addition, during such times, companies that operate in Africa can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the economies in African countries in which the Group operates remain relatively stable, financial turmoil in other African countries could have a material adverse result on the Group's business, results of operations and/or financial condition.

Disruptions in the international capital markets have historically led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in financing being unavailable for certain entities. Companies located in African countries are particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in these companies experiencing financial difficulties. In addition, the availability of credit to entities operating within Africa is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investments in securities of issuers which invest in Africa are only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisers before making an investment in any Notes. Investors should also note that African countries are subject to rapid change and that the information set forth in this Base Prospectus may become outdated relatively quickly.

Political, economic and social stability in Nigeria and other African countries has been and will continue to be adversely affected by political and religious conflicts, terrorism, and social and religious tensions, any or all of which may materially and adversely impact the Group.

Certain African countries have undergone substantial upheaval, in some cases accompanied by violence. Nigeria, for example, has experienced considerable unrest, terrorism and political, ethnic and religious conflicts. Divisions based on geography can be magnified by religious differences, particularly between the north, which has a predominantly Muslim population, and the south, which has a predominantly Christian population. Since the return to civilian rule in 1999, certain northern states have adopted Sharia law, a system of laws based on the Quran and other Islamic sources.

Other than the People's Democratic Party and the All Progressives Congress, many of Nigeria's political parties are based largely upon regional allegiance. These regional affiliations have in the past contributed to, and may continue to contribute to, political, ethnic and religious tension, which can also lead to social unrest. Nigeria's most recent national elections were held in February 2019, which saw the incumbent President Buhari elected for a second term. As with previous elections, there were reports of violence and social unrest resulting from several forms of insecurity, contested election results and the prominence of disputes and internal rivalries within and between, the several political parties. Given Nigeria's upcoming general elections in February 2023, these tensions and conflicts may intensify or occur in the future and the country's economy may also be subject to change as political parties compete to secure public support. In many other African countries where the Group has operations, similar ethnic and religious differences exist which could lead to conflicts in the future.

Any post-election administration in any of the Group's African markets may pursue different policies and priorities than the previous administration, alter or reverse certain reforms or take actions that make domestic and foreign investment less attractive. Further, if there are allegations of fraud or other irregularities in connection with elections and such allegations are not properly handled in an orderly manner, such allegations may undermine the legitimacy of the new administration or lead to protests, violence or other unrest.

Similarly, countries in which the Group operates are subject to internal conflicts and civil unrest. Nigeria has experienced rising levels of social unrest related to frustration over police brutality and corruption. In October 2020, demonstrations were held in Lagos and across other states in Nigeria, demanding that the Federal Government eliminate the Special Anti-Robbery Squad ("**SARS**") police unit. The demonstrations were provoked by a viral video that appeared to show the killing of a civilian by a SARS officer. On 20 October 2020, soldiers fired on crowds of protesters at the Lekki toll gate in Lagos, killing at least 12 protesters according to Amnesty International. The demonstrations caused damage to public property, including certain of the Bank's branches in Lagos and Enugu, which resulted in the activation of the Bank's business continuity processes to maintain support for customers that utilised the affected branches.

Nigeria has also, from time to time, experienced attacks and kidnappings in various parts of the country, particularly in the northern and south-south states. Whilst small-scale kidnapping activities attributed to various groups have been reported in a number of states, it is believed that the attacks in the northern states have been carried out by Islamist militia groups based in the north, such as Ansaru and Boko Haram. These attacks have occurred at various sites including churches, mosques, schools, business premises, police stations and immigration offices in Kano, Maiduguri, Katsina, Zamfara, Kaduna and Niger. Instances of kidnappings have increased, and have in some cases been large-scale. For example, 276 female students were kidnapped from a school in Chibok, Borno State in 2014, and again, in February 2018, 110 schoolgirls were abducted from Dapchi, Yobe State, although most of the abducted girls have reportedly since been released. In addition, between December 2020 and March 2021, there have been a series of mass school kidnappings and abductions in Northern Nigeria. On 20 April 2021, at least 23 students and staff of Greenfield University Kaduna were kidnapped. About five of the kidnapped children lost their lives while in captivity whilst the other students were released on 29 May 2021. On 5 July 2021, unknown gunmen kidnapped more than 100 students from a boarding school from Bethel Baptist High School in Kaduna State. As at the date of this Base Prospectus, some of the children are still held captive.

The Federal Government has focused on combating terrorism in Nigeria as one of its key priorities and has sought and gained the support of Western governments and a joint task force consisting of military forces from Nigeria, Chad and Niger. Despite progress made in combatting the group, Boko Haram has continued to mount attacks, particularly in the Lake Chad region, and the risk of insurgents regrouping remains and renewed attacks by Boko Haram against the Nigerian army as well as civilians has continued.

Insurgent activities in the north-east region of Nigeria, for example, have resulted in social and economic damage. The destruction of farm lands and a lack of labourers to engage in farming due to security fears have adversely affected agricultural production in the region and have resulted in instances of famine. Additionally, continued security concerns have deterred humanitarian aid and in a number of cases foreign aid workers in have been subject to attack. Following an incident in July 2016, the United Nations Children's Fund ("**UNICEF**") temporarily withdrew certain aid funds. In September and October 2018, Boko Haram insurgents executed two aid workers working with the International Committee of the Red Cross, who had been kidnapped in March 2018. In July 2019, six international aid workers for Action for Hunger were abducted by Boko Haram.

Additionally, there has been significant continued violence, oil theft, and civil disturbance in the Niger Delta, Nigeria's southern oil producing region, mainly from militant groups, most notably the Niger Delta Avengers, who attack oil installations, amongst other things, in protest against the Federal Government and the allocation of oil revenue amongst the regions of the country. The theft and violence have mainly been directed at oil interests in the region, and oil production from onshore fields has slowed as a result, materially and adversely affecting Government revenues from oil production. In particular, the Trans Forcados crude export pipeline in the Batan area of Delta State of Nigeria has been attacked on several occasions.

Nigeria has also experienced an increase in separatist movements. Ethnic tensions began to surface in 2017 amid calls for a separate southern state, known as Biafra, whilst certain groups in the Niger Delta have called for independence and Boko Haram continues to seek an Islamic state in the north-east. The movement, which has been primarily led by the Indigenous People of Biafra ("**IPOB**"), has caused significant disturbances and, in some instances, has led to violent demonstrations in certain parts of the country. The IPOB, a separatist organisation led by Nnamdi Kanu, has a mandate to break away certain states in south-east Nigeria (made up primarily of the Igbo ethnic group), from Nigeria and form the independent nation of Biafra. On 20 September 2017, the Federal High Court granted an *ex-parte* declaration that the activities of IPOB are acts of terrorism and are illegal, with an interim injunction proscribing activities of the IPOB. The IPOB leader subsequently left the country and in 2020 announced the formation of the Eastern Security Network, a regional security force based in the South Eastern part of the country. In June 2021, the Federal Government of Nigeria, with the help of the International Criminal Police Organization, arrested Nnamdi Kanu. Recently, the Yoruba Nation secessionist group led by Professor Banji Akintoye and Chief Sunday Adeyemo has been advocating for a separate country for the Yoruba ethnic group. There have been numerous arrests of persons associated with this movement. In particular, Chief Adeyemo was arrested by the Federal Government of Nigeria in July 2021, while he was allegedly attempting to leave Africa through Cotonou, Benin Republic.

Furthermore, recent attacks by Fulani herdsmen in various parts of Nigeria have also posed a threat to security in the country. Reports of acts of violence, assault and killings by the Fulani herdsmen as well as indiscriminate cattle grazing, particularly in the north-east and middle-belt regions of the country have sparked civil unrest and displacement of farming communities.

Until the Federal Government is able to address conditions such as poverty, low levels of education, religious intolerance, weak enforcement of law and order and insecurity, insurgent groups are expected to continue to operate, especially in the north-eastern part of Nigeria. So long as they continue to do so, insurgent activities will continue to create social, religious and political tension, which in turn can negatively impact the economy and fiscal stability, all of which could have a material adverse effect on Nigeria's economy and, therefore, on the Group's ability to meet its debt obligations, including those under the Notes.

Additionally, since the first half of 2016, Nigeria has experienced a degree of political uncertainty as a result of the recurring ill-health of President Buhari. On several occasions, including as recently as July 2021, President Buhari, has travelled for medical treatment in the United Kingdom, and designated his Vice-President, Professor Yemi Osinbajo as Acting President of the Federal Republic of Nigeria in accordance with the provisions of the Constitution. Upon President Buhari's return to Nigeria on each of occasion, he resumed office as President, whilst Professor Yemi Osinbajo returned to being Vice-President. Concerns over President Buhari's health and associated implications may continue to foster a degree of political uncertainty in Nigeria.

In addition, there have been military takeovers in Mali in May 2021, Chad in April 2021 and Guinea in September 2021, all countries in which the Group has operations. Any such instability in the countries in which the Group operates is likely to have a negative effects on the local and neighbouring economies and in turn could have a material adverse effect on the Group's business, results of operations and/or financial condition.

Any significant changes in the political climate in African countries such as changes affecting the stability of the government or involving a rejection, reversal or significant modification of policies, favouring the privatisation of state-owned enterprises, reforms in economically important sectors such as oil and gas, or other reforms, may have negative effects on the economy, government revenues or foreign reserves and, as a result, a material adverse effect on the Group's business, results of operations and/or financial condition.

Inability to grow the non-oil-and-gas sectors of its economy may adversely affect Nigeria's economy.

In recent years, Nigeria has sought to develop the non-oil sectors of its economy by encouraging agriculture, trade, construction, telecommunications, financial services, mining and manufacturing activities. This has become increasingly critical in the current weak economic environment, particularly given recent low global oil prices. The non-oil sector recorded a contraction of 0.22 per cent. in 2016, followed by growths of 0.47 per cent. in 2017, 2.0 per cent. in 2018 and 2.1 per cent. in 2019, as the Federal Government invested in diversifying the country's economy. However, the non-oil sector contracted by 1.3 per cent. in 2020, largely driven by contractions in the accommodation and food services, transportation and storage, education and trade, all of which were negatively impacted by the COVID-19 pandemic and the resultant business shutdowns and trade interruptions. In the six months ended 30 June 2021, the non-oil sector grew by 3.70 per cent., compared to the six months ended 30 June 2020.

Factors such as deficient infrastructure (including inadequate power supply and transportation systems), limited availability of domestic credit, limited consumer demand, local shortages of skilled managers and workers and unimplemented government policies may constrain further development in non-oil sectors and hinder the recovery and return to growth in future periods. Any inability to grow the non-oil sectors of its economy may constrain Nigeria's economic growth. As the Group is impacted by the Nigerian economy generally, the realisation of any of these factors could have a material adverse effect on its business, financial condition and results of operations.

Nigeria may face a lack of continued access to foreign trade and investment for several reasons

Nigeria's total foreign direct investment ("**FDI**") comprises equity capital and other capital inflows. Levels of foreign direct investment in Nigeria are susceptible to concerns about the macroeconomic environment and domestic security situation. Following the fall in global oil prices, Nigeria's FDI dropped from U.S.$2.28 billion in 2014 to U.S.$0.98 billion in 2017 as a result of the impact of declining oil prices and accompanying poor macroeconomic conditions, as well as concerns regarding the country's political and economic stability in the run up to the 2015 presidential elections. In 2020, FDI in Nigeria totalled U.S.$1.0 billion, compared to U.S.$0.9 billion in 2019 and U.S.$1.19 billion in 2018. In the six months ended 30 June 2021, FDI in Nigeria totalled U.S.$232.7 million, compared to U.S.$362.8 million received in the six months ended 30 June 2020.

In addition, certain actions by the Federal Government may have an adverse impact on foreign direct investment. For example, in October 2018, the Supreme Court of Nigeria delivered a judgment ordering the adjustment of the crude oil proceeds sharing formula under production sharing contracts with international oil companies. The Federal Government was ordered to immediately commence steps to recover all revenues (whilst the judgment didn't confirm a specific amount due, it could be substantial based on the amounts alleged) lost to oil companies due to the use of a wrong profit sharing formula under the production sharing contracts since August 2003. The Attorney General and the three states (Rivers, Bayelsa and Akwa Ibom) set up a committee to recover the amounts due, but no recovery has so far been made, and no claims made against the international oil companies. There can be no assurances as to what action, if any, the Federal Government may take against international oil companies with production sharing contracts in Nigeria to recover the amount of lost revenues, which are likely to be quite substantial. In the event that the Federal Government decides to pursue claims against the oil companies, it could result in significant material litigation and/or reduced investment by the oil companies in Nigeria.

The future prospects for FDI inflows to Nigeria are uncertain, and if there is no decrease in the perceived risks associated with investing in Nigeria, including those described herein, there may not be any appreciable increase in FDI, which could adversely affect the Nigerian economy and limit sources of funding for infrastructure and other projects requiring significant investment by the private sector. This may in turn have a material adverse effect on the Group's business, results of operations and financial condition.

Certain proposed legal and regulatory reforms in African countries may not be successfully implemented and reforms may impose additional burdensome regulation

African countries generally require further legal and regulatory reforms to create a modern business environment comparable to that of more developed countries. For instance, Nigeria seeks to remove obstacles to private sector investment in the power sector, permit the privatisation of generation and distribution companies, facilitate the construction of new transmission networks and reform the fuel-to-power sector. In other African countries, similar efforts of modernisation, economic liberalisation and privatisation are under way across industry sectors.

There is, however, the risk that the legal and regulatory reforms may not be implemented appropriately or that they may be delayed. Additionally, many African countries may also impose additional regulations as part of their reforms, specifically in the financial sector, that may be burdensome and result in increased costs of doing business. See "*—The Group operates in an uncertain regulatory environment in the African jurisdictions in which it has operations and recent changes to and by the CBN and other African banking regulators may have a material adverse effect on the Group*".

If any reforms are not implemented as intended or countries in which the Group operates implement further reforms which constrain business activities, specifically in the financial sector, the Group's future investments may be negatively influenced, which may have a material adverse effect on the Group's business, results of operations and/or financial condition.

Certain proposed legal and regulatory reforms in Nigeria may not be successfully implemented

Several governmental reforms are underway to improve Nigeria's electricity generation, transmission and distribution infrastructure. Following the transfer by the Federal Government in 2013 of over 15 electricity generation companies and distribution companies to preferred bidders as part of the execution of the privatisation programme of the power sector in Nigeria, the industry has experienced major transformation.

However, the electricity generation companies and distribution companies have identified the currently weak transmission network as a major obstacle to achieving the 2030 Federal Government target of a 90 per cent. electrification rate and 45 gigawatts of installed capacity, which is largely attributable to significant non-technical losses and low infrastructure coverage around the country.

Federal Government reforms in the maritime transportation sector aim to shorten the turnaround time of cargo ships in Nigerian ports, reduce administrative charges, increase competition, improve safety and security and dredge the Lagos and Bonny harbours to accommodate large ocean liners. The Federal Government has also encouraged the establishment of indigenous shipping lines through the proposed Coastal and Inland Shipping (Cabotage) Act, 2003 (Cap C51 LFN 2004) (the "**Cabotage Act**") to restrict the use of foreign vessels in domestic coastal trade in Nigeria and promote domestic shipping companies. The Cabotage Act also provides for the establishment of the Cabotage Vessel Financing Fund to promote the development of ship acquisition capacity by providing financial assistance to Nigerian operators.

There are certain provisions in each of the above-mentioned regulations and reforms which, if effectively implemented, are expected to result in the growth and development of the Nigerian banking industry and increased levels of business and returns for the Group. For example, the Nigerian Oil and Gas Industry Content Development Act 2020 (the "**Nigerian Content Act**") provides that all operators, contractors and other entities engaged in any operation, business or transaction in the Nigerian oil and gas industry requiring financial services shall retain only the services of Nigerian financial institutions or organisations, except where this is impracticable. The Nigerian Content Act also requires all operators, contractors and subcontractors to maintain a minimum of 10 per cent. of the total revenue accruing from their Nigerian operations in bank accounts domiciled in Nigeria. The Cabotage Act contains local content provisions in connection with domestic coastal carriage of cargo and passengers, which are expected to also increase Nigerian entities' requirements for finance and financial services from Nigerian banks, including the Group.

The growth prospects of the Nigerian economy will depend largely on the ability of the Federal Government to implement industry reforms designed to develop national infrastructure and attract foreign investment. For example, Nigeria is pursuing a number of new policy directions with the aim of restructuring its upstream and deregulating its downstream oil and gas sectors.

In August 2021, the Federal Government signed into law the PIA as part of its reforms to the oil and gas sector in Nigeria. It has four main components (governance, administration, host communities and finance) which are brought back together under one bill; the scrapping of a number of bodies to be replaced by two regulators (the Nigerian Upstream Regulatory Commission and the Nigerian Mid and Downstream Petroleum Regulatory Authority); the privatisation of NNPC; and a number of other significant changes to the way the industry will be governed. However, there is still a risk that the PIA may not be implemented efficiently and therefore, may not provide the expected benefits to the banking sector.

If the reforms are not implemented as intended, the Nigerian economy and Nigerian banking sector may not achieve the growth prospects expected from the several ongoing government reforms, which could, in turn, have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The CBN may intervene in the currency markets by drawing on external reserves and the Naira is subject to volatility

The CBN has historically favoured maintaining the Naira within a narrow band with periodic adjustments. Nigeria's external reserves fluctuated from U.S.$39.4 billion as at 31 December 2017 to U.S.$42.5 billion as at 31 December 2018 and U.S.$38.1 billion as at 31 December 2019. As at 30 June 2020, due to the oil price shock and the impact of the COVID-19 pandemic, the external reserves declined to U.S.$36.2 billion and further declined to U.S.$35.0 billion in November 2020. Given the fluctuations in Nigeria's external reserves, its high dependence on oil exports and the fact that Nigeria pays for its key imports, such as refined oil, in U.S. dollars, the Naira will remain vulnerable to external shocks, which could lead to a sharp decline in its value. High volatility in crude oil prices reduced foreign exchange accretions to Nigeria's foreign reserves and hindered the capacity of the CBN to support the Naira. However, the CBN has demonstrated its capacity to leverage on oil savings and foreign borrowings (if necessary) to continue its policy of defending the Naira in the future.

Any further currency fluctuations and/or fluctuations in Nigeria's external reserves may negatively affect the Nigerian economy in general and, as a result, have a material adverse effect on the Group's business, results of operations and financial condition.

The CBN's ability to defend the Naira remains questionable

In 2017, the CBN switched to a more pro-market orientation in the currency market with the establishment of the IEW key marker. This move created a fairly market-driven foreign exchange market that helped to taper earlier concerns from foreign interests. As a consequence, the nation realised sharp increases in foreign portfolio flows from abroad with flows from autonomous sources also improving as well. In addition to this, the twin positives of higher domestic crude production and increases in global oil price also helped to bloat Nigeria's oil revenues in the period. In view of both developments, Nigeria's foreign reserve as at 28 June 2019 sat at a multi-year high of U.S.$45.1 billion. However, the collapse in oil prices coinciding with the COVID-19 pandemic has significantly reduced the CBN's ability to defend the naira, with foreign reserves reduced to U.S.$33.3 billion as at 30 June 2021.

On balance, the decline in reserves (owing to lower foreign portfolio inflow and benign crude revenue) has reduced the CBN's ability to defend the Naira when the need arises. This is even as investors' access to the foreign currency market, as measured by the level of foreign currency market turnover for member-client sale, decreased significantly by over 50 per cent. year-on-year to U.S.$64 billion on average as of 2021. Given the extension of OPEC's oil production cut agreement and domestic stability in production, the Group expects Nigeria's reserve and currency market to remain volatile.

Failure to adequately address actual and perceived risks of corruption may adversely affect Nigeria's economy and ability to attract foreign direct investment

Corruption remains a significant issue in African countries. Nigeria is ranked 149th out of 180 countries in Transparency International's 2020 Corruption Perceptions Index and placed 131 out of 190 in the World Bank's Doing Business 2020 report. Ghana, the Group's second most important market, has less severe problems with corruption than Nigeria but still ranked 75 out of 180 countries in Transparency International's 2020 Corruption Perceptions Index and 118 out of 190 in the World Bank's Doing Business 2020 report. Cameroon, the market of the Group's subsidiary that contributes 5.1 per cent. of the Group's revenue and 4.7 per cent. of assets and liabilities**,** ranked 149th in the 2020 Corruption Perceptions Index and 167 out of 190 countries in the Doing Business 2020 report.

Nigeria has implemented and is pursuing major initiatives to reduce and prevent corruption and unlawful enrichment, and the Federal Government led by President Buhari has been engaged in significant anti-corruption measures in line with the Buhari administration's election manifesto, including high profile arrests and investigations across different sectors and tiers of government. For example, in January 2017, the Federal High Court of Abuja ordered Royal Dutch Shell plc ("**Shell**") and Eni SpA ("**ENI**"), amongst others, to temporarily forfeit assets and transfer operations of an offshore oil concession, OPL 245, to the Federal Government, pending completion of a corruption investigation by Nigeria's Economic and Financial Crimes Commission ("**EFCC**") into the circumstances surrounding the acquisition of an interest in the licence to the OPL 245 bloc in 2011 by affiliates of Shell and ENI. The EFCC investigation follows allegations that the purchase involved "acts of conspiracy, bribery, official corruption and money laundering". In March 2017, the Federal High Court in Abuja, following an appeal by Shell and ENI, held that the EFCC failed to meet the preconditions for making an application for an interim attachment of properties and consequentially reversed the initial order granted to the EFCC in January 2017. The Dutch and Italian authorities are also investigating the acquisition of the OPL 245 bloc licence, and in September 2018, Emeka Obi and Gianluca Di Nardo, two alleged middlemen in the OPL 245 acquisition, were found guilty of international corruption by the Milan court and were each given four-year jail sentences. In March 2019, Dutch authorities announced they were preparing criminal charges against Shell. In March 2021, the Milan court acquitted Shell and ENI as well as several former and current managers of the groups of corruption. In July 2021, the Public Prosecutor of Milan appealed the ruling, being dissatisfied with the basis of the judgement. The Federal Government has also lodged its own appeal.

In April 2019, a Nigerian judge issued arrest warrants for Dan Etete, the former Nigerian oil minister in relation to the sale of OPL 245. In addition, former oil minister, Diezani Alison-Madueke, was the subject of investigation by the United States Department of Justice and the United Kingdom's National Crime Agency for her alleged involvement in a series of bribery and money laundering offences.

Notwithstanding these reforms and initiatives, further progress needs to be achieved in terms of governance reform and corruption in the public sector. Corruption continues to negatively affect the development of African countries. The failure to address corruption issues, continued corruption in the public sector and any future allegations of or perceived risk of corruption in these countries could have an adverse effect on their economies and may have a negative effect on their ability to attract foreign investment and, as a result, may have a material adverse effect on the Group's business, results of operations and/or financial condition.

Failure to address infrastructure deficiencies could adversely affect the economy and growth prospects of certain African countries

Most of the African countries in which the Group has operations require substantial investment in infrastructure to grow their economies. In Nigeria, decades of under-investment have resulted in significant deterioration of

Nigeria's public infrastructure, and the absence of sufficient basic infrastructure to support and sustain growth and economic development. These shortcomings, particularly with respect to power generation, transmission and distribution, a deteriorating road network, congested port, obsolete rail infrastructure and aging airports have severely constrained socio-economic development in Nigeria as well as other African countries by, amongst other things, leading to increased production costs and hindering competitiveness of domestic production. Although significant advances have been made in the sectors of telecommunications and internet facilities in recent years, the state of development in those sectors nevertheless remains behind that of more developed economies.

For example, Nigeria's oil refineries have historically been unreliable due to underinvestment and difficulties securing external financing for rehabilitation. All four of Nigeria's oil refineries were shut down in 2020 due to damage to oil pipelines. Rehabilitation has begun at the Port Harcourt refinery and the NNPC is currently tendering for rehabilitation of the other three refineries. In order to achieve desired infrastructural development to bridge the infrastructure deficit, the Federal Government has indicated a strong commitment to capital expenditure and infrastructure in its 2021 Budget and the NESP, which was approved in June 2020, to serve as a transition from the NERGP and the successor plan currently in development, as well as provide a plan for economic recovery post the COVID-19 pandemic. In the 2020 Budget, capital expenditure (₦2.35 trillion) represented approximately 22.6 per cent. of total budgeted expenditure and in the 2021 Budget, capital expenditure (₦3.85 trillion) represents approximately 29.4 per cent. of total budgeted expenditure although there can be no assurance that these investments will be realised nor that the targets will be met. However, the onset of COVID-19 has delayed many infrastructure projects, with capital expenditures deferred from 2020 to 2021 (or beyond).

Persistent problems with power generation, transmission and distribution, a deteriorating road network, congested ports and obsolete rail infrastructure have severely constrained socio-economic development in Nigeria as well as several other African countries. Also, the state of development of telecommunications and internet facilities in most African countries is not on the same level as in more developed economies, such as China or many South-East Asian countries, which could lead to slower growth and less competitive economies in Africa.

Plans to improve the available infrastructure in African countries may not be implemented in a timely or efficient fashion, or at all. Failure to significantly improve the infrastructure in African countries could adversely affect the region's economy and growth prospects, including the respective countries' ability to meet their GDP growth targets. This, in turn, may have an adverse effect on the Group's business, results of operations and/or financial condition.

Sustained periods of high inflation could have a material adverse effect on Nigeria's economy.

In December 2016, 2017, 2018, 2019 and 2020, year-on-year consumer price inflation was 15.7 per cent., 16.5 per cent., 12.1 per cent., 11.4 per cent. and 13.3 per cent., respectively, according to the CBN. Inflation in Nigeria remains elevated, driven largely by food inflation. Although inflation had begun to moderate from the high rates seen in 2016 and 2017, year-on-year inflation rose again to 15.75 per cent. in December 2020 and 17.75 per cent. as in June 2021, due to the lingering effect of the COVID-19 pandemic containment measures, supply disruptions as a result of the 'End SARS' protests and exchange rate pass-through effect on domestic prices.

A significant contributing factor to inflation in Nigeria is that many goods, including food, are imported, and accordingly prices are affected by currency movements. Although the agricultural sector in Nigeria grew by 2.1 per cent., 2.4 per cent. and 2.2 per cent. in 2018, 2019 and 2020, respectively, Nigeria continues to rely heavily on food imports. Adverse weather conditions, such as the floods, may adversely impact domestic production, which further increases reliance on food imports. In June 2021, year-on change in inflation in the food sector was 21.8 per cent., compared to 16.2 per cent. in December 2020 and 13.7 per cent. in December 2019, driven by food supply shortages, due to persistent food insecurity in some parts of the country and incidences of floods in some food-growing regions.

There can be no assurance that inflation will not continue to remain at high levels or that the inflation rate will not rise further in the future. Significant inflation could have a material adverse effect on Nigeria's economy and in turn the Group's business, results of operations and/or financial condition.

The continuing depletion of the Excess Crude Account and the uncertainties surrounding the National Sovereign Wealth Fund could have adverse impacts on the Nigerian economy

The Excess Crude Account ("**ECA**") is an account set up to assist in stabilising the Federal Government's finances to address volatility in crude oil prices and production. The ECA is funded with the positive difference, if any, between the revenue generated by the price of oil per barrel included in the budget for the year and the actual revenue received in that year. The ECA has historically funded government subsidies of refined oil products as well as other purposes, including disbursements of approximately U.S.$8.0 billion to fund the National Integrated Power Project ("**NIPP**") of Nigeria and U.S.$1.0 billion as seed capital for the National Sovereign Wealth Fund ("**NSWF**") (which funds have been ring-fenced and are not included in the balance of the ECA). The recent decline in oil production has adversely affected the balance of the ECA. As at 31 December 2019, the balance of the ECA was U.S.$324.5 million. The balance of the ECA is shared between the Federal Government, state governments and local governments in Nigeria, upon a request for disbursements by the state governments or the Federal Government, according to a specified formula. Depletion of the ECA in recent times has been cited with concern by rating agencies and other third parties who view the ECA as an important factor in ensuring the stability of the Nigerian economy. No assurance can be given that the ECA will not continue to be depleted at a rate greater than that necessary for the Federal Government to protect its finances from the impact of volatility in oil prices and production, or that the actual price of oil will exceed the price of oil included in the budget in future periods by amounts sufficient to ensure significant funding for the ECA in the future. The absence of such funding for the ECA may constrain the Federal Government's ability to finance budget deficits in the future. The sharp decrease in crude oil prices in 2020 led to a decline in the balance of the ECA which was U.S.$71.8 million as at 30 June 2021. This represented a decline of about 22 per cent. in the first six months of 2020 and 98 per cent. within the last five years, as the ECA stood at U.S.$2.2 billion in August 2015.

The purpose of the NSWF is to build a savings base for the Nigerian citizenry, enhance development of the infrastructure sector and provide stabilisation support in times of economic stress. In addition, the NSWF was intended to support and/or replace the ECA as a secondary stabilisation account in the event of changes in oil prices and production. Pursuant to the Nigeria Sovereign Investment Authority Act and the decision of the National Economic Council, the initial funding of U.S.$1.0 billion to the NSWF was to be provided by the Federal, state, the Federal Capital Territory ("**FCT**") and local governments of Nigeria. Future funding for the NSWF will be derived from residual funds received into the Federation Account from excess oil revenues, being those over and above the amount needed to fund Nigeria's national budget. An additional funding of U.S.$250.0 million was received from the Federal Government as additional capital contribution in 2017. Whilst the creation of the NSWF is widely considered to be an improvement in the management of Nigeria's inflow from oil exploration funds, it may not continue to have sufficient funding (as this is dependent on the price of oil), make profitable investments or achieve its strategic objectives. On 8 April 2020, the NSIA announced that the Nigerian Government would be withdrawing U.S.$150 million from the Stabilisation Fund of the NSWF to contain emerging fiscal risks due to the COVID-19 pandemic and the recent decline in Government revenue. The withdrawal reduces the value of funds under management in the Stabilisation Funds to U.S$201 million from U.S.$351 million as at 31 December 2019. The withdrawn funds are to augment the June 2020 planned disbursements by the Federal Government to state and local governments across the country. Furthermore, the Supreme Court, in an action instituted by State Governors challenging the constitutionality of the NSWF with regard to its funding from proceeds in the ECA (the legality of the flow of funding into which the State Governors are also challenging), has directed the parties to settle the dispute out of court.

The continuing depletion of the ECA and the uncertainties surrounding the newly established NSWF may negatively affect the Nigerian economy in general and, as a result, have a material adverse effect on the Group's business, results of operations and/or financial condition.

Inefficiencies in the judicial systems in African countries and the fragmentation of jurisdictions and legal systems may create an uncertain environment for investment and business activity

The legal systems of African countries reflect their historical roots and combine elements of traditional, civil and common law. Most of the countries in which the Group has operations are based on English or French legal systems. However, since African countries gained their independence, they have further developed their legal systems, resulting in a highly fragmented legal landscape in Africa.

The legal systems in the Group's African markets continue to undergo development and face a number of challenges including delays in the judicial process. The Nigerian legal system faces a number of challenges including: (i) delays in the judicial process as most cases take a considerable period of time to be concluded, and (ii) conflicts between and within laws, regulations, decrees and orders.

Despite reforms, the slow judicial process in Nigeria and other African countries may sometimes affect the enforceability of judgments obtained, including the ability to recover the assessed value of collateral on defaulting borrowers. Those and other factors that have an impact on Nigeria's legal system, and make an investment in any Notes subject to greater risks and uncertainties than an investment in a country with a more mature legal system. For example, there have also been some recent disruptions to the operations of Nigerian courts, occasioned by lockdown measures imposed in the wake of the COVID-19 pandemic and industrial action by judiciary staff. In April 2021, Nigeria witnessed a nationwide strike of court workers under the aegis of the Judiciary Staff Union of Nigeria, which paralysed the justice system in the country for approximately two months, until it was suspended in June 2021 following progress in negotiations amongst relevant stakeholders. The nationwide strike was triggered following demands made by court workers requesting financial autonomy for the country's judicial arm, in compliance with the Nigerian constitution. During the recent strike, there was a standstill of court proceedings as court workers denied lawyers and litigants access to court premises across the country.

In many instances cases take a considerable period of time to be concluded. Similarly, the enforcement of collateral in these target markets is often affected by the inefficiencies in these judicial systems and can result in uncertain legal positions. Delays in obtaining judgments and enforcing them, in particular in enforcing against security received in lending transactions, as well as operating in a number of different legal jurisdictions, result in greater risk and uncertainty in the conduct of the Group's business, which may have an adverse effect on the Group's business, results of operations and/or financial condition.

In addition, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business which may be susceptible to revision or cancellation, as a result of which legal redress may be uncertain or delayed. There can be no guarantee that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the lack of effectiveness of, and enforcement of, such arrangements in these jurisdictions cannot be assured which may impact negatively on the Group's business, results of operations and/or financial condition.

Statistical information provided by governments in Africa may differ from that produced by other sources and may be unreliable

The ministries and central banks of countries in Africa produce statistics relating to the respective countries, their economies and banking sectors. The Group relies on these statistics to evaluate its current business model and strategy and to implement its future strategy. These statistics may not be as accurate or as reliable as those published by counterpart agencies in more developed countries. As a result, an important basis for the Group's analysis of the sectors in which it operates and for its business decisions may be inaccurate, and this could have a material adverse effect on the Group's business, results of operations and/or financial condition.

There are risks associated with inadequate disclosure transparency in sub-Saharan Africa, specifically with respect to self-dealing

Many of the businesses with which the Group conducts business are closely-held and are not subject to stringent disclosure standards. As a result, information made available to the Group in connection with banking transactions, such as the extension of loans, may not be entirely reliable. In particular, the distinction between personal activities and the activities of a business owned by an individual or group of individuals may be blurred, with the business undertaking activities that are for the benefit of the individual or group. As a result, there is a risk that debtors of the Group may misrepresent their financial condition when seeking financing or subsequently misuse the proceeds of loans granted for a business purpose for their personal benefit. If the loan amounts are not subsequently repaid and prove to be uncollectible, this would have a material adverse effect on the Group's business, results of operations and/or financial condition.

A significant portion of the Nigerian economy is not recorded

A significant portion of the Nigerian economy comprises the informal, or shadow, economy. According to the NBS, in 2015, the informal sector accounted for approximately 41.4 per cent. of Nigeria's nominal GDP. The informal economy is not recorded and is only partially taxed, resulting in not only lost revenue for the Federal Government but also ineffective regulation, unreliability of statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and inability to monitor or otherwise regulate a large portion of the economy. Lack of effective regulation and enforcement in this shadow economy also gives rise to other issues including health and safety concerns. This could result in a material adverse effect on the Group's business, results of operations and financial condition.

Diseases and other health risks could adversely affect the Nigerian and other African economies

HIV/AIDs, tuberculosis (which is exacerbated in the presence of HIV/AIDS), malaria and typhoid are major healthcare challenges in several African countries. According to the World Bank, in 2019, Nigeria had an HIV prevalence of approximately 0.6 per cent. of females and 0.3 per cent. of males aged between 15 and 24 years old.

In late February 2020, Nigeria identified its first COVID-19 case. The health impact of the pandemic has been significant. As at 5 November 2021 2021, Nigeria had a cumulative total of 212,446 confirmed cases of COVID-19 according to the WHO. In addition, the COVID-19 pandemic has resulted in additional health spending that exceeds the annual budget for health, as the Federal Government directed funds towards the procurement, distribution and administration of vaccines, the purchase of medical equipment, the construction of district hospitals and other facilities, and the recruitment of health professionals. The full impact of the pandemic on the health sector and the economy, for Nigeria, Africa and the rest of the world, is yet to be ascertained as the virus continues to evolve with mutations and new variants.

Due to the high prevalence of HIV/AIDS, malaria and typhoid in many of the countries in which the Group operates, the Group may incur costs relating to the loss of personnel and the related loss of productivity as well as the costs relating to recruiting and training of new personnel. The Group is not able to quantify these costs accurately and the costs it incurs in connection with these health issues may have a material adverse effect on the Group's business, results of operations and/or financial condition.

There are risks associated with weak corporate governance standards in Nigeria

In May 2014, the CBN issued a revised Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in the Nigerian Banking Industry, which became effective on 1 October 2014 (the "**Revised Code**"). The Revised Code, which supersedes the previous code issued in March 2006, amends certain sections of the previous code of corporate governance in order to align the Revised Code with current realities and global best practice and to eliminate perceived ambiguities and strengthen governance practices. The CBN, in ensuring the enforcement of the Revised Code, creates an obligation on banks and discount houses to submit quarterly returns on their compliance with the provisions of the Revised Code not later than seven days after the end of each quarter.

In addition, the FRCN recently released the Nigerian Code of Corporate Governance (the "**Nigerian Code**") on 15 January 2019. The Nigerian Code highlights key principles that seek to institutionalise corporate governance best practices in Nigerian companies. The Nigerian Code is aimed at providing a minimum national standard for the not-for-profit, private and public sectors. The Nigerian Code would also apply alongside any sector-specific code that the sector regulator may issue, and compliance with the Nigerian Code, when it becomes operative, would be mandatory. In January 2011, the Nigerian SEC approved the implementation of a new Code of Corporate Governance for Public Companies. This code, which took effect in April 2011, was expected to bring about more stringent standards of transparency and accountability. However, with the introduction of the Nigerian Code, the Nigerian SEC Code of Corporate Governance for Public Companies is no longer applicable. In 2020, the Nigerian SEC introduced the Corporate Governance Guidelines and revised reporting templates which became effective on 1 January 2021 and is applicable to all public companies. However, no assumption can be made that these standards are equivalent to those required in the United States or Western Europe.

The taxation and customs systems in Nigeria and other African countries may be subject to changes and inconsistencies

As with other emerging markets, the Nigerian and other African economies may experience changes in tax and customs charges from time to time as considered necessary for the development of the economy. Any changes in government policies on taxation, customs and excise duties, as well as inconsistencies in interpretation of and decisions relating to tax laws, may have an adverse effect on the Group's business, results of operations and/or financial condition.

In Nigeria, the Federal Government has indicated that taxes, customs and excise duties may be the next major sources of revenue in view of the fluctuation in revenue derived from oil. A bill to repeal the current Customs and Excise Management Act and reform the administration and management of customs and excise in Nigeria was passed in May 2017. The new law seeks to reform the administration and management of customs and excise in Nigeria and bring it in line with best practices. Further, the Nigerian Federal Inland Revenue Service's interpretation of, or decision with respect to, certain sections of tax laws may differ on a case-by-case basis. Though the Finance Acts of 2019 and 2020 are expected to generally improve the Nigerian economy without causing a dramatic increase in the Bank's tax burden, there can be no assurance that such reforms will be successfully implemented.

Further, the Nigerian Federal Inland Revenue Service's interpretation of, or decision with respect to, certain sections of tax laws may differ on a case-by-case basis. Changes in Government policies on taxation, customs and excise duties, as well as inconsistencies in interpretation of and decisions relating to tax laws, may have an adverse effect on the Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects. For example, while the Nigerian Federal Inland Revenue Service maintains that all payments due under VAT be remitted to it, in August 2021, the Federal High Court held that the Rivers State Government, and not the Federal Government (through the Nigerian Federal Inland Revenue Service), was the rightful authority to receive remittance of VAT in the state. The Nigerian Federal Inland Revenue Service has appealed the decision to the Nigerian Court of Appeal and has further sought for a stay of execution order. Pending the final decision of the Nigerian Court of Appeal (and the Nigerian Supreme Court where a further appeal is instituted), the status of the appropriate authority to collect VAT will remain an open question in Nigeria.

Nigeria suffers from chronic electricity shortages

In spite of the abundant energy resources in the country and significant Government reform efforts and investments in the power sector in recent years, lack of sufficient and reliable electricity supply remains a serious impediment to Nigeria's economic growth and development. Insufficient power generation, aging infrastructure, weak distribution networks and overloaded transformers result in frequent power outages, high transmission and distribution losses and poor voltage output.

According to World Bank's February 2021 update, 85 million Nigerians do not have access to grid electricity. This represents 43 per cent. of the country's population, and makes Nigeria the country with the largest energy access deficit in the world. This was due to inadequate transmission and distribution networks. The Federal Government has also identified improvements in electricity generation, transmission and distribution infrastructure as critical elements required to enable the country meet its economic growth and development objectives. However, as the Nigerian economy continues to grow, the country's electricity needs are expected to increase in parallel.

To address these issues, the Federal Government is pursuing a number of policy initiatives including those set forth in the NIPP, the Transformation Agenda and the "Roadmap for Power Sector Reform". The Federal Government has also commenced the development of generation and distribution assets as well as the upgrade of transmission facilities under the NIPP. To ensure private sector best practices, the generation assets of the NIPP have been divested by the Federal Government through a sales process, which has now been completed. The Federal Government has also expressed its commitment to the power sector reforms initiated by the previous Government, and has indicated its willingness to introduce measures to sustain private sector investment and address extant challenges in the power sector. In addition, the Federal Government has indicated its commitment to implement the power sector reforms and has set a generation target of 45GW by 2030. Failure to address the deficiencies in Nigeria's power generation, transmission and distribution infrastructure and related concerns within the power sector could lead to lower GDP growth and hamper the development of the economy which, in turn, may have an adverse effect on the Group's business, results of operations and/or financial condition.

Nigeria suffers from high levels of poverty and unemployment.

Despite generally strong macroeconomic performance over the past decade, poverty remains high in Nigeria, with approximately 40.1 per cent. of the population (excluding the state of Borno) classified as poor in 2019, according to the NBS. In the Human Development Report 2020, published by the United Nations Development Programme ("**UNDP**"), Nigeria's ranking in the Human Development Index ("**HDI**"), a composite measure of life expectancy, education and income, was 161 out of 189 countries and territories, based on an HDI of 0.539, which is below the Sub-Saharan average of 0.547 and ranks as low human development. The UNDP Human Development Report 2020 indicated a life expectancy at birth in Nigeria of approximately 55.6 years for females and 53.8 years for males, and estimated that 46 per cent. of Nigerians were living below the poverty line (based on data for the most recent year available).

According to the NBS, the unemployment rate was 33.3 per cent. at the end of 2020, a significant increase from 23.1 per cent. at the end of 2018, as a result of the COVID-19 pandemic and closure of businesses. The report of the NBS indicates that unemployment and underemployment are more pronounced in the northern part of the country compared to the southern part.

If high levels of poverty and unemployment are not addressed, they could continue to be a source of political and social instability in Nigeria, including violence. Furthermore, failure to reduce poverty and unemployment may, individually or in the aggregate have negative effects on the Nigerian economy and, as a result, a material adverse effect on the Group's business, results of operations and financial condition.

Risks related to the Notes and the trading market

The Notes may not be a suitable investment for all investors

Each potential investor must determine the suitability of an investment in the Notes in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus and any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's home currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Notes may be complex financial instruments. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Shortage of U.S. dollar liquidity in the Nigerian market may adversely affect the Bank's ability to service its U.S. dollar liabilities

Prior to the decision by the Nigerian authorities to remove the peg on the Naira to U.S. dollar exchange rate and introduce pro-market initiatives such as the IEW, Nigeria experienced a substantial decline in foreign reserves as the CBN actively intervened in the foreign exchange markets to maintain the value of the Naira. This CBN intervention resulted in a significant shortage of U.S. dollar liquidity in Nigeria. See "*Exchange Rates and Exchange Controls—Exchange Controls*". In the event the Bank has a U.S. dollar shortage in its own funding, the

Bank may not be able to access U.S. dollars from the official Nigerian foreign exchange markets in order to service its U.S. dollar liabilities, including the Notes.

The Notes may be redeemed prior to maturity following a change in the tax laws of Nigeria

If (i) as a result of any change in, or amendment to, the laws or regulations of Nigeria (or any other Relevant Jurisdiction, as defined in Condition 8 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of such jurisdiction, which change or amendment becomes effective after the issue date of the first Tranche of Notes in the relevant Series, the Bank would be required to pay additional amounts on account of any taxes of such jurisdiction in respect of subsequent payments under such Notes as provided or referred to in Condition 8 (*Taxation*), which shall not include any additional amounts that become payable as a result of the expiration of the exemption contemplated by the Nigerian Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 (the "**CIT Order**"); and (ii) the requirement to pay such taxes cannot be avoided by the Bank taking reasonable measures available to it, the Bank may (subject in the case of Subordinated Notes to obtaining any consent required by the CBN) redeem all outstanding Notes of the relevant Series in accordance with the Conditions, subject to certain limitations specified in the Conditions. See "*Terms and Conditions of the Notes—Condition 7(b)* (*Redemption and Purchase—Redemption for tax reasons*)", "*Terms and Conditions of the Notes—Condition 8 (Taxation*)" and "*Taxation*".

Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. Certain aspects of the application of the FATCA provisions to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Such withholding is generally not required on payments made before the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. Even if withholding would be required pursuant to FATCA with respect to payments on instruments such as the Notes, such withholding would not apply to Notes treated as debt for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register. Such Notes generally would be "grandfathered" for the purposes of FATCA withholding unless the Notes are materially modified after such date (including by reason of a substitution of the Issuer). Noteholders should consult their own tax advisers with regard to how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA with respect to payments on the Notes, no person will be required to pay additional amounts on the Notes as a result of such withholding.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features:

Notes subject to optional redemption by the Bank

If the "Issuer Call" is specified in the relevant Final Terms or Drawdown Prospectus, the Notes of that Series may be redeemed by the Bank in accordance with Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*). In addition, if the "Capital Disqualification Event Call" is specified in the relevant Final Terms or Drawdown Prospectus in respect of any Subordinated Notes, the Bank may redeem such Notes in the circumstances and subject to the conditions described in Condition 7(d) (*Early Redemption of Subordinated Notes at the Option of the Issuer following a Capital Disqualification Event*). Such optional redemption features are likely to limit the Notes' market value. During any period when the Bank may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Bank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes issued at a substantial discount or premium

The market price of Notes issued at a substantial discount or premium from their principal amount will tend to fluctuate more in relation to general changes in interest rates than do prices for Notes issued at a price closer to par. Generally, the longer the remaining term of the Notes, the greater the price volatility will be as compared to Notes issued closer to par.

Reset Notes

Reset Notes will initially bear interest at the relevant Initial Rate of Interest until (but excluding) the relevant First Reset Date. On the relevant First Reset Date, the relevant Second Reset Date (if applicable) and each relevant Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the relevant Mid-Swap Rate and the relevant First Reset Margin or Subsequent Reset Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a "**Subsequent Reset Rate of Interest**"). The Subsequent Reset Rate of Interest for any relevant Reset Period could be less than the relevant Initial Rate of Interest or the relevant Subsequent Reset Rate of Interest for prior Reset Periods, which could affect the market value of an investment in the relevant Reset Notes.

The regulation and reform of "benchmarks" may adversely affect the value of any Notes linked to such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (such as, in the case of Floating Rate Notes, a Reference Rate or, in the case of Reset Notes, a Mid-Swap Rate), are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark".

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union. The EU Benchmarks Regulation applies to "contributors", "administrators" and "users" of "benchmarks" in the European Union. Amongst other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-European Union based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by European Union supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation, amongst other things, applies to the provision of benchmarks and the use of a benchmark in the United Kingdom. Similarly, it prohibits the use in the United Kingdom by United Kingdom supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if not based in the United Kingdom, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, amongst other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the ongoing national or international reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, or referencing, or otherwise dependent (in whole or in part) upon, a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

Further discontinuance of certain benchmark rates (for example, LIBOR or EURIBOR) may adversely affect the value of Floating Rate Notes and/or Reset Notes which are linked to or which reference any such benchmark rate

The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, ICE Benchmark Administration Limited ("**IBA**"), the administrator of LIBOR, published a statement confirming its intention to cease publication of all LIBOR settings, together with the dates on which this will occur, subject to the FCA exercising its powers to require IBA to continue publishing such LIBOR settings using a changed methodology (the "**IBA announcement**"). Concurrently, the FCA published a statement on the future cessation and loss of representativeness of all LIBOR currencies and tenors, following the dates on which IBA has indicated it will cease publication (the "**FCA announcement**"). Permanent cessation will occur immediately after 31 December 2021 for all Euro and Swiss Franc LIBOR tenors and certain Sterling, Japanese Yen and U.S. Dollar LIBOR settings and immediately after 30 June 2023 for certain other U.S. Dollar LIBOR settings. In relation to the remaining LIBOR settings (1-month, 3-month and 6-month Sterling, U.S. Dollar and Japanese Yen LIBOR settings), the FCA will consult on, or continue to consider the case for, using its powers to require IBA to continue their publication under a changed methodology for a further period after end-2021 (end-June 2023 in the case of U.S. Dollar LIBOR). The FCA announcement states that consequently, these LIBOR settings will no longer be representative of the underlying market that such settings are intended to measure immediately after 31 December 2021, in the case of the Sterling and Japanese Yen LIBOR settings and immediately after 30 June 2023, in the case of the U.S. Dollar LIBOR settings. Any continued publication of the Japanese Yen LIBOR settings will also cease permanently at the end of 2022. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 25 November 2020, the euro risk-free rate working group published consultations on EURIBOR fallback trigger events and fallback rates. The final recommendations were published in May 2021.

Investors should be aware that, if a benchmark rate were discontinued or otherwise unavailable, subject to the paragraphs that follow, the rate of interest on Reset Notes and Floating Rate Notes which are linked to or which reference such benchmark rate will be determined for the relevant period by the fallback provisions applicable to such Notes. The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR or EURIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable.

Reference Rate Replacement – Independent Adviser: if (i) in the case of Floating Rate Notes, Reference Rate Replacement is specified in the relevant Final Terms or Drawdown Prospectus (as the case may be) as being applicable and Screen Rate Determination is specified in the relevant Final Terms or Drawdown Prospectus (as the case may be) as the manner in which the rate of interest is to be determined or (ii) in the case of Reset Notes, Mid-Swap Rate is specified in the relevant Final Terms or Drawdown Prospectus (as the case may be) (any such Notes "**Relevant Notes**") and, in either case, a Benchmark Event occurs in relation to the Relevant Notes, such fallback arrangements will include the possibility that the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a Successor Reference Rate or, failing which, an Alternative Reference Rate and, in each case, an Adjustment Spread determined by the Issuer, following consultation with an Independent Adviser. If the Issuer is unable to appoint an Independent Adviser or, following consultation with an Independent Adviser so appointed, the Issuer fails to make such determination, the Issuer may make such determination, in any such case, acting in good faith and in a commercially reasonable manner as described more fully in the Terms and Conditions of the Relevant Notes.

In addition, the Issuer, following consultation with the relevant Independent Adviser (if applicable) may also in its discretion specify (acting in good faith and in a commercially reasonable manner) that other amendments to the

Terms and Conditions of the Notes are necessary in order to follow market practice in relation to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and, in either case, the Adjustment Spread and to ensure the proper operation and comparability to the Original Reference Rate of the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and, in either case, the Adjustment Spread.

Reference Rate Replacement – General: No consent of the Noteholders shall be required in connection with (where Condition 5(c)(vii) applies) effecting any relevant Successor Reference Rate or Alternative Reference Rate (as applicable) or any other related adjustments and/or amendments described above.

In certain circumstances, the ultimate fallback of interest for a particular Interest Period or Reset Interest Period (as applicable) may result in the rate of interest for the last preceding Interest Period or Reset Interest Period (as applicable) being used. This may result in the effective application of a fixed rate for Floating Rate Notes or Reset Notes (as applicable) based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or Reset Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes or Reset Notes. Investors should note that, in the case of Relevant Notes, the Issuer, following consultation with the relevant Independent Adviser (if applicable), will have discretion to adjust the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) or, as the case may be, the Original Reference Rate in the circumstances described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Noteholder, any such adjustment will be favourable to each Noteholder. There can be no assurance that Adjustment Spread so determined will be viewed by the market as eliminating economic prejudice or benefit to the relevant Noteholders. While, in certain circumstances, the aim of the adjustment spread may be to eliminate economic prejudice or benefit, it may not be successful in doing so and the Notes may still perform differently than if they had continued to refer to the Original Reference Rate.

In addition, potential investors should also note that, where Condition 5(c)(vii) applies, no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Relevant Notes as, in the case of Subordinated Notes, Tier 2 Capital of the Issuer.

In all such circumstances, the ultimate fallback for determining the rate of interest (which is described above) will apply. Investors should consider all of these matters when making their investment decision with respect to the relevant Floating Rate Notes or Reset Notes.

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matters relating to the Notes including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. An Extraordinary Resolution may also be approved by means of a resolution in writing or by electronic consents communicated through the electronic communications systems of the relevant clearing system(s). These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting, sign a relevant resolution in writing or provide such an electronic consent, as well as Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders: (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes; (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such; or (iii) agree with the Bank to the substitution in place of the Bank (or of any previous substitute) as the principal debtor under the Notes, the Coupons and the Trust Deed of any of the Bank's Subsidiaries or the Bank's successor in business (subject to the relevant conditions set out in the Trust Deed being complied with).

Bearer Notes where denominations involve integral multiples: definitive Bearer Notes

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks Related to the Subordinated Notes

An investor in the Notes assumes an enhanced risk of loss in the event of a Subordination Event

The obligations of the Bank under Subordinated Notes will be unsecured and subordinated. On any distribution of the assets of the Bank on its dissolution, winding-up or liquidation whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation of indebtedness or any analogous proceedings (a "**Subordination Event**") (as further described in "*Terms and Conditions of the Notes*" below), and for so long as such Subordination Event subsists, the Bank's obligations under Subordinated Notes will rank subordinate in right of payment to the payment of all Senior Obligations (as defined in "*Terms and Conditions of the Notes*" below) and no amount will be paid by the Bank in respect of its obligations under any Subordinated Notes until all such Senior Obligations have been paid in full. Unless, therefore, the Group has assets remaining after making all such payments, no payments will be made on any Subordinated Notes and any such payments that are made will be made *pari passu* with any payments made by the Bank in respect of any other obligations it may have under any Parity Obligations (as defined in "*Terms and Conditions of the Notes*" below). Consequently, although the Notes may pay a higher return than comparable instruments relating to unsubordinated obligations, there is an enhanced risk that an investor in the Notes will lose all or some of its investment on the occurrence of a Subordination Event.

No limitation on incurrence of Senior Obligations or Parity Obligations

There is no restriction on the amount of Senior Obligations or Parity Obligations that the Bank may incur. The incurrence of any such obligations may reduce the amount recoverable by holders of Subordinated Notes on any dissolution, winding-up or liquidation of the Bank. Accordingly, on such dissolution, winding-up or liquidation, there may not be sufficient amounts to satisfy the amounts owing to Noteholders in respect of the obligations of the Bank under any Subordinated Notes and this may result in an investor in the Notes losing all or some of its investment.

Subordinated Notes may be subject to early redemption

Subordinated Notes may be subject to early redemption as provided in the terms and conditions of the Notes. The Bank may redeem all, but not a part only, of a series of Subordinated Notes prior to the Maturity Date: (a) at its outstanding principal amount, subject to having obtained the prior approval of the CBN (if required, pursuant to Applicable Banking Regulations (as defined in "*Terms and Conditions of the Notes*" below)), on the Optional Redemption Date (as defined in "*Terms and Conditions of the Notes*" below); (b) at its outstanding principal amount, subject to having obtained the prior approval of the CBN (if required pursuant to Applicable Banking Regulations), if a Capital Disqualification Event (as defined in "*Terms and Conditions of the Notes*" below) occurs; and (c) at their outstanding principal amount, subject to having obtained the prior approval of the CBN (if required), if the Bank is obliged to pay additional amounts on account of any Nigerian taxes in respect of payments under the relevant Subordinated Notes coming into effect after the date of the relevant Subordinated Notes issue, in each case together with accrued and unpaid interest to the date of redemption and any additional amounts in respect thereof. See "*Terms and Conditions of the Notes—Condition 7* (*Redemption and Purchase*)". This early redemption feature is likely to limit the market value of the Notes, as the market value of the Notes is unlikely to rise substantially above the price at which they can be redeemed during any period when such rights are exercisable. This may also be true prior to such period.

The Bank may be expected to exercise its rights in respect of any early redemption of Subordinated Notes on a date when its funding costs are lower than the Rate of Interest payable in respect of such Subordinated Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective rate as high as the interest rate on the relevant Subordinated Notes and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other instruments that may be available at the time.

Depending on prevailing market conditions on any redemption of the relevant Subordinated Notes upon the occurrence of a tax event (as outlined in (c) above) or a Capital Disqualification Event and subsequent redemption of such Subordinated Notes, an investor may similarly not be able to reinvest the redemption proceeds in a comparable security in respect of which interest is payable at an equivalent rate to that of the interest rate then payable in respect of such Subordinated Notes.

As with the optional repayment feature of Subordinated Notes referred to above, it may not be possible for Noteholders to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate. See also "*Terms and Conditions of the Notes*".

Limited remedies for non-payment when due or enforcement of any other obligations

There are limited remedies under Subordinated Notes upon the occurrence of an Event of Default (including non-payment in respect of principal and interest), a Subordination Event or otherwise on the winding-up, dissolution or liquidation of the Bank, all as described in Condition 10 (*Events of Default and Enforcement*) (and which Events of Default, for the avoidance of doubt, do not include a breach of any of the covenants set out in Condition 4 (*Covenants*)). Subject as provided in Condition 10 (*Events of Default and Enforcement*), the Trustee may then institute, or claim or prove in, as applicable, the winding-up, dissolution or liquidation of the Bank for and on behalf of Noteholders in respect of the resulting amounts due and payable by the Bank under Subordinated Notes. There is otherwise no ability to accelerate payment of any amounts payable by the Bank under Subordinated Notes.

Except as otherwise expressly provided in the Conditions and in the Trust Deed, no proprietary or other direct interest in the Bank's rights under or in respect of Subordinated Notes exists for the benefit of the Noteholders.

In addition, Noteholders should be aware that the Trustee does not accept any responsibility for the performance by the Bank of its obligations under any Subordinated Notes. The Trustee shall not be required to monitor the Bank's financial performance or status or to enter into proceedings to enforce payment under Subordinated Notes unless it has been indemnified and/or secured by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

Payments of principal and/or interest and/or other amounts (if any) by the Bank under any Subordinated Notes to, or to the order of, the Trustee or the Principal Paying Agent will satisfy the Bank's obligations in respect of such Subordinated Notes. Consequently, Noteholders will have no further recourse against the Bank after such payment is made.

Subordinated Notes may in the future be subject to write down or other loss absorption mechanisms when Basel III is implemented in Nigeria

The package of new capital and liquidity requirements reflected in Basel III sets out guidance from the Basel Committee on the eligibility criteria for capital instruments under Basel III. This guidance includes minimum requirements to ensure loss absorption at the point of non-viability for internationally active banks (including write down or conversion into equity of such instruments). On 2 September 2021, the CBN released guidelines on the implementation of Basel III amongst deposit money banks in Nigeria stating that the implementation of the guidelines will commence with a parallel run effective from November 2021 for an initial six (6) months, which may be extended by another three (3) months subject to the milestones achieved in the supervisory expectations.

The terms of any Subordinated Notes may contain provisions in the nature of the proposed loss absorption requirements under Basel III. However, if any such requirements are implemented retrospectively in Nigeria so as to apply to any Subordinated Notes, then either (a) such Subordinated Notes may become subject to loss absorption on a statutory basis at the point of the Bank's non-viability, which could result in Subordinated Noteholders losing some or all of their investment or (b) the Bank's ability to include such Subordinated Notes in its capital calculations may be prohibited or limited. The implementation of any such loss absorption requirements or any suggestion of such implementation could also materially adversely affect the value of any Subordinated Notes.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes issued under the Programme may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severe adverse effect on the market value of Notes.

Exchange rate risks

The Bank will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to depreciation or devaluation of the Specified Currency or, conversely, appreciation or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. In addition, such risks generally depend on economic and political events over which the Bank has no control. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (a) the Investor's Currency equivalent yield on the Notes; (b) the Investor's Currency equivalent value of the principal payable on the Notes; and (c) the Investor's Currency equivalent market value of the Notes.

Exchange controls

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less principal or interest than expected, or no principal or interest. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. dollars would not be available at such Note's maturity.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

In addition, a holder of securities with a fixed interest rate that will be periodically reset during the term of the relevant securities, such as Reset Notes, is also exposed to the risk of fluctuating interest rate levels and uncertain interest income.

Credit ratings may not reflect all risks and any downgrading of Nigeria's debt rating by an international rating agency could have a negative impact on the Group's business and the trading price of the Notes

Changes (or anticipated changes) in the Bank's credit ratings will generally affect the market value of the Notes. A downgrade in the Nigeria sovereign credit rating could also result in a downgrade of the Bank's credit ratings, including credit ratings to the Notes. See "*—Risks relating to Nigeria and other African countries where the Group has operations—Investments in many African countries can be subject to greater risks than investments in more developed countries and financial turmoil in any of these markets could disrupt the business operations*". As of the date of this Base Prospectus, Nigeria's sovereign rating was B2 with a negative outlook (Moody's), B with a stable outlook (Fitch) and B- with a stable outlook (S&P). These ratings reflect an assessment of the Federal Government of Nigeria's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. Any adverse revisions to Nigeria's credit ratings for domestic and international debt by international rating agencies may adversely affect the liquidity of the Nigerian financial markets, the ability of the Nigerian Government and Nigerian companies, including the Bank, to raise additional financing, and the terms on which the Group is able to raise new financing or refinance any existing indebtedness. This could have an adverse effect on the Group's business, results of operation, financial condition and/or prospects. One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Base Prospectus, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Bank's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Bank operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the trading market for notes issued by or on behalf of Nigeria as a sovereign borrower. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Bank's results of operations, prospects or financial condition. Factors including increased competition, fluctuations in the Group's operating results, the regulatory environment, availability of reserves, general market conditions, natural disasters and armed conflict may have an adverse effect on the market price of the Notes.

It may be difficult to effect service of legal process and enforce judgments obtained in Nigeria against the Group and its management

The Bank is a public limited liability company incorporated under the laws of Nigeria and more than half of its businesses, assets and operations are located in Nigeria. In addition, a substantial majority of its directors and executive officers reside in Nigeria and substantially all of their assets are located in Nigeria. As a result, it may not be possible to effect service of process in certain jurisdictions outside Nigeria (where the Bank does not have any branches) upon the Bank or such directors or executive officers. Moreover, Nigeria does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States and many other countries. As a result, recognition and enforcement in Nigeria of judgments of a court in the United States or in any of such other countries in relation to any matter may be difficult. See "*Service of Process and Enforcement of Civil Liabilities*".

Investors are relying solely on the creditworthiness of the Bank

Senior Notes issued under the Programme will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4(a) (*Covenants—Negative Pledge*), unsecured obligations of the Bank and will rank *pari passu*, without preference, amongst themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Bank, from time to time outstanding, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. If a prospective investor purchases such Notes, it is relying on the creditworthiness of the Bank and no other person. In addition, an investment in such Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Bank may adversely affect the market value of such Notes.

Return on an investment in Notes will be affected by charges incurred by investors

An investor's total return on an investment in any Notes will be affected by the level of fees charged by an agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the relevant Notes.

Tax consequences of holding the Notes

Potential investors should consider the tax consequences of investing in the Notes and consult their tax advisers about their own tax situation.

Nigerian bankruptcy laws

Although Nigerian bankruptcy laws generally apply to individuals and not corporate entities, the CAMA makes provision for these laws to apply in the winding-up of an insolvent company with regard to the rights of secured and unsecured creditors.

Under Nigerian law, when a bank is unable to meet its obligations or suspends payment, the assets of the bank shall be available to first meet all of the bank's deposit liabilities prior to the payment of any other liabilities of the bank (including secured and statutorily preferred creditors and other senior creditors). In addition, by virtue of Nigerian company law, upon the insolvency of a bank (as is the case with any other company and following the settlement of all deposit liabilities) statutory preferred creditors (for example, creditors in relation to tax, provident funds, salaries and other staff remuneration), as well as secured creditors shall rank in priority to unsecured creditors. Senior unsecured creditors for the purposes of distributions upon insolvency rank *pari passu* with each other and subordinated creditors rank in accordance with the terms of their subordination. Additionally, the liquidator of an insolvent company has the power to disclaim onerous contracts. For instance, in accordance with general common law bankruptcy rules and Section 658 of CAMA, any transaction embarked upon by a company within three months prior to the winding up of the company will be deemed fraudulent and invalid, if such transaction is entered into with the purpose of giving the counterparty to the transaction a preference over other creditors of the company.

Generally, the winding up or liquidation of banks in Nigeria entails the active intervention and supervision by the CBN and the NDIC, under enabling statutory provisions. Additionally, with a view to ensuring that all creditors and depositors of insolvent banks are adequately protected, there are special provisions of banking statutes which make banking insolvency a highly regulated matter. Banks are required to maintain deposit insurance with the NDIC, which is empowered to administer the deposit insurance system in Nigeria. The NDIC is also responsible for liquidating the assets of banks.

In the event of the insolvency of the Bank, the claims of holders of the Senior Notes shall rank *pari passu* with the claims of the Bank's other unsecured and unsubordinated creditors, after the Bank's depositors, statutorily recognised preferential creditors and secured creditors have been paid, and the claims of the holders of the Subordinated Notes shall rank *pari passu* with the claims of the Bank's other subordinated creditors that rank, or are expressed to rank, *pari passu* with the Bank's obligations under the Subordinated Notes and after the Bank's depositors, statutorily recognised preferential creditors, secured creditors and other senior creditors have been paid in full.

Enforcement of the obligations of the Bank under the Trust Deed and any Notes issued under the Programme may be subject to the payment of Nigerian stamp duty

Section 102 of the Stamp Duties Act Chapter S8 LFN 2004 (as amended by the Finance Acts of 2019 and 2020) (the "**Stamp Duties Act**") requires a statement of the amount to be secured by an issue of loan capital by a company in Nigeria to be delivered to the Nigerian CAC and charged with *ad valorem* duty of 0.125 per cent. However, this duty will not apply where it is shown to the satisfaction of the Nigerian CAC that the duty in respect of a marketable security has been paid on any trust deed. Whilst the application of Section 102 previously only extended to secured loans, the Nigerian Federal Inland Revenue Service (the "**FIRS**") recently indicated that the section may now also apply to unsecured loan capital, which could be construed to include debt securities such as Notes issued under the Programme. In addition, stamp duty is payable in Nigeria either at a flat rate or an *ad valorem* basis in respect of security documents securing payment or repayment of money, and calculated based on the value of the underlying transaction.

The failure to stamp a document does not affect the validity of such document but it would render it inadmissible in any civil or arbitration proceedings in Nigeria for the purpose of enforcement. In common with other such financing transactions, the Issuer has not and does not intend to make any payments in respect of any duties unless and until required to do so.

While such duties apply to documents brought into Nigeria, the combined effect of the Finance Acts of 2019 and 2020 as well as the FIRS Information Circular on the Clarifications on the Provisions of the Stamp Duties Act, means that any document executed outside Nigeria will be deemed to be received in Nigeria (and hence liable to stamping and stamp duty as stated above) if: (a) such document is retrieved or accessed electronically in or from Nigeria; (b) such document (or an electronic copy of it) is stored on a device (including a computer, magnetic storage, etc.) and brought into Nigeria; or (c) such document (or an electronic copy of it) is stored on a device or computer in Nigeria.

Notwithstanding that the Issuer has covenanted to pay any such duties in the Trust Deed (a failure to do so in the prescribed time triggering a potential default under Condition 10(a)(ii)), the Trustee is not bound to take any proceedings for the enforcement of the Trust Deed, any Notes or Coupons unless, amongst other things, it shall have been indemnified and/or secured by the Noteholders to its satisfaction, against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith, which may include the prior payment of such stamp duty to the Trustee, which if levied on an *ad valorem* basis, could be a substantial amount and which could delay enforcement proceedings. See "*Taxation—Nigeria—Stamp Duties*".

Adverse tax consequences of a substitution of the Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder (as defined in "*Taxation—United States*") in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could suffer adverse tax consequences (see "*Taxation—United States*"). Adverse tax consequences for holders in other jurisdictions may result in the event of a change in the obligor with respect to the Notes. Prospective investors should consult their tax advisers concerning the tax consequences to them of a change in obligor with respect to the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) Notes are legal investments for it; (b) Notes can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks relating to disruptions in the global credit markets and economy

Global financial markets continue to be subject to periods of volatility which may impact the Group's ability to raise debt in a similar manner, and at a similar cost, to the funding raised in the past. Challenging market conditions have resulted in greater volatility but also in reduced liquidity, widening of credit spreads and lack of price transparency in credit markets. Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may affect the financial performance of the Group.

The impact of these conditions could be detrimental to the Group and could adversely affect its business, results of operations, financial condition and/or prospects; its solvency and the solvency of its counterparties and customers; the value and liquidity of its assets and liabilities; the value and liquidity of the Notes and/or the ability of the Bank to meet its obligations under the Notes and under its debt obligations more generally.

The Notes may be negatively affected by events in other emerging markets, including those in sub-Saharan Africa

Economic distress in any emerging market country may adversely affect prices of securities and the level of investment in other emerging market issuers as investors move their money to more stable, developed markets. The market price of the Notes is influenced by economic and market conditions in Nigeria and, to a varying degree, may also be influenced by economic and market conditions in other African and emerging markets generally. Financial problems or an increase in the perceived risks associated with investing in emerging market economies could dampen foreign investment in Nigeria, adversely affect the Nigerian economy or adversely affect the trading price of the Notes. Even if the Nigerian economy remains relatively stable and currently relies less on external debt financing than some emerging market issuers, economic distress in other emerging market countries could adversely affect the trading price of the Notes and the availability of foreign funding sources for the Federal Government or private sector borrowers.

Adverse developments in other countries in sub-Saharan Africa, in particular, may have a negative impact on Nigeria if investors perceive risk that such developments will adversely affect Nigeria or that similar adverse developments may occur in Nigeria. Risks associated with sub-Saharan Africa include political uncertainty, civil unrest and conflict, corruption, the outbreak of disease and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Nigeria, including elements of the information provided in this Base Prospectus.

In view of the fact that the Global Notes are held by or on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Bank

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with (i) (in the case of Bearer Notes) a common depositary for Euroclear and Clearstream, Luxembourg or (ii) (in the case of Registered Notes) either (a) a custodian for, and registered in the name of a nominee of, DTC or (b) a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive notes. DTC, Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through DTC, Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes, the Bank will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system to receive payments under the relevant Notes. The Bank shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

The Bank's current long-term foreign currency rating by S&P is B- and its current long-term foreign currency issuer default rating by Fitch is B. S&P is not established or registered in the United Kingdom under the UK CRA Regulation but credit ratings issued by S&P have been endorsed by S&P Global Ratings UK Limited, which is an entity established in the United Kingdom and included in the list of registered credit rating agencies published by the FCA on its website (https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras) in accordance with the UK CRA Regulation. Fitch is established in the United Kingdom and is registered in accordance with the UK CRA Regulation. The list of registered and certified rating agencies published by FCA on its website is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated FCA list. In addition, S&P, Fitch's and/or other independent credit rating agencies may assign credit ratings to Notes issued under the Programme. Any rating is not a recommendation to purchase, sell or hold any particular security, including Notes issued under the Programme. These ratings are limited in scope and do not comment as to market price or suitability for a particular investor. In addition, ratings at any time may be lowered or withdrawn in their entirety. Actual or anticipated changes or downgrades in the Issuer's credit ratings, including any announcement that the Issuer's ratings are under further review for a downgrade, could affect the market value of the Notes and increase the Issuer's borrowing costs.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. UK regulated investors are restricted under the UK CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the UK and registered under the UK CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-UK credit rating agencies, unless the relevant credit ratings are endorsed by a UK-registered credit rating agency or the relevant non-UK rating agency is certified in accordance with the UK CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Certain information with respect to the credit rating agencies and ratings is set out in this Base Prospectus.

European regulated investors are restricted under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-E.U. credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Certain information with respect to the credit rating agencies and ratings is set out in this Base Prospectus.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has included in this Base Prospectus all of the necessary information, except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purpose of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in this Base Prospectus as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.

SUPPLEMENTS

Following the publication of this Base Prospectus, a supplement may be prepared by the Bank and approved by the FCA in accordance with the UK Prospectus Regulation. Statements contained in any such supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus for use in connection with any subsequent issue of Notes.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The relevant Final Terms (or the relevant provisions thereof) or the relevant provisions of the Drawdown Prospectus will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Final Terms" for a description of the content of the Final Terms.

This Note is one of a Series (as defined below) of Notes issued by United Bank for Africa Plc (the "**Issuer**", which expressions shall include (unless the context requires otherwise) any entity substituted for the Issuer pursuant to Condition 16 (Substitution)) constituted by a trust deed (as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 8 November 2021 made between the Issuer and Citibank N.A., London Branch as trustee (the "**Trustee**", which expression shall include any successor trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Note;

(iii) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and

(iv) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an agency agreement (as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 8 November 2021 and made between the Issuer, the Trustee, Citibank N.A., London Branch as issuing and principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), Citibank N.A., London Branch as exchange agent (the "**Exchange Agent**", which expression shall include any successor exchange agent) and Citibank Europe Plc as registrar (the "**Registrar**" and which expression shall include any successor registrar) and a transfer agent, together with the other transfer agents named therein and together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

Interest-bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the relevant Final Terms or the relevant Drawdown Prospectus, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

Each Tranche of Notes is the subject either of a final terms (the "**Final Terms**") which complete these Terms and Conditions (the "**Conditions**") or a drawdown prospectus (the "**Drawdown Prospectus**") which supplements, amends and/or replaces these Conditions for the purpose of that Tranche of Notes only. References to:

(a) the "**relevant Final Terms**" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on the Note; and

(b) the "**relevant Drawdown Prospectus**" are to the Drawdown Prospectus (or the relevant provisions thereof) attached or endorsed on this Note.

The Trustee acts for the benefit of the Noteholders (which expression shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the several persons whose names are entered in the register of holders of the Registered Notes as the holders thereof and shall, in relation to any Notes represented by a Global Note, be construed as provided in Condition 1 (*Form, Denomination and Title*)), and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are:

(a) expressed to be consolidated and form a single series; and

(b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement (i) are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the "**Agents**"), or (ii) may be provided by email to a Noteholder following their prior written request to any Paying and Transfer Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying and Transfer Agent). If the Notes are to be admitted to trading on the main market of the London Stock Exchange, copies of the applicable Final Terms or the relevant Drawdown Prospectus (as the case may be) will be published on the website of the London Stock Exchange through a regulatory information service, or otherwise (i) are available for viewing at the registered office of the Issuer and of the Principal Paying Agent, or (ii) may be provided by email to a Noteholder following their prior written request to any Paying and Transfer Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying and Transfer Agent). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and *provided that*, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) will prevail.

1. Form, Denomination and Title

1.1 The Notes are in bearer form or in registered form as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

1.2 This Note may be a Fixed Rate Note, a Reset Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

1.3 This Note may also be a Senior Note or a Subordinated Note, as indicated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

1.4 Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in the Conditions are not applicable.

1.5 Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and any Agent will (except as otherwise required by law and the Trust Deed) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the immediately succeeding paragraph.

1.6 For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

1.7 For so long as the Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed and the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

1.8 In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

1.9 Notes which are represented by a Registered Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

2. Transfers of Registered Notes

(a) *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the Specified Denominations set out in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) *Transfers of Registered Notes in definitive form*

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the Specified Denominations set out in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)). In order to effect any such transfer:

(i) the holder or holders must:

(A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or its or their attorney or attorneys duly authorised in writing; and

(B) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and

(ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor. The transfer of part of a Registered Note is not permitted if the principal amount of the balance of the Registered Note is not a Specified Denomination. No holder may require a transfer of a Registered Note in definitive form to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Note.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 7 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Transfers of interests in Regulation S Global Notes*

Prior to the expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor, together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an "**IAI Investment Letter**"); or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After the expiry of the applicable Distribution Compliance Period, (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) *Transfers of interests in Legended Notes*

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to the expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the legend, the Registrar shall deliver only Legended Notes or refuse to remove the legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) *Exchanges and transfers of Registered Notes generally*

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) *Definitions*

In this Condition 2, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes;

"**Institutional Accredited Investor**" means 'accredited investors' (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

"**Legended Note**" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

"**QIB**" means a qualified institutional buyer within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note**" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Note**" means a Registered Global Note representing Notes sold in the United States or to QIBs; and

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

3. Status of the Notes

(a) *Status of the Senior Notes*

The Senior Notes and any related Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4(a) (*Covenants – Negative Pledge*)) unsecured obligations of the Issuer and (subject as stated above) rank and will at all times rank *pari passu*, without preference among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Status of the Subordinated Notes*

(i) The Issuer's payment obligations under the Subordinated Notes and any related Coupons will constitute direct, unsecured and subordinated obligations of the Issuer and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

(A) subordinate in right of payment to the payment of all Senior Obligations;

(B) *pari passu* without any preference among Notes of the same Series;

(C) *pari passu* in right of payment with holders of all present or future outstanding Parity Obligations;

(D) in priority to all payments in respect of Junior Obligations; and

(E) junior in right of payment to all present or future claims of (1) creditors of the Issuer entitled to preference under Nigerian law, (2) depositors of the Issuer, and (3) subordinated creditors of the Issuer whose right of payment ranks, or is expressed to rank, senior to the right of payment of the holders of the Notes of such Series.

(ii) By virtue of such subordination as described herein, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid under any Subordinated Notes until all payment obligations in respect of any Senior Obligations have been satisfied. The Subordinated Notes do not limit the amount of Senior Obligations of the Issuer that may exist at any time.

(c) *No Set-Off*

This Condition 3(c) applies only to Subordinated Notes.

Subject to applicable law, all payment obligations of, and payments made by, the Issuer under the Subordinated Notes must be determined and made without reference to any right of set-off or counterclaim of the Noteholders or Couponholders whether arising before or in respect of any Subordination Event and the Noteholders or Couponholders shall not exercise any right of set-off or counterclaim in respect of any amount owed to the Noteholders or Couponholders by the Issuer hereunder and any such rights shall be deemed to be waived.

(d) *Definitions*

In these Conditions, the following expressions shall have the following meanings:

"**Junior Obligations**" means any class of share capital (including ordinary and preferred shares) of the Issuer together with any present and future undated or perpetual subordinated indebtedness or other payment obligations of the Issuer that rank, or are expressed to rank, junior to the Issuer's obligations under the Subordinated Notes;

"**Parity Obligations**" means any securities or other instruments issued by the Issuer or other payment obligations of the Issuer that rank, or are expressed to rank, *pari passu* with the Issuer's obligations under the Subordinated Notes;

"**Senior Obligations**" means any of the Issuer's present and future indebtedness and other obligations including, without limitation:

(a) obligations to depositors and trade creditors and obligations for taxes;

(b) statutory preferences and other legally-required payments; and

(c) obligations under hedging and other financial instruments, other than its obligations under:

(i) the Subordinated Notes;

(ii) any Parity Obligations; and

(iii) any Junior Obligations; and

"**Subordination Event**" means any distribution of the assets of the Issuer on a dissolution, winding-up or liquidation of the Issuer, whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation of indebtedness or any analogous proceedings.

4. Covenants

This Condition 4 applies to Senior Notes and, where and to the extent specified as applicable in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), Subordinated Notes.

For so long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer undertakes to comply with each of the following covenants.

(a) *Negative Pledge*

The Issuer shall not, and the Issuer will not permit any of its Material Subsidiaries to, directly or indirectly create or have outstanding any mortgage, charge, lien, pledge, encumbrance or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction) (each a "**Security Interest**"), other than Permitted Security Interests (as defined below), upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness (as defined below), unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Trust Deed:

(i) are secured by the Security Interest equally and rateably with the Indebtedness to the satisfaction of the Trustee; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either:

(A) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders; or

(B) as is approved by (1) an Extraordinary Resolution (as defined in the Trust Deed) at a meeting of the Noteholders duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-quarters of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-quarters of the votes cast on such poll, (2) by a Written Resolution (as defined in the Trust Deed), of the Noteholders, or (3) by an Electronic Consent (as defined in the Trust Deed) of the Noteholders.

(b) *Restricted Payments*

The Issuer shall not, and shall ensure that each of its Material Subsidiaries shall not, directly or indirectly:

(i) declare or pay any dividend, in cash or otherwise, or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital (other than a dividend or other distribution payable to the Issuer or a Subsidiary of the Issuer); or

(ii) voluntarily purchase, redeem or otherwise retire for value any debt (including any form of capital instrument) of the Issuer subordinated by its terms to the obligations of the Issuer under the Notes

(any such action, a "**Restricted Payment**"), if such Restricted Payments when aggregated with all other Restricted Payments previously made in respect of the relevant financial year of the Issuer exceed 80.0 per cent. of the Group's consolidated profit after tax and extraordinary activities for such financial year, determined by reference to the Group's audited consolidated financial statements prepared under IFRS for such financial year.

(c) *Capital Adequacy*

The Issuer shall:

(i) not permit:

(A) its total capital adequacy ratio to fall below the minimum total capital adequacy ratio required by the Central Bank of Nigeria (or any successor body or entity thereto having primary responsibility for regulatory supervision of the Issuer) (the "**CBN**") or

(B) the ratio of its Capital to its Risk Weighted Assets to fall below 15.0 per cent., as calculated in accordance with the BIS Guidelines; and

(ii) at all times comply with all rules, regulations and prudential supervision ratios of the CBN applicable to banks in the Federal Republic of Nigeria ("**Nigeria**") except where failure to so comply would not have a Material Adverse Effect or result in the imposition of fines, penalties or other regulatory sanctions against the Issuer.

(d) *No Consolidation or Merger*

The Issuer shall not without the prior written consent of the Trustee (which consent may only be given by the Trustee if it is of the opinion that to do so will not be materially prejudicial to the interests of the Noteholders) consolidate with or merge into any other Person (or enter into any transaction whose effect would be similar to that of a merger) or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets to any Person by one or more transactions or series of transactions (whether related or not) (any such consolidation or merger (or transaction whose effect would be similar to that of a merger) and any such transaction or series of transactions, a "**consolidation**" or "**merger**") if such consolidation or merger would have a Material Adverse Effect, unless:

(i) the Issuer shall be the continuing Person or the successor Person (as a result of such consolidation or merger) shall be a corporation organised and validly existing under the laws of Nigeria, and shall expressly assume by a supplemental trust deed to the Trust Deed in form and substance satisfactory to the Trustee, all of the obligations of the Issuer under the Notes and the Trust Deed;

(ii) immediately before and after giving effect to such consolidation or merger, no Potential Event of Default (as defined in the Trust Deed) or Event of Default shall have occurred and be continuing; and

(iii) the Issuer or such successor Person, as the case may be, shall have delivered to the Trustee:

(A) an opinion of independent legal advisers of recognised standing stating that the consolidation or merger complies with the provisions of subparagraph (i) above; and

(B) a certificate signed by two of its directors stating that the consolidation or merger complies with the provisions of subparagraphs (i) and (ii) above.

(e) *Disposals*

(i) Without prejudice to the provisions of Conditions 4(d) (*No Consolidation or Merger*) or 4(f) (*Transactions with Affiliates*), the Issuer shall not, and shall ensure that none of its Material Subsidiaries shall (in each case disregarding any sale, lease, transfer or disposal made in the ordinary course of Banking Business of the Issuer or in the case of a Material Subsidiary, the ordinary course of business of the relevant Material Subsidiary) sell, lease, transfer or otherwise dispose of, to a Person other than the Issuer or a Subsidiary of the Issuer, by one or more transactions or series of transactions (whether related or not), the whole or any Material Part of its revenues or its assets, unless such transaction(s) is/are:

(A) for Fair Market Value; and

(B) has/have been approved by a resolution of the appropriate decision-making body of the Issuer or the relevant Material Subsidiary, as the case may be, resolving that the transaction complies with the requirements of this Condition 4(e).

For the purpose of determining whether or not one or more disposals is of a Material Part, (x) in determining the book value of the revenues or assets being disposed of, reference shall be had to the most recent published audited consolidated financial statements of the Issuer prepared in accordance with IFRS or non-consolidated financial statements of the Material Subsidiary prepared in accordance with IFRS, as the case may be, at the time the disposal is completed; and (y) in determining the book value of the total revenues or total assets of the Group, reference shall be had to the most recent published audited consolidated financial statements of the Issuer prepared in accordance with IFRS at the time the determination is made.

(ii) "**Material Part**" means, in respect of any one or more transactions or series of transactions (whether related or not):

(A) completed since the Issue Date of the first Tranche of Notes in the relevant Series, revenues or assets the book value of which is 10.0 per cent. or more of the book value of the total revenues (with respect to a disposal of revenues) or total assets (with respect to a disposal of assets) of the Group; and

(B) completed in any 12-month period (*provided that* no such period shall commence earlier than the Issue Date of the first issue of Notes under the Programme) revenues or assets the book value of which is 5.0 per cent. or more of the book value of the total revenues (with respect to a disposal of revenues) or total assets (with respect to a disposal of assets), of the Group.

(iii) Condition 4(e)(i) shall not apply to any revenues or assets (or any part thereof) which are the subject of a Securitisation Transaction (as defined below), provided that the aggregate value of the assets or revenues sold, leased, transferred or otherwise disposed of in Securitisation Transactions not in compliance with Condition 4(e)(i) does not at any time exceed 10.0 per cent. of the total loans and advances of the Group (less provisions for bad and doubtful loans), as determined at any such time by reference to the most recent audited consolidated annual financial statements of the Group prepared in accordance with IFRS. The aggregate value of the assets or revenues sold, leased, transferred or otherwise disposed of in Securitisation Transactions under the proviso set out in the preceding sentence of this Condition 4(e)(iii), when added to the aggregate value of any revenues or assets the subject of any Security Interest permitted pursuant to subparagraph (K) of the definition of "Permitted Security Interest" in Condition 4(g)(xiii), shall not at any time exceed 20.0 per cent. of the total loans and advances of the Group (less provisions for bad and doubtful loans), as determined at any such time by reference to the most recent audited consolidated annual financial statements of the Group prepared in accordance with IFRS.

(f) *Transactions with Affiliates*

The Issuer shall not, and shall ensure that each of its Subsidiaries shall not, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**"), including, without limitation, intercompany loans, unless the terms of such Affiliate Transaction are no less favourable to the Issuer or such Subsidiary, as the case may be, than those that could be obtained in a comparable arm's length transaction for Fair Market Value with a Person that is not an Affiliate of the Issuer or such Subsidiary.

This Condition does not apply to:

(i) compensation or employee benefit arrangements with any officer or director of the Issuer or any of its Subsidiaries arising as a result of the employment contract of such officer or director; or

(ii) any Affiliate Transaction between the Issuer and any of its Subsidiaries or between any Subsidiaries of the Issuer.

(g) *Interpretation*

In these Conditions:

(i) "**Affiliate**" of any specified Person means:

(A) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person or who has as a director a Person who is also a director of such specified Person; or

(B) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any Person described in (B) above;

(ii) "**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of any national, regional or local government of, any state or, as applicable, of any supra national body;

(iii) "**Banking Business**" means, in relation to the Issuer or any of its Subsidiaries, any type of banking business (including, without limitation, any short term interbank operations with maturities of one year or less, factoring, consumer credit, mortgages, issuance of banking guarantees and letters of credit (and related cash cover provision), bills of exchange, promissory notes and certificates of deposit and payments under such guarantees, letters of credit, trading of securities, fund management and professional securities market participation business) or other financial services which it conducts or may conduct pursuant to any licence issued by the appropriate authorities for that purpose and any applicable law;

(iv) "**BIS Guidelines**" means at any time, the capital adequacy standards and guidelines published by the Basel Committee on Banking Supervision as implemented by the CBN from time to time;

(v) "**Capital**" means the Issuer's capital as such term is defined in the BIS Guidelines;

(vi) "**Fair Market Value**" means the value that would be obtained in an arm's length commercial transaction between an informed and willing seller or equivalent participant in such transaction (under no undue pressure or compulsion to sell or otherwise participate in the transaction) and an informed and willing buyer or equivalent participant in such transaction (under no undue pressure or compulsion to buy or otherwise participate in the transaction). A report of the auditors of the Issuer or a report by a financial institution of international repute on the Fair Market Value of a transaction may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee shall be conclusive and binding on all parties;

(vii) "**Group**" means the Issuer and its consolidated Subsidiaries, from time to time, taken as a whole and references to a member of the Group means any of the Issuer or any of its consolidated Subsidiaries from time to time;

(viii) "**IFRS**" **or** "**IFRS Standards**" means all International Financial Reporting Standards and Interpretations, and all International Accounting Standards and Interpretations as issued and/or adopted by the International Accounting Standards Board (as amended, supplemented or re issued from time to time);

(ix) "**Indebtedness**" means, with respect to any Person at any date of determination (without duplication), any present or future indebtedness of such Person for, or in respect of, money borrowed or any amount raised including, without limitation:

(A) any amount raised by way of acceptance under any acceptance credit facility;

(B) any amount raised pursuant to any note purchase facility or the issue of notes, bonds, debentures, debenture stock, loan stock or any other security or similar instrument;

(C) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with IFRS in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases (each a "**Finance Lease**");

(D) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service; and

(E) any amount raised under any other transaction (including, without limitation, any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the economic or commercial effect of a borrowing (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business), and the amount of any liability in respect of any guarantee or indemnity for any of the above;

(x) "**Issue Date**" has the meaning given in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

(xi) "**Material Adverse Effect**" means a material adverse effect on:

(A) the business, financial condition or results of operations of the Issuer or the Group; or

(B) the Issuer's ability to perform its obligations under the Notes and/or the Trust Deed;

(xii) "**Material Subsidiary**" means, at any time, a Subsidiary of the Issuer which:

(A) has gross revenues representing 10.0 per cent. or more of the consolidated gross revenues of the Group; or

(B) has total assets representing 7.5 per cent. or more of the consolidated total assets of the Group,

in each case calculated on a consolidated basis in accordance with the then most recent audited consolidated financial statements of the Issuer, as more particularly defined in the Trust Deed.

For the purpose of this definition, a report by two directors of the Issuer (whether or not addressed to the Trustee) that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

(xiii) "**Permitted Security Interests**" means:

(A) Security Interests in existence on the Issue Date of the first Tranche of Notes in the relevant Series;

(B) Security Interests arising in the ordinary course of Banking Business (including netting or set off arrangements for the purposes of netting debit and credit balances);

(C) Security Interests granted in favour of the Issuer by any of its Subsidiaries;

(D) Security Interests on assets or property acquired (or deemed to be acquired) under a Finance Lease, or claims arising from the use or loss of or damage to such assets or property, *provided that* any such Security Interest secures only Indebtedness under such Finance Lease, including, without limitation to the generality of the foregoing, any Security Interest created pursuant to any Repo transaction;

(E) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which are standard or customary in the relevant market and in the ordinary course of business (and not for the purposes of raising credit or funds for the operation of the Issuer and/or any Material Subsidiary of the Issuer, as the case may be, other than on a short term basis as part of the Issuer's or such Material Subsidiary's liquidity management activities), in connection with (i) contracts entered into substantially simultaneously for sales and purchases at market prices of foreign exchange or securities (including, but not limited to, Repos and "Lombard" credits extended by the CBN), (ii) insurance deposits placed by the Issuer or such Material Subsidiary as security for guarantees issued in respect of the export import operations of the Issuer's or such Material Subsidiary's customers, (iii) the establishment of margin deposits and similar collateral in connection with any trading transaction, (iv) proprietary trading activities generally or (v) any derivative transaction entered into by the Issuer or such Material Subsidiary in connection with taking protection against or benefiting from a fluctuation in any rate or price;

(F) Security Interests on the assets or property of a Person existing at the time that such Person is acquired as a Subsidiary by the Issuer, *provided that* such Security Interests: (i) were not created in contemplation of such acquisition; and (ii) do not extend to any other assets or property of the Issuer or any Subsidiary of the Issuer (other than those of the Person acquired and its Subsidiaries (if any));

(G) Security Interests already existing on assets or property acquired or to be acquired by the Issuer or a Subsidiary of the Issuer, *provided that* such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);

(H) any Security Interests arising by operation of law;

(I) Security Interests arising in connection with any court proceedings which do not constitute an Event of Default;

(J) Security Interests on any assets or property acquired by any member of the Group after the Issue Date of the First Tranche of Notes in the relevant Series to secure the purchase price of such assets or property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets or property and transactional expenses related to such acquisition or expenses related to the repair or refurbishment of such assets or property, *provided that* the maximum amount of Indebtedness secured by such Security Interest does not exceed the purchase price of such assets or property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition, repair or refurbishment of such assets or property;

(K) any Security Interests on, or with respect to, any present or future revenues or assets of the Issuer or any of its Subsidiaries or any part of such revenues or assets that is created pursuant to any Securitisation Transaction, *provided that* the aggregate value of the revenues or assets subject to such Security Interests when added to the aggregate value of the revenues or assets the subject of any Securitisation Transaction permitted pursuant to Condition 4(e) (*Disposals*), does not at any time exceed 20.0 per cent. of the total loans and advances of the Group (less provisions for bad and doubtful loans), as determined at any such time by reference to the most recent audited consolidated annual financial statements of the Group;

(L) any Security Interests not otherwise permitted by the preceding subparagraphs (A) to (K) (inclusive), *provided that* the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 20.0 per cent. in aggregate of the total assets of the Group shown on the most recent audited consolidated annual financial statements or, as the case may be, audited consolidated interim financial statements of the Issuer; and

(M) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, *provided that* the Indebtedness secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any assets or property not previously subject to such Security Interest;

(xiv) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, agency or other entity, whether or not having separate legal personality;

(xv) "**Programme**" means the U.S.$1,500,000,000 Global Medium Term Note Programme of United Bank for Africa Plc;

(xvi) "**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing, and, for purposes of this definition, the term securities means any capital stock, share, debenture or other debt or equity instrument, or any derivative thereof, whether issued by any private or public company, any government or agency or instrumentality thereof or any supranational, international or multilateral organisation;

(xvii) "**Risk Weighted Assets**" means the aggregate of the Group's consolidated balance sheet assets and off balance sheet engagements, weighted for credit and market risk in accordance with the BIS Guidelines;

(xviii) "**Securitisation Transaction**" means any securitisation of receivables, asset backed financing, or comparable secured loan financing or similar arrangement by which an entity acquires or provides finance against the security of certain assets or revenues and that entity funds such acquisition or financing from external funding sources (including, but not limited to, debt securities or banking facilities) on terms that such funding will be repaid primarily from such assets or revenues; and

(xix) "**Subsidiary**" means, in relation to any Person at any time, any other Person (whether or not now existing) which is controlled directly or indirectly by, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the first Person and/or any one or more of the first Persons' Subsidiaries, and "**control**" means the power (whether directly or indirectly) and whether by the ownership of share capital, the possession of voting power, contract or otherwise to appoint the majority of the members of the governing body of management or otherwise to control the affairs and policies, of that other Person.

(h) *Determination of Material Adverse Effect*

To the extent that the Trustee is instructed to take any action pursuant to:

(i) a request in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding; or

(ii) an Extraordinary Resolution of Noteholders, and any such action requires the determination of whether an event or occurrence has had a Material Adverse Effect, the Trustee shall have no duty to enquire or satisfy itself as to the existence of an event or occurrence having a Material Adverse Effect and shall be entitled to rely conclusively upon such request in writing by, or Extraordinary Resolution of, the Noteholders regarding the same, and shall bear no liability of any nature whatsoever to the Issuer for acting upon such request in writing or Extraordinary Resolution of the Noteholders.

(i) *Trustee Not Obliged to Monitor Compliance*

The Trust Deed does not oblige the Trustee to monitor compliance by the Issuer with the Conditions (including Conditions 4(a) (*Negative Pledge*), 4(b) (*Restricted Payments*), 4(c) (*Capital Adequacy*), 4(d) (*No Consolidation or Merger*), 4(e) (*Disposals*) and 4(f) (*Transactions with Affiliates*)) but it does oblige the Issuer to furnish the Trustee, annually, with a certificate, on which the Trustee may rely, as to such compliance.

5. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its then outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the relevant Final Terms or Drawdown Prospectus (as the case may be) provide for Fixed Coupon Amounts, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms or Drawdown Prospectus (as the case may be), amount to the Broken Amount so specified.

As used in the Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If the relevant Final Terms or Drawdown Prospectus (as the case may be) do not provide for Fixed Coupon Amounts, or if interest is required to be calculated for a period other than a Fixed Interest Period in respect of any Fixed Rate Note, such interest shall be calculated by applying the Rate of Interest to the then outstanding principal amount of such Fixed Rate Notes, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 5(a):

(i) if "**Actual/Actual** (**ICMA**)" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be):

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of:

(1) the number of days in such Determination Period; and

(2) the number of Determination Dates (as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of

(x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

In these Conditions:

"**Determination Date**" has the meaning given in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**Initial Rate of Interest**" has the meaning specified in the relevant Final Terms or Drawdown Prospectus;

"**Interest Commencement Date**" means the Issue Date of the Note or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms or Drawdown Prospectus;

"**Maturity Date**" has the meaning specified in the relevant Final Terms or Drawdown Prospectus;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or Drawdown Prospectus or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms or Drawdown Prospectus and shall include, in respect of Reset Notes only, the Initial Rate of Interest, the First Reset Rate of Interest and the Subsequent Reset Rate of Interest, as applicable; and

"**sub unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) *Interest on Reset Notes*

(i) This Condition 5(b) is only applicable to Subordinated Notes and shall only apply if the Reset Note Provisions are specified in the relevant Final Terms or Drawdown Prospectus as being applicable to one or more Interest Period(s) (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

(ii) Each Reset Note will bear interest on its outstanding principal amount:

(A) from (and including) the Interest Commencement Date to (but excluding) the First Reset Date at the Initial Rate of Interest;

(B) for the First Reset Period at the First Reset Rate of Interest; and

(C) for each Subsequent Reset Period thereafter (if any) to (but excluding) the Maturity Date at the relevant Subsequent Reset Rate of Interest.

The Rate of Interest and the amount of interest payable for each Reset Note shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the amount of interest payable, in accordance with the provisions set out below.

Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. If the applicable Final Terms or the relevant Drawdown Prospectus (as the case may be) provide for Fixed Coupon Amounts, the amount of interest payable on each Interest Payment Date in respect of each Interest Period falling in the Initial Period will amount to the Fixed Coupon Amount. Payments of interest on the first Interest Payment Date will, if so specified in the applicable Final Terms or the relevant Drawdown Prospectus (as the case may be), amount to the Broken Amount(s) so specified.

Except in the case of Subordinated Notes where a Fixed Coupon Amount or Broken Amount is specified in respect of each Interest Period falling in the Initial Period in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), interest shall be calculated in respect of any period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Reset Notes and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

(iii) If on any Reset Determination Date, the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page as of the Relevant Time on such Reset Determination Date, the Rate of Interest applicable to the relevant Reset Notes in respect of each Interest Period falling in the relevant Reset Period will, subject as provided in Condition 5(c)(vii), as applicable, be determined by the Calculation Agent on the following basis:

(A) the Calculation Agent shall request each of the Reset Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately the Relevant Time on the Reset Determination Date in question;

(B) if at least three of the Reset Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (A) the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest (or, in the event of equality, one of the lowest) and (B) the Relevant Reset Margin, all as determined by the Calculation Agent;

(C) if only two relevant quotations are provided, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (A) the arithmetic mean (rounded as aforesaid) of the relevant quotations provided and (B) the Relevant Reset Margin, all as determined by the Calculation Agent;

(D) if only one relevant quotation is provided, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (A) the relevant quotation provided and (B) the Relevant Reset Margin, all as determined by the Calculation Agent; and

(E) if none of the Reset Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 5(b)(iii), the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) will be equal to the sum of (A) the Mid-Swap Rate determined on the last preceding Reset Determination Date and (B) the Relevant

Reset Margin or, in the case of the first Reset Determination Date, the First Reset Rate of Interest will be equal to the Initial Rate of Interest.

(iv) The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the amount of interest payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Trustee, the Paying Agents (and if applicable, the Registrar), each Stock Exchange (if any) on which the Reset Notes have for the time being been admitted to listing, trading and/or quotation as soon as possible after such determination and in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

(v) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5(b) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Trustee, the Registrar (if applicable), the Noteholders and (subject as aforesaid) no liability to any Noteholder or Couponholder will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(vi) In this Condition 5(b), the following expressions shall have the following meanings:

"**Business Day**" has the meaning given in Condition 5(c) (*Interest on Floating Rate Notes*);

"**Day Count Fraction**" has the meaning given in Condition 5(a) (*Interest on Fixed Rate Notes*);

"**First Reset Date**" means the date specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

"**First Reset Margin**" means the margin specified as such in the relevant Final Terms or Drawdown Prospectus (as the case may be);

"**First Reset Period**" means the period from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms or Drawdown Prospectus (as the case may be), the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 5(b)(iii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Reset Margin;

"**Initial Period**" means the period from and including the Issue Date to but excluding the First Reset Date;

"**Mid-Market Swap Rate**" means, subject as provided in Condition 5(c)(vii), if applicable, for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Reset Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Floating Leg Maturity (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

"**Mid-Market Swap Rate Quotation**" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"**Mid-Swap Floating Leg Benchmark Rate**" means, subject as provided in Condition 5(c)(vii) (if applicable), EURIBOR (if the Specified Currency is euro), LIBOR (if the Specified Currency is U.S. dollars or pounds sterling) or (in the case of any other Specified Currency) the benchmark rate most closely connected with such Specified Currency and selected by the Issuer in its discretion;

"**Mid-Swap Floating Leg Maturity**" has the meaning specified in the relevant Final Terms or Drawdown Prospectus (as the case may be);

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Conditions 5(b)(iii) and 5(c)(vii), either:

(A) if Single Mid-Swap Rate is specified in the relevant Final Terms or Drawdown Prospectus, the rate for swaps in the Specified Currency:

(1) with a term equal to the relevant Reset Period; and

(2) commencing on the relevant Reset Date, which appears on the Relevant Screen Page; or

(B) if Mean Mid-Swap Rate is specified in the relevant Final Terms or Drawdown Prospectus, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(1) with a term equal to the relevant Reset Period; and

(2) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately the Relevant Time on such Reset Determination Date, all as determined by the Calculation Agent;

"**Relevant Reset Margin**" means, in respect of a Reset Period, whichever of the First Reset Margin or the Subsequent Reset Margin is applicable for the purpose of determining the Rate of Interest in respect of such Reset Period;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (or any successor or replacement page, section or other part of a particular information service) specified as the Relevant Screen Page in the relevant Final Terms or Drawdown Prospectus, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Mid-Swap Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms or Drawdown Prospectus;

"**Reset Date**" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

"**Reset Determination Date**" means, in respect of a Reset Period, the date specified as such in the relevant Final Terms or Drawdown Prospectus (as the case may be);

"**Reset Period**" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"**Reset Reference Banks**" means the principal office in the principal financial centre of the Specified Currency of five major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer;

"**Second Reset Date**" means the date specified in the relevant Final Terms or Drawdown Prospectus;

"**Subsequent Reset Date**" means the date or dates specified in the relevant Final Terms or Drawdown Prospectus;

"**Subsequent Reset Margin**" means the margin specified as such in the relevant Final Terms or Drawdown Prospectus;

"**Subsequent Reset Period**" means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date or the Maturity Date, as the case may be; and

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 5(b)(iii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Reset Margin.

(c) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be); or

(B) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls within the number of months or other period specified as the Specified Period in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

If a Business Day Convention is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5(c)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, Lagos and any Additional Business Centre specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

(B) if the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is specified as an Additional Business Centre in the applicable Final Terms or the relevant Drawdown Prospectus (as the case may be), is a day on which the TARGET2 System or any successor thereto is open; and

(C) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System or any successor thereto is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus the Margin (as indicated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)). For the purposes of this subparagraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

(2) if the Floating Rate Option specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) is an Overnight Floating Rate Option and either Compounding or Averaging is specified as applicable in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be):

(aa) an Applicable Business Day is any day that is a Business Day (as defined in these Conditions);

(bb) the relevant Reset Date is the last day of the relevant Interest Period;

(cc) the Daily Capped Rate is as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

(dd) the Daily Floored Rate is as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

(ee) Delayed Payment will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and if so, the applicable number of days is either (x) as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), or (y) if no number is specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), five;

(ff) if Compounding is specified as applicable in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be):

(I) OIS Compounding will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

(II) Compounding with Lookback will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and if so, the Lookback is either (x) as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), or (y) if no number is specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number specified as the "Lookback" for the relevant Floating Rate Option in the ISDA Definitions, or (z) if no such number is specified for the relevant Floating Rate Option, five;

(III) Compounding with Observation Period Shift will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and if so, Set in Advance will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), Observation Period Shift Additional Business Day is as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and the Observation Period Shift is either (x) as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), or (y) if no number is specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number specified as the "Observation Period Shift" for the relevant Floating Rate Option in the ISDA Definitions, or (z) if no such number is specified for the relevant Floating Rate Option, five; and

(IV) Compounding with Lockout will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and if so, Lockout Period Business Day is as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and the Lockout is either (x) as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), or (y) if no number is specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number specified as the "Lockout" for the relevant Floating Rate Option in the ISDA Definitions, or (z) if no such number is specified for the relevant Floating Rate Option, five; or

(gg) if Averaging is specified as applicable in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be):

(I) Overnight Averaging will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

(II) Averaging with Lookback will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and if so, the Lookback is either (x) as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), or (y) if no number is specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number specified as the "Lookback" for the relevant Floating Rate Option in the ISDA Definitions, or (z) if no such number is specified for the relevant Floating Rate Option, five;

(III) Averaging with Observation Period Shift will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and if so, Set in Advance will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), Observation Period Shift Additional Business Day is as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and the Observation Period Shift is either (x) as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), or (y) if no number is specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number specified as the "Observation Period Shift" for the relevant Floating Rate Option in the ISDA

Definitions, or (z) if no such number is specified for the relevant Floating Rate Option, five; and

(IV) Averaging with Lockout will be applicable if specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and if so, Lockout Period Business Day is as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and the Lockout is either (x) as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), or (y) if no number is specified as such in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number specified as the "Lockout" for the relevant Floating Rate Option in the ISDA Definitions, or (z) if no such number is specified. relevant Floating Rate Option, five; or

(3) otherwise:

(aa) the Designated Maturity is the Specified Duration; and

(bb) the relevant Reset Date is as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

If the Floating Rate Option is not available (for any reason whatsoever), where the ISDA Definitions state that the determination of the Floating Rate Option will be pursuant to any requirement for the Calculation Agent to request quotes from Reference Banks, Reference Dealers or major banks pursuant to the ISDA Definitions, such requirement to make requests for quotations for rates from, and the provision of quotations for rates by, the requisite number of Reference Banks, Reference Dealers or major banks may be effected by reference to and using the quotations or tradable market prices which were most recently published by such Reference Banks, Reference Dealers or major banks. If the fallback as set out in the definition of the Floating Rate Option pursuant to the ISDA Definitions does not produce a result, the Calculation Agent shall determine the rate at such time and by reference to such sources or methods as the Bank determines appropriate.

For the purposes of this subparagraph (A), "**Additional Business Day**", "**Applicable Business Day**", "**Averaging with Lockout**", "**Averaging with Lookback**", "**Averaging with Observation Period Shift**", "**Calculation Agent**", "**Compounding with Lockout**", "**Compounding with Lookback**", "**Compounding with Observation Period Shift**", "**Daily Capped Rate**", "**Daily Floored Rate**", "**Delayed Payment**", "**Designated Maturity**", "**Floating Rate Option**", "**Floating Rate**", "**Lockout Period Business Day**", "**Lockout**", "**Lookback**", "**Observation Period Shift**", "**Observation Period Shift**", "**OIS Compounding**", "**Overnight Averaging**", "**Overnight Floating Rate Option**", "**Reference Banks**", "**Reset Date**", "**Reference Dealers**" and "**Set in Advance**" have the meanings given to those terms in the ISDA Definitions, but with references, where applicable, to "the Confirmation" being read as "the Final Terms" or "the Drawdown Prospectus" (as the case may be). Unless otherwise stated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) as the manner in which the

Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question plus or minus the Margin (as indicated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)), all as determined by the Calculation Agent. If five or more offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one highest quotation, one only of those quotations) and the lowest (or, if there is more than one lowest quotation, one only of those quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations.

If the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or if, in the case of (2) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Calculation Agent shall request each of the Reference Banks (as set out in the relevant Final Terms or Drawdown Prospectus (as the case may be)) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time in the Relevant Financial Centre on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately the Specified Time in the Relevant Financial Centre on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the Relevant Financial Centre on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any), **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5(c)(ii)(B), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) as being other than LIBOR or EURIBOR, the Rate of Interest in respect of the Notes will be determined as provided in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

If the Floating Rate Notes of any Series become immediately due and repayable under Condition 10 (*Events of Default and Enforcement*), the rate and/or amount of interest payable in respect of them will be calculated by the Calculation Agent at the same intervals as if such Notes had not become due and repayable, the first of which will commence on the expiry of the Interest Period during which the Notes of the relevant Series become so due and repayable mutatis mutandis in accordance with the provisions of this Condition 5 except that the rates of interest need not be published.

Unless otherwise stated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) the Minimum Rate of Interest shall be deemed to be zero.

In these Conditions:

"**EURIBOR**" means the Euro-zone interbank offered rate;

"**LIBOR**" means the London interbank offered rate; and

"**Relevant Financial Centre**" means (i) London, in the case of a determination of LIBOR, (ii) Brussels, in the case of a determination of EURIBOR, or such other Relevant Financial Centre as shall be specified in the relevant Final Terms or Drawdown Prospectus, as the case may be.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Calculation Agent, in the case of Floating Rate Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent will calculate the Interest Amount payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5(c):

(A) if "**Actual/Actual** (**ISDA**)" or "**Actual/Actual**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(B) if "**Actual/365** (**Fixed**)" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the actual number of days in the Interest Period divided by 365;

(C) if "**Actual/365** (**Sterling**)" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(D) if "**Actual/360**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the actual number of days in the Interest Period divided by 360;

(E) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(F) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

(G) if "**30E/360 (ISDA)**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

In these Conditions, "**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period.

(v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the relevant Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the relevant Final Terms), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer, than the length of the relevant Interest Period then the Calculation Agent shall determine such rate at such time and by reference to such sources or methods as it determines appropriate.

"**Applicable Maturity**" means (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate and, (b) in relation to ISDA Determination, the Designated Maturity.

(vi) *Notification of Rate of Interest and Interest Amounts*

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, each other Paying Agent and any Stock Exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the third London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each Stock Exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*). For the purposes of this subparagraph (vi), the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) *Reference Rate Replacement*

If:

(A) the Notes are Reset Notes and the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page as of the Relevant Time on such Reset Determination Date (each as defined in Condition 5(b)(iv)) as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be); or

(B) the Notes are Floating Rate Notes and Screen Rate Determination is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) as the manner in which the Rate of Interest is to be determined, and, in each case, if Reference Rate Replacement is also specified in the relevant Final Terms or Drawdown Prospectus (as the case may be), then the provisions of this Condition 5(c)(vii) shall apply.

If, notwithstanding the provisions of Condition 5(c)(ii), the Issuer determines that a Benchmark Event occurs at any time when any Rate of Interest (or any component thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply to the relevant Notes:

(1) the Issuer shall use reasonable endeavors to appoint and consult with an Independent Adviser with a view to the Issuer determining (in each case acting in good faith and in a commercially reasonable manner) (x) a Successor Reference Rate, or (y) failing which, an Alternative Reference Rate, and, in each case, an Adjustment Spread and any Benchmark Amendments (as defined below) by no later than the Initial Determination Cut-off Date, for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes for, in the case of Floating Rate Notes, such next Interest Period or, in the case of Reset Notes, such next Reset Interest Period, as the case may be, and for all other relevant future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 5(c)(vii) during any other future Interest Period(s));

(2) if the Issuer is unable to appoint an Independent Adviser or, following consultation with an Independent Adviser so appointed, it fails to determine a Successor Reference Rate or an Alternative Reference Rate (as applicable) and, in either case, the applicable Adjustment Spread, prior to the relevant Initial Determination Cut-off Date, the Issuer may determine (acting in good faith and in a commercially reasonable manner), (x) a Successor Reference Rate, or (y) failing which, an Alternative Reference Rate, and, in each case, an Adjustment Spread and any Benchmark Amendments (as defined below), by no later than the relevant Final Determination Cut-off Date, for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes for, in the case of Floating Rate Notes, such next Interest Period or, in the case of Reset Notes, such next Reset Interest Period, as the case may be, and for all other relevant future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 5(c)(vii) during any other future Interest Period(s)). Without prejudice to the definitions thereof, for the purposes of determining any Alternative Reference Rate and/or any Adjustment Spread, the Issuer will take into account any relevant and applicable market precedents, any operational requirements of the Calculation Agent, any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;

(3) if a Successor Reference Rate or, failing which, an Alternative Reference Rate (as applicable) is determined by the Issuer, following consultation with the relevant Independent Adviser (if applicable) in accordance with this Condition 5(c)(vii):

    (a) such Successor Reference Rate or Alternative Reference Rate (as applicable) (in either case subject to the subsequent operation of, and adjustment as provided in, this Condition 5(c)(vii) shall subsequently be used in place of the relevant Original Reference Rate for, in the case of Floating Rate Notes, all future Interest Periods or, in the case of Reset Notes, all future Reset Interest

Periods, as the case may be, for which the Rate of Interest (or the relevant component part thereof) was otherwise to be determined by reference to the relevant Original Reference Rate);

(b) the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner):

(i) shall determine an Adjustment Spread (which may be expressed as a specified quantum, or a formula or methodology for determining the applicable Adjustment Spread (and, for the avoidance of doubt, an Adjustment Spread may be positive, negative or zero)), which shall be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) for, in the case of Floating Rate Notes all future Interest Periods or, in the case of Reset Notes, all future Reset Interest Periods, as the case may be for which the Rate of Interest (or the relevant component thereof) is to be determined by reference to the relevant Original Reference Rate; and

(ii) the Issuer, following consultation with the relevant Independent Adviser (if applicable) (acting in good faith and in a commercially reasonable manner) may in its discretion specify:

(A) changes to these Conditions, the Agency Agreement or the Trust Deed, as applicable, in order to follow market practice in relation to the relevant Successor Reference Rate or Alternative Reference Rate and, in either case, any Adjustment Spread (as applicable), including, but not limited to changes to (1) the Additional Business Centre(s), Business Day, Business Day Convention, Day Count Fraction, Determination Date, Reset Reference Rate, Reference Banks, Reset Reference Banks, Relevant Financial Centre, Relevant Screen Page, Relevant Time and/or Reset Interest Determination Date (as applicable) applicable to the Notes, and/or (2) the method for determining the fallback to the Rate of Interest in relation to the Notes if such Successor Reference Rate or Alternative Reference Rate (as applicable) is not available; and

(B) any other changes to these Conditions which the Issuer, following consultation with the relevant Independent Adviser (if applicable) determines are reasonably necessary to ensure the proper operation and comparability to the Original Reference Rate of such Successor Reference Rate or Alternative Reference Rate (as applicable) and, in either case, the Adjustment Spread, which changes (such changes as described in (A) and (B) above, the "**Benchmark Amendments**") shall apply to the Notes for, in the case of Floating Rate Notes, all relevant future Interest Periods or, in the case of Reset Notes, all relevant future Reset Interest Periods, as the case may be subject to the subsequent operation of, and adjustment as provided in, this Condition 5(c)(vii); and

(c) promptly following the determination of any Successor Reference Rate or Alternative Reference Rate (as applicable) and, in either case, an Adjustment Spread and any Benchmark Amendments, the Issuer shall give notice thereof and of any changes (and the effective date thereof) pursuant to this Condition 5(c)(vii) to the Paying and Transfer Agents, any Calculation Agent, the Trustee, each Stock Exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*); and

(d) The Issuer shall, when it delivers the notice to the Trustee pursuant to Condition 5(c)(vii)(3)(c), also deliver to the Trustee and the Agents a certificate signed by two authorised signatories of the Issuer confirming, in the Issuer's reasonable opinion (following consultation with the Independent Adviser, if such Independent Adviser is appointed pursuant to Condition 5(c)(vii)), (i) that a Benchmark Event has occurred, (ii) the Successor Reference Rate or Alternative Reference Rate (as applicable), (iii) in either case, an Adjustment Spread, and (iv) the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(c)(viii)(3)(d). The Trustee, the Calculation Agent and the Agents shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. The Successor Reference Rate or Alternative Reference Rate (as applicable) or where applicable, any Adjustment Spread and any Benchmark Amendments, and without prejudice to the ability of the Trustee and the Agents (as applicable) to rely on such certificate, will be binding on the Issuer, the Trustee, the Calculation Agent, the Agents and the Noteholders.

Each of the Trustee, the Calculation Agent and the Agents shall, at the direction and expense of the Issuer, but subject to receipt by the Trustee, the Calculation Agent and the Agents of a certificate (as aforesaid), concur with the Issuer in effecting the Benchmark Amendments to the Trust Deed, the Agency Agreement and the Conditions as the Issuer shall direct in writing that may be required to give effect to this Condition 5(c)(vii). Neither the Trustee, the Calculation Agent nor the Agents shall be liable to any party for any consequences of complying with such written direction of the Issuer, save as provided in the Trust Deed or the Agency Agreement; provided that neither the Trustee, the Calculation Agent nor the Agents shall be obliged to effect the Benchmark Amendments if, in the sole opinion of the Trustee or, as the case may be, the Calculation Agent or the Agents, doing so would impose more onerous obligations on it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or protective provisions afforded to the Trustee or, as the case may be, the Calculation Agent or the Agents in the Conditions, the Agency Agreement or the Trust Deed (including, for the avoidance of doubt, any supplemental Trust Deed) in any way.

No consent of the Noteholders shall be required in connection with effecting the Benchmark Amendments or the relevant Successor Reference Rate or Alternative

Reference Rate (as applicable) as described in this Condition 5(c)(vii) or such other relevant changes pursuant to Condition 5(c)(vii)(b)(2), including for the execution of any documents or the taking of other steps by the Issuer or any of the parties to the Trust Deed and/or the Agency Agreement (if required).

For the avoidance of doubt, if (i) a Successor Reference Rate or an Alternative Reference Rate is not determined pursuant to the operation of this Condition 5(c)(vii) prior to the relevant Final Determination Cut-off Date, or (ii) a Benchmark Event has not occurred, then the Rate of Interest for the next Interest Period shall be determined by reference to the fallback provisions of Conditions 5(b)(iii) or 5(c)(ii)(B), as applicable. For the avoidance of doubt this Condition 5(c)(vii) shall apply to the determination of the Rate of Interest (or any component part thereof) on the relevant Interest Determination Date only, and the Rate of Interest (or any component thereof) applicable to any subsequent Interest Period(s).

If in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(c)(vii), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing (which direction may be by way of a written determination of an Independent Adviser) as to which course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination as a result of its operational requirements for implementation and operation of the determined Successor Reference Rate, Alternative Reference Rate, any Adjustment Spread and any Benchmark Amendments, it shall notify the Issuer thereof and the Calculation Agent shall not incur any liability for any failure to make such calculation or determination which arises as a result thereof, save as set out in the Agency Agreement and in the case of its negligence, fraud or wilful default. For the avoidance of doubt, neither the Trustee nor any Agent shall be obliged to monitor or enquire whether a Benchmark Event has occurred or have any liability in respect thereof.

Notwithstanding any other provision of this Condition 5(c)(vii), no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted and no other amendments to the terms of the Notes will be made pursuant to this Condition 5(c)(vii), if any, to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as, in the case of Subordinated Notes, Tier 2 Capital of the Issuer.

For the purposes of these Conditions:

"**Adjustment Spread**" means either (x) a spread (which may be positive, negative or zero) or (y) a formula or methodology for calculating a spread, which, in either case, is to be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(A) in the case of a Successor Reference Rate, is formally recommended in relation to the replacement of the Original Reference Rate with such Successor Reference Rate by any Relevant Nominating Body; or

(B) in the case of a Successor Reference Rate (where (i) does not apply) or in the case of an Alternative Reference Rate, the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by such Successor Reference Rate or Alternative Reference Rate (as applicable); or

(C) if no such recommendation or option has been made (or made available) and the Issuer, following consultation with the relevant Independent Adviser (if applicable) determines that neither (i) nor (ii) applies, the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) in its discretion determines to be appropriate to reduce or eliminate, to the extent practicable in the circumstances, any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Reference Rate or the Alternative Reference Rate (as the case may be);

"**Alternative Reference Rate**" means an alternative benchmark or screen rate that the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in respect of debt securities denominated in the Specified Currency and of a comparable duration:

(A) in the case of Floating Rate Notes, to the relevant Interest Periods; or

(B) in the case of Reset Notes, to the relevant Reset Interest Periods,

or in any case if the Issuer, following consultation with the relevant Independent Adviser (if applicable) determines that there is no such rate, such other rate as the Issuer, following consultation with the relevant Independent Adviser (if applicable) determines in its discretion is most comparable to the Original Reference Rate;

"**Benchmark Event**" means:

(A) the Original Reference Rate ceasing to exist or be published; or

(B) the later of (1) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (2) the date falling six months prior to the specified date referred to in (B)(2); or

(C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued; or

(D) the later of (1) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (2) the date falling six months prior to the specified date referred to in (D)(1); or

(E) the later of (1) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (2) the date falling six months prior to the specified date referred to in (E)(1); or

(F) it has or will prior to (in the case of Floating Rate Notes) the next Interest Determination Date or (in the case of Reset Notes) the next Reset Determination Date (as applicable) become unlawful for the Issuer, the Agent, the Calculation Agent, any other party specified in the applicable Pricing Supplement, as being responsible for calculating the Rate of Interest or any Paying Agent to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate; or

(G) the making of a public statement by the supervisor of the administrator of such Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used;

"**Final Determination Cut-off Date**" means:

(A) in the case of Floating Rate Notes, in any Interest Period, the date that is no later than three Business days prior to the Interest Determination Date relating to the next succeeding Interest Period; or

(B) in the case of Reset Notes, in any Reset Interest Period, the date that is no later than three Business Days prior to the Reset Interest Determination Date relating to the next succeeding Reset Interest Period;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense;

"**Initial Determination Cut-off Date**" means:

(A) in the case of Floating Rate Notes, in any Interest Period, the date that is no later than five Business Days prior to the Interest Determination Date relating to the next succeeding Interest Period; or

(B) in the case of Reset Notes, in any Reset Interest Period, the date that is no later than five Business Days prior to the Reset Interest Determination Date relating to the next succeeding Reset Interest Period;

"**Original Reference Rate**" means:

(A) the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) of the Notes; or

(B) any Successor Reference Rate or Alternative Reference Rate which has been determined in relation to such benchmark or screen rate (as applicable) pursuant to the operation of Condition 5(c)(vii);

"**Relevant Nominating Body**" means, in respect of an Original Reference Rate:

(A) the central bank for the currency to which such Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such Original Reference Rate; or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which such Original Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of such Original Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof; and

"**Successor Reference Rate**" means the rate that the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(viii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(c), whether by the Calculation Agent or the Trustee or the Paying and Transfer Agents shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Calculation Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Note have been paid by the Issuer; and

(ii) as provided in Clauses 2.2(b) and (c) of the Trust Deed.

6. Payments

(a) *Method of payment*

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Save as provided in Condition 8 (*Taxation*), payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer or the Agent agree to be subject and neither the Issuer nor the Agent will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(b) *Presentation of definitive Bearer Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case only at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum of principal due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon *provided that* such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note only at the specified office of any Paying Agent outside the United States or its possessions. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *Payments in respect of Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") at the close of business on the Record Date (as defined below). Notwithstanding the previous sentence, if:

(i) a holder does not have a Designated Account; or

(ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register:

(iii) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date; and

(iv) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at its address shown in the Register on the Record Date and at its risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for its share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition 6, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) the Issuer delivers to the Trustee a legal opinion (in a form and substance satisfactory to the Trustee) to the effect that such payment is then permitted under United States law and will not result in adverse tax consequences to the Issuer or holders of such Notes (such opinion the Trustee will be able to rely upon absolutely).

(f) *Payment Day*

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only, the relevant place of presentation;

(B) each Additional Financial Centre specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);

(ii) either:

(A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars; or New Zealand dollars shall be Sydney and Auckland, respectively); or

(B) in relation to any sum payable in euro, a day on which the TARGET2 System or any successor thereto is open; and

(iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) *Interpretation of principal and interest*

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(g) (*Early Redemption Amounts*)); and

(vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. Redemption and Purchase

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

(i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the Issue Date of the first Tranche of Notes in the relevant Series, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) (a "**Change in Tax Law**"); and

(ii) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

it being understood and agreed that any additional amounts that become payable as a result of the expiration of the exemption contemplated by the Nigerian Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 (the "**CIT Order**") shall not be treated as a Change in Tax Law.

The Issuer may (in the case of Subordinated Notes, subject to having obtained the prior approval of the CBN (if required pursuant to the Applicable Banking Regulations)) at its option, having given not less than 30 nor more than 60 days' notice (or such other period as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)) to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their Early Redemption Amount together with interest accrued to but excluding the date of redemption, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph (b), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the requirement referred to in (i) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If the Issuer Call is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice (or such other period as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)) to the Noteholders in accordance with Condition 14 (*Notices*); and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), subject, in the case of Subordinated Notes, to having obtained the prior approval of the CBN if required pursuant to the Applicable Banking Regulations, redeem all or some only (as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)) of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be). In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Bearer Notes or, in respect of definitive Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate nominal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate nominal amount of outstanding Notes on such date and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) at least five days prior to the Selection Date.

(d) *Early Redemption of Subordinated Notes at the Option of the Issuer following a Capital Disqualification Event*

This Condition 7(d) only applies to Subordinated Notes.

If the Capital Disqualification Event Call is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), if a Capital Disqualification Event occurs, the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice (or such other period as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)) to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), at any time redeem all but not some only of the Subordinated Notes, subject to having obtained the prior approval of the CBN if required pursuant to the Applicable Banking Regulations, at the principal amount then outstanding together with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 7(d), the Issuer shall deliver to the Trustee:

(i) a copy of the circular, notification, directive or other official policy communique evidencing such Capital Disqualification Event (a "**CBN Communication**"); and

(ii) a certificate signed by two directors of the Issuer stating that:

(A) the Issuer has consulted with the CBN following the release of the relevant CBN Communication;

(B) (if required by the Applicable Banking Regulations) the CBN has given its approval or the approval of the CBN is not required; and

(C) a Capital Disqualification Event has occurred, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions in this Condition 7(d), in which case it shall be conclusive and binding on the Noteholders.

For the purposes of this Condition 7(d), Condition 7(c) (*Redemption at the option of the Issuer* (*Issuer Call*)) and Condition 7(h) (*Purchases*):

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines, guidance notes, and policies relating to capital adequacy then in effect in Nigeria including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the CBN (whether or not such requirements, guidelines, guidance notes, or policies have the force of law and whether or not they are applied generally or specifically to the Issuer).

"**Capital Disqualification Event**" means if, as a result of any change in the Applicable Banking Regulations which are in effect on the date of the issue of the first Tranche of Notes of the relevant Series, or the application or official interpretation thereof, the principal amount outstanding of the relevant Subordinated Notes is fully excluded from inclusion as tier 2 capital of the Issuer under the Applicable Banking Regulations (save where such exclusion is only as a result of any application of limits on the inclusion of such securities in tier 2 capital).

(e) *Redemption at the option of the Noteholders (Investor Put)*

This Condition 7(e) only applies to Senior Notes.

If the Investor Put is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), upon the holder of any Note giving to the Issuer, in accordance with Condition 14 (*Notices*), not less than 30 nor more than 60 days' notice (or such other period as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7(e) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of a particular Note, the holder of such Note must, if the Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg and DTC, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during normal business hours of such Paying Agent, or as the case may be, the Registrar in accordance with the notice period specified in the paragraph immediately above, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, or as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of a partial redemption of Registered Notes, the nominal amount thereof to be redeemed and an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b) (*Transfers of Registered Notes in definitive form*). If the relevant Note is in definitive bearer form the Put Notice must be accompanied by this Note together with all unmatured Coupons relating thereto. If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this

Note, the holder of this Note must, within the notice period, give notice to any Paying Agent and the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any depository or common depositary, as the case may be, for any of them to any such Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time and, if the relevant Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to such Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC by a holder of any Note pursuant to this Condition 7(e) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7(e).

(f) *Redemption or Purchase at the option of the Noteholders on a Put Event (Change of Control Put)*

This Condition 7(f) only applies to Senior Notes.

If the Change of Control Put is specified as applicable in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and if at any time while any Note remains outstanding:

(i) a Change of Control occurs; and

(ii) within the Change of Control Period:

(A) if the Notes are rated, a Rating Downgrade in respect of that Change of Control occurs; or

(B) if the Notes are not rated, a Negative Rating Event in respect of that Change of Control occurs (in either case, a "**Put Event**"),

each holder of the Notes shall have the option (unless, before the giving of the Put Event Notice (as defined below), the Issuer shall have given notice under Condition 7(b) (*Redemption for tax reasons*) to redeem the Notes) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) any of its Notes at their principal amount together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the Put Date (as defined below). Registered Notes may be redeemed under this Condition 7(f) in any multiple of their lowest Specified Denomination. Such option (the "**Put Option**") shall operate as set out below.

If a Put Event occurs then, within 14 days of the occurrence of the Put Event, the Issuer shall, and upon the Trustee becoming so aware (and the Issuer having failed to do so) the Trustee may, and, if so requested by the holders of at least one fifth in principal amount of the Notes then outstanding, shall, give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the Put Option.

To exercise the Put Option, a holder of a Note must, if the Note is in definitive form and held outside Euroclear, Clearstream Luxembourg and/or DTC, deliver to the specified office of any Paying Agent (in the case of a Bearer Note) or the Registrar (in the case of a Registered Note) on any Business Day (as defined in Condition 5 (*Interest*)) falling within the period commencing on the occurrence of a Put Event and ending 60 days after such occurrence or, if later, 60 days after the date on which the Put Event Notice is given to Noteholders as required by this Condition 7(f) (the "**Put Period**"), a Put Notice in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7(f) and, in the case of a partial redemption of a Registered Note, the nominal amount thereof to be redeemed and an address to which a new Registered Note in respect of the balance of such Registered Note is to be sent subject to and in accordance with the provisions of Condition 2(b) (*Transfers of Registered Notes in definitive form*). If the Note is in definitive bearer form, the Put Notice must be accompanied by this Note and all unmatured Coupons relating thereto. If the Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream Luxembourg or DTC, to exercise the right to require redemption of the Note the holder of the Note must, within the Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream Luxembourg and/or DTC, as applicable (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary or common depositary, as the case may be, for any of them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and/or DTC, as applicable from time to time and, if the Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly.

The Issuer shall at its option redeem or purchase (or procure the purchase of) the Notes the subject of each Put Event Notice given under this Condition 7(f) on the date (the "**Put Date**") which is seven days after the expiration of the Put Period unless previously redeemed or purchased and cancelled. A Put Event Notice given by a holder of any Note pursuant to this Condition 7(f) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7(f).

The Trustee shall not be required to take any steps to ascertain whether a Put Event or any event which could lead to the occurrence of a Put Event has occurred and will not be responsible or liable to Noteholders for any loss arising from any failure by it to do so.

For the purposes of this Condition 7(f):

"**Change of Control**" shall be deemed to have occurred if any person or any persons acting in concert, or any person or persons acting on behalf of any such persons, (the "**Relevant Person**") at any time directly or indirectly owns or acquires:

(i) more than 50.0 per cent. of the issued or allotted ordinary share capital of the Issuer; or

(ii) shares in the capital of the Issuer carrying more than 50.0 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, *provided that* a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Issuer with the same (or substantially the same) *pro rata* interests in the share capital of the Relevant Person as such shareholders have, or as the case may be, had, in the share capital of the Issuer.

"**Change of Control Period**" means the period commencing on the earlier of:

(i) the date of the relevant Change of Control; and

(ii) the date of the earliest Relevant Potential Change of Control Announcement (if any) and ending 180 days after the public announcement of the Change of Control having occurred.

"**Investment Grade Rating**" means a rating of at least BBB- (or equivalent thereof) in the case of S&P and Fitch (as defined below) or a rating of at least Baa3 (or equivalent thereof) in the case of Moody's (as defined below) or the equivalent rating in the case of any other Rating Agency.

"**Negative Rating Event**" shall be deemed to have occurred if:

(i) the Issuer does not within the Change of Control Period seek, and thereafter use all reasonable endeavours, to obtain from a Rating Agency, a rating in respect of the Notes; or

(ii) the Issuer does so seek a rating and use such endeavours and it has not, at the expiry of the Change of Control Period and as a result of such Change of Control, obtained a rating in respect of the Notes, *provided that* the Rating Agency publicly announces or publicly confirms in writing that its declining to assign a rating in respect of the Notes was the result of the applicable Change of Control.

"**Rating Agency**" means Standard & Poor's Credit Market Services Europe Limited ("**S&P** ") and Fitch Ratings Ltd. ("**Fitch**") or any of their affiliates or respective successors or any other rating agency of equivalent international standing specified from time to time by the Issuer, *provided that* references herein to a Rating Agency shall only be to such Rating Agency as shall have been appointed by or on behalf of the Issuer to maintain ratings for its senior unsecured debt (regardless of whether the appointment of the relevant Rating Agency continues at the time the relevant Rating Downgrade or Negative Rating Event, as applicable, has occurred) and shall not extend to any such Rating Agency providing ratings on an unsolicited basis.

"**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is:

(i) withdrawn and not subsequently reinstated within the Change of Control Period; or

(ii) lowered one full rating category (for example, from BB+ to BB by S&P or such similar lower or equivalent rating) and not subsequently upgraded within the Change of Control Period; or

(iii) (if the rating assigned to the Notes by any Rating Agency shall be an Investment Grade Rating) changed from an Investment Grade Rating to a non-Investment Grade Rating (for example, from BBB- to BB+ by S&P, or its equivalent for the time being, or worse) and not subsequently upgraded to an Investment Grade Rating within the Change of Control Period, *provided that* a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the withdrawal or reduction was the result of the applicable Change of Control.

"**Relevant Potential Change of Control Announcement**" means any public announcement or statement by or on behalf of the Issuer, or any actual or potential bidder or any advisor thereto relating to any potential Change of Control where, within 180 days of the date of such announcement or statement, a Change of Control occurs.

(g) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 10 (*Events of Default and Enforcement*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) or, if no such amount or manner is so specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), at its nominal amount; or

(iii) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = $RP\ X\ (1+AY)^{y}$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and y is a Day Count Fraction the numerator of which is equal to the number of days (calculated on the basis of a 360 day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360, or on such other calculation basis as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

(h) *Purchases*

The Issuer or any Subsidiary of the Issuer may at any time (subject in the case of Subordinated Notes to obtaining any consent that may be required by the CBN, if required pursuant to the Applicable Banking Regulations) purchase Notes (*provided that*, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes surrendered pursuant to paragraph (h) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d), (e) or (f) above or upon its becoming due and repayable as provided in Condition 10 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in subparagraph (g)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(A) the date on which all amounts due in respect of such Zero Coupon Note have been paid by the Issuer; and

(B) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

8. Taxation

All payments in respect of the Notes and Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of or within any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders or Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect to any Note or Coupon:

(a) presented or surrendered for payment (where presentation or surrender is required) in Nigeria; or

(b) held by or on behalf of a holder who is liable to the Taxes in respect of the Note or Coupon by reason of its having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

(c) presented or surrendered for payment (where presentation or surrender is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder would have been entitled to additional amounts on presenting or surrendering the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a Business Day (as defined in Condition 5 (*Interest*)).

As used herein:

(i) "**Relevant Date**" means the date on which the payment first becomes due, but if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent or the Registrar, as the case may be, on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 14 (*Notices*); and

(ii) "**Relevant Jurisdiction**" means the Federal Republic of Nigeria or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes or Coupons.

Notwithstanding any other provisions contained in these Conditions, each of the Issuer or any other person making payments on behalf of the Issuer shall be entitled to deduct and withhold as required, and shall not be required to pay any additional amounts with respect to any such withholding or deduction on or in respect of any Note that is required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (commonly referred to as "**FATCA**"), or otherwise imposed pursuant to Sections 1471 through 1474 of FATCA, any treaty, law, regulation or other official guidance or interpretation thereof enacted by any jurisdiction implementing FATCA, any agreement between the Issuer or any other person and the United States or any jurisdiction implementing FATCA, or any law of any jurisdiction implementing an intergovernmental approach to FATCA.

9. Prescription

The Notes (whether in bearer or registered form) and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) (*Presentation of definitive Bearer Notes and Coupons*) or any Talon which would be void pursuant to Condition 6(b) (*Presentation of definitive Bearer Notes and Coupons*).

10. Events of Default and Enforcement

(a) *Events of Default relating to the Senior Notes*

This Condition 10(a) only applies to Senior Notes.

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified, prefunded and/or provided with security by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expense which may be incurred by it in connection therewith), (but, in the case of the occurrence of any of the events described in sub-paragraphs (ii) to (v) (other than the winding-up or dissolution of the Issuer) and, (vi) to (viii) inclusive and (xi) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing ("**Events of Default**"):

(i) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and, in the case of any default in the payment of interest, the default continues for a period of five Business Days; or

(ii) if the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) if:

(A) any Indebtedness of the Issuer or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described);

(B) the Issuer or any Material Subsidiary fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any originally applicable grace period;

(C) any security given by the Issuer or any Material Subsidiary for any Indebtedness becomes enforceable and steps are taken to enforce the same; or

(D) default is made by the Issuer or any Material Subsidiary in making any payment due under any Indebtedness consisting of any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person, unless the aggregate amount of Indebtedness relating to all the above events is less than U.S.$10,000,000 (or its equivalent in any other currency); or

(iv) if the aggregate amount of final non-appealable unsatisfied judgments, orders or arbitration awards against the Issuer and the Material Subsidiaries exceeds U.S.$10,000,000 (or its equivalent in any other currency) and such judgments, orders and/or arbitration awards are not discharged, satisfied and/or stayed within 30 days or, if later, the date therein specified for payment; or

(v) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any Material Subsidiary, save:

(A) for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(B) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or

(C) the Trustee is satisfied that the Issuer or Material Subsidiary, as the case may be, is contesting such order or resolution in good faith; or

(vi) if the Issuer or any Material Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business, save, in the case of the Issuer, for a consolidation or merger (as defined in Condition 4(d) (*No Consolidation or Merger*)) consented to by the Trustee pursuant to, or permitted under, Condition 4(d) (*No Consolidation or Merger*) or, in any case, for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, or the Issuer or any

Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(vii) if:

(A) proceedings are initiated against the Issuer or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Material Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them, and

(B) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within 30 days, save, in each case, or for the purposes of or pursuant to an amalgamation, reorganisation or restructuring of the Issuer whilst solvent or where the Trustee is satisfied that the Issuer or Material Subsidiary, as the case may be, is contesting such proceedings, application, appointment, taking of possession or process in good faith; or

(viii) if the Issuer or any Material Subsidiary (or their respective directors) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(ix)

(A) if the banking licence of the Issuer issued by the CBN is terminated, revoked or suspended and is not replaced; or

(B) any licence from any governmental authority which the Issuer or a Material Subsidiary holds and which is necessary for the Issuer or such Material Subsidiary to carry on its business, is terminated, revoked or suspended and in any such case is not replaced; or

(x)

(A) if all or a substantial part in the opinion of the Trustee, of the undertaking, assets and/or revenues of the Issuer or any Material Subsidiary is condemned, seized, nationalised or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or

(B) if the Issuer or any Material Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and/or revenues (including where any government, Agency or court takes any action to the effect that the management of the Issuer or any Material Subsidiary is wholly or partially displaced or the authority of any such member of the Group in the conduct of its business is wholly or partially curtailed); or

(xi) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in sub-paragraphs (iv) to (viii) above.

(b) *Events of Default relating to Subordinated Notes*

This Condition 10(b) only applies to Subordinated Notes.

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith), give notice in writing to the Issuer that each Note is, and all amounts due under each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

(i) default is made in the payment of any principal or interest due in respect of the Subordinated Notes or any of them and, in the case of any default in the payment of interest, the default continues for a period of 5 Business Days; or

(ii) a Subordination Event occurs; or

(iii) any order is made by any competent court or resolution is passed for the winding-up, dissolution or liquidation of the Issuer,

and:

(x) in the case of sub-paragraph (i) above, may at its discretion and without further notice institute proceedings for the Issuer to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for the Issuer's winding-up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of the Issuer; and/or

(y) in the case of sub-paragraph (ii) or (iii) above, claim or prove in the winding-up, dissolution or liquidation of the Issuer,

but (in either case) may take no further or other action to enforce, claim or prove for any payment by the Issuer in respect of the Subordinated Notes and may only claim such payment in the winding-up, dissolution or liquidation of the Issuer.

(c) *Enforcement of Senior Notes*

This Condition 10(c) only applies to Senior Notes.

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless:

(i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding; and

(ii) it shall have been indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expense which may be incurred by it in connection therewith.

(d) *Enforcement of Subordinated Notes*

This Condition 10(d) only applies to Subordinated Notes.

In addition to its rights under Condition 10(b) (*Events of Default relating to Subordinated Notes*) above, the Trustee may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expense which may be incurred by it in connection therewith), institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the terms of the Notes (other than any obligation for the payment of any principal or interest in respect of the Notes) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums in respect of any breach of any such obligation, condition or provision sooner than the same would otherwise have been payable by it pursuant to the Events of Default set out in Conditions 10(b)(i) to (iii).

(e) *No direct proceedings*

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer to enforce the provisions of the Trust Deed unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise.

11. Replacement of Notes, Coupons and Talons

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, Registrar and/or Principal Paying Agent may require (*provided that* the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. Agents

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, *provided that*:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any Stock Exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the Stock Exchange; and

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e) (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

14. Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and, if the Bearer Notes are admitted to the Official List of the United Kingdom Financial Conduct Authority (the "**FCA**") and/or admitted to trading on the main market of the London Stock Exchange, if filed with the London Stock Exchange through a regulatory information service. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any other Stock Exchange on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail (or its equivalent) or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, and, if the Registered Notes are admitted to the Official List of the FCA and/or admitted to trading on the main market of the London Stock Exchange, if filed with the London Stock Exchange through a regulatory information service. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any other stock exchange or other relevant authority on which the Registered Notes are for the time being listed or by which they have been admitted to trading.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such delivery by mail or airmail by the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a Stock Exchange and the rules of that Stock Exchange so require, such notice will be published in a manner which complies with those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second business day (being, for the purposes of this paragraph of this Condition 14, a day on which Euroclear, Clearstream, Luxembourg and DTC are open for business) after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matters relating to the Notes including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee or Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in aggregate nominal amount of the Notes for the time being outstanding, or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the aggregate nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including, without limitation, (a) modifying the date of maturity of the Notes or any date for payment of interest thereon, (b) reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes (other than any variation arising from the discontinuation of any interest rate benchmark used to determine the amount of any payment in respect of the Notes), or (c) altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two thirds in aggregate nominal amount of the Notes for the time being outstanding, or, at any adjourned such meeting one or more persons holding or representing not less than one third in aggregate nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting and on all Couponholders. References to "**meeting**" shall include a meeting conducted by means of video or telephone conference facilities.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than three-quarters in aggregate nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Trust Deed also provides that, subject to the terms therein, a resolution approved by an Electronic Consent communicated through the electronic communications systems of the relevant clearing system by or on behalf of not less than three-quarters in aggregate nominal amount of the Notes outstanding shall take effect as an Extraordinary Resolution.

16. Substitution

The Trustee may at any time and without further notice or formality, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 16) as the principal debtor under the Notes, the Coupons and the Trust Deed of any of the Issuer's Subsidiaries or the Issuer's successor in business (the "**New Company**") subject to certain conditions set out in the Trust Deed being complied with, including a requirement for the Issuer or the Issuer's successor in business (as the case may be) to unconditionally and irrevocably guarantee the obligations of the New Company (unless the Issuer's successor in business is the New Company) under the Trust Deed and the Notes, such guarantee being, in the case of Subordinated Notes, subordinated on a basis considered by the Trustee to be equivalent to that referred to in Condition 3(b) in respect of the Issuer's obligations in respect of Subordinated Notes.

17. Indemnification of the Trustee and Trustee Contracting with the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expense which may be incurred by it in connection therewith.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*:

(a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries;

(b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders; and

(c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes; *provided that* any such further Notes of a relevant Series that are not fungible with the existing Notes of such Series for U.S. federal income tax purposes shall be issued under a separate ISIN, CUSIP or other applicable identifying number.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. Governing Law and Submission to Jurisdiction

(a) *Governing law*

The Trust Deed, the Agency Agreement, the Notes (except for Condition 3(b) (*Status of the Subordinated Notes*) and Condition 3(c) (*No Set-Off*) which shall be governed by, and construed in accordance with, Nigerian law) and the Coupons, and any non-contractual obligations arising out of or in connection with any of them, are governed by, and shall be construed in accordance with, English law.

(b) *Submission to jurisdiction*

The Issuer has irrevocably agreed, for the benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons or any non-contractual obligation arising out of or in connection with them and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Notes and the Coupons against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions if and to the extent permitted by law.

(c) *Appointment of process agent*

The Issuer appoints United Bank for Africa (UK) Ltd at 36 Queen Street, London EC4R 1BN, as its process agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to or received by the Issuer). The Issuer undertakes that, in the event of such agent ceasing so to act (for any reason whatsoever), it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(d) *Other documents*

The Issuer has in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the courts of England and appointed an agent for service of process in terms substantially similar to those set out above.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form ("**Bearer Notes**"), with or without interest coupons attached, or registered form, without interest coupons attached ("**Registered Notes**"). Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Section 4(a)(2) under the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the relevant Final Terms or the relevant Drawdown Prospectus, a permanent global note (a "**Permanent Global Note**", together with the Temporary Global Note, "**Bearer Global Notes**") which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A ("**Clearstream, Luxembourg**").

Bearer Notes will only be delivered outside the United States and its possessions.

Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will only be made (against presentation of the Temporary Global Note) outside the United States and its possessions and only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury Regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the relevant Final Terms or the relevant Drawdown Prospectus and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the relevant Final Terms or the relevant Drawdown Prospectus), in each case against certification of beneficial ownership as described above unless such certification has already been given. Notes in Bearer Form will only be delivered outside the United States and its possessions. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made only outside the United States and its possessions through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note) without any requirement for certification.

The relevant Final Terms or the relevant Drawdown Prospectus will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 10 (*Events of Default and Enforcement*)) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to that effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days (including unilateral roll-overs and extensions) and on all interest coupons or Talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE".

The sections of the Code referred to in the legend above provide that U.S. Holders (as defined in "*Taxation—United States*"), with certain limited exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Transfers of Registered Notes*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche offered and sold in reliance on Rule 144A may only be offered and sold in the United States or to U.S. persons in private transactions (i) to QIBs or (ii) to Institutional Accredited Investors who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, the "**Registered Global Notes**").

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC or (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the relevant Final Terms or the relevant Drawdown Prospectus. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("**Definitive IAI Registered Notes**"). Unless otherwise set forth in the relevant Final Terms or the relevant Drawdown Prospectus, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*". Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale and Transfer and Selling Restrictions*". The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d) (*Payments—Payments in Respect of Registered Notes*)) as the registered holder of the Registered Global Notes. None of the Bank, any Paying Agent, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d) (*Payments—Payments in Respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system satisfactory to the Trustee is available or DTC has ceased to constitute a clearing agency registered under the Securities Exchange Act of 1934 (as amended) ("**Exchange Act**"), (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to that effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See "*Subscription and Sale and Transfer and Selling Restrictions*".

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a temporary common code and ISIN and, where applicable, a temporary CUSIP number which are different from the common code, ISIN and CUSIP assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the relevant Final Terms or the relevant Drawdown Prospectus or as may otherwise be approved by the Issuer, the Agent and the Trustee.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The following Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]."

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][1]

[**UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of the United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended ("**EUWA**") ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][2]

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II][Directive 2014/65/EU (as amended, "**MiFID II**")]; or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of United Kingdom domestic law by virtue of the [European Union (Withdrawal) Act 2018, as amended ("**EUWA**")] [EUWA]; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the United Kingdom domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[1] Legend to be included following completion of the target market assessment in respect of the Notes.
[2] Legend to be included following completion of the target market assessment in respect of the Notes.

[**NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME** (**THE** "**SFA**") **-** Pursuant to Section 309B of the SFA or Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][3]

[*Date*]

UNITED BANK FOR AFRICA PLC

Legal Entity Identifier (LEI): 0292002067E3RH4D8768

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the U.S.$1,500,000,000

Global Medium Term Note Programme

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 8 November 2021 [and the supplemental Prospectus dated [●]] ([together,] the "**Base Prospectus**") which [together] constitute[s] a base prospectus for the purposes of the Regulation (EU) 2017/1129 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK Prospectus Regulation**"). [This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation Rules sourcebook in the FCA Handbook (the "**UK Prospectus Rules**") and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus][4]. [This document does not constitute the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation, as these Notes are not being issued pursuant to the UK Prospectus Regulation. This document must be read in conjunction with the Base Prospectus][5]. The Base Prospectus and Final Terms have been published on the website of London Stock Exchange.

[*Include whichever of the following apply or specify as* "*Not Applicable*". *Note that the numbering should remain as set out below, even if* "*Not Applicable*" *is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

1.	Issuer:		United Bank for Africa Plc
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	(c)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of the Series*] on [[*insert date*]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below [which is expected to occur on or about [*insert date*]].]
	(d)	Trade Date:	[●]
3.	Specified Currency or Currencies:		[●]

3 Notice to be included if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA.

4 Include this wording where the Notes are to be issued pursuant to the UK Prospectus Regulation.

5 Include this wording where the Notes are not to be issued pursuant to the UK Prospectus Regulation.

4.	Aggregate Nominal Amount:		
	(a)	Series:	[●]
	(b)	[Tranche]:	[●]
5.	Issue Price:		[●] per cent. of the aggregate nominal amount [plus accrued interest from [*insert date*] *(if applicable)*]
6.	(a)	Specified Denominations:	[●] (*N.B. Where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used the following language should be used)*: ("*[€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]*") (*in the case of Registered Notes, this means the minimum integral amount in which transfers can be made*)
	(b)	Calculation Amount:	[●] (*If there is only one Specified Denomination, insert that Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. there must be a common factor in the case of two or more Specified Denominations*)
7.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date	[[*specify*]/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:		[*Fixed rate – specify date/Floating rate –* Interest Payment Date falling in or nearest to [*specify month and year*]]
9.	Interest Basis:		[[●] per cent. Fixed Rate] [Reset Notes] [●] month [LIBOR/EURIBOR] +/- [●] per cent. [Floating Rate] [Zero Coupon] (See *paragraph 14/15/16/17* below)
10.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed

			on the Maturity Date at 100 per cent. of their nominal amount
11.	Change of Interest Basis or Redemption/Payment Basis:		[For the period from (and including) the Interest Commencement Date, up to (but excluding) [●], paragraph [14/15/16/17] below applies, and, for the period from (and including) [●] up to (and including) the Maturity Date, paragraph [14/15/16/17] below applies]/[Not Applicable]
12.	Put/Call Options:		[Not Applicable] [Investor Put] [Change of Control Put] (*Note: this will only be applicable in the case of Senior Notes*) [Issuer Call] [Capital Disqualification Event Call] (*Note: this will only be applicable in the case of Subordinated Notes*) [(See *paragraph*[*s*] [*19/20/*21] below)]
13.	(a)	Status of the Notes:	[Senior/Subordinated], unsecured
	(b)	Date Board approval for issuance of Notes obtained:	[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [[annually/semi-annually/quarterly/specify other] in arrear]]
	(b)	Interest Payment Date(s):	[[●][, [●], [●]] [and [●]] in each year[, commencing on [●], up to and including the [Maturity Date]/[●]]] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c)	Fixed Coupon Amount(s):	[●] per Calculation Amount (*Applicable to Notes in definitive form.*)
	(d)	Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling in/on [●]][Not Applicable] (*Applicable to Notes in definitive form.*)
	(e)	Day Count Fraction:	[Actual/Actual (ICMA)] / [30/360]
	(f)	[Determination Date(s):]	[[●] in each year][Not Applicable]

			(*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration* *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
15.	Reset Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Initial Rate of Interest:	[●] per cent. per annum [payable [[annually/semi-annually/quarterly/specify other] in arrear]]
	(b)	First Reset Margin:	[+/-][●] per cent. per annum
	(c)	Subsequent Reset Margin:	[[+/-][●] per cent. per annum/ Not Applicable]
	(d)	Interest Payment Date(s):	[[●] in each year and up to and including the Maturity Date] (*NB: This will need to be amended in the case of long or short coupons*)
	(e)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[●] per Calculation Amount
	(f)	Broken Amount(s) up to (but excluding) the First Reset Date:	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]]/[Not Applicable]
	(g)	First Reset Date:	[●]
	(h)	Second Reset Date:	[[●]/Not Applicable]
	(i)	Subsequent Reset Date(s):	[[●] [and [●]]/Not Applicable]
	(j)	Relevant Screen Page:	[●]
	(k)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
	(l)	Mid-Swap Maturity:	[●]
	(m)	Mid-Swap Floating Leg Benchmark Rate:	[●]
	(n)	Reset Determination Date(s):	[●] (*specify in relation to each Reset Date*)
	(o)	Relevant Time:	[●]
	(p)	Day Count Fraction:	[30/360] / [Actual/Actual (ICMA)]
	(q)	Determination Date(s):	[●] in each year [*Insert interest payment dates, ignoring issue date or maturity date in the case of a long or*

		short first or last coupon] (NB: this will need to be amended in the case of regular interest payment dates which are not of equal duration) (NB: only relevant where Day Count Fraction is Actual/Actual (ICMA))
(r)	Reference Rate Replacement:	[Applicable/Not Applicable]
(s)	Additional Business Centre:	[[●]/Not Applicable]
(t)	Party responsible for calculating the Rate of Interest and Reset Notes Interest Amount (if not the Fiscal Agent):	[●]

16. Floating Rate Note Provisions: [Applicable/Not Applicable]

(*If not applicable, delete the remaining subparagraphs of this paragraph*)

(a)	Specified Period	[●] [subject to adjustment in accordance with the Business Day Convention set out in (c) below/not subject to any adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable] [Not Applicable] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert* "*Not Applicable*")
(b)	Specified Interest Payment Dates:	[●][, [●], [●]] [and [●]] in each year, commencing on [●], up to and including the [Maturity Date/[●]]] [subject to adjustment in accordance with the Business Day Convention set out in (c) below/not subject to any adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable] [Not Applicable] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert* "*Not Applicable*")
(c)	Business Day Convention	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(d)	Additional Business Centre(s):	[●]
(e)	Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination] [●]

(f)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[●]
(g)	Screen Rate Determination:	
	• Reference Rate:	[[●] month][LIBOR/EURIBOR]
	• Interest Determination Date(s):	[Second London business day prior to the start of each Interest Period]/[First day of each Interest Period] [Second day on which the TARGET2 System is open prior to the start of each Interest Period] [Second Lagos business day prior to the start of each Interest Period]/[First day of each Interest Period] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second if EURIBOR or euro LIBOR, and second Lagos business day prior to the start of each Interest Period if NIBOR*) [●]
	• Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	• Relevant Financial Centre:	[London/Brussels/*specify other*]
	• Reference Rate Replacement:	[Applicable/Not Applicable]
(h)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●] (*Only applicable where the Floating Rate Option is not an overnight rate*) (*If specified Designated Maturity applies to some Interest Accrual Periods only, repeat on subsequent rows until all relevant Interest Accrual Periods are specified*)
	• Reset Date:	[●] (*Only applicable where the Floating Rate Option is not an overnight rate, otherwise the Reset Date is set as the last day of the relevant Interest Period*)

•	Compounding:	[Applicable][Not Applicable] (*Only applicable where the Floating Rate Option is an overnight rate*)
(I)	OIS Compounding:	[Applicable][Not Applicable]
(II)	Compounding with Lookback:	[Applicable][Not Applicable] Lookback: [●] (*If no number is specified, and there is no default applicable to the Floating Rate Option, the default value will be five*)
(III)	Compounding with Observation Period Shift:	[Applicable][Not Applicable] Observation Period Shift: [●] (*If no number is specified, and there is no default applicable to the Floating Rate Option, the default value will be five*) [Observation Period Shift Additional Business Day: [●]] Set in Advance: [Applicable][Not Applicable]
(IV)	Compounding with Lockout:	[Applicable][Not Applicable] Lockout: [●] (*If no number is specified, and there is no default applicable to the Floating Rate Option, the default value will be five*)
•	Averaging:	[Applicable][Not Applicable]
	(I) Overnight Average:	[Applicable][Not Applicable]
	(II) Averaging with Lookback:	[Applicable][Not Applicable] Lookback: [●] (*If no number is specified, and there is no default applicable to the Floating Rate Option, the default value will be five*)
	(III) Averaging with Observation Period Shift:	[Applicable][Not Applicable] Observation Period Shift: [●] *(If no number is specified, and there is no default applicable to the Floating Rate Option, the default value will be five)* [Observation Period Shift Additional Business Day: [●]] Set in Advance: [Applicable][Not Applicable]

	(IV)	Averaging with Lockout:	[Applicable][Not Applicable] Lockout: [●] (*If no number is specified, and there is no default applicable to the Floating Rate Option, the default value will be five*)
	(i)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation *(specify for each short or long interest period*)]
	(j)	Margin(s):	[+/-] [●] per cent. per annum
	(k)	Minimum Rate of Interest:	[[●] per cent. per annum][Not Applicable]
	(l)	Maximum Rate of Interest:	[[●] per cent. per annum][Not Applicable]
	(m)	Day Count Fraction:	[Actual/Actual (ISDA)] / [Actual/Actual] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] / [360/360] / [Bond Basis]/ [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)]
	(n)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17.	Zero Coupon Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[●] per cent. per annum
	(b)	Reference Price:	[●]
	Day Count Fraction in relation to Early Redemption Amounts and late payment:		[Conditions 7(g) (*Redemption and Purchase—Early Redemption Amounts*) and 7(j) (*Redemption and Purchase—Late Payment on Zero Coupon Notes*) apply] [30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

18.	Notice Periods for Condition 7(b) (*Redemption and Purchase – Redemption for tax reasons*):	[Minimum period: [30]/[●] days Maximum period: [60]/[●] days] [[●] days] (*N.B. If setting notice periods which are different to those provided in the Conditions,*

the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

19. Issuer Call: [Applicable/Not Applicable]

(*If not applicable, delete the remaining subparagraphs of this paragraph*)

(a) Optional Redemption Date(s): [●]

(b) Optional Redemption Amount(s): [[●] per Calculation Amount]

(c) If redeemable in part: [Not Applicable]/[Applicable]

(i) Minimum Redemption Amount: [[●] per Calculation Amount]/[Not Applicable]

(ii) Maximum Redemption Amount: [[●] per Calculation Amount]/[Not Applicable]

(d) Notice periods: [Minimum period: [15]/[●] days

Maximum period: [30]/[●] days]

[[●] days]

(*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)

20. Capital Disqualification Event Call: [Applicable/Not Applicable]

(*This item will only be applicable in connection with the issue of Subordinated Notes. If not applicable, delete the remaining subparagraphs of this paragraph*)

(a) Notice periods: [Minimum period: [30]/[●] days

Maximum period: [60]/[●] days]

[[●] days]

(*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for*

			example, as between the Issuer and the Agent or Trustee)
21.	Investor Put:		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount(s):	[[●] per Calculation Amount]
	(c)	Notice periods:	[Minimum period: [15]/[●] days Maximum period: [30]/[●] days] [[●] days] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
22.	Final Redemption Amount:		[[●] per Calculation Amount]
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:		[As set out in Condition 7(g) (*Redemption and Purchase – Early Redemption Amounts*)]/[[●] per Calculation Amount]

PROVISIONS RELATING TO SUBORDINATED NOTES

24.	Covenants applicable to Subordinated Notes:	[Not Applicable]/[Condition 4(b) (*Covenants— Restricted Payments*)]/[Condition 4(c) (*Covenants— Capital Adequacy*)]/[Condition 4(d) (*No Consolidation or Merger*)]/[Condition 4(e) (*Covenants—Disposals*)]/[Condition 4(f) (*Covenants—Transactions with Affiliates*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer Notes]: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Bearer Notes only upon an Exchange Event] [Temporary Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Bearer Notes only upon an Exchange Event]

		(*N.B. The following Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by Temporary Global Note exchangeable for Definitive Notes:* "*[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]*".) [Registered Notes: [Regulation S Global Note ([U.S.$][€][●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC]] [Definitive IAI Registered Notes (*specify nominal amounts*)]]
26.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub paragraph 16(c) relates*)
27.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, [a] Talon[s] may be required, if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the main market of the London Stock Exchange and listing on the Official List of the FCA described herein pursuant to the U.S.$1,500,000,000 Global Medium Term Note Programme of United Bank for Africa Plc.

THIRD-PARTY INFORMATION

[[*Relevant third-party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of **UNITED BANK FOR AFRICA PLC**:

____

By:
Duly authorised

PART B — OTHER INFORMATION

1.	**LISTING AND ADMISSION TO TRADING**	
(i)	Listing:	[London Stock Exchange]/[Not applicable.]
(ii)	Admission to trading:	[Application [has been made/is expected to be made] [by the Issuer/on behalf of the Issuer] for the Notes to be admitted to trading on the main market of the London Stock Exchange with effect from [●].]/[Not applicable.]
(iii)	Estimate of total expenses related to admission to trading:	[●]
2.	**RATINGS**	
	Ratings:	[The Notes to be issued have not been rated.] [The Notes to be issued [have been rated/are expected to be rated]: [[●]: [●]] [[●]: [●]] [[*Insert credit rating agency*] is established in the EEA and is registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").] [[*Insert credit rating agency*] is established in the United Kingdom and is registered under Regulation (EC) No. 1060/2009 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK CRA Regulation**")] [[*Insert credit rating agency*] is established in the [EEA]/[United Kingdom] and has applied for registration under [Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**")]/[Regulation (EC) No. 1060/2009 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK CRA Regulation**")], although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.] [[*Insert credit rating agency*] is not established in the [EEA]/[United Kingdom] and has not applied for registration under [Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**")]/[Regulation (EC) No. 1060/2009 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK CRA Regulation**")] but the rating issued by it is endorsed by [*insert endorsing credit rating agency*] which is established in the [European Union]/[United Kingdom] and [is registered under the [CRA

	Regulation]/[UK CRA Regulation]] [has applied for registration under the [CRA Regulation]/[UK CRA Regulation], although notification of the corresponding registration decision has not yet been provided by the relevant competent authority].
	[[*Insert credit rating agency*] is not established in the [EEA]/[United Kingdom] and has not applied for registration under [Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**")]/[Regulation (EC) No. 1060/2009 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK CRA Regulation**")] but is certified in accordance with the [CRA Regulation]/[UK CRA Regulation].

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save [for any fees payable to the [Managers/Dealers]][as discussed in "*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]]/[Not Applicable]/[●]

(*When adding any other description consideration should be given as to whether such matters described constitute* "***significant new factors***" *and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation*.)

4. YIELD (Fixed Rate Notes only)

[Indication of yield:	[●]
[Not Applicable]	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. OPERATIONAL INFORMATION

(i)	ISIN Code(s):	[●]
(ii)	Common Code(s):	[●]
(iii)	CUSIP:	[●]/[Not Applicable]
(iv)	CINS:	[●]/[Not Applicable]
(iv)	CFI:	[●]/[Not Applicable]
(iv)	FISN:	[●]/[Not Applicable]
(v)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A./The Depository Trust Company and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[●]

	(viii)	Name and address of Registrar:	[●]

6. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Date of [Subscription] Agreement:	[●]
(iv)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
		(*Include for syndicated issues of Notes only*)
(vii)	U.S. Selling Restrictions:	[Reg. S Compliance Category 2][Rule 144A][Section 4(a)(2)][Rules identical to those provided in TEFRA C/TEFRA D/TEFRA not applicable]

7. REASONS FOR THE OFFER AND NET PROCEEDS

(i)	Reasons for the offer:	[General banking purposes]/[●]
		(*See* "*Use of Proceeds*" *wording in the Base Prospectus. If the reasons for the offer are different than those reasons will need to be stated here.*)
(ii)	Net Proceeds (including after deduction of any fees and expenses for the Managers and Financial Advisers):	[●]

USE OF PROCEEDS

The net proceeds from each issue of Notes under the Programme will be used by the Bank for its general banking purposes, which may include refinancing, retiring or otherwise restructuring existing indebtedness.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's capitalisation and indebtedness as at 30 June 2021. No account has been taken of any trading activity or other transactions since 30 June 2021. Prospective investors should read this table together with the Financial Statements, included elsewhere in this Base Prospectus.

	As at 30 June 2021
	(₦ millions)
Liabilities:	
Derivative financial liabilities	220
Deposits from banks	561,545
Deposits from customers	6,095,574
Other liabilities	315,879
Current income tax liabilities	7,319
Borrowings	565,095
Deferred tax liabilities	17,157
Total liabilities	**7,562,789**
Equity:	
Share capital	17,100
Share premium	98,715
Retained earnings	271,406
Other reserves	333,962
Equity attributable to equity holders of the Parent	**721,183**
Non-controlling interests	31,338
Total equity	**752,521**
Total capitalisation	**8,315,310**

There has been no material change in the Group's capitalisation and indebtedness since 30 June 2021.

DESCRIPTION OF THE GROUP

Overview

United Bank for Africa Plc, together with its consolidated subsidiaries and affiliates, is a leading full-service pan-African banking group operating through branches, service outlets and digital platforms in Nigeria and 19 other African countries (as well as the United Kingdom, the United States of America and a representative office in France). The Group provides a wide range of banking and other financial services to over 25 million customers globally in retail and corporate market segments through one of the most diverse and largest distribution networks in sub-Saharan Africa with over 1,000 branches and customer touch points across Africa (comprising 463 branches and customer touch points in Nigeria and 537 branches and customer touch points in the rest of Africa (excluding Nigeria)), 2,660 ATMs and over 103,442 POS machines fully deployed, in each case as at 30 June 2021, as well as robust online and mobile banking platforms. As at 30 June 2021, the Group had total assets of ₦8.3 trillion, deposits from customers and banks of ₦6.7 trillion and gross loans of ₦2.8 trillion. According to the most recently published financial statements of Nigerian banks for the first six months of 2021 prepared in accordance with IFRS, the Group has become the third largest bank in terms of total assets, the largest bank in terms of deposits and ranks fourth in profits before tax, in each case as compared to its tier one Nigerian commercial bank competitors (on a consolidated basis).

The Bank's shares are publicly traded on the premium board of the Nigerian Exchange Limited and, as at 30 June 2021, the Bank had over 273,990 shareholders comprising local and international institutional investors, as well as individual shareholders. As at the date of this Base Prospectus, the Bank's long-term foreign currency rating by S&P is B- and its long-term foreign currency issuer default rating by Fitch is B.

The Group's business in Africa (excluding Nigeria) is growing rapidly. The Group's gross revenue was ₦141.9 billion for the six months ended 30 June 2021, compared to ₦107.6 billion for the six months ended 30 June 2020; whereas the Group's gross revenue was ₦232.1 billion for the year ended 31 December 2020 as compared to ₦166.3 billion for the year ended 31 December 2019 and ₦152.0 billion for the year ended 31 December 2018. The Group's gross loans and advances in Africa (excluding Nigeria) was ₦829.6 billion as at 30 June 2021, compared to ₦854.9 billion as at 31 December 2020, ₦625.1 billion as at 31 December 2019 and ₦550.7 billion as at 31 December 2018.

The table below sets forth the revenue, loans and deposits of each member of the Group across its operating geographies, which consists of the Nigerian bank holding company, its pensions custody subsidiary in Nigeria, its consolidated African subsidiaries and its subsidiary in the United Kingdom, as well as the percentage that such figures represent of the Group's total revenue, assets and liabilities, in each case as at and for the year ended 31 December 2020:

Country	For the year ended 31 December 2020		As at 31 December 2020			
	Total revenue	% of Group's Gross revenue	Total Assets	% of the Group's Assets	Total Liabilities	% of the Group's Liabilities
			(₦ millions, except percentages)			
Nigeria	372,223	60	5,232,415	68	4,763,277	68.3
Ghana	43,658	7.0	273,476	3.6	205,239	2.9
Cameroon	31,495	5.1	359,033	4.7	316,488	4.5
Burkina Faso	19,095	3.1	356,209	4.6	330,045	4.7
Congo Brazzaville	21,026	3.4	168,731	2.2	130,442	1.9
Benin	14,484	2.3	247,793	3.2	226,300	3.2
Cote D'Ivoire	21,206	3.4	383,270	5.0	353,298	5.1
Senegal	14,762	2.4	196,653	2.6	169,076	2.4
Chad	8,494	1.4	116,776	1.5	102,814	1.5
Guinea	7,277	1.2	74,482	1.0	68,046	1.0
Liberia	4,661	0.8	63,595	0.8	56,438	0.8
Sierra Leone	8,069	1.3	51,652	0.7	41,193	0.6
Kenya	7,181	1.2	68,987	0.9	49,126	0.7
Tanzania	3,766	0.6	29,353	0.4	25,301	0.4
Uganda	7,518	1.2	54,743	0.7	29,471	0.4
Mozambique	1,706	0.3	22,750	0.3	16,269	0.2
Congo DR	3,351	0.5	79,741	1.0	72,850	1.0
Gabon	9,741	1.8	63,579	0.8	88,506	1.3
Mali	4,565	0.7	43,497	0.6	35,623	0.5
Rest of the World (Excluding Africa)	19,750	3.2	244,824	3.2	219,457	3.1
Group Intercompany Elimination	(3,653)	(0.6)	(433,579)	(5.6)	(325,427)	(4.7)
Group	**620,375**	**100**	**7,697,980**	**100**	**6,973,832**	**100**

The Group's operations comprise three main business segments: Corporate Banking; Retail & Commercial Banking; and Treasury & Financial Markets:

- *Corporate Banking*, which provides a broad range of banking services to multinationals, regional companies, state-owned companies, non-governmental organisations, international and multinational organisations and financial institutions;
- *Retail & Commercial Banking*, which provides commercial banking products and services to medium-sized entities and retail segments in all major cities in Nigeria and in 19 other African countries; and
- *Treasury & Financial Markets*, which structures and implements financial market products and provides innovative financing and risk management solutions and advisory services to the Group's corporate and institutional customers.

The following table sets out the Group's gross revenue and outstanding gross loans and deposits from customers as at and for the six months ended 30 June 2021:

	For the six months ended 30 June 2021		As at 30 June 2021			
	Total revenue(1)	% of the Bank's Gross revenue	Loans and advances	% of the Bank's Loans and advances	Deposits from customers and banks	% of the Bank's Deposits from customers and banks
			(₦ millions, except percentages)			
Corporate Banking	88,296	28.0	1,640,321	58.9	1,077,866	16.2
Retail & Commercial Banking	156,942	49.8	1,098,719	39.4	4,480,589	67.3
Treasury & Financial Markets	70,088	22.2	47,481	1.7	1,098,664	16.5
Total	**315,326**	**100.0**	**2,786,521**	**100.0**	**6,657,119**	**100.0**

(1) Gross revenue is presented net of intra-segment eliminations

The following table sets out the Group's gross revenue and gross loans and deposits from customers as at and for the year ended 31 December 2020:

	For the year ended 31 December 2020		As at 31 December 2020			
	Total revenue[(1)]	% of the Group's Gross revenue	Loans and advances	% of the Group's Loans and advances	Deposits from customers and banks	% of the Group's Deposits from customers and banks
			(₦ millions, except percentages)			
Corporate Banking.......................	201,024	32.4	1,759,083	66.8	1,604,685	26.3
Retail & Commercial Banking	214,392	34.6	566,783	21.5	3,520,622	57.8
Treasury & Financial Markets.....	204,959	33.0	306,527	11.6	968,861	15.9
Total	**620,375**	**100.0**	**2,632,394**	**100.0**	**6,094,168**	**100.0**

(1) Gross revenue is presented net of intra-segment eliminations

The Group's total profits for the years ended 31 December 2020, 2019 and 2018 were ₦113.8 billion, ₦89.1 billion and ₦78.6 billion, respectively. The Group's consolidated assets as at 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were ₦8.3 trillion, ₦7.7 trillion, ₦5.6 trillion and ₦4.9 trillion, respectively.

History

The following timeline presents a summary of the history and development of the Group:

1949	French & British Bank Limited ("**FBB**") commenced business.
1961	UBA incorporated to take over the banking business of the FBB.
1970	Became the first Nigerian bank to complete an initial public offering on the Nigerian Stock Exchange (now the Nigerian Exchange Limited).
1984	Established New York branch.
1997	Standard Trust Bank ("**STB**") commenced operations.
1998	GDR programmes established, the first such programme established by a Nigerian bank.
2004	STB Ghana established.
2005	UBA merged with STB; Continental Trust Bank acquired.
2007	Fresh equity capital raised successfully; UBA Capital Europe Limited opened in London.
2008-2010	Acquired majority interest in two banks based in Burkina Faso and Benin; successfully raised ₦20 billion in debt capital (2010); commenced operations in some African countries, including Kenya, Uganda, Cameroon, Cote d'Ivoire, Sierra Leone and Mozambique.
2011	Commenced operations in Democratic Republic of Congo and Brazzaville; successfully raised ₦35 billion in debt capital.
2012	Won Financial Times' Bankers' Awards for Best Overall Bank in Africa, Best Bank in Cameroon and Best Bank in Senegal.
2013	Successfully divested from its non-bank subsidiaries and property management business.
2014	Awarded the "Best Transaction Bank" in Africa by The Banker Magazine; awarded "Best Retail Bank" and "Best Bank in Corporate Social Responsibility" by Business Day; ranked in Business Day's "Top 100 Most Respected Companies in Nigeria".
2015	Won "The Bank of the Year" Awards from The Banker Magazine for Chad and Senegal.

2016	Won "Best Bank in Sub-Saharan Africa" Award from BusinessDay Banking Awards.
2018	Won "Best Digital Bank in African" Award from Euromoney Awards.
2019	Won "African Bank of the Year 2019" Award from The Banker Magazine.
2020	Won "International Bank of the Year" and "Bank of the Year 2020" Awards from BusinessDay Banks and other Financial Institution Awards.

The Bank's registration number is RC 2457 and its registered office is located at UBA House, 57 Marina, Lagos Island, Lagos, Nigeria, and its telephone number is +234 (1) 2808822. The Bank operates under an international commercial banking licence granted by the CBN.

The COVID-19 Pandemic

In March 2020, the WHO announced that COVID-19 had been classified as a global pandemic. COVID-19 has resulted in disruptive effects on the Nigerian economy and global economies and has also adversely impacted business operations, particularly concerning supply chain disruptions, local currency devaluation, foreign exchange shortages and contractions in economic activities. COVID-19 resulted in the temporary closure of many businesses and the enforcement of social distancing requirements in Nigeria and other African countries in order to mitigate the continued spread and impact of the pandemic. Overall, the Nigerian economy contracted by 1.9 per cent. in 2020, according to the IMF. However, the IMF has projected a 2.5 per cent. GDP growth for the Nigerian economy in 2021.

Due to the economic and social impact of the pandemic-related lockdowns in Nigeria, especially on vulnerable populations and those living in poverty, the Federal Government began easing lockdown measures in May 2020. However, certain restrictions were subsequently reintroduced with the passing of the COVID-19 Health Protection Regulations 2021 in January 2021, including restrictions on large gatherings, to combat the rise in the number of COVID-19 cases. In mid-2021, Nigeria began to record increasing COVID-19 cases and on 2 August 2021, the Federal Government confirmed that Nigeria had entered a "third wave" of the pandemic.

In Nigeria, the Federal Government, the CBN and other governmental agencies and organisations intervened with various monetary and fiscal measures that were targeted at supporting local economic growth following the impact of COVID-19, which resulted in historically low interest rate levels in the Group's largest market. These measures included:

- the introduction by the CBN of various COVID-19 stimulus packages, which includes a ₦100 billion healthcare intervention fund and a ₦50 billion credit facility for households and SMEs particularly affected by COVID-19 and the extension of loans worth ₦1 trillion to critical sectors to boost local production. The CBN also directed financial institutions to engage international development partners and negotiate concessions to reduce any financial strain on borrowers of on-lending facilities;

- the implementation by the CBN, with the support of the Federal Government, of the Forbearance Programme which requires all Nigerian banks to allow a moratorium on the payment of principal and to temporarily reduce interest rates (for a maximum of 12 months) on intervention loans to customers in certain sectors of the economy significantly impacted by COVID-19, including, but not limited to, customers in the manufacturing, oil and gas, agriculture, real estate and construction and tourism sectors (see "*Management's Discussion and Analysis of Results of Operations and Financial Conditions—Nigeria's economic condition and political stability—The Forbearance Programme*" for further information). Those eligible for the Forbearance Programme were required to apply for the programme and be approved by the Bank in accordance with CBN guidelines;

- the reduction of interest rates on all applicable CBN intervention facilitates from 9 per cent. to 5 per cent. up to 28 February 2022, as well as the implementation of new amortisation schedules for all CBN-funded loans;

- the reduction by the CBN of the MPR to 11.5 per cent. in order to sustain economic recovery and reduce the detrimental impact of COVID-19; and

- the introduction by the CBN of the Naira-for-Dollar Scheme for diaspora remittances and the resumption of periodic sales of foreign currency to bureau de change operators (although, on 27 July 2021, the CBN announced an end to the weekly allocation and sale of foreign exchange to bureau de change operators in Nigeria and directed commercial banks to establish teller points in designated branches for the sale of foreign currency).

COVID-19 also affected the countries where the Group's international subsidiaries operate. To help navigate the pandemic and stimulate the economy, the central banks and governments of the countries in which the Group's international subsidiaries operate also implemented various intervention measures.

Nigeria is participating in the COVAX initiative, which is co-led by GAVI, the Vaccine Alliance, the Coalition for Epidemic Preparedness Innovations and the WHO, alongside UNICEF, the World Bank, and others. The COVAX initiative aims to accelerate the development and manufacture of COVID-19 vaccinations, and to guarantee fair and equitable access to COVID-19 vaccinations for every country in the world. The Minister of Health of the Federal Government announced that the mass inoculation exercise in Nigeria would take place in phases, with each phase targeting a specific category of eligible Nigerians. As at 2 November 2021, approximately 8.8 million vaccine doses had been administered in Nigeria according to the WHO.

See "*Management's Discussion and Analysis of Results of Operations and Financial Conditions—Nigeria's economic condition and political stability—Impact of COVID-19*", "*Risk Factors—Risk related to the Group—The outbreak of communicable diseases around the world, in particular COVID-19, has led to higher volatility in the global capital markets, which may materially and adversely affect the Group's business, results of operations and financial condition*" and "*Risk Factors—Risk related to the Group—The Group's business and operations, a significant portion of which are located in Nigeria, are highly dependent on the health of the Nigerian economy*" for further information.

Impact of COVID-19 on the Group

The Group's normal banking activities were disrupted to a limited extent, primarily as a result of COVID-19 related social and economic restrictions. The Group encountered other issues such as supply chain challenges, restrictions on travelling, increased expense associated with disinfectants and disinfection of office premises, health and safety concerns, cyber threats, and other issues associated with remote working of the branches' employees. As a result, the Group activated its Business Continuity Plan ("**BCP**") to address the changing environment due to the pandemic. The BCP was implemented to ensure continuous service delivery during the lockdown period, whilst maintaining the health and safety of its staff and customers, in line with standards defined by Nigeria's National Centre for Disease Control.

The measures implemented by the Group in response to the impact of the COVID-19 on its customers and operations in Nigeria and other African countries include:

- the restructuring of approximately 16.9 per cent. of the Group's loan portfolio, in particular for customers whose cashflows were significantly impacted by COVID-19;
- a temporary suspension of transaction fees for certain products and customer segments;
- a donation of over ₦5 billion, through the UBA Foundation, to catalyse a comprehensive pan-African response to COVID-19 and provide relief to Nigeria and the 19 other African countries in which the Group operates by supplying critical care facilities and materials as well as financial support to governments;
- granting moratoria for a period of between 12 to 18 months to borrowers that qualify for relief under the Forbearance Programme;
- reducing interest rates by approximately 4 per cent. on various intervention funds; and
- the implementation of either a moratorium, tenor extension and/or cashflow realignment or adjustment to reflect realistic cashflow during the pandemic, in each case in respect of bilateral loans disbursed by the Group.

See also "*Management's Discussion and Analysis of Results of Operations and Financial Conditions—Nigeria's economic condition and political stability—The Forbearance Programme*" for further information on the Forbearance Programme and its impact on the Group.

Key Strengths

The Group believes the following strengths differentiate it from its competitors.

Pan-African franchise

In addition to Nigeria, the Group has banking operations in 19 other African countries. The Group's pan-African franchise, which the Bank believes is among the most extensive and diversified banking networks operating in Africa, allows the Group to serve over 25 million customers through over 1,000 branches and customer touch points (comprising 463 branches and customer touch points in Nigeria and 537 branches and customer touch points in the rest of Africa (excluding Nigeria)) as at 30 June 2021. The Group first began pursuing an expansion strategy in 2007 and has since established operations across West, Central and East African countries, including a subsidiary in Ghana that was established in 2004 by Standard Trust Bank (before Standard Trust Bank merged with United Bank for Africa Plc). The Group's business in Africa (excluding Nigeria and the rest of world) accounted for 44.9 per cent. of the Group's total revenue for the six months ended 30 June 2021, an increase from 37.4 per cent. and 28.4 per cent. of total revenue for the years ended 31 December 2020 and 31 December 2019, respectively.

The Group boasts a reinforced position in various African countries, including Ghana, Cameroon, Burkina Faso, Cote d'Ivoire and Benin, with total assets of ₦334.5 billion, ₦422.8.0 billion, ₦399.1. billion, ₦404.4 billion and ₦259.1 billion, respectively, as at 30 June 2021. The Group's successes in these markets leave it well-positioned to leverage its existing expertise and expand its market penetration in the other African markets in which it operates (which are also characterised by low banking penetration). The Group's central focus is to deepen its existing reach in the countries where it is currently present, while seeking other strategic value-add expansion in selected new locations.

The Group also believes that its pan-African banking network gives it wide exposure to three key aspects of the pan-African economy: consumers, commodities and infrastructure, and will allow it to take advantage of the various costs and revenue synergies that exist across its franchise, particularly in relation to corporate customers who are also operating in multiple African jurisdictions.

The Group's strong presence in Africa provides it an opportunity to increase trade and payment flows across the continent in cooperation with central banks. Furthermore, the Group's presence in the global financial centres of New York City, London and Paris allows the Group to facilitate trade between Africa and Europe, North America and increasingly, China. The Bank believes that presence in the global financial centres further cement the Group's status as a leading pan-African banking brand.

A leading systemically important bank in Nigeria

The Bank's brand is recognisable, established and well-regarded throughout Nigeria, giving the Group a solid platform from which to provide a variety of banking services to customers and potential customers in its target markets. The Bank believes that it has a strong reputation for its stability and resilience through challenging economic and industry conditions, as evidenced by the fact that many of its corporate clients are some of Nigeria's leading companies. The Group has built a customer base of more than 25 million customer accounts by leveraging over 70 years of experience and its expansive branch network. According to the most recently published financial statements of Nigerian banks for the first six months of 2021 prepared in accordance with IFRS, the Group has become the third largest bank in terms of total assets, the largest bank in terms of deposits and ranks fourth in profits before tax, in each case as compared to its tier one Nigerian commercial bank competitors (on a consolidated basis), which is largely through organic growth and strategic acquisitions. The Bank had the third highest total revenue amongst Nigerian banks as at 30 June 2021 (according to the published audited financial statements of Nigerian banks for the year ended 30 June 2021). As at 30 June 2021, the Bank also had the second largest branch network in Nigeria (according to the published audited financial statements of Nigerian banks as at and for the year ended 30 June 2021, prepared in accordance with IFRS), the second largest number of PoS terminals in Nigeria (according to Interswitch, the leading integrated payment processing service provider in Nigeria) and the second largest number of ATMs in Nigeria (according to Nigeria Interbank Settlement Systems ("**NIBSS**")).

The Group has the potential to expand its business further in the growing Nigerian banking market. NIBSS estimates that there are approximately 111.5 million active accounts in the Nigerian banking system spread over a population of over 206 million people, 187 million of whom are mobile telephone subscribers (with over 101.7 million of such people accessing internet data services on their devices). Thus, a substantial proportion of the Nigerian population do not have bank accounts or are "underbanked" (which refers to people and businesses that have poor access to mainstream financial services offered by retail banks). Through the Bank's wide network of branches, ATMs and PoS terminals across Nigeria and expansive mobile and online banking capabilities, the Bank is able to reach an increasing number of Nigerians. In particular, the Bank's robust online and mobile banking channels provide access to customer segments that were historically too costly to serve, and these digital banking channels are helping to drive customer deposits in low cost current and savings accounts that serve as an important funding base for the Bank.

Strong asset quality

The Group has comparatively low loan losses with strong asset quality underpinned by a highly diversified loan portfolio. The Group recorded a cost of risk of 0.14 per cent. (0.28 per cent. annualised) as at 30 June 2021 and 0.9 per cent. as at 31 December 2020 and has maintained its orientation to lower risk corporate and commercial banking services. The Group is largely funded by historically stable deposits and long term-borrowings and the Group intends to continue to seek stable funds to fulfil the Group's goal of supporting real sector businesses and projects in Africa in the long-term. The Group benefits from a resilient asset quality profile, which is more geographically diversified than most of its peers. As at 30 June 2021, 33.3 per cent. of the Group's gross loan book is derived from its business in Africa (excluding Nigeria) and the rest of the world.

The Group's non-performing loan ratio and impaired loan ratio are among the lowest among Nigerian banks. The Group's non-performing loan ratio decreased to 3.5 per cent. as at 30 June 2021 from 4.9 per cent. and 5.0 per cent. as at 31 December 2020 and 31 December 2019, respectively, the Group still outperformed the CBN benchmark non-performing loan ratio of 5.1 per cent. for the Nigerian banking sector. The non-performing loan ratio recorded by the wider Nigerian banking sector was higher than the CBN benchmark, with an average non-performing loan ratio of 6.0 per cent. as at 31 December 2020 compared to 6.1 per cent. as at 31 December 2019.

Resilient earnings profile

The Group has reported robust earnings despite the challenging macroeconomic environment in Nigeria (including the impact of COVID-19), its largest market, demonstrating resilience in its earnings and diversified pan-African business model. Revenue grew by 10.7 per cent. to ₦620 billion for the year ended 31 December 2020, compared to ₦560 billion and ₦494 billion for the year ended 31 December 2019 and 2018, respectively. The Group's operations outside of Nigeria contributed 48.0 per cent. of the Group's revenue for the six months ended 30 June 2021, an increase from 38.8 per cent. for the six months ended 30 June 2020. The Bank believes that the growing contribution of the Group's African business outside of Nigeria helps reduce the Group's revenue vulnerability to the macroeconomic risks of a single economy. Furthermore, 29.6 per cent. of revenue was derived from non-interest income for the six months ended 30 June 2021. The continued strength in non-interest income reflects the significant advances the Group has made in rolling out its digital banking offering across all of its markets in Africa. It also reflects growing transactional banking volumes from customers doing business with multiple parts of the Group's African banking network.

Stable capital position

The Group has historically maintained a strong liquidity and capital position. The Group's capital and liquidity ratios are well above industry requirements. The Bank's risk-weighted capital adequacy ratio was 22.4 per cent. as at 31 December 2020, 24.2 per cent. as at 31 December 2019 and 24.0 per cent. as at 31 December 2018. The Bank's risk-weighted capital adequacy ratio exceeds the current CBN requirement of 15 per cent. for international banks and was the second-highest risk-weighted capital adequacy ratio amongst Nigerian banks as at 31 December 2020 and the highest risk-weighted capital adequacy ratio as at 31 December 2019 according to the published audited financial statements of Nigerian banks for the years ended 31 December 2020 and 31 December 2019. The Bank has an internal risk-weighted capital adequacy ratio trigger ratio of 16 per cent., which serves to act as a warning if the Bank is rearing towards hitting the CBN requirement of 15 per cent. Additionally, the Group's capital base is among the largest in the Nigerian banking industry and predominantly made up of tier 1 ("**Tier 1**") (core) capital, which consists of mainly share capital and reserves created by appropriations of retained earnings, as well as tier 2 ("**Tier 2**") capital, which is largely made up of fair value gains of securities measured at fair value through other comprehensive income. The Group believes that its strong capital levels enable it to support its customers.

Experienced senior management

The Group's senior management team has extensive experience within financial services and strong knowledge of the Nigerian and wider pan-African economy, with an average of 22 years of banking experience in the region. The management team has also demonstrated itself as a trusted and strong workforce, working together with an ability to transform the Group into a leading pan-African bank as illustrated by the growing contribution of the Group's African subsidiaries to its revenues, assets and profits. The senior management team also has a record of strong risk management and corporate governance practices, and its Nigerian holding company structure gives the Group the ability to effectively oversee the risk management, corporate governance and compliance functions of each of its African subsidiaries.

Strategy

Management's strategic vision for the Group is to be the leading financial services institution in Africa. The Group intends to achieve this by implementing the following strategies:

Optimise earnings

The Group will continue to focus on optimising earnings to achieve higher yields on assets. The Group has prioritised increasing its transaction banking income through enhanced service offerings and cross-selling initiatives and referrals. Management aims to leverage the Group's retail and corporate e-banking products and its large network of banking subsidiaries in Africa for the purpose of developing non-funded income sources.

The Group also aims to continue to leverage its network of African banking subsidiaries with a renewed focus on being a conduit for remittance offerings within and into Africa. The Group processed the equivalent of over U.S.$648 million in remittances in 2020. The Group partners with multiple transaction originating and delivery channels in multiple countries, including Western Union and MoneyGram. The Group has also introduced the UBA Instant Money Transfer platform, a proprietary solution, which enables customers to send money to all UBA branches. As the Group gains more market share in international remittances and more Nigerians depend on UBA for remittance flows, management have positioned the Group's business to partner with all CBN-licensed inward remittance companies, subject to the Group's compliance assessment. The Bank believes that such partnership will further consolidate the Group's market share as the preferred remittance gateway and settlement bank.

In order to further optimise earnings, the Group is also targeting a growth to its current and savings deposits from customers in order to reduce its cost of funds. By growing its total customer deposit base, the Group has observed a decrease in interest expense, for example, from ₦182,955 million for the year ended 31 December 2019 to ₦168,395 million for the year ended 31 December 2020. The Group's interest expense also decreased to ₦74,563 million for the six months ended 30 June 2021 from ₦86,262 million for the six months ended 30 June 2020.

The Group also intends to increase its market share in the conversion of African domestic and cross-border trade. The Bank believes that the Group will be able to further leverage its high quality customer service to increase collection accounts and pricing power.

Leverage African platform

The substantial infrastructure investments taking place across Africa, together with the Group's extensive pan-African banking network across 20 African countries, create substantial opportunities for the Group. In particular, the Group aims to continue to replicate the success of its subsidiaries in Ghana, Senegal and Cameroon and increase the contribution of its African subsidiaries to its overall profits. The Group's business in Africa (excluding Nigeria and the rest of world) accounted for 44.9 per cent. of the Group's earnings for the six months ended 30 June 2021, an increase from 37.4 per cent. and 28.4 per cent. of earnings for the years ended 31 December 2020 and 31 December 2019, respectively. In the long-term, the Group aims to retain the contribution of its African subsidiaries (excluding Nigeria) at 50 per cent. of earnings and profits.

The Bank believes that the Group's pan-African relationship banking network uniquely positions it to provide domestic and cross-border transactional services, trade facilitation services (including the facilitation of development funding across the continent in cooperation with central banks and international organisations), and remittance payments and credit services, particularly to major multinational corporations that are seeking to expand their business to new markets in Africa or already doing significant business in multiple African countries. The Group provides cash management solutions to a wide range of regional customers including Unilever, IATA, Bolerre and the United Nations (the "**UN**"), among others. The UN has also appointed the Group as a partner bank in Liberia, Benin and Burkina Faso to meet the banking needs of the UN humanitarian missions in those countries. The Group will also seek to leverage its e-banking success in Nigeria to deepen brand penetration and facilitate customer acquisition in the 19 other African markets in which it has a presence.

Continue to focus on asset quality and capital management

The Group aims to maintain its focus on asset quality and capital management to facilitate effective management of risks and enhance capital efficiency. The Group intends to continue advancements in its staff training, risk management tools and framework and governance structure. In particular, the Group intends to engage further in enhanced portfolio monitoring with consistent sensitivity to macroeconomic and industry variables to pick up cash flow and other risks, enabling the Group to take proactive measures to mitigate potential risk of asset quality deterioration. For example, the Group is considering re-organising certain of its treasury functions along regional lines to facilitate foreign currency funding for the Group. The Group will maintain its focus on lending to quality obligors with strong and sustainable fundamentals in stable growth sectors.

Improve cost efficiency

Cost efficiency will continue to be a critical focus for the Group. The Group will continue to monitor, review and adjust its costs as it seeks to improve its cost-efficiency ratio while maintaining the quality of its services. The Group aims to contain costs in a number of ways, including improving its efficiency through the increased centralization and cost sharing of the Group's operations throughout Africa and improving knowledge sharing and performance management throughout the Group to drive staff productivity. The Bank believes that optimizing and streamlining existing businesses processes are key to reducing cost and improving customer satisfaction. In addition, the Group aims to continue leveraging technology, its large geographic footprint and relationship management expertise to ensure effective business units and excellent customer service delivery at all touch-points within the Group. The Group will continue to encourage customer migration to low-cost alternative telephone, mobile and internet banking channels (including its ATMs and POSs) to reduce the Group's customer acquisition costs as well as the cost to serve.

Increase the penetration of e-banking

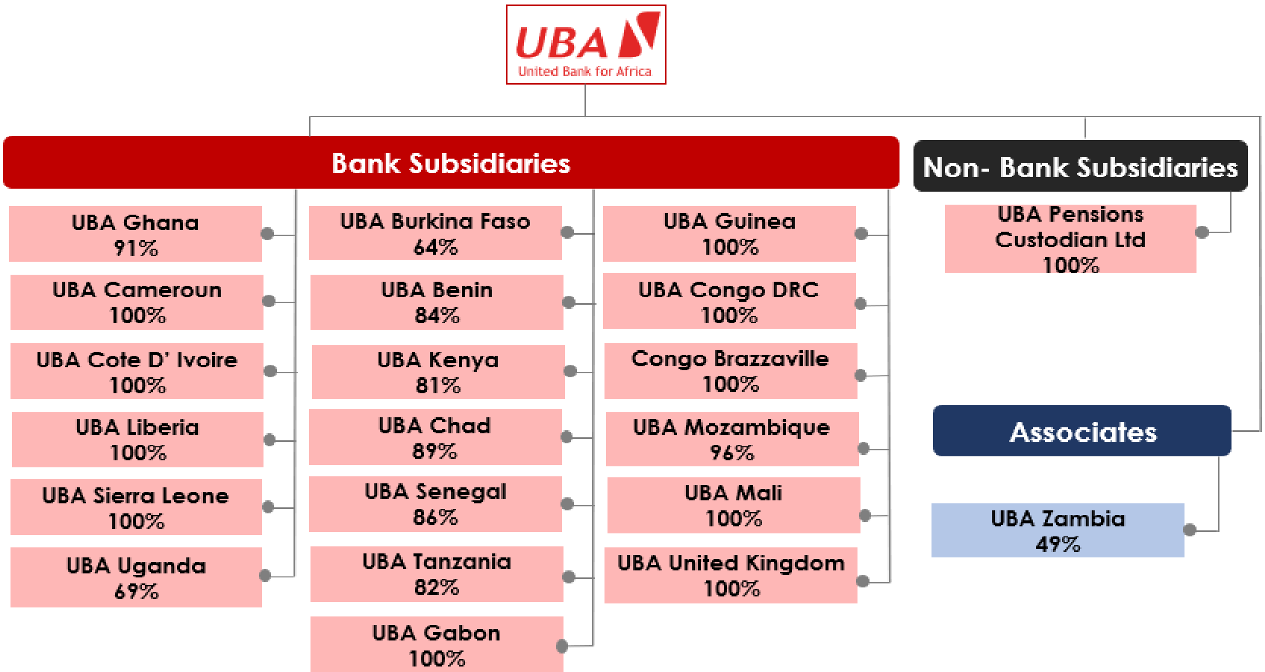
The Group has a strategy of digital dominance and intends to promote e-banking penetration in all of its markets as an important alternative to its brick-and-mortar branch investments. The Group has 17 e-banking products to complement its retail and corporate banking offerings. The Group will continue to promote the uptake of its card products (debit, pre-paid and salary advance cards), mobile banking products ("**U-Mobile**"), online banking products ("**U-Direct**" and "**U-Direct Corporate**") as well as its electronic channels (ATMs and PoS terminals). The Group has obtained government mandates in relation to the provision of e-banking services in multiple jurisdictions, including electronic treasury management and payment facilitation for import and export documentation in Ghana, and electronic collection of taxes through the Group's online platform and PoS terminals in Uganda. The Group will aim to maximise the benefits of efficiencies derived from its investment in technology, particularly in its electronic distribution channels, providing customers with more efficient ways of executing their transactions, such as instant online interbank transfers in local and foreign currencies, ATM withdrawals and bill payments, and thereby increasing the Group's fees and commissions from these distribution channels. The Group will also continue tailoring its products and value-added services to the needs of its customers in order to enhance the level of customer service it offers while moderating the cost of funds. The Group intends to institutionalise IT throughout all its systems and build a partnership with FinTechs, whereby the Bank will act as a conduit for payments. As at the date of this Base Prospectus, the Group has already established partnerships with certain FinTech entities, including in the Democratic Republic of Congo and Ghana.

Corporate Structure

The Group is headquartered in Lagos, and operates primarily through its Nigerian bank holding company, United Bank for Africa Plc, and its wholly or majority owned subsidiary banks located in Benin, Burkina Faso, Cameroon, Chad, Congo Brazzaville, Congo DRC, Cote d'Ivoire, Gabon, Ghana, Guinea, Kenya, Liberia, Mali, Mozambique, Senegal, Sierra Leone, Tanzania, Uganda and the United Kingdom.

The also Group provides banking services in Zambia through the Bank's 49 per cent. owned affiliate company UBA Zambia Limited. The Group also has one operating wholly-owned non-banking subsidiary, UBA Pensions Custodian as described further "—*Subsidiaries and Affiliates*".

The diagram below sets forth a corporate structure of the Group as at the date of this Base Prospectus, which is headed by its Nigerian bank holding company, United Bank for Africa Plc:



The Group is managed on a segmental, functional and geographic basis. The Group's deputy managing director ("**Deputy Managing Director**") manages the Group's business in Africa and Nigeria. The Group utilises several chief executive officers ("**CEOs**") who closely manage the Group's business in each African country in which it operates (who are in turn overseen by regional CEOs for West Africa, Central Africa and South & East Africa). Four executive directors (an "**Executive Director**") of the Group manage each of the Group's risk management, corporate governance and compliance functions, its treasury and international banking operations which includes the United Kingdom, the United States of America and the Group's representative office in France, its operations in Northern Nigeria, and the Group's operations and technology divisions. See "*Directors and Senior Management*" for further information about the Group's management.

The Role of the Bank within the Group

The Bank and each of the Group's African banking subsidiaries functions on a largely autonomous basis, subject to applicable banking and other regulations in the jurisdiction in which it operates, and subject to the group-level policies and procedures. The CBN maintains an oversight of the Group via its regulatory supervision of the Bank. Each African subsidiary (and the Bank's affiliate in Zambia) has its own board of directors, committees and management. At least one Group Executive Director is a non-executive member of each subsidiary's board of directors who works alongside the managing director of each subsidiary. Control over the decision-making process of the subsidiary is with the board and management of such subsidiary, but is overseen by the Group through standard policies and procedures.

The Group nevertheless retains discretion to allocate capital and funds within the Group. Any intra-group lending is carried out on arm's length terms, whether provided by the Bank to its subsidiaries, or from one subsidiary to another. Each subsidiary also provides for its own costs such as the development of retail products and shared IT infrastructure, as well as certain costs incurred by the Group's Nigerian bank holding company for the benefit of the subsidiaries. Any decision regarding payment of dividends by the subsidiaries to the Bank is made by the respective board of directors of such subsidiary.

Description of Business

The Group's operations are organised into three strategic business segments: (i) Corporate Banking; (ii) Retail & Commercial Banking; and (iii) Treasury & Financial Markets. The various segments, products and services of the Bank are described in more detail below.

Corporate Banking

Corporate Banking provides financial solutions to select customers in key market sectors of the African economy. These clients are broadly classified as multinationals (namely, with legal entities in at least two countries), regional companies, state-owned companies, non-governmental organisations, international and financial institutions, many of whom do business in multiple African countries where the Group has corporate banking operations. These clients have annual turnover of at least ₦25 billion. As at 30 June 2021, the Group had over 300,000 Corporate Banking customers. The industry sectors that the Group covers include real estate and construction, infrastructure and utility, information and communications technology ("**ICT**"), power, oil and gas, agriculture, manufacturing, commerce, government and finance.

The Group leverages its pan-African banking network to offer services and solutions to its customers across diverse sectors and geographies. For the six months ended 30 June 2021, the Corporate Banking segment recorded total revenues of ₦88.3 billion and profit before tax of ₦38.6 billion.

The table below sets forth the Group's Corporate Banking loan portfolio by sector as at the dates indicated:

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(%)		
Oil and Gas	14.9	21.0	19.0	23.7
Manufacturing	14.3	13.2	15.8	17.8
Power and energy	10.4	10.2	10.8	11.6
Transportation and storage	0.6	0.5	1.1	0.2
Information and communication	6.9	7.0	6.8	4.5
Agriculture	3.3	3.5	3.0	5.2
General commerce	16.6	10.2	14.6	14.0
Governments	19.0	21.7	17.1	9.7
Construction and real estate	6.3	5.2	4.3	3.1
Finance and insurance	5.9	5.4	5.4	6.7
General (consumer credit – loans to individuals, professionals and religious bodies, not conglomerates)	1.2	1.0	1.3	2.4
Education	0.6	1.0	0.9	1.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

The products and services offered through this segment are:

- *Lending*. As at 30 June 2021, 58.9 per cent. of the Group's total loans and advances were to Corporate Banking customers. The Group offers predominantly term loans as well as overdrafts, bankers' acceptances, guaranteed commercial paper, lease facilities, export finance, trade finance facilities, contract financing, foreign currency lending and guarantees, and bonds.

- *Deposits*. As at 30 June 2021, 16.2 per cent. of the Group's deposits were from Corporate Banking customers and banks. The Group offers a full suite of deposit products to its corporate customers, including current accounts, savings accounts, specialised savings accounts, domiciliary deposit accounts (being foreign currency denominated current and savings accounts) and fixed deposits. Current deposits from corporate customers amounted to 77.1 per cent. of the Group's total deposits from corporate customers and 49.2 per cent. of the Group's total customer deposits as at 30 June 2021.

- *Cash Management and Other Services*. The Group has a broad range of cash management solutions, products, and services to meet the varied needs of its Corporate Banking customers, including liquidity management, information management services, cash collection services and foreign exchange.

Additionally, the Group works closely with Corporate Banking customers to tailor specific solutions that customers may require to meet their banking needs.

Retail & Commercial Banking

The Retail & Commercial Banking segment of the Group is structured to serve customers in the retail and commercial banking markets. This business segment has presence in all major cities in Nigeria and the 19 other countries across Africa where the Group has operations. In this segment, the Group has been focused on increasing penetration of low-cost deposit funding and shifting its funding base away from more expensive wholesale deposits. The Bank believes that enhanced digital banking platforms will enable the Group to continue pursuing these market segments and ultimately, that growth in the pool of diversified low-cost deposits will continue to strengthen the Group's stable funding base.

Retail & Commercial Banking is responsible for providing financial products and services to SMEs, personal banking, consumer finance and remittance/payment customers. The SME business segment supports growth companies or businesses with annual revenues less than ₦2.5 billion. These are typically private family owned business, suppliers and distributors of multinational, medium-sized enterprises, and start-ups.

The Group's personal banking business caters to the banking needs of individuals with an emphasis on students, professionals, the self-employed and the expatriate community. The Group's personal banking business is currently dominated by payroll backed lending, with a focus on multinationals and middle to senior civil servants in the federal ministries, departments and agencies of government or parastatals/institutions.

For the six months ended 30 June 2021, the Retail & Commercial Banking segment recorded total revenue of ₦156.9 billion and net profit before tax of ₦7.9 billion. The products and services offered through this segment are:

- *Lending*. As at 30 June 2021, 39.4 per cent. of the Group's loans and advances were to Retail & Commercial Banking customers. The Group offers consumer, mortgage and corporate loans to this segment. Additionally, the Group offers term loans and leases, commercial paper and bankers' acceptances and overdrafts.
- *Deposits*. As at 30 June 2021, 67.3 per cent. of the Group's deposits were from Retail & Commercial Banking customers. The Group offers current accounts, savings accounts, salary accounts, domiciliary deposit accounts (being foreign currency denominated current and savings accounts), and special deposit accounts to SMEs and individuals. Savings deposits from retail customers amounted to 70.4 per cent. of the Group's total deposits from retail customers and 25.5 per cent. of the Group's total customer deposits as at 30 June 2021.
- *Card Services*. To assist customers in the Retail & Commercial Banking segment manage their cash, the Group offers an array of card services. Currently, the Group provides a variety of cards in the debit, credit and prepaid card spaces including cards issued on the VISA, Verve and MasterCard platforms. All of the Group's cards can be used across all channels to engage in a variety of account-related transactions.
- *Cash Management and Other Services*. Retail & Commercial Banking customers have access to a number of channels to assist in daily transactions, including mobile banking (U-Mobile), internet banking (U-Direct), ATMs, PoS terminals and Web Payment. Additionally, individuals can take advantage of the cash management services offered to their employers, such as salary direct deposit and pension payments.

Treasury & Financial Markets

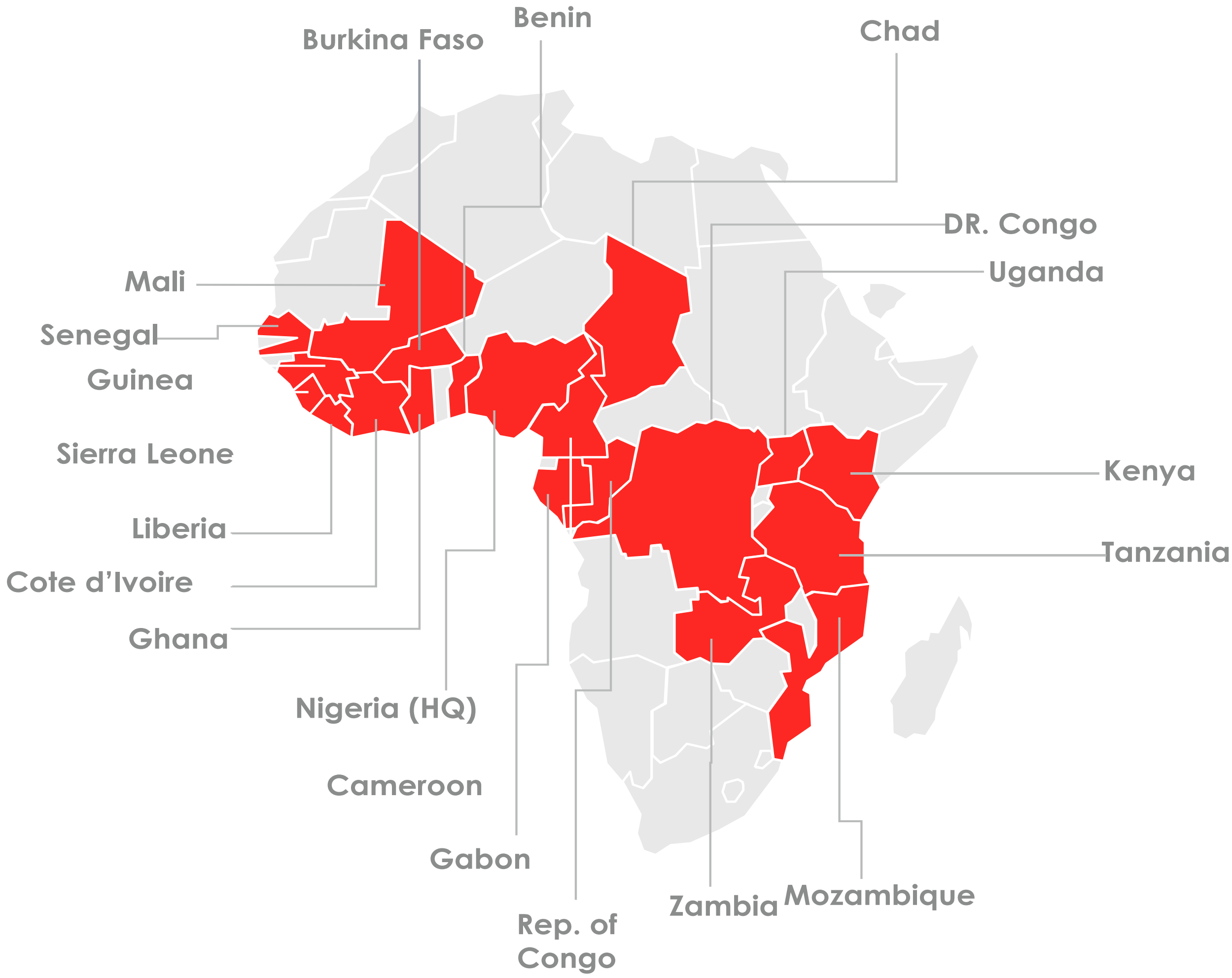
The Group's Treasury and Financial Markets segment provides financing and risk management solutions and advisory services to the Group's corporate and institutional customers. The segment participates in the trading of (a) fixed income instrument and government securities, such as government bonds and treasury bills, (b) foreign currency, including the U.S. dollar and/or euro against the Naira and other local African currencies and (c) money market products.

The Group's Treasury and Financial Markets segment also invests in government securities for earnings and liquidity purposes. These securities are either held to maturity or available for sale to generate any necessary liquidity. The Treasury and Financial Markets division is also responsible for asset and liability management of the Group, ensuring that the Group is able to meet its obligations when due by managing the mismatch between the Group's assets and liabilities either due to liquidity or interest rates. The segment is also responsible for design and management of financial market products for the Group's customers. Through the Group's custodial service division (regulated by the SEC and the CBN), the Group has a Euroclear account which it uses to assist clients with investing in foreign denominated securities; the Group currently has ₦1.2 trillion assets under custody.

For the six months ended 30 June 2021, the Treasury & Financial Markets segment recorded total revenue of ₦70.1 billion and net profit before tax of ₦29.8 billion. The Treasury & Financial Markets segment generated 22.2 per cent. of the Group's total revenue and 16.5 per cent. of the Group's deposits from customers and banks for the six months ended 30 June 2021.

Description of the Group's Pan-African Banking Network

In addition to Nigeria, the Group provides banking services in 19 other African countries through 18 banking subsidiaries and one affiliate as set forth in the map below.



The Group's banks in Africa provide corporate, commercial, consumer and international banking, trade services, cash management and treasury services. The Group's manages its African subsidiaries along regional lines, with Regional CEOs managing each of Central Africa, East and Southern Africa and West Africa.

The subsidiaries in the West Africa region include:

- *UBA Ghana Limited*. UBA Ghana Limited was established in 2004 by Standard Trust Bank before Standard Trust Bank merged with UBA Africa Plc in 2005. As at 30 June 2021, the Bank had a 91 per cent. interest in this subsidiary. As at 30 June 2021, UBA Ghana Limited is the fourteenth largest bank in Ghana by total assets with an estimated 3.0 per cent. market share. UBA Ghana Limited recorded total assets of ₦334.5 billion and total deposits from customers and banks of ₦250.8 billion as at 30 June 2021, compared to ₦273.5 billion and ₦198.7 billion, respectively, as at 31 December 2020. UBA Ghana Limited recorded profits of ₦10.4 billion for the year ended 31 December 2020, compared to ₦11.1 billion for the year ended 31 December 2019.

- *UBA Cote d'Ivoire*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in the Ivory Coast in 2008. UBA Cote d'Ivoire had total assets of ₦404.4 billion and deposits from customers and banks of ₦355.3 billion as at 30 June 2021, compared to ₦383.3 billion and ₦333.7 billion, respectively, as at 31 December 2020. UBA Cote d'Ivoire recorded profits of ₦6.4 billion for the year ended 31 December 2020, compared to ₦5.0 billion for the year ended 31 December 2019.

- *UBA Liberia*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in Liberia in 2008. UBA Liberia had total assets of ₦74.83 billion and deposits from customers of ₦59.5 billion as at 30 June 2021, compared to ₦63.6 billion and ₦49.3 billion, respectively, as at 31 December 2020. UBA Liberia recorded profits of ₦0.98 billion for the year ended 31 December 2020, compared to ₦0.8 billion for the year ended 31 December 2019.

- *UBA (SL) Limited*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in Sierra Leone in 2008. UBA (SL) Limited had total assets of ₦62.7 billion and deposits from customers and banks of ₦42.1 billion as at 30 June 2021, compared to ₦52.2 billion and ₦34.2 billion, respectively, as at 31 December 2020. UBA (SL) Limited recorded profits of ₦3.6 billion for the year ended 31 December 2020, compared to ₦2.3 billion for the year ended 31 December 2019.

- *UBA Burkina Faso*. As at 30 June 2021, the Bank had a 64 per cent. interest in this subsidiary, which was acquired in Burkina Faso in 2008. UBA Burkina Faso had total assets of ₦399.1 billion and deposits from customers and banks of ₦356.5 billion as at 30 June 2021, compared to ₦356.2 billion and ₦326.4 billion, respectively, as at 31 December 2020. UBA Burkina Faso recorded profits of ₦3.8 billion for the year ended 31 December 2020, compared to ₦1.8 billion for the year ended 31 December 2019.

- *UBA Benin*. As at 30 June 2021, the Bank had an 84 per cent. interest in this subsidiary, which was acquired in Benin in 2008. UBA Benin had total assets of ₦259.1 billion and deposits from customers and banks of ₦232.5 billion as at 30 June 2021, compared to ₦247.8 billion and ₦222.3 billion, respectively, as at 31 December 2020. UBA Benin recorded profits of ₦3.0 billion for the year ended 31 December 2020, compared to ₦1.1 billion for the year ended 31 December 2019.

- *UBA Senegal SA*. As at 30 June 2021, the Bank has an 86 per cent. interest in this subsidiary, which commenced operations in Senegal in 2009. UBA Senegal SA is a mid-sized bank in Senegal with an estimated 5.0 per cent. market share. UBA Senegal SA had total assets of ₦267.5 billion and deposits from customers and banks of ₦228.5 billion as at 30 June 2021, compared to ₦196.7 billion and ₦130.9 billion, respectively, as at 31 December 2020. UBA Senegal SA recorded profits of ₦5.1 billion for the year ended 31 December 2020, compared to ₦2.8 billion for the year ended 31 December 2019.

- *UBA Guinea (SA)*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in Guinea in 2010. UBA Guinea (SA) had total assets of ₦80.9 billion and deposits from customers and banks of ₦69.7 billion as at 30 June 2021, compared to ₦74.5 billion and ₦62.3 billion, respectively, as at 31 December 2020. UBA Guinea (SA) recorded profits of ₦1.8 billion for the year ended 31 December 2020, compared to a loss of ₦0.1 billion for the year ended 31 December 2019.

- *UBA Mali*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in Mali in 2017. UBA Mali had total assets of ₦60.1 billion and deposits from customers and banks of ₦50.4 billion as at 30 June 2021, compared to ₦43.5 billion and ₦33.7 billion, respectively, as at 31 December 2020. UBA Mali recorded a loss of ₦0.7 billion for the year ended 31 December 2020, compared to a loss of ₦0.9 billion for the year ended 31 December 2019.

The subsidiaries in the Central Africa region include:

- *UBA Cameroun SA*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in Cameroon in 2007. UBA Cameroun SA is a mid-sized bank in Cameroon with an estimated 8.0 per cent. market share. UBA Cameroun SA had total assets of ₦422.8 billion and deposits from customers and banks of ₦356.1 billion as at 30 June 2021, compared to ₦359.0 billion and ₦293.5 billion, respectively, as at 31 December 2020. UBA Cameroun S.A. recorded profits of ₦7.7 billion for the year ended 31 December 2020, compared to ₦5.2 billion for the year ended 31 December 2019.

- *UBA Gabon*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in Gabon in 2010. UBA Gabon had total assets of ₦104.1 billion and deposits from customers of ₦78.9 billion as at 30 June 2021, compared to ₦109.5 billion and ₦79.9 billion, respectively, as at 31 December 2020. UBA Gabon recorded profits of ₦2.4 billion for the year ended 31 December 2020, compared to ₦2.8 billion for the year ended 31 December 2019.

- *UBA Congo DRC (SA)*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in the Democratic Republic of the Congo in 2011. UBA Congo DRC (SA) had assets of ₦69.8 billion and deposits from customers of ₦59.5 billion as at 30 June 2021, compared to ₦79.7 billion and ₦52.0 billion, respectively, as at 31 December 2020. UBA Congo DRC (SA) recorded profits of ₦0.4 billion for the year ended 31 December 2020, compared to a loss of ₦0.2 billion for the year ended 31 December 2019.

- *UBA Congo Brazzaville (SA)*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in the Republic of Congo in 2011. UBA Congo Brazzaville (SA) had total assets of ₦197.6 billion and deposits from customers and banks of ₦135.5 billion as at 30 June 2021, compared to ₦168.7 billion and ₦122.6 billion, respectively, as at 31 December 2020. UBA Congo Brazzaville (SA) recorded profits of ₦8.7 billion for the year ended 31 December 2020, compared to ₦5.5 billion for the year ended 31 December 2019.

- *UBA Chad SA*. As at 30 June 2021, the Bank had an 89 per cent. interest in this subsidiary, which commenced operations in Chad in 2009. UBA Chad SA had total assets of ₦138.9 billion and deposits from customers of ₦107.3 billion as at 30 June 2021, compared to ₦116.8 billion and ₦92.2 billion, respectively, as at 31 December 2020. UBA Chad SA recorded profits of ₦1.8 billion for the year ended 31 December 2020, compared to ₦2.2 billion for the year ended 31 December 2019.

The subsidiaries in the East and Southern Africa region include:

- *UBA Uganda Limited*. As at 30 June 2021, the Bank had a 69 per cent. interest in this subsidiary, which commenced operations in Uganda in 2008. UBA Uganda Limited had total assets of ₦60.1 billion and deposits from customers and banks of ₦48.5 billion as at 30 June 2021, compared to ₦54.7 billion and ₦44.0 billion, respectively, as at 31 December 2020. UBA Uganda recorded profits of ₦2.0 billion for the year ended 31 December 2020, compared to ₦0.7 billion for the year ended 31 December 2019.

- *UBA Kenya Bank Limited*. As at 30 June 2021, the Bank had an 81 per cent. interest in this subsidiary, which commenced operations in Kenya in 2009. UBA Kenya Bank Limited had total assets of ₦75.0 billion and deposits from customers and banks of ₦64.4 billion as at 30 June 2021, compared to ₦69.2 billion and ₦58.3 billion, respectively, as at 31 December 2020. UBA Kenya Bank Limited recorded profits of ₦0.4 billion for the year ended 31 December 2020, compared to ₦0.8 billion for the year ended 31 December 2019.

- *UBA Tanzania Limited*. As at 30 June 2021, the Bank had an 82 per cent. interest in this subsidiary, which commenced operations in Tanzania in 2010. UBA Tanzania Limited had total assets of ₦30.5 billion and deposits from customers and banks of ₦25.0 billion as at 30 June 2021, compared to ₦29.4 billion and ₦23.9 billion, respectively, as at 31 December 2020. UBA Tanzania Limited recorded profits of ₦0.6 billion for the year ended 31 December 2020, compared to ₦0.3 billion for the year ended 31 December 2019.

- *UBA Mozambique (SA)*. As at 30 June 2021, the Bank had an 96 per cent. interest in this subsidiary, which commenced operations in Mozambique in 2011. UBA Mozambique (SA) had total assets of ₦33.9 billion and deposits from customers and banks of ₦24.8 billion as at 30 June 2021, compared to ₦23.0 billion and ₦16.0 billion, respectively, as at 31 December 2020. UBA Mozambique (SA) recorded a loss of ₦0.3 billion for the year ended 31 December 2020, compared to a loss of ₦0.2 billion for the year ended 31 December 2019.

The Group also provides banking services in Zambia through the affiliate company UBA Zambia Limited. As at 31 December 2020, the Bank owned 49 per cent. of UBA Zambia Limited, which commenced operations in Zambia in 2010. UBA Zambia Limited had total assets of ₦67.5 billion and total liabilities of ₦61.0 billion as at 30 June 2021, compared to total assets of ₦36.0 billion and total liabilities of ₦32.0 billion as at 31 December 2019. UBA Zambia Limited recorded profits of ₦2.2 billion for the year ended 31 December 2020, compared to ₦0.8 billion for the year ended 31 December 2019. For administrative purposes, UBA Zambia Limited is managed under the East and Southern African region.

The role of African Regional Trade Blocs

The Bank and each of the Group's consolidated African subsidiaries (as well as its Zambian affiliate) operate in countries that are part of regional trade blocs in Africa, also known as Regional Economic Communities:

- Nigeria, Ghana, Guinea, Liberia and Sierra Leone are members of the West African Monetary Zone ("**WAMZ**").

- Senegal, Benin, Burkina Faso, Mali and Cote D'Ivoire are members of the WAEMU.
- Cameroon, Chad, Democratic Republic of Congo, Congo Brazzaville and Gabon are members of the Economic and Monetary Community of Central Africa ("**CEMAC**").
- Kenya, Tanzania, Uganda, Zambia and Mozambique are members of the East and Southern African Region ("**ESAR**").

The CEMAC and WAEMU regions each have a common currency which is pegged to the value of the euro. They each also have central banks with the authority to govern financial institutions with banking licenses in such regions. As a result, the Group's banking subsidiaries that operate within these respective regional trade blocs are able to more easily take advantage of economies of scale and revenue and cost synergies by carrying out intra-group lending or intra-group deposit funding, subject to applicable banking and other regulations in the jurisdiction in which it operates, and subject to the group-level policies and procedures.

Description of the Group's International Banking Network

The Group also provides international banking services in the United States and the United Kingdom which are overseen by a Chief Executive Officer for each country. The operating vehicles in these countries include:

- *UBA America*. As at 30 June 2021, the Bank had a 100 per cent. interest in this branch, which commenced operations in the United States of America in 1982. UBA America holds a federal banking licence and is primarily engaged in wholesale banking, with a focus on facilitating trade and treasury flows between North America and Africa. UBA America's main focus is on the delivery of treasury, trade finance, and correspondent banking solutions to sovereign and central banks, financial institutions, SMEs, foundations, and multilateral and development organisations. UBA America had total assets of ₦312.5 billion and deposits from customers of ₦110.7 billion as at 30 June 2021, compared to ₦146.7 billion and ₦133.4 billion as at 31 December 2020. UBA America recorded profits of ₦8.5 billion for the year ended 31 December 2020, compared to ₦6.5 billion for the year ended 31 December 2019.
- *UBA (UK) Limited*. As at 30 June 2021, the Bank had a 100 per cent. interest in this subsidiary, which commenced operations in the United Kingdom in 2012. Previously known as United Capital Europe Limited, was a non-banking subsidiary which has now transformed into a banking subsidiary. UBA (UK) Limited is regulated by the United Kingdom's Prudential Regulation Authority and the Financial Conduct Authority and received its banking licence in March 2018. It is primarily engaged in wholesale banking, with a focus on facilitating trade and treasury flows between Europe and Africa, and offers trade finance, corporate banking and treasury solutions to corporate and institutional clients based in Africa and/or Europe. UBA UK Limited had total assets of ₦159.6 billion and deposits from customers and banks of ₦142.5 billion as at 30 June 2021, compared to ₦98.1 billion and ₦76.1 billion, respectively, as at 31 December 2020. UBA UK Limited recorded a loss of ₦1.4 billion for the year ended 31 December 2020, compared to a profit of ₦0.2 billion for the year ended 31 December 2019.

The Group also maintains a representative office located in Paris, France which was opened in 2009 and operated by its subsidiary, UBA France S.A.

Non-Banking Subsidiaries

As at the date of this Base Prospectus, the Bank has only one non-banking subsidiary, UBA Pensions Custodian Limited, which obtained an operating license on 20 February 2006 and commenced operations in Nigeria on 3 May 2006. It principally operates as a custodian of pension assets, to hold and deal in such assets as directed by pension fund administrators and in accordance with regulations of the National Pension Commission in conformity with the Pensions Reform Act 2004, as amended in 2014. As at 30 June 2021, UBA Pensions Custodian had total assets of ₦11.1 billion and recorded a profit of ₦1.9 billion for the six months ended 30 June 2021.

Distribution Channels

The Group has one of the largest physical distribution networks in Africa as well as robust online and mobile banking platforms. The Group's electronic banking products include, among others, Mobile banking, text-based Unstructured Supplementary Service Data ("**USSD**"), ATMs, credit cards, PoS. The Group aims to continue expanding the channels through which it distributes products and service customers, including, where possible, development of more convenient and/or accessible channels to suit the needs of its customers. As at 30 June 2021, the Group had over 1,000 branches and customer touch points (comprising 463 branches and customer touch points in Nigeria and 537 branches and customer touch points in the rest of Africa (excluding Nigeria)), 2,660 ATMs and over 103,552 PoS terminals fully deployed across Nigeria and 19 other African countries. In addition to the Group's own ATMs in Nigeria, customers have access to all MasterCard, Visa and Verve-aligned ATMs world-wide.

ATMs

The Group's ATMs provide services such as cash withdrawals, payment transactions, intra-and inter-bank fund transfers, airtime vending, balance enquiries, mini statements, chequebook requests and full statement requests. The increase of non-cash withdrawal transactions in recent years in Nigeria prompted the Group to introduce customer touch points dedicated to non-cash services. These non-cash services include airtime vending, bill payment, donations, and money transfers. The Group's ATMs conduct approximately an average of 5.7 million transactions each per month. The Group's Nigerian ATM network processed over ₦539 billion in transactions in 2020, representing market share of greater than 15 per cent. The Group intends to deploy more ATMs in the African markets in which it operates to increase the spread of its customer touch points.

PoSs and merchant acquiring services

As at 30 June 2021, the Group had over 103,552 PoS terminals in various merchants' outlets. Over 96 per cent. of the Group's PoSs are deployed in Nigeria, representing 16 per cent. of the total PoS deployment in Nigeria by number of terminals and 26 per cent. market share in terms of total industry transaction count and volume in 2021. The Group has Visa and MasterCard acquiring licenses which enable its PoSs to accept Visa, MasterCard and local cards in all the African countries in which it has operations. The Group's PoS terminals provide additional services such as cash withdrawal, bill payments, transfer and airtime vending. As at 30 June 2021, in Nigeria, the Group ranked first as the bank with the highest number of PoS transactions.

The Group's online merchant acquiring service enables merchants to process debit and credit card payments online in all of the African countries in which the Group operates.

Digital Banking

E-Banking is a key driver of innovation in Nigeria's and Africa's financial services industries. The increase in the use of technology is gradually changing consumers' behavioural patterns and expectations, particularly as it relates to purchase and payment systems. For example, social networking, peer reviews of products and online research are now the norm. Digital payments are becoming significant in Africa with evidence that digital banking is becoming more popular than traditional forms of payment. The Group is positioning itself to meet this customer demand by placing digital distribution at the heart of its retail and corporate banking services.

The Bank believes that the Group has developed one of the most efficient e-banking platforms among its primary competitors, and now has a critical mass of staff, knowledge and products that will allow the Group to increase its market share across all business lines in a cost-effective manner. The Group has 17 e-banking products that complement and drive sales of its retail and corporate products and service channels.

Banking distribution channels include internet banking, mobile banking, and the use of social media platforms**.** The Group's internet banking platform processed over 11 million transactions with a combined value of over ₦12.5 trillion in 2020 while the Group's mobile banking platform processed over ₦8.3 billion in transactions in 2020. The Group's mobile banking offering includes text-based USSD banking service for customers who do not have data service or smart phones. The USSD service has been launched in Nigeria as *919# which allows customers to open new bank accounts, transfer funds and check account balances, among other services. The Group also maintains mobile and web applications that allow users to send and request money via email. The service originally launched in Nigeria as eMailMoni, which has since been discontinued in favour of a chat banking service deployed across the Group. The Bank's Chat Banking platforms provide customers with banking services on web chatting platforms including Facebook Messenger, Telegram, Twitter, and Skype Corporate e-banking channels include the payments platforms, bulk salary payment and Bank Collect, an inbound payment collection product. The Group's e-banking products are designed to increase customer capacity by moving additional services to self-service and enabling the physical branches to focus more on banking relationship initiation and high-value customer consulting. For example, in 2020, 87 per cent. of payment transactions by the Group's customers were conducted via e-banking channels with the remaining 13 per cent. conducted in the Group's branches.

In 2018, the Group launched its award-winning "Leo" artificial intelligence chatbot that assists customers with automated payments, transferring funds, checking account balances, paying bills, purchasing airtime and locating ATMs or branches, among other services. The chatbot is able to perform such transactions over popular social media and other channels, such as Facebook and WhatsApp. The Group has deployed Leo in Nigeria and the 19 other African countries in which it operates and, as at 30 June 2021, had over 3 million users. Leo represents the Group's flagship cutting edge technology, because of its speed and quick learning intelligence which allows for continuous evolution to meet customer needs, as well as boasting a number of robust features and encrypted end-to-end security measures.

The Group's digital banking products also include: (a) "UBA Mobile App" which provides control, support and flexibility, offering banking and lifestyle features that lets customers do all their transactions easily from their mobile phone, and (b) "UBA Business Direct" which acts as an integrated single sign-on product for corporate banking consumers and includes cash management and transaction banking services. See "*Risk Factors—Risk related to the Group—The effect of the unsuccessful introduction of new products could result in the Group not being able to achieve its intended results*".

ICT and Operations

The Group strives to use state-of-the-art infrastructure, processes and security to help ensure the smooth and efficient delivery of all its transactional banking products and services. The Group has a robust information technology system that enables effective support of the Group's business strategy for business growth and sustainability. The Bank believes its automation projects have resulted in business optimisation, including improved process efficiency and cost reductions. The Group intends to invest in ICT infrastructure and is currently committed to upgrading its cyber and IT infrastructure through the implementation of the following projects that are expected to be completed by 31 March 2022: (a) network detection and response systems, (b) enterprise secure internet gateway, (c) asset inventory management system, (d) data classification and protection system, (e) identity and access management, (f) advanced securities capabilities for digital banking, (g) insider threat programmes, and (h) expansion of the current Dell/EMC virtualised private cloud. The foregoing will include the introduction of the Oracle Exadata Engineered System and Oracle Zero Data Loss and Recovery Appliance. In 2021, the Group's ICT capital budget is ₦35.8 billion and the recurrent expenditure in the same year is expected to be ₦14.7 billion. See also "*Risk Factors—Risks related to the Group—The Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems*".

Employees

As at 30 June 2021, the Group employed over 22,000 direct and support staff (with approximately 58 per cent. and 42 per cent. of total staff being male and female, respectively), of which over 19,250 direct and support staff were employed by the Bank. Between 2019 and 2020, there was a drop in employees of 22.3 per cent, as the Group implemented staff reorganisation and realignment measures, which resulted in severance, adjustments and remuneration and other payments of ₦4 billion. Personnel expenses (including wages and salaries, contributions to defined contribution pension plans, and other staff benefits, but excluding any compensation in relation to executive directors) across the Group amounted to ₦42.6 billion for the six months ended 30 June 2021 compared to ₦44.5 billion for the six months ended 30 June 2020. The Group places a priority on training employees to enhance their efficiency in their current roles.

The Group also operates a defined contribution pension scheme for all employees, in line with the Pension Reform Act 2004, as amended in 2014 in Nigeria, and in accordance with the relevant regulations in each of the countries where the Group operates. A defined contribution plan is a pension plan under which the Group makes fixed contribution on a contractual basis (to designated pension fund administrators, as each employee has provided). The Group has no legal or constructive obligation to pay any further contribution if the fund does not hold sufficient assets to pay employees the benefits relating to service in the current and prior periods. The Group also does not have any pension liabilities as deductions are conducted on a monthly basis.

Competition

In July 2004, the CBN embarked on a recapitalisation and consolidation plan for the Nigerian banking sector, increasing the minimum capital requirement from ₦2.0 billion to ₦25.0 billion, which led to numerous capital raisings and consolidation within the industry, ultimately reducing the number of banks operating in Nigeria from 89 in July 2004 to 24 in September 2007. The subsequent global financial and economic crisis and the resulting decline in the Nigerian equities market in 2009 resulted in significant provisions and high levels of NPLs in a number of Nigerian banks, and this result, coupled with the declining oil price in the international markets, led to a number of Nigerian banks experiencing liquidity challenges. The CBN, in conjunction with the NDIC conducted a Special Examination of all banks operating in Nigeria in 2009, which revealed that ten Nigerian banks had large non-performing loan portfolios and nine Nigerian banks were in a high-risk situation due to deficiencies in capital adequacy, liquidity, risk management practices and corporate governance. The CBN and AMCON intervened by providing bail-out funds to enable such banks to meet their minimum CARs and continue operations. This created opportunities for further sector consolidation, including acquisitions of some of the "intervened banks" by stronger banks. In February 2017, a consortium of local institutional investors acquired Keystone Bank, the last of the banks which were hitherto owned by AMCON. See also "*The Nigerian Banking Sector*" and See "*Risk Factors—Risks relating to the Nigerian and other African Banking Sectors—The Nigerian banking system has in the past required and may in the future require significant state support and has been impacted by the recession in Nigeria*".

Notwithstanding the significant changes in the competitive landscape of the Nigerian banking sector, the Bank has continued to perform well, and is the third largest bank in terms of total assets, the largest bank in terms of deposits and ranks fourth in profits before tax, in each case as compared to its tier one Nigerian commercial bank competitors (on a consolidated basis) according to the most recently published financial statements of Nigerian banks for the first six months of 2021 prepared in accordance with IFRS. As at 30 June 2021, the Bank also had the largest physical branch network among Nigerian banks (according to the published audited financial statements of Nigerian banks as at and for the six months ended 30 June 2021, prepared in accordance with IFRS). As at 30 June 2021, the Group had deployed over 103,552 PoS terminals and 2,660 ATMs.

The Nigerian banking industry is dominated by five tier 1 banks (namely Access Bank Plc, First Bank of Nigeria Limited, Guaranty Trust Bank Limited, Zenith Bank Plc and the Bank) with total assets in excess of ₦5.0 trillion each. The Group considers its main competitors to be the other tier 1 banks. The primary area of competition among the tier 1 banks is competition for lending to corporate customers and deposits from retail customers. However, the Bank believes that its commitment to customer service and innovation in product and service development will continue to attract and allow the Bank to maintain its market share of retail and corporate customers.

The following table illustrates the key consolidated financial metrics of the Group as compared to its main Nigerian commercial bank competitors as at 30 June 2021 according to the most recently published financial statements of Nigerian banks for the first six months of 2021 prepared in accordance with IFRS:

	Access Bank Plc	**FBN Holdings Plc**	**United Bank for Africa Plc**	**Zenith Bank Plc**	**Guaranty Trust Holding Company Plc**
Gross revenues (*₦ billions*)	450.6	291.2	315.3	345.6	225.1
Profit before tax (*₦ billions*)	97.5	45.2	76.2	117.1	93.1
Gross loans (*₦ trillions*)	4.1	3.5	2.8	3.0	1.7
Total assets (*₦ trillions*)	10.1	8.0	8.3	8.5	5.0
Total deposits (*₦ trillions*)	6.0	5.1	6.7	5.8	3.6
Total liabilities (*₦ trillions*)	9.3	7.3	7.6	7.4	4.2
Cost-to-income ratio (*%*)	60.1	68.6	62.5	52.3	47.7
Return on equity (*%*)	22.8	9.9	8.1	18.8	19.7
Total regulatory capital (*₦ billions*)	915.0	645.0	568.8	1,140.0	781.4
Customer accounts (*millions*)	42.0	34.0	25.0	13.0	23.8

The following table illustrates the key consolidated financial metrics of the Group as compared to its main pan-African commercial bank competitors as at 30 June 2021, according to the most recently published financial statements of such pan-African commercial banks for the first six months of 2021 prepared in accordance with IFRS:

	Ecobank Transnational Inc.	Attijariwafa Bank	United Bank for Africa Plc	Standard Bank Group Limited	Access Bank Plc
Total assets (*U.S.$ billions*)	26.8	64.9	20.2	30.3	24.5
Total deposits (*U.S.$ billions*)	19.2	41.3	14.8	27.3	14.5
Net interest margin (%)	4.8	4.7	5.8	3.6	6.3
Cost-to-income ratio (%)	58.7	44.7	62.5	58.3	60.1
NPL ratio (%)	7.4	7.4	3.5	5.5	4.3
NPL provisions coverage (%)	86.7	185.0	136.8	68.8	92.0
Return on average equity (%)(1)	14.4	12.1	17.5	12.9	23.0

(1) Return on average equity is calculated as net profit for the year attributable to equity holders divided by the average equity and is presented on an annualised basis.

Additionally, international banks are increasing their presence in Nigeria, and competing with the Bank for its high net worth and corporate customers. These banks include Citi Bank Nigeria Limited, a subsidiary of Citigroup, Stanbic IBTC Bank Plc, a member of the Standard Bank of South Africa, Standard Chartered Bank Nigeria Limited, a wholly owned subsidiary of Standard Chartered Bank, and Rand Merchant Bank, a division of FirstRand Bank Limited. In particular, the Group competes with these institutions for the provision of foreign currency services to Nigerian companies and other companies operating in Nigeria. The Nigerian banking industry has also observed the entry of payment service banks following the CBN's licensing of Hope PSB, 9PSB and Money Master in September 2019, which prompted additional FinTechs such as Flutterwave, Paystack, Opay, PiggyVest and Interswitch to enter the market and challenge the traditional banking model both in the provision of payment services and lending. Nigeria's banking industry also remains susceptible to the rise of digital currencies which may induce consumers away from traditional banking channels. Based on the strategies and the Group's products and services, management is confident of the Group's ability to sustain its current position and continue to improve in the coming years. See "*Risk Factors—Risks related to the Group—The Group faces increased levels of competition in Nigerian and other African markets, which may negatively affect the Group 's prospects*".

Insurance

Insurance policies are used to mitigate operational risks. These policies are current and remain applicable in the Group's operating environment. Insurance coverage is purchased at the Group or cluster (subsidiaries grouped by geographical proximity) level to discharge statutory and regulatory duties, or to meet counterparty commitments and stakeholder expectations. The primary insurance policies currently maintained by the Group include deposit insurance, directors' and officers' liability insurance, professional indemnity insurance, group life insurance for employees, fidelity guarantee insurance and, public liability insurance. The Group also purchases insurances for tangible assets such as cars, equipment and cash, and maintains fire insurance. The insurance portfolio of the Group is reviewed and renewed annually, in consultation with a qualified insurance practitioner in accordance with administrative policy guidelines. However, customary levels of insurance coverage in the countries in which the Group has operations may not be comparable to other countries. See "*Risk Factors—Risk related to the Group—The Group may not have adequate insurance to cover losses suffered as a result of deficiencies in its internal control policies and procedures*".

Property

As at 30 June 2021, the total net book value of the Group's property and equipment amounted to ₦166.7 billion, which comprised ₦152.1 billion of property and equipment (which include, for example, branches and offices) and ₦14.6 billion of right-of-use assets. As at 31 December 2020, the total net book value of the Group's property and equipment amounted to ₦153.2 billion, which comprised ₦141.3 billion of property and equipment and ₦11.9 billion of right-of-use assets.

Governmental, Legal and Arbitration Proceedings

From time to time and in the ordinary course of business, the Group is subject to governmental, legal, and arbitration proceedings. The Group recorded provisions in relation to governmental, legal and arbitration proceedings of ₦252.0 million as at 30 June 2021 and as at 31 December 2020, 2019 and 2018. Based on professional advice, the Bank believes that the ultimate liability to the Group, if any, arising from such proceedings will not have a material adverse effect on the financial condition and the results of operations of the Group. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) which may have, or have had, during the 12 months prior to the date of this Base Prospectus, a significant effect on the Group's financial position or profitability.

Anti-Money Laundering

Corruption and money laundering have been and continue to be identified by external analysts as significant issues in Nigeria. As a result, the Nigerian Government has sought to implement various measures to prevent and fight these issues. These include the enactment of the updated Money Laundering (Prohibition) Act of 2011, as amended by the Money Laundering (Prohibition) (Amendment) Act of 2012, as well as the Terrorism (Prevention) Act of 2012, as amended by the Terrorism (Prevention) (Amendment) Act of 2013, which require financial institutions to monitor certain financial transactions of their customers more closely for evidence of money laundering and increases the reporting requirements of transactions by financial institutions. In addition, the CBN now requires banks to ensure that their customers who are "designated non-financial institutions" (which include dealers in jewellery, cars and luxury goods, supermarkets, hotels and casinos) are registered with the Special Control Unit on Money Laundering of the Federal Ministry of Trade and Investments prior to establishing a business relationship with them. The Nigerian Government also established the EFCC in 2004, whose purpose is to investigate all financial crimes including, amongst others, advance fee fraud money laundering, counterfeiting and futures market fraud. In addition, the CBN now requires banks to ensure that their customers who are "designated non-financial institutions" (which includes dealers in jewellery, cars and luxury goods, supermarkets, hotels, casinos and professionals such as law firms and accounting firms), are registered with the Special Control Unit on Money Laundering (the "**SCUML**") of the Federal Ministry of Industry, Trade and Investments prior to establishing, or continuing, a business relationship with them. The Bank believes it is fully compliant with the requirements of the SCUML.

The Group has implemented an anti-money laundering and combating financing of terrorism ("**AML/CFT**") programme (the "**AML/CFT Programme**") that is maintained and reviewed to help ensure compliance by the Group and its employees with the provisions of the Money Laundering (Prohibition) Act of 2011, the CBN's "Know Your Customer" Manual of 2003 and the Wolfsberg Principles (being anti-money laundering principles for private banking drafted by a group of international global banks and published in May 2002), as well as the FATF 40 Recommendations of Combating Money Laundering and the Financing of Terrorism & Proliferation. The AML/CFT Programme is designed to ensure that there are appropriate systems in place to prevent, promptly detect and report money laundering activities within the Group.

The objectives of the AML/CFT Programme are to embed a strong and robust compliance culture, mitigate the impact of certain operational, reputational and legal risks, protect the safety and soundness of the Group, and protect employees from risks they may run while carrying out their duties and obligations.

The Group's AML/CFT policies and procedures have been approved by the Group's senior management and the Board of Directors and adopted across the Group. The policies and procedures require the Group to properly identify each new customer and to accurately verify all of the information and documents provided by such customer. Know your customer and enhanced due diligence procedures are carried out at all times and suspicious transaction and foreign currency transaction reports are rendered to the Nigeria Financial Intelligence Unit ("**NFIU**") periodically. The Group also carries out transaction monitoring and filtering against approved watch lists, such as the European Union list, the United Nations list and the United States Office of Foreign Assets Control list. A Chief Compliance Officer is appointed at the senior management level to oversee the AML/CFT Programme and report to the Board of Directors. The Group also has an internal audit team that periodically conducts an internal audit to ensure adherence to the AML/CFT Programme. The audit report generated is circulated to the Board of Directors through the Board Audit Committee, as well as the heads of each relevant department and the CBN. The Group also carries out anti-money laundering training annually to raise staff awareness and train staff on combating money laundering and terrorism financing. See "*Risk Factors—Risks related to the Group—The Group may not be able to fully comply with anti-money laundering and anti-terrorism regulations, which could result in governmental fines and a damaged reputation*" and "*Risk Factors—Risks related to the Group— The Group may not be able to fully comply with anti-corruption regulations, which could result in governmental finds and a damaged reputation*".

Sustainability and Corporate Social Responsibility

The Group is committed to the highest sustainability standards in its business practices and operations. The Group's strategic intent is to commit 1.0 per cent. of its annual profit to its corporate social responsibility activities geared towards protecting the integrity of the environment, promoting educational endeavours, and fostering economic empowerment, as well as supporting other sustainable projects. The focus is to enable activities that support the Paris Agreement and the United Nations Sustainable Development Goals.

Given the scope and size of the Group's project finance activities, the Group is also implementing new systems to institutionalise its commitment to the Equator Principles. The Equator Principles is a risk management framework adopted by financial institutions for determining, assessing, and managing environmental and social risk in projects.

Since the inauguration of the Nigerian Sustainable Banking Principles in 2012, the Group also assesses clients against environmental, social and governance ("**ESG**") criteria, which involves taking a transaction and screening the client risk and general transaction risk against an ESG exclusion list. The Group established an independent Environmental & Social Risk Management desk in 2019 and fully automated the process in 2021. The Group's exclusion list is aligned to the International Finance Cooperation exclusion list. The Group will not participate in any transaction that fails to meet its ESG criteria.

Among other things, the Group is committed to integrating robust environmental management criteria in its project finance and investment decisions in accordance with international standards and principles. For example, in 2020, the Group committed over U.S.$105 million to renewable energy and energy efficiency activities, power infrastructure projects, SMEs and women-owned businesses. The Group is working towards a net zero target and is continuously seeking to reduce the carbon emissions from its operations where possible by utilising renewable power sources. For example, in 2020, the Group increased the number of solar energy powered ATMs from 113 to 161.

The Group is committed to supporting the growth and prosperity of the communities across Nigeria and the 19 African countries in which it operates. As part of its ongoing efforts, the UBA Foundation was incorporated in 2004 in order to act as the corporate social responsibility ("**CSR**") arm of the Group. The UBA Foundation is committed to the socio-economic betterment of the communities in which the Group operates, with a focus on education, environment, economic empowerment, and special projects. In 2020, the UBA Foundation completed or launched the following events and initiatives:

- the tenth annual national essay competition, targeted at senior secondary school students in Africa with the aim of promoting literacy and encouraging healthy and intellectual competition amongst students in Nigeria and across Africa. In 2020, the competition took place in Nigeria, Ghana, Guinea, Senegal and Sierra Leone;
- "Read Africa", which is an initiative geared at rekindling the reading culture amongst African youths and promoting the talent of African authors. In 2020, the UBA Foundation donated over 20,000 books to youth across the continent and the "Read Africa" programme was hosted virtually and in schools in Congo Brazzaville, Kenya, Tanzania and Zambia;
- the "Each One Teach One" programme, which comprises of the Group's board members, senior management and employees volunteering to teach or share their experiences with students, young entrepreneurs and customers through virtual masterclasses;
- in March 2020, the Bank announced a donation of over ₦5 billion, through the UBA Foundation, to catalyse a comprehensive pan-African response to COVID-19 and provide relief to Nigeria and 19 other African countries by supplying critical care facilities and materials as well as financial support to governments;
- the completion of a 300-seater school hall housing three science laboratories and the construction of a 50-bed student hostel at St. Pius Xth Grammar School in the Eastern part of Nigeria;
- the construction of a solar borehole for the Ikorodu community in collaboration with the Asisat Oshola Foundation and to mentor hundreds of young girls at the Football4Girls training camp; and
- the collaboration with the Five Cowries non-governmental organisation to provide home-learning kits to children across Nigeria who did not have internet access during the COVID-19 related lockdowns with a focus on core-curriculum subjects.

The Bank has invested ₦6.95 billion in CSR since 2015, thereby impacting 280 communities and reaching over 224,150 individuals and over 45 non-governmental organisations.

ASSET, LIABILITY AND RISK MANAGEMENT

General

The principal risks inherent in the Group's business include credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and other price risks.

The Group's risk management framework and governance structure are intended to provide comprehensive controls and on-going management of the major risks inherent in the Group's business activities. The Group also encourages a culture of risk awareness and recognition of personal responsibility, primarily through the proper dissemination of information and policies, the development of frameworks and training staff to maintain awareness of the relevant roles in the Group's risk management process. The Group's overall risk tolerance is established in the context of the Group's earnings capacity, capital, and diversified business model.

The Bank believes that taking pre-emptive action to reshape its portfolio, tightening underwriting standards and increasing the frequency of risk monitoring and stress testing will help mitigate the impact of a cyclical downturn in its core markets.

The Group's risk profile as at 30 June 2021 is marked by a number of key developments:

- the NPL ratio (the ratio of NPLs to gross loans) decreased to 3.5 per cent. as at 30 June 2021 as compared to 4.9 per cent. as at 31 December 2020, 5.1 per cent. as at 31 December 2019 and 6.4 per cent. as at 31 December 2018;
- the NPL coverage ratio increased to 136.8 per cent. as at 30 June 2021, compared to 96 per cent. as at 31 December 2020, 130.6 per cent. as at 31 December 2019 and 104.0 per cent. as at 31 December 2018;
- the cost of risk was 0.1 per cent. (0.3 per cent. annualised) as at 30 June 2021, 0.8 per cent. as at 31 December 2020, 0.7 per cent. as at 31 December 2019 and 0.2 per cent. as at 31 December 2018; and
- the loan to deposit ratio amounted to 41.9 per cent. as at 30 June 2021, 43.2 per cent. as at 31 December 2020, 56 per cent. as at 31 December 2019 and 54 per cent. as at 31 December 2018.

The Group aims to manage its risk profile through staff training, upgrading its information technology systems, and reviewing its operational and control processes. See also "*Risk Factors—Risks relating to the Group's business—The Group is subject to risks relating to its information technology systems and its ability to remain competitive depends on its ability to upgrade such systems*". The Group seeks to maintain low exposure to higher-risk asset classes, and closely monitors developments in the environment to react accordingly. The Group also seeks to mitigate overall risk by maintaining a diversified portfolio across countries, products and customer segments; disciplined liquidity management; a well-established risk governance structure; and an experienced senior management team.

Risk Management

The Board of Directors determines the Group's overall objectives in terms of risk. The responsibilities of the Board with respect to risk management include, but are not limited to:

- ensuring an appropriate corporate governance framework is developed and operated;
- providing guidelines regarding the management of risk elements in the Group;
- approving Group risk management policies;
- determination of the Group's risk appetite;
- ensuring that management controls and reporting procedures are satisfactory and reliable;
- approving large credit exposures beyond the limit of the Board Credit Committee ("**BCC**"); and
- approving capital demand plans based on risk budgets.

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

- The Executive Management Committee ("**EMC**") is responsible for executing Board-approved strategy, the overall performance of the Group, managing the Group's risks and day-to-day oversight of the Group. All non-credit product approvals must go to the EMC which shall review and approve or recommend for approval to the appropriate committees of the Board (the "**Board Committees**") in line with the Group's advised approval limits. Above the EMC approval limits, non-credit products are approved by the Board's Finance and General Purpose Committee (the "**F&GPC**"), which also approves all new business activity irrespective of capital commitment.

  The Group Asset and Liability Committee (the "**GALCO**"), is a sub-committee of the EMC whose decisions are reported to the F&GPC. Among other things, the GALCO has responsibility for managing the Group's financial position and ensuring compliance with regulatory and statutory ratios and requirements, managing the Group's traded and non-traded market risks, recommending balance sheet management policies, frameworks, and procedures to the BRMC through the EMC for approval, and set pricing strategies for the Group on assets and liabilities (subject to ratification by the EMC).

- The Executive Credit Committee (the "**ECC**") is responsible for developing and maintaining a sound credit risk portfolio for the Group and it oversees the development and deployment of credit risk practices across the Group. The ECC sets frameworks and guidelines for the Group's credit risk management, reviews and recommends all credit-related policies for the Group to the BCC for approval, and monitors the implementation and compliance with credit policy (which includes, but is not limited to, ensuring the Group's NPL portfolio is within acceptable limits and reviews credit requests and recommends those above its limit to the BCC for approval).

- The Criticised Assets Committee reviews past due obligations ("**PDOs**") and is responsible for developing the framework to reduce the Group's portfolio of risk assets on watch-lists as well as delinquent accounts, monitoring the implementation of strategies developed for recoveries and the reduction of loan delinquencies, ratifying proposed classifications of accounts and provisioning levels, and recommending write-offs for approval through the EMC to the Board.

- The Group Risk Management Committee ("**GRMC**") provides advice and recommendations on matters relevant to risk management to the EMC. Among other things, the GRMC is responsible for monitoring implementation of the overall risk management framework to ensure that the framework is uniformly applied to all the entities of the Group, as well as monitoring the implementation of the Basel II Accord Capital Framework and the Group's compliance programme and periodically reviewing the Group's risk assets portfolio and limits against internal and regulatory benchmarks.

The EMC has oversight of the Group's African subsidiaries through the Deputy Managing Director, the Regional CEOs, Group heads of the Corporate & Commercial Banking, Personal Banking, Consumer Banking, SME Banking and Treasury and International Banking divisions, each of whom have lateral reporting lines to the heads of these corresponding divisions within the subsidiaries. The EMC also has direct oversight of the subsidiaries through the Group's regional CEOs.

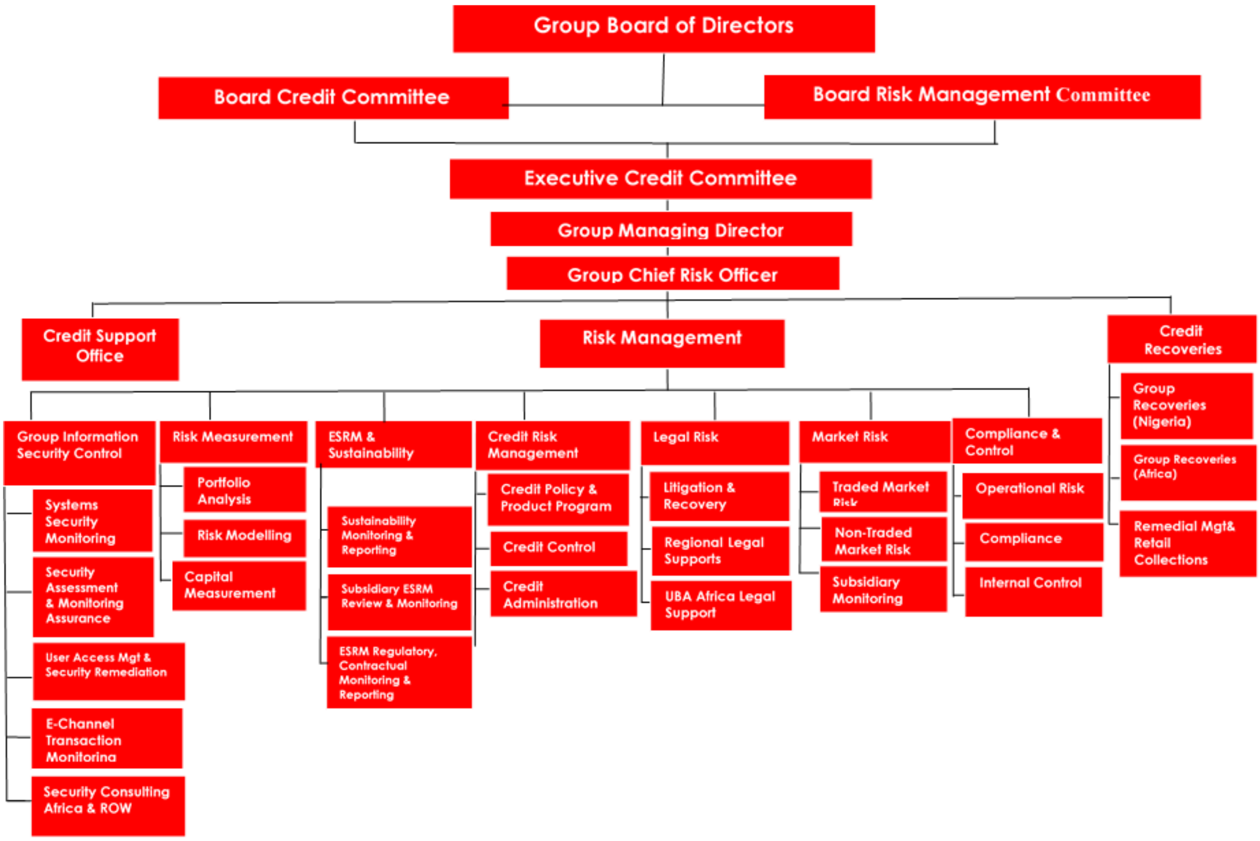
For more information on the Board Committees, see also "*Directors and Senior Management—Board Committees*". The committees meet on a regular basis and report regularly to the Board and also on an ad-hoc basis, as may be required based on the relevant circumstances. Membership of the committees includes senior management of the Group.

The Group Chief Risk Officer ("**CRO**") has primary responsibility for the effective and efficient governance of all risk functions in the Group. The CRO is responsible for the development and implementation of the Group's risk management frameworks, policies and processes across the entire risk spectrum.

Each risk management function including credit, market, operational and IT risk has direct responsibility for the development and operation of risk management activities. Among other things, these divisional functions are responsible for providing consolidated risk reports to various Board and management committees, providing assurance that risk management policies and strategies are operating effectively to achieve the Group's business objectives, and providing recommendations for the improvement of risk management functions.

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

The Group has an independent risk management directorate. In response to the Group's dynamic risk environment, the risk management structure has been streamlined to ensure increased oversight and improved responsiveness. The Group's risk management governance structure is depicted below:



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

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from corporate, commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements, and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities, including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties, and reverse repurchase loans. Credit risk represents a significant part of the overall risk exposure of the Group; the directors therefore carefully manage exposure to credit risk. The Credit Risk Management division (the "**CRM**") acts as the custodian of Group credit policies and recommends reviews based on regulatory changes and other developments in the operating environment. It develops and implements the Group credit risk management framework, as well as a portfolio management strategy towards achieving a diversified, high quality asset mix to minimise delinquencies. The CRM also ensures appropriate control measures are taken in the documentation and administration of approved loans.

The Group also has a credit monitoring functions that runs as a separate group of risk management to improve oversight of loan performance. Its primary function is to continuously monitor the Group's loan portfolio to ensure the ongoing performance of its loan portfolio and the achievement of targets pertaining to the quality of the Group's loan portfolio. Among other responsibilities, the credit monitoring function ensures all loans are booked in line with the Group's policy, and also identifies exceptions which may prevent a loan from being paid in a timely manner.

The BCC is responsible for the overall governance of credit risk and the management of the credit portfolio of the Group. It reviews and recommends credit policies to the Board. The ECC sets frameworks and guidelines for the Group's credit risk management and reviews and recommends for approval to the BCC all credit-related policies for the Group (with specific regard for credit concentration, credit portfolio performance and credit quality). With regards to approval of credit facilities, the ECC approves facilities that are above the limit of the Group Managing Director ("**GMD**"), while the BCC approves credit facilities that are above the limit of the ECC. The Board is the overall approving authority, approving credit facilities that are above the limit of the BCC.

Credit risk measurement

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group's policy is to lend principally on the basis of its customers' repayment capacity through a quantitative and qualitative evaluation, and to ensure such loans are collateralised to reflect the risk of the counterparty and the nature of the facility. In measuring the credit risk of loans and advances at a counterparty level, the Group considers three components: (i) the credit worthiness and financial capacity of the counterparty to pay or meet its contractual obligations, (ii) current exposures to the counterparty and its likely future development, (iii) the counterparty's credit history, and (iv) the likely recovery ratio on the defaulted obligations and any associated collateral as well as any other methods of resolving such default. The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

Probability of default

In its estimation of credit risk, the Group estimates the probability of default (being the probability than a counterparty will default over a given period, which is typically one year), loss given default (being the portion of the loan determined to be irrecoverable at the time of default) and exposure at default (being the amount that is outstanding at the point of default).

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgement. They are validated, where appropriate, by comparison with externally available data. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projection in the light of all actually observed defaults.

The Group adopts a two-dimensional approach to the assessment of credit risk in the Risk Rating Process for all businesses. Obligors are assigned an obligor risk rating ("**ORR**") while a facility risk rating ("**FRR**") is assigned to facilities. However certain obligors, retail and commercial loans applicants that do not have a risk rating must access credit through product programmes while those that have credit ratings can access credit through the individually assessed credit window. The Group's scoring system is used for consumer loans whereby loans that achieve a predetermined minimum score are approved.

Inputs used to determine ORRs are derived based on quantitative and qualitative factors. The quantitative factors are primarily based on a metric that uses information on the obligor's financial position while the qualitative factors include management quality, industry risks, company profile and economic factors.

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

Deterioration in credit risk is identified based on factors such as ratings downgrade, missed payments, non-compliance with loan covenants and deterioration of quality or value of collateral.

The Group utilises an internal risk rating system. It is the Group’s policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and comparison of exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group’s rating policy. A risk rating of “AAA” identifies obligors or transactions of the highest quality or lowest risk. A risk rating of “D” is assigned to obligor’s or transactions of lowest quality or highest risk. The following table below summarises the Group’s internal risk ratings.

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

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

Remedial Management Process

The Group manages, limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and banks, and to industries and countries. This process is managed by the Group Remedial & Recovery Division (the “**GRRD**”). Depending on the severity of classification, the Group undertakes remedial corrective action geared towards ensuring performance of weak creditors. Early attention, including substantive discussions with borrowers, is required to correct deficiencies. The Group’s remedial process covers the evaluation, analysis or restructuring of credit facilities for existing PDOs, which may include new extensions of credit and/or restructuring of terms.

The Remedial Management & Credit Recovery Division (the “**RMCRD**”) is the collections arm of Credit Risk Management that evaluates, monitors and supervises the restructuring, repayments and collections of all PDOs that have been prudential classified and show early warning signs of default.

Credit concentration

The Group monitors concentrations of credit risk by asset class, sector, geographic location and industry. Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security. The Group conducts periodic stress test on the portfolio, assessing the portfolio’s vulnerability to different macroeconomic variables, market and political risks in each subsidiary, in addition to assessing potential correlation of risks amongst different markets. The Group has implemented a credit concentration risk management policy which provides a framework within which lending decisions can be made so as to ensure an adequate level of diversification across the Group’s credit portfolio. The policy provides for risk-based limits that restrict lending activities to the Group’s desired risk appetite and tolerance levels.

Credit quality; impairment and provisioning policies

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

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

- Stage 1 loans and advances: these are loans and advances that have not deteriorated in credit quality since initial recognition or that have low credit risk at the reporting date.
- Stage 2 loans and advances: these are loans and advances that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event.
- Stage 3 loans and advances: these are loans and advances that have objective evidence of a credit loss event and allocation is driven by either the identification of credit impairment or an exposure being classified as defaulted.
- Impaired loans and securities: these are specifically impaired loans and securities where the Group determines that it is probably that it will be unable to collect all principal and interest due according to contractual terms.
- Loans with renegotiated terms: these are loans that have been renegotiated to maximise collection opportunities and minimise the risk of default. Revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. As at 30 June 2021, the nominal value of loans with renegotiated terms amounted to ₦453.3 billion as at 31 December 2020 as compared to ₦77.0 billion as at 31 December 2019.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Control and mitigation measures

Collateral

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

Irrespective of how well a credit proposal is structured, the provision of adequate collateral coverage for all loans is a major requirement for the Group in order to protect it from incurring loan losses due to unforeseen events resulting from the deterioration of the quality of a loan. Consequently, the Group issues appropriate guidelines for acceptability of loan collateral from time to time which articulate acceptable forms of collateral in respect of each credit product, including the required documentation for the perfection of collateral and minimum realisable value. The principal collateral types for loans and advances include, but are not limited to:

- legal mortgages over acceptable property;
- charges over current and non-current assets;
- guarantees (in certain cases supported by tangible assets) and performance bonds; and
- charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. All items pledged as security for loan facilities are insured with the Bank noted as the first loss payee. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Liquidity Risk

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

The Group manages its liquidity prudently in all geographical locations and for all currencies. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the expected maturity date. To mitigate these uncertainties, the Group’s funding base is diverse and largely customer-driven, while customer assets are of short tenor. In addition, the Group has contingency funding plans including a portfolio of liquid assets that can be realised in the event of liquidity stress, as well as ready access to wholesale funds under normal market conditions. The Group also has significant levels of marketable securities, including government securities that can be monetised or pledged as collateral in the event of liquidity stress. Contingency funding plans are reviewed and approved annually. They provide a broad set of early warning indicators, an escalation framework and a set of management actions that could be effectively implemented by the appropriate level of senior management in the event of a liquidity stress. A similar plan is maintained within each country.

The Bank believes that the Group’s liquidity risk management policy, which includes maintaining and monitoring its cash and liquid securities portfolio to try to ensure that they are sufficient to meet current demands, coupled with its ability to call and/or re-price most of its loans on an annual basis, allow and will continue to allow it to meet its liquidity needs. The Group has historically maintained a liquidity ratio above the applicable minimum regulatory requirements of the CBN (currently 30.0 per cent. of liquid assets (cash and cash equivalents, treasury bills, trading assets and government bonds) to total deposits) and has met and continues to meet the requirements of the CBN’s stress tests.

Global funding and liquidity risk management entities are centralised in the GALCO, which analyses and monitors the Group’s liquidity risk. The Group aims to continuously maintain excess liquidity and to access diverse funding sources including its deposit base. Liquidity in each country in which the Group operates is managed by the country Asset and Liability Committee (the “**ALCO**”) within pre-defined liquidity limits and in compliance with Group liquidity policies and practices, as well as local regulatory requirements. Group Market Risk and Group Treasury propose and oversee the implementation of policies and other controls relating to the liquidity risks.

The key measures used by the Group for managing liquidity risk comprise: (i) a funding gap analysis of assets and liabilities and (ii) a liquidity ratio mechanism. The funding gap analysis is conducted through use of a maturity ladder by assessing all the bank’s cash inflows against outflows to identify the potential for net shortfalls or net funding requirements (i.e. a cumulative net excess or deficit of funds) at selected maturity dates. The maturity ladder is monitored on a day-to-day basis and stress testing is undertaken on a quarterly basis by applying different scenarios to the maturity ladder and assessing the bank’s funding requirements under each scenario. All Group businesses and subsidiaries also construct their maturity ladder and compile reports based on agreed assumptions which are consolidated into a global report for GALCO review. The Group Head of Balance Sheet Management and country treasurer for each subsidiary also document the appropriate actions and include them into the Contingency Funding Plan (“**CFP**”) for implementation. For the second measure, liquidity stress testing is performed for each of the Group’s major entities and operating subsidiaries. Stress testing and scenario analyses are intended to quantify the potential impact of a liquidity event on the financial and liquidity position, and to identify viable funding alternatives that can be utilised. These scenarios include assumptions about significant changes in key funding sources, market triggers (such as credit ratings), potential uses of funding and political and economic conditions in certain countries. These conditions include expected and stressed market conditions as well as company-specific events.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market, less any deposits from banks, debt securities issued, other borrowings and commitments maturing within one month. The following table shows the Bank's ratio of liquid assets (cash and cash equivalents, treasury bills, trading assets and government bonds) to deposits from customers for the periods indicated.

	As at and for the six months ended 30 June	As at and for the year ended 31 December		
	2021	2020	2019	2018
			(%)	
At end of year	44.7	44.3	44.0	55.8
Average for the year	35.7	35.8	54.9	50.3
Maximum for the year	50.3	50.1	64.6	57.0
Minimum for the year...	30.6	30.0	41.5	43.4

The following tables set forth the Group's assets and liabilities by maturity as at the dates indicated and contain certain information regarding the liquidity risk facing the Group:

	As at 30 June 2021						
	Carrying amount	Gross nominal amount	Less than 1 month	1-3 months	3-6 months	6-12 months	More than 1 year
				(₦ millions)			
Non-derivative financial liabilities							
Deposits from banks	561,545	562,620.10	462,156	93,765	3,689	3,010	-
Deposits from customers							
Retail Customers:							
Term deposits	65,661	66,674	40,534.95	11,180	3,018	11,202	739
Current deposits	586,312	586,540	586,540	-	-	-	-
Savings deposits	1,552,813	1,554,431	1,554,431	-	-	-	-
Corporate Customers:							
Term deposits	890,348	904,450.45	352,168	327,545	125,148	99,270	320
Current deposits	3,000,440	3,001,607	3,001,607	-	-	-	-
Other financial liabilities	297,967	298,218	239,648	-	-	50,537	8,033
Lease liabilities	9,728	10,186	906.48	524	1,424	4,293	3,039
Borrowings	565,095	611,607	16,410	106,941	26,410	219,999	241,847
Total financial liabilities	**7,529,909**	**7,596,334**	**6,254,401**	**539,956**	**159,688**	**388,311**	**253,977**
Derivative liabilities:							
Cross Currency Swap	220	220	220	-	-	-	-
Assets used to manage liquidity							
Cash and bank balances	2,065,021	2,065,636	852,733	16,941	55,993	20,481	1,119,489
Financial assets at FVTPL							
Treasury bills	91,528	91,528	91,528	-	-	-	-
Promissory notes	70	72	-	-	-	72	-
Bonds	56,269	56,269	56,269	-	-	-	-
Loans and advances to banks	151,965	235,544	28,725.45	100,730	25,843	12,509	67,735
Loans and advances to customers							
Individual							
Term loans	93,159	102,283	960	6,341	5,285	13,743	75,954
Overdrafts	24,724	29,505	29,504.74	-	-	-	-
Corporates		-	-	-	-	-	-
Term loans	2,107,869	2,166,751	24,035	270,934	168,654	244,868	1,458,260
Overdrafts	404,782	443,844	443,844	-	-	-	-
Others	4,022	4,046	1,388	2,658	-	-	-
Investment securities							
At FVOCI							
Treasury bills	528,972	529,963	313	178,567	34,005	317,079	-
Bonds	148,843	244,337	3,694	9,109	7,536	20,752.82	203,245.24
At amortised cost							
Treasury bills	1,466,939	1,466,939	83,806	994,652	190,840	197,641	-
Bonds	556,001	761,031.90	12,986	31,135	37,695.19	77,060	602,155.65
Other assets	155,094	155,094	152,776	-	-	-	2,318
Derivative assets	47,594	47,594	837.97	8,632.52	-	38,123.51	-
Total financial assets	**7,902,852**	**8,400,437**	**1,783,400**	**1,619,699**	**525,851**	**942,328**	**3,529,157**
Gap	**372,723**	**803,883**	**(4,471,221)**	**1,079,743**	**366,163**	**554,017**	**3,275,180**
Contingents and loan commitments							
Performance bonds and guarantees	293,734	293,734	29,239	20,425	39,729	66,646	137,694
Letters of credit	1,059,975	1,059,975	330,521	159,403	213,118	251,224	105,709
Loan commitments	87,499	87,499	-	-	-	-	87,499

	As at 31 December 2020						
	Carrying amount	Gross nominal amount	Less than 1 month	1-3 months	3-6 months	6-12 months	More than 1 year
				(₦ millions)			
Non-derivative financial liabilities							
Deposits from banks	418,157	693,667	452,374	136,469	7,104	97,719	-
Deposits from customers							
Retail Customers:							
Term deposits	144,720	146,908	94,463	26,029	9,662	16,371	383
Current deposits	815,250	855,582	855,582				
Savings deposits	1,447,514	1,452,182	1,452,182				
Corporate Customers:							
Term deposits	890,012	991,677	436,369	343,760	75,672	129,875	6,000
Current deposits	2,378,515	2,307,385	2,307,385				
Other financial liabilities	147,162	150,105	148,255	22	380	378	1,070
Lease liabilities	6,929	11,473	1,021	590	1,604	4,836	3,423
Borrowings	694,355	727,824	30,371	127,731	93,913	19,610	456,199
Total financial liabilities	**6,942,614**	**7,336,803**	**5,778,003**	**634,601**	**188,336**	**268,789**	**467,074**
Derivative liabilities:							
Cross Currency Swap	508	508	504	4	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	170,988	170,988	8,663	24,079	32,990	37,738	67,516
Letters of credit	687,841	687,841	164,837	343,536	39,148	79,084	61,235
Loan commitments	95,030	95,030	-	-	-	-	95,030
Assets used to manage liquidity							
Cash and bank balances	1,874,618	1,874,618	624,055	90,353	79,323	42,625	1,038,262
Financial assets held for trading							
Treasury bills	176,172	176,172	176,172	-	-	-	-
Promissory notes	75	75	-	-	-	75	-
Bonds	38,153	38,153	38,153	-	-	-	-
Loans and advances to banks	77,419	81,290	49,229	71	-	-	31,990
Loans and advances to customers							
Individual							
Term loans	161,184	142,431	3,523	9,219	8,321	24,151	97,216
Overdrafts	19,890	24,208	24,208	-	-	-	-
Corporates							
Term loans	1,813,652	1,922,999	64,899	294,416	115,302	417,835	1,030,547
Overdrafts	558,760	599,585	599,585	-	-	-	-
Others	1,489	2,951	-	32	2,919	-	-
Investment securities							
At FVOCI							
Treasury bills	1,142,908	1,239,149	97,880	711,598	170,594	259,078	-
Bonds	150,822	94,928	187	884	1,940	13,546	78,371
At amortised cost							
Treasury bills	716,448	750,739	307,781	292,387	54,185	94,789	1,597
Bonds	443,708	689,444	2,327	9,690	16,472	58,120	602,835
Other assets	87,430	87,430	87,430	-	-	-	-
Derivative assets	53,148	53,148	13,727	17,406	17,374	4,641	-
Total financial assets	**7,315,876**	**7,777,320**	**2,089,156**	**1,426,055**	**466,429**	**914,860**	**2,880,819**
Gap	**(581,105)**	**(513,850)**	**(3,862,852)**	**423,835**	**205,954**	**529,248**	**2,189,963**

	As at 31 December 2019						
	Carrying amount	**Gross nominal amount**	**Less than 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**
				(₦ millions)			
Non-derivative financial liabilities							
Deposits from banks	267,070	270,995	270,995	-	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	385,635	391,465	213,991	172,591	4,550	277	56
Current deposits	483,714	483,902	483,902	-	-	-	-
Savings deposits	855,079	857,217	857,217	-	-	-	-
Corporate Customers:							
Term deposits	630,358	702,363	383,941	309,661	8,164	497	100
Current deposits	1,478,098	1,478,673	1,478,673	-	-	-	-
Other financial liabilities	86,937	88,801	86,951	22	380	378	1,070
Lease liabilities	758,682	834,847	7,923	37,753	143,758	271,196	374,217
Borrowings	30,048	40,535			2,495	2,523	35,517
Total financial liabilities	**4,975,621**	**5,148,798**	**3,783,593**	**520,027**	**159,347**	**274,871**	**410,960**
Derivative liabilities:							
Cross Currency Swap	852	852	997	7	5	365	-
Contingents and loan commitments							
Performance bonds and guarantees	48,692	48,692	757	4,545	9,539	11,815	22,037
Letters of credit	595,896	595,896	87,153	275,389	12,321	-	221,032
Loan commitments	87,028	87,028	-	3,533	-	23,874	59,621
Assets used to manage liquidity							
Cash and bank balances	1,396,228	1,396,228	464,800	67,295	59,080	31,747	773,305
Financial assets at FVTPL							
Treasury bills	35,631	35,631	35,631	-	-	-	-
Promissory notes	59,038	63,686	-	-	-	63,686	-
Bonds	7,719	7,719	7,719	-	-	-	-
Loans and advances to banks	108,211	113,622	68,809	100	-	-	44,713
Loans and advances to customers							
Individual							
Term loans	88,960	92,431	3,524	9,219	8,321	14,151	57,216
Overdrafts	16,812	24,208	24,208	-	-	-	-
Corporates							
Term loans	1,526,409	1,602,765	64,899	294,416	115,302	237,835	890,313
Overdrafts	426,036	459,515	459,515	-	-	-	-
Others	2,930	2,951	-	32	2,919	-	-
Investment securities							
At FVOCI							
Treasury bills	678,243	777,231	66,694	68,405	229,821	412,311	-
Bonds	108,697	109,805	471	9,735	1,694	2,998	94,907
At amortised cost							
Treasury bills	461,353	543,268	46,618	47,814	160,640	288,197	-
Bonds	209,645	243,682	342	17,739	4,464	6,871	214,266
Other assets	111,912	111,956	111,956	-	-	-	-
Derivative assets	48,131	48,131	124	2,641	25,940	19,425	-
Total financial assets	**5,285,955**	**5,632,829**	**1,355,310**	**517,397**	**608,180**	**1,077,221**	**2,074,720**
Gap	**(422,134)**	**(248,437)**	**(2,517,190)**	**(286,106)**	**426,968**	**766,297**	**1,361,070**

	As at 31 December 2018						
	Carrying amount	Gross nominal amount	Less than 1 month	1-3 months	3-6 months	6-12 months	More than 1 year
				(₦ millions)			
Non-derivative financial liabilities							
Deposits from banks	174,836	176,747	150,341	26,406	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	353,247	357,559	204,202	146,507	5,518	738	594
Current deposits	663,514	663,772	663,772	-	-	-	-
Savings deposits	701,980	704,320	704,320	-	-	-	-
Corporate Customers:							
Term deposits	419,230	424,130	262,234	148,835	13,053	-	8
Current deposits	1,211,149	1,211,620	1,211,620	-	-	-	-
Other financial liabilities	101,864	101,864	101,864	-	-	-	-
Lease liabilities	683,532	802,505	-	36,587	81,058	226,892	457,969
Borrowings	29,859	45,552	-	-	2,509	2,509	40,535
Total financial liabilities	**4,339,211**	**4,488,069**	**3,298,353**	**358,335**	**102,138**	**230,139**	**499,106**
Derivative liabilities:							
Cross Currency Swap	99	99	99	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	428,043	428,043	27,233	41,988	140,900	153,710	64,212
Letters of credit	217,764	217,764	27,878	32,484	103,513	37,788	16,101
Loan commitments	159,543	159,543	-	6,477	-	43,767	109,299
Assets used to manage liquidity							
Cash and bank balances	1,220,596	1,248,096	681,632	-	9,230	5.664	551,571
Financial assets at FVTPL							
Treasury bills	18,743	18,743	18,743	-	-	-	-
Bonds	696	696	696	-	-	-	-
Loans and advances to banks	15,797	16,762	1,602	-	-	1,129	14,031
Loans and advances to customers							
Individual							
Term loans	81,905	94,727	39,323	1,328	1,352	1,135	51,589
Overdrafts	15,668	15,851	15,851	-	-	-	-
Corporates							
Term loans	1,280,890	1,439,920	611,956	20,575	20,840	17,283	769,266
Overdrafts	332,505	336,384	336,384	-	-	-	-
Others	4,317	4,852	2,062	69	70	58	2,593
Investment securities							
At FVOCI							
Treasury bills	790,292	846,855	56,725	218,289	213,210	358,631	-
Bonds	143,608	418,589	-	-	-	915	417,674
At amortised cost							
Treasury bills	321,131	344,115	23,050	88,701	86,637	145,728	-
Bonds	279,658	436,402	-	-	-	28,620	407,781
Other assets	43,583	43,600	43,600	-	-	-	-
Derivative assets	34,784	34,784	598	9,034	-	25,152	-
Total financial assets	**4,584,173**	**5,300,376**	**1,832,222**	**337,996**	**331,339**	**584,315**	**2,214,505**
Gap	**(560,487)**	**6,858**	**(1,521,341)**	**(101,288)**	**(15,212)**	**118,911**	**1,525,787**

Liquidity risk management process

The Group believes that active management of liquidity through the framework of limits and controls presented above is possible only with proper monitoring capabilities. The monitoring process focuses on liquidity indicators, which are compared against limits that have been established. The Group's Treasury division is responsible for maintaining sufficient liquidity by maintaining a sufficiently high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure (namely, the active management of liquidity through the framework of limits and control and proper monitoring capabilities) is calculated and monitored by the Group's Risk Management Department. The Group's loan to deposits ratio amounted to 43 per cent. as at 31 December 2020, 56 per cent. as at 31 December 2019 and 54 per cent. as at 31 December 2018. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Group. Liquidity risk is reported to the Board at least on a quarterly basis or frequently if required.

The Group's liquidity risk management process includes, but is not limited to:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as they are borrowed by customers. Therefore, the Group maintains an active presence in the money markets;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Determining the maximum cumulative outflow across all time bands;
- Monitoring liquidity ratios against internal and regulatory requirements; and

- Conducting liquidity stress tests, at least once a month, to assess the capacity of the Group to meet funding obligations under a variety of name-specific and systemic stress scenarios. These stress tests are performed for each of the Group's major entities and operating subsidiaries.

The Group's Treasury division, in regards to liquidity risk, also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Funding approach

The Group holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. Sources of liquidity are regularly reviewed by a separate team in the Group's Treasury department to maintain a wide diversification by currency, provider, product and term. The Group's assets held for managing liquidity risk comprise:

- Cash and balances with central banks;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios.

Contingency funding plan

The Group has a contingency funding plan which incorporates early warning indicators to monitor market conditions. Such early warning indicators include, among others, declines in the liquidity ratio below approved limits for a prescribed period, delays in disbursements of statutory allocations beyond a prescribed period, negative clearing balances for a prescribed period or a branch running out of physical cash. The Group monitors its liquidity position and funding strategies on an on-going basis, but recognises that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. It reviews its contingency funding plan in the light of evolving market conditions and stress test results. The Group's total deposit base has grown from ₦3.3 trillion as at 31 December 2018 to ₦6.7 trillion as at 30 June 2021, and from the period beginning 1 January 2018 to 30 June 2021 the Group has maintained a liquidity ratio above the 30.0 per cent. regulatory minimum required by the CBN for all deposit money banks in the country.

To monitor liquidity and funding, the Risk Management Group prepares a liquidity worksheet monthly that projects sources and uses of funds. The worksheet incorporates the impact of moderate risk and crisis situations, and is an integral component of the contingency funding plan.

The contingency funding plan covers the available sources of contingent funding to supplement cash flow shortages, the lead times to obtain such funding, the roles and responsibilities of those involved in the contingency plans, and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the contingency funding plan.

Market Risks

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Market risk mainly arises from trading activities and equity investments. The Group is also exposed to market risk through interest rate risk from non-traded assets (such as loans) held in its banking book. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of these portfolios separately. The trading portfolios comprise positions arising from market-making and warehousing of customer derived positions while non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities as well as financial instruments designated as FVOCI and amortised cost. The Group's ability to meet its business objectives could be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads.

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

The Group is exposed to market risk in its trading, underwriting and investing activities mainly as a result of various regulatory and market changes:

- interest rate movements in response to fiscal policies, market forces or as directly indicated by monetary policy pronouncements such as changes to CRR and MPR, minimum liquidity ratio requirements and changes to central bank lending and deposits rates; and

- foreign exchange fluctuations arising from demand and supply pressure as well as regulatory/ government policies such as foreign exchange net open position limits, restrictions on items qualified for central bank foreign exchange sales and the ban of forex sales to bureau de change.

Market risk management and control framework

The Group has put in place a robust and clearly defined market risk management framework, which essentially provides the Board and management with guidance on market risk management processes. All teams involved in the management and control of market risk are required to fully comply with the policy statements to ensure the Group is not exposed to market risk beyond the qualitative and quantitative risk tolerances.

The Board of Directors is responsible for determining the Group's risk appetite and tolerance limits for all its market risk exposures. Senior management is responsible for supporting the Board in determining market risk appetite and tolerance limits as well as putting in place all requisite processes, procedures and tools to ensure proper implementation of a robust system for managing, monitoring and reporting market risk appetite. GALCO has Group oversight and is charged with ensuring that market risks are managed uniformly throughout the Group's operations. In addition, the Board through the BRMC is responsible for the overall governance of market risk as well as defining the terms of reference and delegating responsibilities to both the GRMC and GALCO. Oversight of market risk is vested in the BRMC, GALCO and the F&GPC while the day-to-day management rests with the Executive Director for risk management, corporate governance and compliance. The Group Market Risk Division is not only responsible for the development of detailed risk management policies but is also involved in the day to day review of their implementation. The market risk management policies are usually validated / approved by the Board in accordance with the approval guidelines. Trading limits are approved by GALCO and F&GPC and ratified by the Board while exposures against these limits are monitored by market risk management team.

In line with the CBN guidelines on new capital adequacy framework, the Group has adopted the standardised duration approach for market risk and has obtained the board approval for the policy on Internal Capital Adequacy Assessment Process ("**ICAAP**"). This policy defines and sets processes to review and improve the techniques used for identification, measurement and assessment of all material risks and resultant capital requirements.

The Group started implementing the Basel II framework as part of its capital management strategy in 2008, and the Group's risk management system has been completely in line with Basel II principles since January 2014. The Group conducts liquidity stress tests periodically to identify gaps within its liquidity management structure. The Group has also initiated a liquidity coverage ratio and net stable funding ratio computation as per Basel III recommendations. This requires the Group to have sufficient high quality liquid assets to withstand a 30-day stressed funding scenario, as well as to have a structure in place to address liquidity mismatches.

The Group's policy is that all trading activities are undertaken within the context of the approved market risk management appetite and limits. The Group's Market Risk Management team is responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in market risk management policy and other related policies. The Group uses limits, triggers, value-at-risk ("**VaR**"), earnings-at-risk, gap analyses and scenario analyses to measure and control the market risk exposures within its trading and banking books. The Group also performs regular stress tests on its banking and trading books.

Market risk limits

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

Stop loss triggers

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

Daily valuation of market risk positions

Mark-to-Market ("**MTM**") for relevant products/positions is conducted in line with IFRS. All market risk financial instruments are categorized into: (a) fair value through profit or loss, which is valued on fair value accounting methodology and MTM daily, (b) fair value through other comprehensive income, which is valued on fair value accounting methodology and MTM monthly, and (c) amortised cost, which is not MTM because positions are held until maturity.

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

Factor Sensitivities

Factor sensitivities are expressed as the change in the value of a position for a defined change in a market risk factor, such as a change in the value of Nigerian Government Treasury bill for a 100 basis point change in interest rates. The Group's Market Risk Management team is responsible for ensuring that factor sensitivities are calculated and monitored for all material risks taken in the trading portfolios.

VaR

VaR, in general, is a quantitative measure of market risk that utilises historic market conditions to estimate the maximum potential future loss in market value in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses/units and products over time and can be set against actual daily trading profit and loss outcome. To assess their predictive accuracy, VaR models are back tested against actual results. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved.

Stress tests

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

- risk factor stress testing, where stress movements are applied to each risk category;

- historical stress tests where shocks based on historical movements are assumed and applied; and
- ad hoc stress testing, which includes applying possible stress events to specific positions.

The results of the stress tests are reviewed by the Group's senior management and by the Board.

Interest rate risk

Interest rate risk is the current or prospective risk that earnings and/or capital are negatively affected by interest rate changes in the financial markets. This risk is inherent to the Group's business to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. The Group uses various indicators to measure interest rate risk. The interest rate risk position is monitored on a monthly basis. The interest rate risk is managed with an interest risk model, using guidelines and limits and by performing various interest rate stress scenarios.

The Group's objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Group is also exposed to basis risk, which can arise due to the movement in the various floating rate indices until maturity. Non-traded interest rate risk arises in the bank's book from the provision of retail and wholesale banking products and services, as well as from certain structural exposures within the Group balance sheet, mainly due to the fact that assets, liabilities and equity may be re-priced at different times. These risks impact both the earnings and the economic value of the Group. Overall non-trading interest rate risk positions are managed by the Treasury division, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

The tables below are a summary of Group's interest rate exposure as at the specified dates. All assets, liabilities and derivatives instruments are allocated to gap intervals based on either their repricing or maturity characteristics. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of their contractual re-pricing or maturity dates. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling. The outcome of this assessment is used in the calculations for interest rate risk.

	As at 30 June 2021						
	Re-pricing period						
	Carrying amount	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
				(₦ millions)			
Cash and bank balances	2,065,021	123,735	16,915	55,605	20,151	-	1,848,615
Financial assets of FVTPL							
Treasury bills	91,528	57,363	5,558	20,392	8,215	-	-
Promissory notes	70	70	-	-	-	-	-
Bonds	56,269	-	-	-	-	56,269	-
Loans and advances to banks	151,965	17,267	59,224	17,382	10,655	47,438	-
Loans and advances to customers:							
Individual							
Term loans	93,159	151	337	307	7,156	85,209	-
Overdrafts	24,724	10,471	593	1,669	2,040	9,951	-
Corporates							
Term loans	2,107,869	86,860	292,708	219,229	93,808	1,415,263	-
Overdrafts	404,782	171,425	9,715	27,323	33,395	162,925	-
Others	4,022	166	559	418	179	2,700	-
Investment securities							
At FVOCI							
Treasury bills	528,972	312	178,233	33,941	316,486	-	-
Bonds	148,843	2,312	5,737	5,555	14,117	121,121	-
Equity	129,738	-	-	-	-	-	129,738
At amortised cost							
Treasury bills	1,466,939	83,806	994,652	190,840	197,641	-	-
Bonds	556,001	9,234	22,912	26,868.89	54,166	442,820	-
Derivative assets	47,594	-	-	-	-	-	47,594
Other assets	155,094	-	-	-	-	-	155,094
	8,032,590	**563,171**	**1,587,142**	**599,531**	**758,009**	**2,343,697**	**2,181,041**
Derivative liability	220	-	-	-	-	-	220
Deposits from banks	561,545	330,759	93,043	3,606	2,895	-	131,244
Deposits from customers	6,095,574	1,941,004	338,711	126,740	107,097	421	3,581,602
Other liabilities	307,695	695	402	1,092	3,293	2,331	299,880
Borrowings	565,095	17,881	138,550	149,872	203,766	55,027	-
	7,530,129	**2,290,338**	**570,706**	**281,309**	**317,050**	**57,779**	**4,012,946**
Gaps	**502,461**	**(1,727,167)**	**1,016,436**	**318,222**	**440,959**	**2,285,918**	**(1,831,905)**

	As at 31 December 2020						
	Re-pricing period						
	Carrying amount	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
				(₦ millions)			
Cash and bank balances	1,874,618	62,451	-	40,511	23,870	-	1,747,786
Financial assets of FVTPL							
Treasury bills	176,172	7,483	10,472	150,281	7,936	-	-
Promissory notes	75	-	-	-	75	-	-
Bonds	38,153	-	-	-	-	38,153	-
Loans and advances to banks	77,419	31,464	36,277	9,678	-	-	-
Loans and advances to customers:							
Individual							
Term loans	161,184	3,391	8,873	80,233	13,620	55,067	-
Overdrafts	19,890	19,890	-	-	-	-	-
Corporates			-	-	-	-	
Term loans	1,813,652	63,261	286,987	363,721	231,834	867,849	-
Overdrafts	558,760	558,760	-	-	-	-	-
Others	1,489	-	32	1,457	-	-	-
Investment securities							
At FVOCI							
Treasury bills	1,142,908	56,756	54,939	226,137	805,076	-	-
Bonds	150,822	4,344				146,478	-
Equity	127,797	-	-	-	-	-	127,797
At amortised cost							
Treasury bills	716,448	22,663	21,937	90,260	581,588	-	-
Bonds	443,708	10,411	-	-	-	433,297	-
Derivative assets	53,148	-	-	-	-	-	53,148
Other assets	87,430	-	-	-	-	-	87,430
	7,44,673	**840,874**	**419,517**	**962,278**	**1,663,999**	**1,540,844**	**2,016,161**
Derivative liability	508	-	-	-	-	-	508
Deposits from banks	418,157	418,157	-	-	-	-	-
Deposits from customers	5,676,011	1,980,552	749,746	14,494	883	177	2,930,159
Other liabilities	154,091	-	-	-	-	-	154,091
Borrowings	694,355	-	64,345	127,983	211,689	290,338	-
	6,943,122	**2,398,709**	**814,091**	**142,477**	**212,572**	**290,515**	**3,084,758**
Gaps	**500,551**	**(1,557,835)**	**(394,574)**	**819,801**	**1,451,427**	**1,250,329**	**(1,068,597)**

	As at 31 December 2019						
	Re-pricing period						
	Carrying amount	< 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
				(₦ millions)			
Cash and bank balances	1,396,228	88,974	-	40,511	23,870	-	1,242,873
Financial assets of FVTPL							
Treasury bills	35,631	7,483	10,472	9,740	7,936	-	-
Promissory notes	59,038	-	-	-	59,038	-	-
Bonds	7,719	-	-	-	-	7,719	-
Loans and advances to banks	108,211	59,799	38,734	9,678	-	-	-
Loans and advances to customers:							
Individual							
Term loans	88,960	3,391	8,873	8,009	13,620	55,067	-
Overdrafts	16,812	16,812	-	-	-	-	-
Corporates				-	-	-	-
Term loans	1,526,409	63,261	286,987	76,478	231,834	867,849	-
Overdrafts	426,036	426,036	-	-	-	-	-
Others	2,930	-	32	2,898	-	-	-
Investment securities							
At FVOCI							
Treasury bills	678,243	56,756	54,939	226,043	340,505	-	-
Bonds	108,697	4,344				104,353	-
Equity	114,108	-	-	-	-	-	114,108
At amortised cost							
Treasury bills	461,353	22,663	21,937	90,260	326,493	-	-
Bonds	209,645	10,411	-	-	-	199,234	-
Derivative assets	48,131	-	-	-	-	-	48,131
Other assets	111,912	-	-	-	-	-	111,912
	5,400,063	**759,930**	**421,974**	**463,617**	**1,003,296**	**1,234,222**	**1,517,024**
Derivative liability	852	-	-	-	-	-	852
Deposits from banks	267,070	267,070	-	-	-	-	-
Deposits from customers	3,832,884	1,580,552	549,746	14,494	883	177	1,6666687,0 32
Other liabilities	86,937	-	-	-	-	-	86,937
Subordinated liabilities	30,048	-	-	-	-	30,048	-
Borrowings	758,682	-	64,345	127,983	211,689	354,665	-
	4,976,473	**1,847,622**	**614,091**	**142,477**	**212,572**	**384,890**	**1,774,821**
Gaps	**423,590**	**(1,087,692)**	**(192,117)**	**321,140**	**790,724**	**849,332**	**(257,797)**

	As at 31 December 2018						
	Re-pricing period						
	Carrying amount	< 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
				(₦ millions)			
Cash and bank balances	1,220,596	4,530	-	2,374	1,563	-	1,212,129
Financial assets of FVTPL							
Treasury bills	18,743	18,743	-	-	-	-	-
Bonds	696	696	-	-	-	-	-
Loans and advances to banks	15,797	8,997	4,081	2,719	-	-	-
Loans and advances to customers:							
Individual							
Term loans	81,905	4,866	14,056	8,322	14,441	40,220	-
Overdrafts	15,668	15,668	-	-	-	-	-
Corporates							
Term loans	1,280,890	76,093	219,823	130,148	225,836	628,990	-
Overdrafts	332,505	332,505	-	-	-	-	-
Others	4,317	-	-	-	4,317	-	-
Investment securities							
At FVOCI							
Treasury bills	790,292	52,937	203,709	198,969	334,677	-	-
Bonds	143,608	-	-	-	314	143,294	-
Equity	102,753	-	-	-	-	-	102,753
At amortised cost							
Treasury bills	321,131	90,483	22,908	43,283	164,457	-	
Bonds	279,658	6,973	10,968	5,366	14,437	241,914	
Derivative assets	34,784	-	-	-	-	-	34,784
Other assets	43,583	-	-	-	-	-	43,583
	4,686,926	**612,491**	**475,545**	**391,181**	**760,042**	**1,054,418**	**1,393,249**
Derivative liability	99	-	-	-	-	-	99
Deposits from banks	174,836	148,430	26,406	-	-	-	-
Deposits from customers	3,349,120	1,163,926	291,770	17,401	750	611	1,874,662
Other liabilities	101,864	-	-	-	-	-	101,864
Subordinated liabilities	29,859	-	-	2,009	2,043	25,807	-
Borrowings	683,532	691	73,001	79,443	214,710	315,687	-
	4,339,310	**1,313,047**	**391,177**	**98,853**	**217,503**	**342,105**	**1,976,625**
Gaps	**347,616**	**(700,556)**	**84,368**	**292,328**	**542,539**	**712,313**	**(583,376)**

For further information on the Group's interest rate and price sensitivity analysis, see Note 4.4(b) of the H1 Financial Statements, Note 4.4 of the 2020 Financial Statements and Note 4.4 of the 2019 Financial Statements.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available-for-sale.

Foreign exchange risk

Foreign exchange risk is the exposure of the Group's financial condition to adverse movements in exchange rates. The Group is exposed to foreign exchange risk primarily through its loan and deposit portfolios that are denominated in foreign currencies. See "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies*".

The Board and GALCO set limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions. These limits must be in line with regulatory Open Position Limit ("**OPL**"). Compliance with both internal limits and regulatory limits are monitored daily with zero tolerance for limit breaches. These limits include OPL, dealers' limit, overnight/intraday limits, maturity gap limits, management action trigger, product limits, counterparty limits and cross border limits. The Board defines the overall risk tolerance levels and expectations for foreign exchange risk management and management aims to ensure that the risk tolerance is maintained at prudent levels. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the indicated periods. The Group's foreign currency risk sensitivity analysis reflects the average exposure to foreign exchange risk in the year. The Group believes that for each foreign currency exposure, it is reasonable to assume 15 per cent. depreciation of the Naira holding all other variables constant.

	As at 30 June 2021					
	Naira	**US Dollar**	**Euro**	**Pound**	**Others**	**Total**
			(₦ millions)			
Cash and bank balances	1,252,182	644,352	105,721	8,339	54,426	2,065,021
Financial assets of FVTPL	14,255	-	-	-	133,612	147,867
Derivative assets	47,200	-	-	-	394	47,594
Loans and advances to banks	-	67,193	20,776	3	63,993	151,965
Loans and advances to customers	1,027,565	782,335	45,242	178	779,236	2,634,556
Investment securities	1,306,568	73,482	-	-	1,450,443	2,830,493
Other assets	41,025	71,451	25,491	1,988	15,140	155,094
Total financial assets	**3,688,795**	**1,638,813**	**197,231**	**10,508**	**2,497,244**	**8,032,590**
Derivative liability	-	79	-	141	-	220
Deposits from banks	92,125	234,641	4,388	m0	230,392	561,545
Deposits from customers	3,114,658	1,023,814	52,148	10,458	1,894,496	6,095,574
Other liabilities	39,886	99,558	74,337	649	93,265	307,695
Borrowings	98,570	466,525	-	-	-	565,095
Total financial liabilities	**3,345,239**	**1,824,617**	**130,872**	**11,248**	**2,218,152**	**7,530,129**
Swap and forward contracts	(590,899)	590,899	-	-	-	-
Net FCY Exposure		**405,095**	**66,359**	**(740)**	**279,092**	
Effect of naira depreciation by 10% on profit before tax		40,510	6,636	74	27,909	74,981
Effect of naira appreciation by 10% on profit before tax		(40,510)	(6,636)	74	(27,909)	(74,981)

	As at 31 December 2020					
	Naira	US Dollar	Euro	Pound	Others	Total
			(₦ millions)			
Cash and bank balances...............	1,176,105	233,876	62,453	11,221	390,964	1,874,618
Financial assets held for trading..	171,058	-	-	-	43,342	214,400
Derivative assets..........................	53,148	-	-	-	-	53,148
Loans and advances to banks	-	64,190	13,217	12	-	77,419
Loans and advances to customers	955,518	824,304	38,503	37	736,613	2,554,975
Investment securities...................	1,521,656	12,850	1,477	-	1,044,808	2,580,791
Other assets..................................	32,051	50,322	4,551	33	12,145	99,102
Total financial assets..................	**3,909,536**	**1,185,541**	**120,202**	**11,303**	**2,227,872**	**7,454,453**
Derivative liability.....................	508	-	-	-	-	508
Deposits from banks....................	142,261	7,984	7,983	16	259,913	418,157
Deposits from customers.............	3,508,339	608,438	46,649	12,007	1,500,578	5,676,011
Other liabilities	30,668	52,821	14,805	317	48,552	147,162
Borrowings	74,996	619,359	-	-	-	694,355
Total financial liabilities............	**3,756,772**	**1,288,601**	**69,436**	**12,340**	**1,809,043**	**6,936,193**
Swap and forward contracts	(500,413)	500,413	-	-	-	-
Net FCY Exposure		**397,353**	**50,766**	**(1,037)**	**418,829**	
Effect of naira depreciation by 10% on profit before tax..........		39,735	5,077	(104)	41,883	86,591
Effect of naira appreciation by 10% on profit before tax..........		(39,735)	(5,077)	104	(41,883)	(86,591)

	As at 31 December 2019					
	Naira	US Dollar	Euro	Pound	Others	Total
			(₦ millions)			
Cash and bank balances	904,710	301,584	57,158	9,598	123,178	1,396,228
Financial assets held for trading .	102,388	-	-	-	-	102,388
Derivative assets	2,462	45,545	124	-	-	48,131
Loans and advances to banks......	3,240	86,858	18,113	-	-	108,211
Loans and advances to customers	882,046	607,415	63,333	142	508,211	2,061,147
Investment securities	865,813	48,052	-	-	657,685	1,571,550
Other assets................................	64,373	16,852	14	7	30,666	111,912
Total financial assets................	**2,825,032**	**1,106,306**	**138,742**	**9,747**	**1,319,740**	**5,399,567**
Derivative liability...................	365	487	-	-	-	852
Deposits from banks..................	13,955	188,546	4,455	1	60,113	267,070
Deposits from customers...........	2,193,537	607,495	27,391	7,606	996,855	3,832,884
Other liabilities	14,723	27,124	1,003	68	44,019	86,937
Borrowings	87,033	671,649	-	-	-	758,682
Subordinated liabilities	30,048	-	-	-	-	30,048
Total financial liabilities...........	**2,339,661**	**1,495,301**	**32,849**	**7,675**	**1,100,987**	**4,976,473**
Swap and forward contracts	(419,405)	419,405	-	-	-	-
Net FCY Exposure		**30,410**	**105,893**	**2,072**	**218,753**	
Effect of naira depreciation by 10% on profit before tax.............		3,041	10,589	207	21,875	35,713
Effect of naira appreciation by 10% on profit before tax.............		(3,041)	(10,589)	(207)	(21,875)	(35,713)

	As at 31 December 2018					
	Naira	**US Dollar**	**Euro**	**Pound**	**Others**	**Total**
	(₦ millions)					
Cash and bank balances	545,005	247,198	185,849	8,779	233,765	1,220,596
Financial assets held for trading ..	19,439	-	-	-	-	19,439
Derivative assets	-	34,784	-	-	-	34,784
Loans and advances to banks.......	-	12,960	2,769	68	-	15,797
Loans and advances to customers	625,496	637,905	4,026	82	447,776	1,715,285
Investment securities	1,051,567	65,702	-	-	519,863	1,637,132
Other assets................................	10,409	24,491	-	73	8,610	43,583
Total financial assets...................	**2,251,916**	**1,023,040**	**192,644**	**9,002**	**1,210,014**	**4,686,616**
Derivative liability......................		99	-	-	-	99
Deposits from banks....................	655	130,380	6,505	66	37,230	174,836
Deposits from customers.............	1,793,193	491,391	137,741	7,482	919,313	3,349,120
Other liabilities	25,449	29,917	6,401	397	39,700	101,864
Borrowings	93,088	590,444	-	-	-	683,532
Subordinated liabilities	29,859	-	-	-	-	29,859
Total financial liabilities............	**1,942,244**	**1,242,231**	**150,647**	**7,945**	**996,243**	**4,339,310**
Swap and forward contracts.........	(287,032)	287,032	-	-	-	-
Net FCY Exposure		**67,841**	**41,997**	**1,057**	**213,771**	
Effect of naira depreciation by 10% on profit before tax...........		3,041	10,589	207	21,875	35,713
Effect of naira appreciation by 10% on profit before tax...........		(3,041)	(10,589)	(207)	(21,875)	(35,713)

Environmental and Social Risk Management

The Group factors environmental, social and governance ("**ESG**") considerations as part of its overall strategy. This is achieved by integrating environmental and social standards into the Group's business operations and activities. The overall objective is to foster sustainable practices that focus on preserving people's welfare, profit and the planet. The Group's ESG framework is based on local and global standards such as the Nigerian Sustainable Banking Principles, IFC Performance Standards, Equator Principles and the UN's Sustainable Development Goals. The Group also has regard for international best practice as well as the host country's environmental laws and standards. The Group's sustainability targets are encapsulated in the UBA Foundation's boarder focus on environment, education and economic empowerment. See "*Description of the Group—Sustainability and Corporate Social Responsibility*" for further information about the UBA Foundation.

The Group's aim with respect to its ESG activities is to become the undisputed sustainable financial institution in Africa, by supporting the execution of environmentally and socially responsible endeavours that promote excellence. The Board set the objectives for the Bank's ESG activities by establishing internal ESG policies. They ensure that these policies are adhered to at all times. The different ESG policies such as the Environment and Social Management System, Corporate Social Responsibility and the Sustainability Frameworks are reviewed regularly in line with the Bank's policy review to ensure that they remain current, adequate and appropriate. Independent reviews and monthly ESG reports are conducted by the internal audit teams to ensure compliance with the internal policies.

The Executive Director for Risk Management & Compliance serves as the head of the ESG system coordination, consisting of other sustainability champions from different strategic business directorates, human resources, corporate communications, the UBA Foundation, compliance, corporate services, and operations. The dedicated ESG team is headed by the Environmental and Social Manager who directs the day-to-day running and management of environmental and social activities across the Group and reports to the Executive Director for Risk Management & Compliance who in turn reports to the Board through the GMD. There are different E&S Officers across the region and the subsidiaries, each of which report to the Environmental and Social Manager.

In 2020, EY conducted a limited assurance engagement for the Bank's Standalone Sustainability Report (non-financial disclosure) in accordance with the International Framework for Assurance Engagement and International Standards on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000) developed by the International Auditing and Assurance Standards Board and in accordance with The International Standard on Assurance Engagements 3410: Assurance Engagements on Greenhouse Gas Statements.

Operational Risk

Operational risk is the current and prospective risk to earnings and capital arising from inadequate and/or failed internal processes, people and systems or from external events, including legal risk and any other risks that are deemed relevant on an ongoing basis but excludes strategic risk.

The Group recognizes reputational risk as a component of operational risk that can result in poor customer service delivery and failure to keep or increase market share as elements that may damage its corporate image.

Operational risk exists in all products and services, processes, systems and activities of the Group and is considered by the Board as a critical risk facing the Bank.

The Group identifies, assesses and manages all operational risks by aligning its people, technology and processes with best risk management practices. The Operational Risk Management department ("**ORM**") is responsible for operational risk issues and is accountable to the GRMC and Board Risk Management Committee.

Operational risk objectives established by the Board provide clear and consistent direction in all operations of the Group in a standardised framework. In addition, the ORM establishes appropriate guidelines for identification, assessment and managing operational risk exposures that may impact the Group's business operations.

The basic principles that guide operational risk management include:

- operational risks identification through risk mapping and assessment procedures which cover risks faced by each of the Group's business units and support functions; and risks inherent in processes, systems, activities and products;
- deployment of scenario planning techniques to proactively identify and align risk exposures within the external operating environments;
- incorporating a periodic review of risks identified into risk assessment procedures to monitor significant changes; and
- implementing cost-effective risk mitigating measures.

The ORM is responsible for identifying and assessing the operational risks inherent in material products, activities, processes and systems. It also ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is clearly identified and subjected to adequate assessment procedures and relevant controls are implemented.

The ORM's scope of activities includes the following:

- establishment of framework and guidelines for operational risk management in the Group;
- conduct risk assessments and make recommendations on risk control and mitigation;
- build resilience in the operations of the Group to ensure continuity of business in event of disruption;
- escalate tolerance limit breaches when there are indications of a possible increase in operational risk exposures;
- monitor and report changes in operational risk profile and control environments;
- disseminate group-wide knowledge of operational risk to create awareness and understanding among all levels of staff within the Group; and
- communicate risk management policies to various business units and support groups.

A key component of operational risk management is assessing the size and scope of the Group's risk exposures. The techniques employed in the measurements include:

- conducting risk control self-assessment, which helps the Group to assess residual risk (namely, the effectiveness of its risk management strategy and control processes);

- monitoring key risk indicators which highlight the inherent risk of a particular activity; and
- maintaining a risk register (which acts as a risk log of all of the profiled risks of the Group).

These techniques and procedures are reviewed and updated in line with the Group's annual operational risk management plan.

Basel II and Basel III Implementation

The Group has applied the Basel II framework in line with CBN guidance on implementation as part of its capital management strategy. Substantial enhancements were made to the risk management framework based on the guidelines of the Basel II Capital Accord, including:

- a defined risk appetite that is aligned with business strategy optimisation;
- risk decisions based on accurate, transparent and rigorous analytics and ORRs;
- stress tests to measure the potential impact to the Group of very large changes in various types of key risk factors (for example, interest rates, liquidity, NPLs) as well as the potential impact of a number of historical and hypothetical forward-looking systemic stress scenarios;
- accountability through a common framework to manage risks;
- empowering risk managers to make decisions and escalate issues; and
- expertise, authority and independence of risk managers.

The Basel Committee has issued its latest guidance on Basel III. The reforms under Basel III include increasing the minimum common equity (or equivalent) requirement and applying stricter regulatory adjustments. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer in addition to stricter liquidity measurements such as the liquidity coverage ratio and net stable funding ratio, both of which as a minimum must not be lower than 100 per cent. Buffers may also be implemented if there is excess credit growth in any given country.

On 10 December 2013, the CBN issued a circular to all banks and discount houses regarding the implementation of Basel II/III in Nigeria. The circular contains guidance notes on the Regulatory Capital Measurement and Management Framework for the Implementation of Basel II/III for the Nigerian banking sector (the "**Basel II/III Framework**") published by the CBN. The guidance notes specify approaches for quantifying the risk weighted assets for credit risk, market risk and operational risk for the purpose of determining regulatory capital. Under the Basel II/III Framework, the minimum capital requirement is retained at 10 per cent. and 15 per cent. for local and international banks, respectively. In December 2013, the CBN directed banks to commence a parallel run of both Basel I and II minimum capital adequacy computations based on the requirement of the guidelines with effect from January 2014. It also stated that minimum capital adequacy computation under Basel II rules would commence in June 2014. However, in July 2014, the CBN extended the parallel run for an additional period of three months, stating that the full adoption would commence on 1 October 2014, explaining that some banks had faced initial challenges in the parallel run, particularly with regards to the requirements of reporting the capital charges for credit, market and operational risks.

On 2 September 2021, the CBN released guidelines on the implementation of Basel III amongst deposit money banks in Nigeria stating that the implementation of the guidelines will commence with a parallel run effective from November 2021 for an initial six months, which may be extended by another three months subject to the milestones achieved in the supervisory expectations.

The Group is at the forefront of implementing the regulatory requirements, having commenced early adoption of some elements of the Basel III Framework in its capital and liquidity management, however, the recent CBN circular has afforded the Group the opportunity to validate its internal practices and risk management processes to ensure full compliance. As advised by the CBN, the Bank's current Basel II implementation will run parallel with Basel III Framework up to the November 2021 deadline.

Basel III will impact the Group's capital management, liquidity management and credit risk management processes in the following ways.

- *Scope of application and reporting requirements*. The Bank is required to report its risk-weighted capital adequacy ratio at a standalone level and at a consolidated level. Although the Bank is already aligned in practice to this reporting approach, the use of the newly advised template by the CBN would require a reporting realignment by the Bank.

- *The Bank would have to hold capital buffers above regulatory minimum*. This follows the introduction of the capital conservation buffer of 1 per cent., and countercyclical buffer of 0–2.5 per cent. to be imposed by CBN based on their reading of the economy at every point in time. Also, the CBN requires domestic systemically important banks in Nigeria to set aside higher loss absorbency ("**HLA**") or additional capital surcharge of 1 per cent. to their respective minimum required CAR. The HLA should be fully met with the Bank's common equity tier 1. This effectively takes minimum capital requirements up to a minimum of 17 per cent. of total risk weighted assets. The Bank's current risk-weighted capital adequacy ratio is well in excess of the required regulatory levels. However, the Bank shall readjust its computation and reporting to align with the new template from the CBN.

- *Determination of maximum distribution payment is based on levels of NPL, CET1, CCB2, HLA, and Risk rating*. The Bank is well within the limits set out in the revised CBN guidelines, but would have to adapt its monitoring and reporting of its position to precisely match the CBN guidelines.

- Minimum leverage ratio of 5 per cent. to be met by the Bank, this will be in addition to *risk-weighted capital adequacy ratio* requirements and the CBN can prescribe additional capital requirements for Bank's that fail to meet such requirements even when they are in compliance with risk-weighted capital adequacy ratio requirements. Given the above requirement, the Bank would have to compute and report its leverage ratio both on a standalone and consolidated basis as stipulated by the guideline on leverage ratio computation.

- *A harmonized definition of Large Exposure*. A large exposure is defined as the sum of all exposures of a bank to a single counterparty or to a group of connected counterparties that are equal to or above 10 per cent. of shareholders' funds unimpaired by losses. The sum of all the exposure values of a bank to a single counterparty or to a group of connected counterparties must not be higher than 20 per cent. or 50 per cent. of the bank's shareholders' funds unimpaired by losses for a commercial or merchant bank respectively. The total outstanding exposure (on and off-balance sheet) by a bank to all tiers of government and their agencies shall not at any point in time exceed 10 per cent. of the total credit portfolio. Aggregate large exposures in any bank should not exceed eight times the shareholders' funds unimpaired by losses. Breaches of the limit, which must remain the exception, should be communicated immediately to the CBN and must be rectified quickly. The exposure values to be considered in the identification of large exposures to a counterparty should include all the exposures defined under the risk-based capital framework. An exposure amount to a counterparty that is deducted from capital should not be added to other exposures to that counterparty for the purpose of the large exposure limit. Whilst the Bank is in compliance with most of the definitions, it will have to align its calculation of large exposure and reporting to the new template advised by the CBN.

- *Reporting frequency*. Monthly for the Bank and quarterly for the Group. The submission deadline is five days after the last day of the month. Reports will be rendered weekly or daily in stressed situations. Whilst our Nigeria operations are already aligned to the stated reporting frequency, the Bank would have to adjust the Group reporting frequency to align with the requirements of the guideline. Also, the computation of the liquidity coverage ratio for the Group would be done using the template advised by the CBN going forward.

- *Adoption of CBN's liquidity monitoring tools*. The Bank shall comply with D1 requirements contained in the CBN's guideline on liquidity monitoring tools. The internal audit of the Bank will ensure adequate monitoring on all set reporting dates.

- *Internal Liquidity Adequacy Assessment Reporting* ("**ILAAP**"). The Bank shall proceed with reporting on ILAAP as required by the Guideline on Liquidity Risk Management & Internal Liquidity Adequacy Assessment Process. The objective of the ILAAP are as follows: (a) to ensure that all the material liquidity risks are identified, effectively managed, and covered by a sufficient level of high-quality liquidity buffers, (b) to update and document the ILAAP on a quarterly basis and whenever there are material changes in the business processes and strategy, or when economic and other conditions suggest that the current level of liquidity is insufficient, for the bank to meet its obligations without incurring unacceptable losses, (c) to ensure that the bank is in a position to meet its daily liquidity obligations and that it can withstand a period of market-wide or bank-specific liquidity stress affecting both secured and unsecured funding, and (d) to assess and be able to demonstrate that a bank has adequate liquidity, a prudent funding profile, and robust processes for the management of its liquidity and funding risks.

SHARE CAPITAL AND SHARE OWNERSHIP

Capital Structure

As at 30 June 2021, the authorised share capital of the Bank was ₦22,500,000,000 comprised of 45,000,000,000 ordinary shares of 50 kobo each. As at 30 June 2021, the Bank's issued and fully paid-up share capital was ₦17,100,000,000 comprised of 34,199,421,366 ordinary shares of 50 kobo each.

Major Shareholders

As at 30 June 2021, the Bank had 273,990 shareholders with only two shareholders owning more than a 5.0 per cent. shareholding.

The following table lists the Bank's shareholders of record, as indicated in its share register as at 30 June 2021 that held 5.0 per cent. or more of its outstanding ordinary shares. All of the shareholders of the Bank have the same voting rights and right to receive notice of, and to attend, meetings.

	30 June 2021	
	Number of Shares held	**% of Shareholding**
Stanbic IBTC Nominees Nigeria Limited	1,987,692,431	5.81
Heirs Holdings Limited	1,814,003,900	5.30

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Group's results of operations and financial condition. Historical results may not indicate future performance. Some of the information in this section, including information in respect of the Group's plans and strategies for its business and expected sources of financing, contains forward-looking statements that involve risk and uncertainties and is based on assumptions about the Group's future business. Actual results could differ materially from those contained in such forward-looking statements as a result of a variety of factors, including the risks discussed in "Risk Factors" included elsewhere in this Base Prospectus. Potential investors should read "Forward-Looking Statements" for a discussion of the risks and uncertainties related to those statements and should also read "Risk Factors" for a discussion of certain factors that may affect the business, results of operations or financial condition of the Group.

The following discussion should be read in conjunction with the section entitled "Selected Statistical and other Information" and the Financial Statements, including accompanying notes, appearing elsewhere in this Base Prospectus. The financial information set out below and referred to this section has been extracted without material adjustment from the Financial Statements or has been extracted without material adjustment from the Group's accounting records, which formed the underlying basis of the financial information included in the Financial Statements.

Introduction

United Bank for Africa Plc, together with its consolidated subsidiaries and affiliates, is a leading full-service pan-African banking group operating through branches, service outlets and digital platforms in Nigeria and 19 other African countries (as well as the United Kingdom, the United States of America and a representative office in France). The Group provides a wide range of banking and other financial services to over 25 million customers globally in retail and corporate market segments through one of the most diverse and largest distribution networks in sub-Saharan Africa with over 1,000 branches (comprising 463 branches and customer touch points in Nigeria and 537 branches and customer touch points in the rest of Africa (excluding Nigeria)) and customer touch points across Africa, 2,660 ATMs and over 103,442 POS machines fully deployed, in each case as at 30 June 2021, as well as robust online and mobile banking platforms. As at 30 June 2021, the Group had total assets of ₦8.3 trillion, deposits from customers and banks of ₦6.7 trillion and gross loans of ₦2.8 trillion. According to the most recently published financial statements of Nigerian banks for the first six months of 2021 prepared in accordance with IFRS, the Group has become the third largest bank in terms of total assets, the largest bank in terms of deposits and ranks fourth in profits before tax, in each case as compared to its tier one Nigerian commercial bank competitors (on a consolidated basis).

The Group's business in Africa (excluding Nigeria) is growing rapidly. The Group's gross revenue was ₦141.9 billion for the six months ended 30 June 2021, compared to ₦107.2 billion for the six months ended 30 June 2020; whereas the Group's gross revenue was ₦232.1 billion for the year ended 31 December 2020 as compared to ₦166.3 billion for the year ended 31 December 2019 and ₦152.0 billion for the year ended 31 December 2018. The Group's gross loans and advances in Africa (excluding Nigeria) was ₦829.6 billion as at 30 June 2021, compared to ₦854.9 billion as at 31 December 2020, ₦625.1 billion as at 31 December 2019 and ₦550.7 billion as at 31 December 2018.

Significant factors affecting results of operations

The Group's performance and results of operations have been and continue to be affected by a number of external factors. There are also various specific factors the Group believes have affected the Group's results of operations in the past and that the Group expects will continue to affect its results in the future. In this section, the Group sets out those factors that have had, or may have, a significant effect on its results.

Nigeria's economic condition and political stability

The majority of the Group's assets and customers are located in, or have businesses related to, Nigeria. 54.3 per cent. of the Group's earnings were derived from its operations in Nigeria during the six months ended 30 June 2021, compared to 60.0 per cent., 69.0 per cent. and 67.1 per cent. for the years ended 31 December 2020, 31 December 2019 and 31 December 2018, respectively. The Group's Nigerian operations accounted for

63.0 per cent. of Group assets and 63.7 per cent. of liabilities as at 30 June 2021, compared to 68.0 per cent. of assets and 68.3 per cent. of liabilities, 69.5 per cent. of assets and 70.4 per cent. of liabilities and 68.8 per cent. of assets and 69.8 per cent. of liabilities as at 31 December 2020, 31 December 2019 and 31 December 2018, respectively. As a result, the Group is substantially affected by Nigerian economic conditions. The Group is also substantially affected by regulatory developments in the Nigerian banking sector, as well as political stability and levels of economic growth in Nigeria. For more information on the economic and political conditions of Nigeria and the risks related thereto, see "*Risk Factors*", "*Nigeria*" and "*The Nigerian Banking Sector*".

The following table sets forth certain Nigerian economic indicators as at and for the periods indicated:

	As at or for the years ended 31 December		
	2020	**2019**	**2018**
Nominal GDP at market exchange rates (U.S.$ billions)	432.3	448.2	397.2
Real GDP growth (%)	(1.9)	2.3	1.9
GDP per capita (U.S.$ market exchange rates)	5,353	6,050	5,970
Inflation (all items, year-on-year change, as at December in each year) (%)	15.75	11.3	12.0
Population (millions)	206.1	201.0	195.9
Total external debt (U.S.$ billions)	33.3	29.8	27.3
Total external debt (% of GDP)	17.9	12.5	11.0

Sources: IMF, CBN, NBS, DMO, World Bank

The state of the Nigerian economy worsened generally over the past few years with GDP falling by 1.9 per cent. and 2.3 per cent. in 2018 and 2019, respectively. In 2020, GDP contracted by 1.9 per cent. largely as a result of the impact of the COVID-19 pandemic. In 2020, the oil sector accounted for 8.2 per cent. of GDP, as compared to 8.8 per cent. in 2019. Inflation levels increased to 11.8 per cent. in 2020, compared to 11.6 per cent. in 2019. However, the generally high levels of inflation have reduced private consumption and domestic demand. In 2021, the oil sector contracted by 0.2 per cent. in the first quarter of 2021 due to the low production quota imposed by OPEC. Despite this, the contraction in the sector in the first quarter of 2021 was lower than the 17.8 per cent. year-on-year contraction in fourth quarter of 2020, and the 10.20 per cent. year-on-year contraction in the first quarter of 2020. The oil sector contributed 7.0 per cent. to total real GDP in the first quarter of 2021, up from 4.7 per cent. in the fourth quarter of 2020, but it was down from 7.9 per cent. in the first quarter of 2020.

In 2018, Nigeria's external reserves were affected by oil price appreciation and increased oil production on the one hand and by capital flow reversals owing to increased yields in other developed and emerging economies on the other hand. In the first half of 2018, external reserves rose by U.S.$9.0 billion, reaching a five-year high of U.S.$48.0 billion in July 2018, largely supported by stable crude oil production, the issuance of the U.S.$2.5 billion sovereign Eurobond and the global increase in crude oil price. Falling oil prices and a drop in oil production allocation by OPEC led to a month-on-month decline in external reserves in the second half of 2018. As at 31 December 2018, the reserves amounted to U.S.$43.0 billion compared to U.S.$39.4 billion as at 31 December 2017. The increase in foreign reserves enabled the CBN to maintain foreign exchange stability by intervening in the markets in 2019 via U.S. dollar injections. However, weakening oil prices, continued instability in the foreign exchange market and the repatriation of investment by foreign portfolio investors led to a decline of Nigeria's external reserves over the course of 2019. Nigeria's external reserves amounted to U.S.$35.4 billion as at 31 December 2020 and at U.S.$33.3 billion as at 30 June 2021.

Impact of COVID-19

To date, the COVID-19 pandemic has negatively impacted the global and Nigerian economies including as a result of the disruption of global supply chains, lowered equity market valuations, significant volatility and disruption in financial markets and increased unemployment levels. In addition, the COVID-19 pandemic has resulted in the temporary closures of many businesses as a result of social distancing and sheltering-in-place requirements in many countries, states and communities, and such measures implemented to mitigate the spread of COVID-19 have resulted in significant reductions in economic activity globally. In Nigeria, there has been an adverse impact and a decline in revenue for the Federal Government, oil sector operators, hospitality, airlines, tourism, entertainment, education and transportation and other service sectors, resulting in significant implications for international trade, the value of the Naira and economic growth. The impact of COVID-19 on the Nigerian economy in the first half of 2020 has resulted in the devaluation of the Naira, a material decline in Nigeria's economic activity and a reduction in the ability for customers from certain industries highly impacted by the COVID-19 pandemic to service their debt. The macro-economic condition in Nigeria and the value of the Naira remain vulnerable to any prolonged impact or spread of COVID-19. However, in response to the COVID-19 pandemic and its impact on the Nigerian economy, the Federal Government and the CBN introduced a financial forbearance programme, as well as other measures, which are designed to support businesses and individuals through COVID-19 as described below in "—*The Forbearance Programme*". For further information on such measures, see "*Description of the Group—The COVID-19 Pandemic*".

These effects described above include, in particular, a pronounced decline in the oil price and general risk aversion in global capital markets, which led to a weakening of the Naira, accelerated inflation, sectoral GDP contraction and a decline in investments. As a result of the impact of COVID-19, certain of the Group's customers operating in particularly vulnerable sectors were impacted by the social and economic consequences of the pandemic and related governmental containment measures and were therefore eligible for relief under the Forbearance Programme, which resulted in the restructuring of 16.5 per cent. of the Group's total loan portfolio (by volume). In spite of these challenges, the Group recorded an 18.5 per cent. increase in profit before income tax from ₦111,287 million as at 31 December 2019 to ₦131,860 million as at 31 December 2020. The Bank believes that its focus on sustainable growth will help mitigate any future effects of COVID-19, but the pandemic or other analogous events likely to adversely affect business sentiment and economic activity in the Group's markets. See "*Risk Factors—Risks related to the Group—The outbreak of communicable diseases around the world, in particular COVID-19, has led to higher volatility in the global capital markets, which may materially and adversely affect the Group's business, results of operations and financial condition*".

The Forbearance Programme

In response to COVID-19 and its impact on the Nigerian economy, the Federal Government and CBN have introduced financial forbearance and other measures to support businesses and individuals through COVID-19. In May 2020, the CBN, with the support of the Federal Government, implemented the Forbearance Programme, requiring all Nigerian banks to allow a moratorium on the payment of principal and to temporarily reduce interest rates (for a maximum of 12 months) on loans to customers in certain sectors of the economy significantly impacted by COVID-19, including but not limited to customers in the manufacturing, oil and gas, agriculture, real estate/construction and tourism sectors. Those eligible for the Forbearance Programme are required to apply for the programme and be approved by the Bank in accordance with guidelines issued by CBN. In March 2021, the CBN extended the reduction in interest rates until February 2022 and extended the moratorium on the payment of principal on a case-by-case basis.

Commercial banks in Nigeria took advantage of the regulatory forbearance to restructure loans, with up to ₦7.7 trillion or 43.02 per cent. of industry loans restructured by commercial banks in September 2020. As at 31 December 2020, the Group restructured approximately 16.5 per cent. of its total loan portfolio (by volume). As at 30 June 2021, the Group restructured 16.3 per cent of its loan portfolio (by volume), of which 11.1 per cent. were restructured as a result of the COVID-19 pandemic. Under the Forbearance Programme, the Group took steps to restructure eligible loans by granting relief to borrowers by way of moratoria on the payment of interest and/or principal, temporarily reducing interest rates for intervention funds (for a maximum 12-month period), and authorising extensions to loan terms.

Substantially all of the Group's customers that benefitted from the Forbearance Programme have continued to make timely payments in line with the amended repayment terms of the credit facilities during 2020 and 2021. The forbearance exposures are performing facilities and are treated in line with IFRS Standards. The Bank believes that the Forbearance Programme mitigated a tangible or material effect on the Group's financial position as a result of COVID-19, given the Group was able to refrain from increasing provisioning by restructuring vulnerable borrowings that qualified for relief under the Forbearance Programme. However, there can be no assurances that these measures will sufficiently mitigate the adverse effects of COVID-19 on the Group's customers and borrowers. The Group is actively monitoring market events to effectively manage the performance of its loan portfolio.

Nigeria's oil production and supply

The Nigerian economy is highly dependent on the oil and gas sector. According to the NBS, the oil and gas sector accounted for 6.6 per cent. of Nigeria's total real GDP in 2020, down from 9.8 per cent. in 2019 and 8.6 per cent. in 2018. Dependence on oil makes the economy vulnerable to oil price fluctuations, as most economic sectors in Nigeria depend on public spending which itself is dependent on oil and gas revenues. Given the dependence of the Nigerian economy and Federal Government revenues on the oil sector, the Group's results of operations and financial condition are significantly impacted by customers in the oil sector or sectors linked to the performance of the oil sector. As at 30 June 2021, 13.5 per cent. of the Group's total net loans to customers were extended to companies in the oil and gas sector, compared with 19.0 per cent. as at 31 December 2020 and 17.1 per cent. as at 31 December 2019. Furthermore, a substantial majority of the Group's oil and gas sector loan portfolio in Nigeria relates to the upstream sector, which is sensitive to production issues due to the insurgency in the Niger Delta area, as discussed further below.

In recent years, there has been a general decline in world oil prices amid significant volatility and the Nigerian economy has not fully recovered from a significant decline in monthly crude oil price (Bonny Light), which decreased from an average of U.S.$113.77 per barrel in 2008 to an average price per barrel of U.S.$62.00 and U.S.$59.10 in 2018 and 2019, respectively. High levels of disruptions resulting from militant activities, pipeline vandalism and oil theft in the Niger Delta area have resulted in significant fluctuations in oil production in Nigeria. Average daily production for the year ended 31 December 2020 was 1.78 mb/d, compared to a budgeted estimate of 1.8 mb/d, and was as low as 1.56 mb/d in 2020. Weak oil production in Nigeria and significantly lower global oil prices have adversely affected the Group's credit quality, loan portfolio growth, as well as the prices of real estate and other property held as collateral for loans. The onset of COVID-19 also resulted in global supply chain disruptions and challenges, such as delayed shipments, which impacted oil production and sales. In spite of the foregoing, the Group's NPLs to the oil and gas sector decreased from ₦40,831 million as at 31 December 2018 to ₦32,010 million as at 30 June 2021, primarily reflecting an increase number of outstanding loan repayments in Ghana. The impact of continued weak or declining oil production or oil prices, however, is not just limited to an adverse impact on the Group's oil and gas customers, but has also adversely impacted the performance of the Group's customers in those sectors whose performance is linked with that of the oil sector. These include the public sector, the manufacturing and construction sector (where demand for services is linked with the oil sector) and the consumer sector, which is dependent on consumer confidence, employment rates and the performance of the economy as a whole.

While oil prices recovered to a high of U.S.$75.38 per barrel in the first half of 2021, the historical deterioration in global oil prices and oil supply in Nigeria has affected, and if renewed may affect, the Group's results of operations, particularly with respect to non-performing and impaired loans. See "*Risk Factors—Risks related to the Group—The Group's business and operations, a significant portion of which are located in Nigeria, are highly dependent on the health of the Nigerian economy*" and "*Risk Factors—Risks related to the Group—Global oil prices and oil production in Nigeria have had, and will continue to have, a significant impact on the Group's results of operation, financial condition and prospects*".

Changes in the value of the Naira against other currencies

The Group's results of operations and financial condition are impacted by movements in exchange rates, primarily through its loan and deposit portfolios that are denominated in foreign currencies. As at 30 June 2021, 29.7 per cent. of the Group's net loans and advances to customers were denominated in U.S. dollars. Movements in the value of the Naira against other currencies also impact the Group's operating expenses, due to the fact a significant proportion of the Group's information technology, travel and training costs are denominated in U.S. dollars and/or euro. The value of the Naira against the U.S. Dollar and the Euro also has an impact on the value of the Group's U.S. Dollar and Euro risk-weighted assets and, in turn, the calculation of the Group's capital ratios.

The Group's presentation currency is the Naira and its functional currency. As at 30 June 2021, 20.4 per cent., 3.5 per cent., and 27.4 per cent. of the Group's financial assets and 24.2 per cent., 3.7 per cent., and 29.3 per cent. of the Group's financial liabilities, respectively, were denominated in the U.S. dollar, Ghanaian Cedi and West African or Central African CFA Franc, respectively. Monetary assets and liabilities originally denominated in foreign currencies are translated into Naira at the relevant balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Group's income statement. Having a significant net foreign currency balance sheet position tends to result in foreign exchange revaluation gains when the Naira depreciates against such foreign currencies and in foreign exchange revaluation losses when the Naira appreciates against such foreign currencies.

There are multiple national exchange rates in Nigeria. From June 2016, the CBN has utilised market driven currency trading under a flexible, floating exchange rate system. After several attempts at loosening currency controls, in April 2017 the CBN established the NAFEX, a special foreign exchange window for investors, exporters and end-users on over-the-counter markets. In August 2017, the CBN authorised Nigerian Banks to begin quoting at the NAFEX Rate instead of the official rate. Under the NAFEX, the Naira was valued at ₦410.2 per U.S. dollar as at 31 December 2020 and ₦364.3 and ₦362.8 per U.S. dollar as at 31 December 2018 and 31 December 2019, respectively. In May 2021, the CBN ceased the publication of an exchange rate of on its website, in a bid to unify Nigeria's foreign exchange rates; and effectively adopted the NAFEX Rate as the official exchange rate for the Naira. As of 30 June 2021, the Bank uses the NAFEX Rate for its banking operations. While the Bank primarily uses the NAFEX Rate to translate its balance sheet, its borrowers may choose or, due to a currency shortage at a particular rate, be forced to use, any of the above mentioned exchange rates to obtain the necessary currency to pay their debts. As the rates differ materially, the foreign exchange cost to the Bank's borrowers could also significantly vary each time they translate their loan payments.

Given the Group's significant net foreign currency balance sheet position, the vulnerability of the Naira to revaluation led to changes in reported items such as net interest income, loans and advances to customers and deposits from customers that did not necessarily reflect the underlying performance of such items in Nigeria and in other African jurisdictions where the Group has operations. As a result, the Group's reported income is significantly affected by changes in the value of the Naira with respect to foreign currencies. As at 30 June 2021, the gap between the Group's non-Naira denominated assets and liabilities was a long position of ₦158.9 billion.

A decline in the value of the Naira against the U.S. dollar may mean that loans and borrowings denominated in U.S. dollars will increase in size within the Group's portfolio when the amounts are translated into Naira even though the actual U.S. dollar amount of the loan or borrowings may not have increased. In addition, COVID-19 has significantly impacted the foreign exchange rate for the Naira against the U.S. dollar. Further depreciation of the Naira, particularly against the U.S. dollar, could cause the Group's loans and borrowings to show an increase although there is no actual organic growth. Furthermore, the Group may experience material declines in asset quality following a Naira depreciation, reflecting decreased capacity of borrowers to meet their obligations under their loan agreements with the Group. The Group is exposed to foreign exchange risk primarily through its foreign currency denominated loan and deposit portfolios, its borrowings in foreign currency and through its activities as an intermediary in foreign exchange transactions between central and commercial banks. Some of the Group's existing customers may also have difficulty repaying their U.S. dollar denominated debt. See "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies*".

Economic condition of the African markets in which the Group operates outside of Nigeria

A growing percentage of the Group's assets and customers are located outside of Nigeria, with the Group's African subsidiaries accounting for approximately one half of the Group's profit in 2020. As at 30 June 2021, 45.0 per cent. of the Group's gross earnings were derived from its African operations outside of Nigeria, compared to 37.9 per cent. and 28.4 per cent. as at 31 December 2020 and 31 December 2019, respectively. The Group's gross loans and advances to customers from its African operations (excluding Nigeria) as at 30 June 2021 amounted to 29.7 per cent. of the Group's gross loans and advances, compared to 32.5 per cent. and 27.0 per cent. of gross loans and advances as at 31 December 2020 and 31 December 2019, respectively. As a result, the Group's results of operations and financial condition are increasingly affected by the economic and business conditions of the 19 African countries (excluding Nigeria) in which it operates.

The contribution of the Group's African subsidiaries or affiliates to the Group's results of operation and financial condition in future periods will depend primarily on the political, social, economic and financial factors that are specific to each country in which the respective subsidiary or affiliate operates. Moreover, each of the African countries in which the Group operates have differing levels of economic growth and banking sector penetration, as well as variations in the nature and degree of banking sector regulation. These countries are also generally characterised by slow or negative growth, significant inflation, weak fiscal and monetary policies, low foreign currency reserves, high external debts, currency depreciation, political uncertainty, declining investments, government and private sector debt defaults, high taxes, nationalisation issues, skilled labour shortages, inadequate legislation and bureaucratic red tape.

In addition, African economies are often overly dependent on commodity exports. For example, Ghana's economy is highly dependent on oil, gold and cocoa exports and Mozambique's economy is highly dependent on aluminium production. In addition, Tanzania's economy is highly dependent on gold mining and on other rare metals while

Zambia's economy is particularly dependent on copper mining. As a result, African economies are highly susceptible to global economic changes, such as fluctuations in commodity prices, U.S. dollar interest and exchange rate movements as well as the demand for primary commodities by developed and emerging market economies.

Prior to 2021, adverse trends in global commodity prices have put a strain on the fiscal position and balance of payments of African economies that are heavily dependent on commodity exports. This in turn put severe pressure on the currencies of the countries that are heavily dependent on commodity exports. A depreciation of the local currencies of African countries and shortage of availability of foreign currency put pressure on the Group's borrowers that earn local currency cash flows and negatively impacted their ability to service their obligations to the Group, which in turn had an adverse effect on the Group's financial position.

Banking regulation in each of the 19 African countries outside Nigeria in which the Group has operations may also have a material impact on the contribution of the Group's African subsidiaries to the Group's results of operation and financial condition in future periods. The Group holds banking licences in all of the African countries in which it operates. Each jurisdiction issuing a universal banking licence also supervises local banks operating under such banking licences and may prescribe different business standards and minimum capitalisation requirements for operating subsidiaries of the Group in that jurisdiction or subject to its regulatory authority. In recent years, regulators in the several markets in which the Group operates, as well as the CBN, have implemented more stringent and burdensome compliance requirements and controls for banks. Such requirements may have a significant impact on the Group's results of operations and financial condition in future periods.

Interest rates

One of the most significant factors affecting the Group's profitability is the level of, and fluctuations in, interest rates in Nigeria and the 19 other African countries in which the Group has operations, which in turn (along with the volume of loans and deposits) influence the interest income generated by the Group's assets (primarily loans and advances to customers) and the interest expense associated with its liabilities (primarily deposits). Interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as the CBN (and other central banks of African countries where the Group has operations), domestic and international economic conditions and political factors. Fluctuations in interest rates also affect the Group's results of operations and financial condition in a number of different ways. In the short-term, increases in interest rates have tended increase net interest income as the Group's assets have tended to re-price more quickly than liabilities. However, an increase in interest rates generally may decrease the value of the Group's fixed-rate debt securities (primarily comprised of Government treasury bills and bonds) as well as fixed-rate loans, and could raise the Group's funding costs. In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of customer default, while general volatility in interest rates may result in a gap between the Group's interest-rate sensitive assets and liabilities.

In Nigeria, the MPR was held constant at 14.0 per cent. throughout 2017 and 2018. In March 2019, the MPR was decreased to 13.50 per cent. and 11.5 per cent. in September 2020 where it has remained to the date of this Base Prospectus. These decreases from the historically high MPR has resulted in increasing pressure on the Group's net interest margins. The weighted average prime lending and average time deposit rates in 2018 were 14.0 per cent. and 8.9 per cent., respectively, while for 2019, the rates closed at 11.5 per cent. and 9.1 per cent., respectively. The weighted average prime lending and average time deposit rates were 11.7 per cent. and 11.3 per cent. in 2020 and the six months ended 30 June 2021. In 2019, treasury yields generally trended downward as a result of increased demand from foreign investment given the relatively peaceful general elections and the higher yields offered on Nigerian treasury bills relative to peer countries. However, the general decline in yield has also had a negative effect on net interest margin and has constrained operating income even as operating expenses have increased at a level below the rate of inflation. The Group's cost-to-income ratio has decreased to 62.5 per cent. for the six months ended 30 June 2021 compared to 61.3 per cent. for the year ended 31 December 2020 from 62.7 per cent. for the year ended 31 December 2019 and 64.0 per cent. for the year ended 31 December 2018.

The CBN may tighten its monetary policy stance due to sustained inflationary pressures, particularly in response to any regional and global macroeconomic challenges. The Group generates the majority of its interest income from loans and advances to customers, which represented 53 per cent. of total interest income as at 30 June 2021, compared to 51 per cent. and 54 per cent. as at 31 December 2019 and 31 December 2018, respectively. The average interest rate on the Group's loans and advances to customers was 9.8 per cent. in the six months ended

30 June 2021, 9.75 per cent. in the year ended 31 December 2020, and 11.0 per cent. in the year ended 31 December 2019. The Group also generates a significant amount of interest income from its investment securities, which represented 39 per cent., 42 per cent., and 44 per cent. of total interest income for the six months ended 30 June 2021 and the years ended 31 December 2020 and 31 December 2019, respectively. The average interest rate on the Group's investment securities was 7.47 per cent. in the six months ended 30 June 2021, 8.7 per cent. in the year ended 31 December 2020 and 10.0 per cent. in the year ended 31 December 2019. See "*Risk Factors—Risks related to the Group—The Group operates in an uncertain regulatory environment in the African jurisdictions in which it has operations and recent changes to and by the CBN and other African banking regulators may have a material adverse effect on the Group*" and "*Risk Factors—Risks related to the Group— The Group's net interest margin may be under pressure due to Government monetary policies and the Nigerian banking sector environment*". The Group remains exposed to Government Bonds which, as at 30 June 2021, comprised 25.8 per cent. of the Group's investment portfolio as compared to 23.1 per cent. as at 31 December 2020 and 20.2 per cent. as at 31 December 2019. In the event of any new or continued decreases in interest rates on Government Bonds or a default by the Federal Government or another African government to which the Group has significant exposure, the value of the Government Bonds held by the Group may decline. See "*Risk Factors—Risks related to the Group—The Group's investment portfolio is concentrated in Government Bonds and declines in yields on Government Bonds has had and may continue to have an adverse impact on the Group*."

Nigeria's banking sector has continued to struggle with macroeconomic pressures such as rising inflation and unemployment which has resulted in reduced spending and investment by both individuals and governments. Despite the numerous challenges, the Nigerian Banking sector responded swiftly to the disruptions from the COVID-19 pandemic with the CBN rolling out stimulus packages to combat the effects of the pandemic on critical sectors including cutting the interest rate on its intervention facilities. The Bank believes its profitability in 2020 and 2021 has been negatively impacted by the CRR, which is 27.5 per cent. as at the date of this Base Prospectus, as the money is required to be held as reserves at the CBN and not invested in interest-earning assets. For example, the Bank's mandatory cash reserves held with the CBN have steadily increased over recent years to ₦1,017,376 million for the year ended 31 December 2020 as compared to ₦761,260 million for the year ended 31 December 2019 and ₦496,850 million for the year ended 31 December 2018 and such amounts are not available for use in the Group's day-to-day operations. As at 30 June 2021, the Bank's cash reserves held with the CBN amounted to ₦1,052,867 million.

Banking regulation

In recent years, a number of banking regulators in Africa, including, in particular in Nigeria, have tightened the regulatory frameworks within which the Group conducts its businesses. These measures have included increasing the amounts of the minimum regulatory capital the banks are required to maintain, increasing cash reserve ratios on public sector deposits, increasing the risk weighting of loans to selected public sector borrowers, reducing fees chargeable to customers and introducing a floor on savings deposits. Since 2017, the Group has been subject to increasingly complex policy interventions by the CBN aimed at stabilising foreign currency and market liquidity and encouraging foreign investment. See "*Risk Factors—Risks related to the Group—The Group operates in an uncertain regulatory environment in the African jurisdictions in which it has operations and recent changes to and by the CBN and other African banking regulators may have a material adverse effect on the Group*".

On 21 April 2017, the CBN released the Revised Guide to Bank Charges, which provides a standard for the application of charges in the Grouping industry, and took effect from 1 May 2017. The Revised Guide to Bank Charges provides that banks must pay interest on savings deposits in Nigeria at a minimum rate equal to 30 per cent. of the MPR established by the CBN. At the current MPR of 11.5 per cent., this translates to a minimum of 4.1 per cent. per annum. Furthermore, on 19 December 2019, the CBN published a Revised Guide to Charges by Banks, Other Financial Institutions and Non-Banks, which took effect on 1 January 2020. The new guidance required banks and non-bank financial institutions to reduce charges applicable to bank accounts, electronic transfers, and ATMs. For the six months ended 30 June 2021 and the years ended 31 December 2020 and 31 December 2019, the average interest rate paid by the Group on its average balance of savings account deposits was 0.4 per cent., 1.8 per cent. and 3.0 per cent., respectively. Any increases in the MPR could increase the Group's interest payable on savings account deposits which could in turn increase the Group's cost of funds. An increase in MPR will lead to an increase in interest paid on customer deposits, and thus negatively impacting the Group's cost of funds. The Group's cost of funds reduced to 1.2 per cent. in December 2020 from 2.9 per cent. in December 2019, due to lower interest rate on term deposits and robust liquidity in the banking system. The Group's cost of funds may continue to reduce rates in the future if the CBN maintains a loose monetary policy stance.

The Group is required to maintain a minimum capital adequacy ratio of 15 per cent. In addition, the Group must comply with the CRR, which is the minimum amount of total deposits from customers that the CBN requires commercial Groups to hold as reserves in the form of cash or deposits with the CBN. In March 2016, the CBN's Monetary Policy Committee increased the CRR by 2.5 per cent. to 22.5 per cent. of local currency deposits as the balance of risks tilted against price stability. It remained unchanged however until 24 January 2020, when the Monetary Policy Committee voted to increase the CRR by 5 per cent. to 27.5 per cent. In November 2020, the Monetary Policy Committee of the CBN voted to retain CRR at 27.5 per cent. and has retained this CRR at subsequent Monetary Policy Committee meetings. Due to concerns of excess liquidity in the Nigerian financial system, on occasion the CBN holds reserves of Nigerian banks (including the Bank) even when such reserves exceed the regulatory required minimum threshold of 27.5 per cent. The increase in CRR has impacted the Group's cost of funds adversely in addition to reducing the amount of funding available for lending. As at 30 June 2021, the Group CRR was ₦1.1 trillion. Further, in 2020, the CBN has sought to reduce interest rate and deposit charges and strengthen Nigeria's foreign currency reserves through capital control measures. See "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is affected by changes in the value of the Naira against other currencies*".

The Group is also affected by changes in the general liquidity levels of the Nigerian economy, which are largely determined by CBN policy. Naira liquidity levels in the Nigerian economy remained high in the period under review, as several treasury bills and OMO Bills reached maturity during the fourth quarter of 2019. In a departure from past practice, the CBN opted not to roll over maturing OMO Bills and passed a regulation excluding individuals and corporate investors from the primary and secondary open market operation ("**OMO**") markets. The policy changes aimed to drive domestic interest rates lower while, simultaneously, OMO rates were maintained at a high level in order to attract foreign inflows. The CBN also increased the overall yield on OMO bills with the one-year OMO Bill printing at 15.5 per cent. The increased yield on OMO securities helped to support the Naira, which came under some pressure due to the exit of foreign investors. This has resulted in excess liquidity in the Nigerian economy. Increases in the general liquidity levels in the Nigerian economy generally lead to an increase in lending across the Nigerian banking sector and a decrease in average interest rates.

Further, the CBN announced new measures to boost commercial bank lending to the private sector by directing such banks to maintain a minimum LDR of 60.0 per cent. with effect from 30 September 2016. This minimum LDR was further increased to 65.0 per cent., effective 30 September 2019. The changes to the minimum LDR led the Group to increase its lending to retail customers. Further, the CBN published a Revised Guide to Charges by Banks, Other Financial Institutions and Non-Banks, which took effect on 1 January 2020. The new guidance requires banks and non-bank financial institutions to reduce charges applicable to bank accounts, electronic transfers, and ATMs.

The Bank is also required to contribute to the banking sector resolution cost fund (the "**Banking Sector Resolution Cost Fund**"), a sinking fund established under the Asset Management Corporation of Nigeria (Amendment) Act, 2015 (the "**AMCON Amendment Act**"), to cover any net deficits incurred by AMCON. By virtue of the provisions of the AMCON Amendment Act, every licensed bank, including the Bank, is required to contribute an amount equal to 0.5 per cent. of its total assets as of the date of its audited financial statements and which shall be payable on or before 30 April in each calendar year commencing in the 2014 calendar year, and for every calendar year during the tenor. The Group provided ₦22,417 million to the sinking fund for the year ended 31 December 2020, ₦19,992 million for the year ended 31 December 2019 and ₦16,628 million for the year ended 31 December 2018, respectively.

Demand for the Group's products

The Group generates its interest income primarily from loans and advances to corporate and retail customers and, to a lesser extent, from investment securities. In addition, a significant portion of the Group's fee and commission income, which consists of fees arising from transaction and banking activity (including e-banking activity), facility fees and administrative fees, is moderately correlated with the volume of new loans extended by the Group. Demand for the Group's loans and other products, and the Group's ability to continue to create loans, affect the size of the Bank's loan portfolio and, in turn, the Bank's results of operations. Demand for the Group's loans and other products depend on several factors, which include economic and political conditions in Nigeria and in the other African countries where the Group has operations, conditions prevailing in the Nigerian and wider African banking sector, the Group's competitive environment and the Group's ability to take advantage of growth opportunities.

Total loans and advances to customers increased to ₦2,634.6 billion as at 30 June 2021 from ₦2,555.0 billion as at 31 December 2020 and ₦2,061.1 billion as at 31 December 2019. The 27.8 per cent. increase of ₦573.5 billion in loans and advances to customers since 2019 was partly driven by higher volumes of such transactions following the implementation of the Group's flagship retail lending proposition, "Click Credit". Loans and advances to corporate entities and other organisations constituted 90 per cent., 90 per cent. and 90 per cent. of the Group's loan portfolio as at 30 June 2021, 31 December 2020 and 31 December 2019, respectively, reflecting the Group's growing focus on corporate and institutional clients during these periods. The Bank believes that, as it develops its relationship with its corporate clients, it will be able, over time, to benefit from increased business along the value chain of these corporate clients, including their suppliers, distributors, customers, employees and shareholders. See "*Risk Factors—Risks related to the Group—The Group faces increased levels of competition in Nigerian and other African markets, which may negatively affect the Group's prospects*" and "*Risk Factors—Risks related to the Group—The effect of the unsuccessful introduction of new products could result in the Group not being able to achieve its intended results*".

Competition

The banking industry in sub-Saharan Africa has become increasingly competitive, both regionally and in the individual sub-Saharan African countries in which the Group has operations. This competition has resulted in increasing pressure on the loan rates chargeable by the Group, particularly in the corporate segment. The Group believes that the increasing consolidation in the industry will further increase competition, as peer banks seek to take advantage of similar economies of scale and capacity to undertake large loans and other operations. This increased competition is likely to result in a further narrowing of spreads between deposit and loan rates. As a result, the Group has focused on efficiently managing interest on its deposits and increasing penetration of low-cost retail deposits (which tend to earn lower interest) to maintain its net interest margin level.

In 2018, the CBN published a new licensing framework applicable to all payment service providers and financial technology companies, permitting these entities to offer certain banking services subject to meeting specific requirements including minimum capitalisation levels. The Bank believes that the introduction of these financial service providers into the market, as well as the general trend toward consolidation in the Nigerian banking sector, may further increase competition as larger bank and financial services providers seek to take advantage of economies of scale and greater capacity to undertake larger loans and other operations. This increased competition is likely to result in a further narrowing of spreads between deposit and loan rates.

The Group's net interest margin (defined as net interest income divided by daily average interest earning assets) was 5.8 per cent. for the six months ended 30 June 2021, 5.5 per cent. for the year ended 31 December 2020 and 6.0 per cent. for the year ended 31 December 2019. See "*Risk Factors—Risks related to the Group— The Group faces increased levels of competition in Nigerian and other African markets, which may negatively affect the Group's prospects*".

Level and cost of deposits

The Group has historically relied heavily on corporate and retail depositors to meet its funding needs as access to other funding sources, including the capital markets, has been limited. Companies in Nigeria and other African countries usually withdraw their deposits on a frequent basis and are not typically in a position to place significant funds in deposits on a long-term basis. Decreases in corporate deposits and/or unexpected withdrawals of retail deposits can increase the Group's costs of funding when other sources of funding are not available on commercially reasonable terms or in time to meet the Group's funding requirements. Moreover, the CBN's requirement to maintain a 30.0 per cent. liquidity ratio results in certain constraints on the Group's ability to lend, which in turn affects the size and growth of its loan portfolio. As at 30 June 2021 and 31 December 2020, the Group's liquidity ratio was 62.3 per cent. and 60.6 per cent., respectively.

The Revised Guide to Bank Charges, which took effect on 1 January 2020, provides a standard for the application of charges in the banking industry. The Revised Guide to Bank Charges provides that Nigerian savings deposit accounts must earn interest at a minimum rate of 30 per cent. of the MPR per annum. At the current MPR of 11.5 per cent., this translates to a minimum of 4.1 per cent. per annum. Changes in the MPR have had, and are expected to continue to have, an impact on the Bank's interest expense on savings deposits.

Significant accounting policies

The Group's consolidated financial position and results of operations presented in the Financial Statements and the notes thereto, as well as selected statistical and other information appearing elsewhere in this Base Prospectus are prepared in accordance with IFRS and depend upon the Group's accounting policies, which in some cases involve a significant amount of management judgement. The Group has identified those accounting policies that it believes to be the most important to an understanding of the consolidated results of operations and financial condition of the Group. The Group's significant accounting policies are described in Note 3 to each of the Financial Statements. These significant accounting policies require management's subjective and complex judgement about matters that are inherently uncertain.

Recent Developments

Financial results as at and for the nine months ended 30 September 2021

Consolidated statement of financial position of the Group

	As at 30 September 2021	As at 31 December 2020
	(₦ millions)	
	(*unaudited*)	(*audited*)
ASSETS		
Cash and bank balances	1,750,176	1,874,618
Financial assets at fair value through profit or loss	43,147	214,400
Derivative assets	47,594	53,148
Loans and advances to banks	134,507	77,419
Loans and advances to customers	2,872,143	2,554,975
Investment securities:		
At fair value through other comprehensive income	1,080,404	1,421,527
At amortised cost	1,954,086	1,159,264
Other assets	229,838	115,432
Investment in equity-accounted investee	6,043	4,504
Property and equipment	159,147	153,191
Intangible assets	31,804	28,900
Deferred tax assets	40,432	40,602
Total assets	**8,349,322**	**7,697,980**
LIABILITIES		
Derivative liabilities	220	508
Deposits from banks	552,027	418,157
Deposits from customers	6,084,143	5,676,011
Other liabilities	407,720	157,827
Current tax liabilities	10,497	9,982
Borrowings	479,254	694,355
Deferred tax liabilities	17,181	16,992
Total liabilities	**7,551,043**	**6,973,832**
EQUITY		
Share capital	17,100	17,100
Share premium	98,715	98,715
Retained earnings	304,373	255,059
Other reserves	346,535	324,194
Equity attributable to owners of the parent	**766,723**	**695,068**
Non-controlling interests	31,556	29,080
Total equity	**798,279**	**724,148**
Total liabilities and equity	**8,349,322**	**7,697,980**

The Group's total assets increased by 8.5 per cent to ₦8,349,322 million as at 30 September 2021 from ₦7,697,980 million as at 31 December 2020. The Group's risk-weighted capital adequacy ratio was 23.7 per cent. as at 30 September 2021. The increase in total assets was primarily due to improved loan volumes to corporate and retail customers, and additional investment in government treasury bills, which were financed by a corresponding 8.9 per cent. growth in deposit liabilities.

The Group's total liabilities increased by 8.3 per cent to ₦7,551,043 million as at 30 September 2021 from ₦6,973,832 million as at 31 December 2020. The increase was primarily attributable to a growth in savings deposits from retail customers, and increased term and current deposits from corporate customers.

Condensed consolidated statement of comprehensive income of the Group

	For the nine months ended 30 September	
	2021	**2020**
	(₦ millions) (*unaudited*)	
Interest income	343,709	317,142
Interest income on amortised cost and FVOCI securities	341,294	315,249
Interest income on FVTPL securities	2,415	1,893
Interest expense	(114,444)	(131,120)
Net interest income	**229,265**	**186,022**
Fees and commission income	110,982	85,011
Fees and commission expense	(43,064)	(28,766)
Net fee and commission income	**67,918**	**56,245**
Net trading and foreign exchange income	27,329	45,721
Other operating income	7,172	5,796
Total non-interest income	**102,419**	**107,762**
Net impairment charge on financial assets	(3,405)	(11,476)
Net operating income after impairment loss on loans and receivables	**328,279**	**282,308**
Employee benefit expenses	(66,492)	(66,617)
Depreciation and amortisation	(16,304)	(14,371)
Other operating expenses	(123,217)	(111,671)
Total operating expenses	**(206,013)**	**(192,659)**
Share of profit of equity-accounted investee	1,088	723
Profit before income tax	**123,354**	**90,372**
Income tax expense	(18,757)	(13,240)
Profit for the period	**104,597**	**77,132**

The Group's net interest income increased by 23.2 per cent to ₦229,265 million for the nine months ended 30 September 2021 from ₦186,022 million for the nine months ended 30 September 2020. This increase was primarily attributable to an 8 per cent. growth in interest income on trading and investment securities largely driven by increased volume, and further complemented by 15 per cent. decrease in interest expense.

The Group's interest expense decreased by 12.7 per cent to ₦114,444 million for the nine months ended 30 September 2021 from ₦131,120 million for the nine months ended 30 September 2020. This decrease was primarily attributable to a growth in low-cost funding from savings and current deposits, and the downward repricing of savings deposit in Nigeria in September 2020 (which resulted in a decline in the interest rates on savings deposits from approximately 3.75 per cent. to a minimum rate of 1.15 per cent.).

Net impairment charge on financial assets for the nine months ended 30 September 2021 decreased by 70.3 per cent to ₦3,405 million, compared to ₦11,476 million for the nine months ended 30 September 2020. The primary reasons for the decrease in impairment charges were due to significant recoveries made on a loan from UBA Ghana Limited, coupled with lower impairment charges made during the period.

The Group's fee and commission income increased by 30.6 per cent to ₦110,982 million for the nine months ended 30 September 2021 from ₦85,011 million for the nine months ended 30 September 2020. This increase was primarily attributable to improved e-business income as the Group continued to deepen its e-channel strategy and product offerings.

The Group's fee and commission expense increased by 49.7 per cent to ₦43,064 million for the nine months ended 30 September 2021 from ₦28,766 million for the nine months ended 30 September 2020. This increase was primarily attributable to increased e-business expenses due to the translation impact of the depreciation of Naira as most of the Group's fee and commission expenses are denominated in U.S. dollars.

The Group's net trading and foreign exchange income decreased by 40.2 per cent to ₦27,329 million for the nine months ended 30 September 2021 from ₦45,721 million for the nine months ended 30 September 2020. This decrease was primarily attributable to foreign currency revaluation loss during the period, occasioned by exchange rate devaluation.

The Group's other operating income increased by 23.7 per cent to ₦7,172 million for the nine months ended 30 September 2021 from ₦5,796 million for the nine months ended 30 September 2020. This increase was mainly due to income on cash handling in connection with increased volumes of cash collections by the Group on behalf of government agencies in order to facilitate remittances in certain countries in which it operates.

The Group's employee benefit expenses remained relatively stable with a slight decrease of 0.2 per cent to ₦66,492 million for the nine months ended 30 September 2021 from ₦66,617 million for the nine months ended 30 September 2020.

The Group's other operating expenses increased by 10.3 per cent. to ₦123,217 million for the nine months ended 30 September 2021 compared to ₦111,671 million for the nine months ended 30 September 2020. The increase in operating expenses was principally due to an increase in an annual levy payable by the Bank to support AMCON in meeting its banking sector resolution obligations (and such levy is computed on the basis of a bank's asset size), as well as an increase in maintenance and repair costs.

The Group's profit before income tax increased by 36.5 per cent to ₦123,354 million for the nine months ended 30 September 2021 from ₦90,372 million for the nine months ended 30 September 2020. This increase was largely a result of improved net interest income and an appreciable decline in impairment charges.

Results of operations

Consolidated statements of profit or loss for the six months ended 30 June 2021 and the six months ended 30 June 2020 and the years ended 31 December 2018, 2019 and 2020:

The following table sets out the results of operations of the Group for the six months ended 30 June 2020 and 2021 and the years ended 31 December 2018, 2019 and 2020:

	For the six months ended 30 June		**For the year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
			(₦ millions)		
Interest income	222,631	205,586	427,862	404,830	362,922
Interest income on amortised cost and FVOCI securities	220,322	204,737	422,655	390,304	360,583
Interest income on FVTPL securities	2,309	849	5,207	14,526	2,339
Interest expense	(74,563)	(86,262)	(168,395)	(182,955)	(157,276)
Net interest income	**148,068**	**119,324**	**259,467**	**221,875**	**205,646**
Impairment charge for credit losses on loans	(4,137)	(7,807)	(22,443)	(16,336)	-
Net impairment charge on other financial assets	-	-	(4,566)	(1,916)	-
Allowance for credit losses on financial and non-financial instruments	-	-	-	-	(4,529)
Net interest income after impairment on financial and non-financial instruments	**143,931**	**111,517**	**232,458**	**203,623**	**201,117**
Fees and commission income	74,085	55,868	126,943	110,561	93,997
Fees and commission expense	(28,317)	(17,286)	(44,335)	(30,557)	(28,551)
Net fee and commission income	**45,768**	**38,582**	**82,608**	**80,004**	**65,446**
Net trading and foreign exchange income	9,102	35,208	59,450	37,627	31,675
Other operating income	9,508	3,595	6,120	6,787	5,451
Employee benefit expenses	(42,623)	(44,565)	(87,545)	(75,099)	(71,158)
Depreciation and amortisation	(11,457)	(9,590)	(20,005)	(15,490)	(11,801)
Other operating expenses	(78,753)	(77,971)	(142,297)	(126,578)	(114,383)
Share of profit of equity-accounted investee	710	353	1,071	413	419
Profit before income tax	**76,186**	**57,129**	**131,860**	**111,287**	**106,766**
Income tax expense	(15,605)	(12,698)	(18,095)	(22,198)	(28,159)
Profit for the period	**60,581**	**44,431**	**113,765**	**89,089**	**78,607**

Consolidated statements of profit or loss for the six months ended 30 June 2021 and the six months ended 30 June 2020

The following table sets out the results of operations for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June		Change
	2021	**2020**	**%**
	(₦ millions)		
Interest income	222,631	205,586	8.3
Interest income on amortised cost and FVOCI securities	220,322	204,737	7.6
Interest income on FVTPL securities	2,309	849	172.0
Interest expense	(74,563)	(86,262)	13.6
Net interest income	**148,068**	**119,324**	**24.1**
Impairment charge for credit losses on loans	(4,137)	(7,807)	47.0
Net impairment charge on other financial assets	-	-	-
Allowance for credit losses on financial and non-financial instruments	-	-	-
Net interest income after impairment on financial and non-financial instruments	**143,931**	**111,517**	**29.1**
Fees and commission income	74,085	55,868	32.6
Fees and commission expense	(28,317)	(17,286)	(63.8)
Net fee and commission income	**45,768**	**38,582**	**18.6**
Net trading and foreign exchange income	9,102	35,208	(74.1)
Other operating income	9,508	3,595	164.5
Employee benefit expenses	(42,623)	(44,565)	4.4
Depreciation and amortisation	(11,457)	(9,590)	(19.5)
Other operating expenses	(78,753)	(77,971)	(1.0)
Share of profit of equity-accounted investee	710	353	101.1
Profit before income tax	**76,186**	**57,129**	**33.4**
Income tax expense	(15,605)	(12,698)	(22.9)
Profit for the period	**60,581**	**44,431**	**36.3**

Interest income

Interest income increased by ₦17,045 million, or 8.3 per cent., from ₦205,586 million for the six months ended 30 June 2020 to ₦222,631 million for the six months ended 30 June 2021. The Group's interest income is subject to foreign currency translation effects to the extent any income derived is not denominated in Naira (such as foreign currency loans and placements with foreign banks). See also "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies*".

The following table sets forth a breakdown of interest income for the periods indicated:

	For the six months ended 30 June		Change
	2021	**2020**	**%**
	(₦ millions)		
Cash and bank balances	6,572	6,480	1.4
Loans and advances to banks	10,382	2,174	377.6
Interest on loans to customers			
To individuals			
Term loans	9,556	3,832	149.4
Overdrafts	3,009	2,634	14.2
To corporates			
Term loans	83,170	88,977	(6.5)
Overdrafts	22,068	18,011	22.5
Others	639	437	46.2
Investment securities			
Treasury bills	59,356	60,071	(1.2)
Bonds	25,570	22,121	15.6
Total	**220,322**	**204,737**	**7.6**
Interest income on financial assets at FVTPL			
Promissory notes	2,154	655	228.9
Bonds	155	194	(20.1)
Total interest income	**222,631**	**205,586**	**8.3**

The increase in interest income from the six months ended 30 June 2020 to the six months ended 30 June 2021 was mainly attributable to the increase in interest income on loans and advances to banks by ₦8,208 million, or 377.6 per cent., from ₦2,174 million to ₦10,382 million given the Group supports various banks operating in sub-Saharan Africa through corresponding banking services. This increase was largely volume driven due to economies picking up post the peak of the COVID-19 pandemic.

The increase in interest income on loans and advances to banks was partly offset by the decrease in revenue from term loans to corporates by ₦5,807 million for the six months ended 30 June 2020, or 6.5 per cent., from ₦88,977 million to ₦83,170 million for the six months ended 30 June 2021 which was largely a result of decreased yields.

The increase in interest income from the six months ended 30 June 2020 to the six months ended 30 June 2021 was also partly attributable to the increase in income from term loans to individuals by ₦5,724 million, or 149.4 per cent., from ₦3,832 million to ₦9,556 million which was largely due to higher volumes of such transactions following the implementation of the Group's flagship retail lending proposition, "Click Credit"; the increase in income from overdrafts to corporates by ₦4,057 million, or 22.5 per cent., from ₦18,011 million to ₦22,068 million which was mainly driven by increased facility utilisation as COVID-19 related economic and social restrictions were relaxed across Africa; and the increase in income from bonds by ₦3,449 million, or 15.6 per cent., from ₦22,121 million for the six months ended 30 June 2020 to ₦25,570 million for the six months ended 30 June 2021, which was primarily due to improved yields and the Group's increased investments in such instruments in light of the favourable market conditions then prevailing.

The increase in interest income from the six months ended 30 June 2020 to the six months ended 30 June 2021 was also partly attributable to a ₦1,499 million increase of income derived from promissory notes, or 228.9 per cent., from ₦655 million for the six months ended 30 June 2020 to ₦2,154 million for the six months ended 30 June 2021, which was mainly a result of the increased investment in promissory by UBA Congo Brazzaville (SA).

Interest income on amortised cost and FVOCI securities

Interest income on amortised cost and FVOCI securities increased by ₦15,585 million, or 7.6 per cent., from ₦204,737 million for the six months ended 30 June 2020 to ₦220,322 million for the six months ended 30 June 2021, primarily as a result of an increase in the volume of the Group's investment portfolio following the relaxation of COVID-19 related economic and social restrictions across Africa.

Interest income on FVTPL securities

Interest income on FVTPL securities increased dramatically by ₦1,460 million, or 172.0 per cent., from ₦849 million for the six months ended 30 June 2020 to ₦2,309 million for the six months ended 30 June 2021, largely due to improved yields in the first half of 2021 (from as low as approximately 1 per cent. million for the six months ended 30 June 2020 to approximately 5 per cent. in the million for the six months ended 30 June 2021) and increased volume from ₦66,651 million for the six months ended 30 June 2020 to ₦147,867 million for the six months ended 30 June 2021.

Interest expense

Interest expense decreased by ₦11,699 million, or 13.6 per cent., from ₦86,262 million for the six months ended 30 June 2020, to ₦74,563 million for the six months ended 30 June 2021. The Group's interest expense is partially subject to foreign currency translation effects due to certain of the Group's borrowings and deposits being denominated in foreign currencies. See also "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies*".

The following table sets forth a breakdown of interest expense for the periods indicated:

	For the six months ended 30 June		Change
	2021	2020	%
	(₦ millions)		
Deposits from banks	6,621	9,910	(33.2)
Deposits from customers	42,434	53,381	(20.5)
Borrowings	25,073	19,782	26.7
Subordinated liabilities	-	2,947	(100.0)
Lease liabilities	435	242	79.8
Total	**74,563**	**86,262**	**(13.6)**

The decrease in interest expense from the six months ended 30 June 2020 to the six months ended 30 June 2021 was mainly attributable to the decrease in costs relating to deposits from customers by ₦10,947 million, or 20.5 per cent., from ₦53,381 million to ₦42,434 million, which was largely a result of a downward repricing of interest-bearing deposit liabilities and a decline in volume of term deposit liabilities.

The decrease in costs relating to deposits from customers was partly offset by the increase in costs relating to borrowings by ₦5,291 million, or 26.7 per cent., from ₦19,782 million for the six months ended 30 June 2020 to ₦25,073 million for the six months ended 30 June 2021 which was primarily attributable to the impact of fluctuations in the average exchange rate which stood at ₦386 per U.S.$1 and ₦411 per U.S.$1 as at 30 June 2020 and 2021, respectively.

The decrease in interest expense from the six months ended 30 June 2020 to the six months ended 30 June 2021 was also partly attributable to the decrease in costs relating to deposits from banks by ₦3,289 million, or 33.2 per cent., from ₦9,910 million to ₦6,621 million due to the refinancing of foreign currency funding; and the decrease in subordinated liabilities by ₦2,947 million, 100.0 per cent. from ₦2,947 million for the six months ended 30 June 2020 to nil for the six months ended 30 June 2021 as a result of an early redemption of the Bank's ₦30,500 million 16.45 per cent. fixed rate unsecured subordinated bonds in June 2020.

Net interest income

As a result of the above, the Group's net interest income increased significantly by ₦28,744 million, or 24.1 per cent., from ₦119,324 million for the six months ended 30 June 2020, to ₦148,068 million for the six months ended 30 June 2021.

Impairment charge for credit losses on loans

Impairment charge for credit losses on loans declined by ₦3,670 million, or 47.0 per cent., from ₦7,807 million for the six months ended 30 June 2020, to ₦4,137 million for the six months ended 30 June 2021, which was mainly as result of a 17.6 per cent. decrease in provisions due to a repayment of an NPL by a major customer in one of the Group's African subsidiaries. See "*Asset, Liability and Risk Management*".

Net impairment charge on other financial assets

Net impairment charge on other financial assets stayed largely consistent for the six months ended 30 June 2021 as compared to the six months ended 30 June 2020.

Allowance for credit losses on financial and non-financial instruments

Allowance for credit losses on financial and non-financial instruments stayed largely consistent for the six months ended 30 June 2021 as compared to the six months ended 30 June 2020.

Net interest income after impairment on financial and non-financial instruments

Net interest income after impairment on financial and non-financial instruments increased significantly by ₦32,414 million, or 29.1 per cent., from ₦111,517 million for the six months ended 30 June 2020, to ₦143,931 million for the six months ended 30 June 2021. This was largely a result of a combination of the factors discussed above.

Fees and commission income

Fees and commission income increased significantly by ₦18,217 million, or 32.6 per cent., from ₦55,868 million for the six months ended 30 June 2020, to ₦74,085 million for the six months ended 30 June 2021.

The following table sets forth a breakdown of fees and commission income for the periods indicated:

	For the six months ended 30 June		Change
	2021	2020	%
	(₦ millions)		
Credit-related fees and commissions	7,409	5,035	47.2
Commission on turnover	1,989	693	187.0
Account maintenance fee	5,427	3,588	51.3
Electronic banking income	29,603	17,932	65.1
Funds transfer fee	7,081	3,854	83.7
Trade transactions income	9,901	9,492	4.3
Remittance fee	3,100	3,550	(12.7)
Commissions on transactional services	6,623	9,063	(26.9)
Pension funds custody fees	2,952	2,661	10.9
Total	**74,085**	**55,868**	**32.6**

The increase in fees and commission income from the six months ended 30 June 2020 to the six months ended 30 June 2021 was mainly attributable to the increase in electronic banking income by ₦11,671 million, or 65.1 per cent., from ₦17,932 million to ₦29,603 million which in turn was primarily due to a 93.5 per cent. growth in e-banking transaction volumes, particularly during the period when social restrictions were imposed by governments and local authorities to mitigate the impact of COVID-19.

The increase in electronic banking income was partly offset by the decrease in revenue from commissions on transactional services by ₦2,440 million, or 26.9 per cent., from ₦9,063 million for the six months ended 30 June 2020 to ₦6,623 million for the six months ended 30 June 2021, which was mainly due to lower volumes of in-branch transactions as a result of the social restrictions that were imposed by governments and local authorities to mitigate the impact of COVID-19.

The increase in fees and commission income from the six months ended 30 June 2020 to the six months ended 30 June 2021 was also partly attributable to the increase in income from funds transfer fee by ₦3,227 million, or 83.7 per cent., from ₦3,854 million to ₦7,081 million, which was largely a result of higher volumes of fund transfers; the increase in income from credit-related fees and commissions by ₦2,374 million, or 47.2 per cent., from ₦5,035 million to ₦7,409 million which was largely due to a higher volume of loans and advances to customers; the increase in income from account maintenance fee by ₦1,839 million, or 51.3 per cent., from ₦3,588 million to ₦5,427 million as a result of the Group's attraction of additional unbanked customers in the countries in which it operates; and the increase in income from commission on turnover by ₦1,296 million, or 187.0 per cent., from ₦693 million for the six months ended 30 June 2020 to ₦1,989 million for the six months ended 30 June 2021 because of higher transaction volumes.

Fees and commission expense

Fees and commission expense increased significantly by ₦11,031 million, or 63.8 per cent., from ₦17,286 million for the six months ended 30 June 2020, to ₦28,317 million for the six months ended 30 June 2021.

The following table sets forth a breakdown of fees and commission expense for the periods indicated:

	For the six months ended 30 June		Change
	2021	2020	%
	(₦ millions)		
E-banking expense	22,493	14,512	55.0
Trade related expenses	2,845	1,375	106.9
Funds transfer expense	2,979	1,399	112.9
Total	**28,317**	**17,286**	**63.8**

The increase in fees and commission expense from the six months ended 30 June 2020 to the six months ended 30 June 2021 was mainly attributable to the increase in e-banking expense by ₦7,981 million, or 55.0 per cent., from ₦14,512 million to ₦22,493 million which was mainly due to the impact of the devaluation of the Naira given a substantial majority of the Group's expenses are denominated in U.S. dollars.

The increase in fees and commission expense from the six months ended 30 June 2020 to the six months ended 30 June 2021 was also partly attributable to an increase in funds transfer expenses by ₦1,580 million, or 112.9 per cent., from ₦1,399 million to ₦2,979 million which was largely due to the devaluation of the Naira given a substantial majority of the Group's fee and commissions expenses are denominated in U.S. dollars; and the increase in trade related expenses by ₦1,470 million, or 106.9 per cent., from ₦1,375 million for the six months ended 30 June 2020 to ₦2,845 million for the six months ended 30 June 2021 as a result of the increased volume of trade-related transactions consummated during the period as well as the impact of the devaluation of the Naira given a substantial majority of the Group's expenses are denominated in U.S. dollars.

Examples of the Group's expenses referred to above include MasterCard and Visa settlement fees, Remote-on-Us ATM fees and annual licence fees, with an associated translation effect of ₦23.9/$1.

Net fee and commission income

As a result of the above, the Group's net fee and commission income increased by ₦7,186 million, or 18.6 per cent., from ₦38,582 million for the six months ended 30 June 2020, to ₦45,768 million for the six months ended 30 June 2021.

Net trading and foreign exchange income

Net trading and foreign exchange income decreased dramatically by ₦26,106 million, or 74.1 per cent., from ₦35,208 million for the six months ended 30 June 2020, to ₦9,102 million for the six months ended 30 June 2021.

The following table sets forth a breakdown of net trading and foreign exchange income for the periods indicated:

	For the six months ended 30 June		**Change**
	2021	**2020**	**%**
	(₦ millions)		
Fixed income securities	1,959	4,405	(55.5)
Foreign exchange trading income	15,250	13,374	14.0
Foreign currency revaluation gain/(loss)	(2,841)	7,997	n.m
Net fair value gain on derivatives	(5,266)	9,432	n.m
Total	**9,102**	**35,208**	**(74.1)**

The decrease in net trading and foreign exchange income from the six months ended 30 June 2020 to the six months ended 30 June 2021 was mainly attributable to the change in net fair value gain on derivatives from a profit of ₦9,432 million to a loss of ₦5,266 million which was mainly due to the impact of exchange rate fluctuations.

The change in net fair value gain on derivatives was partly offset by the increase in foreign exchange trading income by ₦1,876 million, or 14.0 per cent., from ₦13,374 million for the six months ended 30 June 2020 to ₦15,250 million for the six months ended 30 June 2021 as a result of increased trading volumes and improved spreads from sourcing favourably-priced foreign currency in the markets in which the Group operates.

The decrease in net trading and foreign exchange income from the six months ended 30 June 2020 to the six months ended 30 June 2021 was also partly attributable to the change to foreign currency revaluation loss of ₦2,841 million for the six months ended 30 June 2021, compared to foreign currency revaluation gain of ₦7,997 million for the six months ended 30 June 2020 due to losses realised from the devaluation of the Naira which decreased to ₦411/U.S.$1 as at 30 June 2021; and the decrease in trading income on fixed income securities by ₦2,446 million, or 55.5 per cent., from ₦4,405 million for the six months ended 30 June 2020 to ₦1,959 million for the six months ended 30 June 2021 largely as a result of generally improved yields on fixed income securities which in turn impacted fair value gains.

Other operating income

Other operating income increased dramatically by ₦5,913 million, or 164.5 per cent., from ₦3,595 million for the six months ended 30 June 2020, to ₦9,508 million for the six months ended 30 June 2021.

The following table sets forth a breakdown of other operating income for the periods indicated:

	For the six months ended 30 June		Change
	2021	2020	%
	(₦ millions)		
Dividend income	2,653	2,617	1.4
Rental income	154	159	(3.1)
Other income	6,701	819	718.2
Total	**9,508**	**3,595**	**164.5**

The increase in other operating income from the six months ended 30 June 2020 to the six months ended 30 June 2021 was mainly attributable to the increase in other income by ₦5,882 million, or 718.2 per cent., from ₦819 million to ₦6,701 million which was primarily a result of the disposal of repossessed collateral in the ordinary course of business and unrelated to the COVID-19 pandemic.

Employee benefit expenses

Employee benefit expenses decreased slightly by ₦1,942 million, or 4.4 per cent., from ₦44,565 million for the six months ended 30 June 2020, to ₦42,623 million for the six months ended 30 June 2021.

The following table sets forth a breakdown of employee benefit expenses for the periods indicated:

	For the six months ended 30 June		Change
	2021	2020	%
	(₦ millions)		
Wages and salaries	40,574	43,115	(5.9)
Defined contribution plans	1,759	1,450	21.3
Termination benefits	290	-	n.m
Total	**42,623**	**44,565**	**(4.4)**

The decrease in employee benefit expenses from the six months ended 30 June 2020 to the six months ended 30 June 2021 was mainly attributable to the decrease in wages and salaries by ₦2,541 million, or 5.9 per cent., from ₦43,115 million to ₦40,574 million, which was due primarily to a headcount reduction as part of the Group's decision to redeploy certain employees across the Group rather than hiring externally as part of the Group's overall staff management exercise (which was unrelated to the COVID-19 pandemic). See "*Description of the Group—Employees*".

The decrease in wages and salaries was partly offset by the increase in costs relating to defined contribution plans by ₦309 million, or 21.3 per cent., from ₦1,450 million for the six months ended 30 June 2020 to ₦1,759 million for the six months ended 30 June 2021 which was primarily attributable to additional contributions being made during the period and the increase in costs relating to termination benefits by ₦290 million from nil for the six months ended 30 June 2020 to ₦290 million for the six months ended 30 June 2021, which was mainly due to payments made to employees that left UBA Gabon and UBA Congo Brazzaville, in line with the labour laws of those respective jurisdictions.

Depreciation and amortisation

Depreciation and amortisation increased by ₦1,867 million, or 19.5 per cent., from ₦9,590 million for the six months ended 30 June 2020, to ₦11,457 million for the six months ended 30 June 2021. This is primarily attributable the Group's increased investment in fixed assets such as capital improvements in leasehold properties, office equipment and the construction of new branches and customer touch points.

Other operating expenses

Other operating expenses increased slightly by ₦782 million, or 1.0 per cent., from ₦77,971 million for the six months ended 30 June 2020, to ₦78,753 million for the six months ended 30 June 2021.

Share of profit of equity-accounted investee

Share of profit of equity-accounted investee almost doubled by ₦357 million, or 101.1 per cent., from ₦353 million for the six months ended 30 June 2020, to ₦710 million for the six months ended 30 June 2021. This was mainly due to the improved profitably of UBA Zambia Limited.

Profit before income tax

Profit before income tax increased significantly by ₦19,057 million, or 33.4 per cent., from ₦57,129 million for the six months ended 30 June 2020, to ₦76,186 million for the six months ended 30 June 2021.

Income tax expense

Income tax expense increased significantly by ₦2,907 million, or 22.9 per cent., from ₦12,698 million for the six months ended 30 June 2020, to ₦15,605 million for the six months ended 30 June 2021. This was primarily attributable to a 33.4 per cent. growth in Group profitability (before income tax) and the reduction of deferred tax expenses from ₦2,966 million to ₦213 million as at 30 June 2020 and 2021, respectively.

Profit for the period

Profit for the period increased significantly by ₦16,150 million, or 36.3 per cent., from ₦44,431 million for the six months ended 30 June 2020, to ₦60,581 million for the six months ended 30 June 2021.

Consolidated statements of profit or loss for the year ended 31 December 2020 compared to the year ended 31 December 2019

The table below sets out the results of operations for the years ended 31 December 2020 and 2019:

	For the year ended 31 December		Change
	2020	2019	%
	(₦ millions)		
Interest income	427,862	404,830	5.7
Interest income on amortised cost and FVOCI securities	422,655	390,304	8.3
Interest income on FVTPL securities	5,207	14,526	(64.2)
Interest expense	(168,395)	(182,955)	8.0
Net interest income	**259,467**	**221,875**	**16.9**
Impairment charge for credit losses on loans	(22,443)	(16,336)	(37.4)
Net impairment charge on other financial assets	(4,566)	(1,916)	(138.3)
Allowance for credit losses on financial and non-financial instruments	-	-	-
Net interest income after impairment on financial and non-financial instruments	**232,458**	**203,623**	**14.2**
Fees and commission income	126,943	110,561	14.8
Fees and commission expense	(44,335)	(30,557)	(45.1)
Net fee and commission income	**82,608**	**80,004**	**3.3**
Net trading and foreign exchange income	59,450	37,627	58.0
Other operating income	6,120	6,787	(9.8)
Employee benefit expenses	(87,545)	(75,099)	(16.6)
Depreciation and amortisation	(20,005)	(15,490)	(29.1)
Other operating expenses	(142,297)	(126,578)	(12.4)
Share of profit of equity-accounted investee	1,071	413	159.3
Profit before income tax	**131,860**	**111,287**	**18.5**
Income tax expense	(18,095)	(22,198)	18.5
Profit for the period	**113,765**	**89,089**	**27.7**

Interest income

Interest income increased by ₦23,032 million, or 5.7 per cent., from ₦404,830 million for the year ended 31 December 2019, to ₦427,862 million for the year ended 31 December 2020. The Group's interest income is subject to foreign currency translation effects to the extent any income derived is not denominated in Naira (such as foreign currency loans and placements with foreign banks). See also "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies*".

The following table sets forth a breakdown of interest income for the periods indicated:

	For the year ended 31 December		Change
	2020	2019	%
	(₦ millions)		
Cash and bank balances	12,089	14,864	(18.7)
Interest income on loans and advances to banks	9,521	3,801	150.5
Interest on loans to customers			
To individuals			
Term loans	15,223	6,714	126.7
Overdrafts	6,565	2,422	171.1
To corporates			
Term loans	166,541	162,274	2.6
Overdrafts	35,650	36,049	(1.1)
Others	1,063	501	112.2
Investment securities			
Treasury bills	134,863	123,470	9.2
Bonds	41,140	40,209	2.3
Total	**422,655**	**390,304**	**8.3**
Interest income on financial assets at FVTPL			
Promissory notes	4,718	14,353	(67.1)
Bonds	489	173	182.7
Total interest income	**427,862**	**404,830**	**5.7**

The increase in interest income from the year ended 31 December 2019 to the year ended 31 December 2020 was mainly attributable to the increase in income from treasury bills by ₦11,393 million, or 9.2 per cent., from ₦123,470 million to ₦134,863 million. This increase was in turn largely a result of increased volume of investment in treasury bills that were issued to cushion the impact of significant declines in market yields as a result of COVID-19. The additional interest income is also attributable to the issuance of ₦656,000 million in special bills by the CBN to the Bank in December 2020 as a form of refund of a portion of the Bank's contributions under the CRR.

The increase in income from treasury bills was partly offset by the decrease in revenue from cash and bank balances by ₦2,775 million, or 18.7 per cent., from ₦14,864 million for the year ended 31 December 2019 to ₦12,089 million for the year ended 31 December 2020. This decrease was primarily attributable to a decline in placement volumes due to the reallocation of investible funds to higher yield investments as interbank rates were trending to zero.

The increase in interest income from the year ended 31 December 2019 to the year ended 31 December 2020 was also partly attributable to the increase in income from term loans to individuals by ₦8,509 million, or 126.7 per cent., from ₦6,714 million to ₦15,223 million due to higher volumes of such transactions following the implementation of the Group's flagship retail lending proposition, "Click Credit" the increase in interest income on loans and advances to banks by ₦5,720 million, or 150.5 per cent. from ₦3,801 million to ₦9,521 million which was primarily due to an increase in correspondent banking services offered by the Group to banks within sub-Saharan Africa and a consequential increase to lending to such correspondent banks; and the increase in income from term loans to corporates by ₦4,267 million, or 2.6 per cent. from ₦162,274 million to ₦166,541 million and the increase in income from overdrafts to individuals by ₦4,143 million, 171.1 per cent. from ₦2,422 million to ₦6,565 million during the period which was largely a result of higher volumes of such transactions following the implementation of the Group's flagship retail lending proposition, "Click Credit".

However, the increase in interest income was also partly offset by the decrease in revenue from promissory notes by ₦9,635 million, or 67.1 per cent., from ₦14,353 million to ₦4,718 million during the period. This decrease was mainly attributable a reduction of nominal amount of promissory notes held by the Group due to the maturity of certain instruments.

Interest income on amortised cost and FVOCI securities

Interest income on amortised cost and FVOCI securities increased by ₦32,351 million, or 8.3 per cent., from ₦390,304 million for the year ended 31 December 2019, to ₦422,655 million for the year ended 31 December 2020. This increase was mainly the result of increased investment volumes and the issuance of 656,000 million in special bills by the CBN to the Bank in December 2020 as a form of refund of a portion of the Bank's contributions under the CRR.

Interest income on FVTPL securities

Interest income on FVTPL securities decreased dramatically by ₦9,319 million, or 64.2 per cent., from ₦14,526 million for the year ended 31 December 2019, to ₦5,207 million for the year ended 31 December 2020. This decrease was largely due to matured promissory notes and the reallocation of available funds to treasury bills.

Interest expense

Interest expense decreased by ₦14,560 million, or 8.0 per cent., from ₦182,955 million for the year ended 31 December 2019, to ₦168,395 million for the year ended 31 December 2020. The Group's interest expense is partially subject to foreign currency translation effects due to certain of the Group's borrowings and deposits being denominated in foreign currencies. See also "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies*".

The following table sets forth a breakdown of interest expense for the periods indicated:

	For the year ended 31 December		**Change**
	2020	**2019**	**%**
	(₦ millions)		
Deposits from banks	16,240	11,018	47.4
Deposits from customers	103,628	125,046	(17.1)
Borrowings	45,506	41,408	9.9
Subordinated liabilities	2,505	5,207	(51.9)
Lease liabilities	516	276	87.0
Total	**168,395**	**182,955**	**(8.0)**

The decrease in interest expense from the year ended 31 December 2019 to the year ended 31 December 2020 was mainly attributable to the decrease in costs relating to deposits from customers by ₦21,418 million, or 17.1 per cent., from ₦125,046 million to ₦103,628 million. This decrease was largely the result of the repricing of term and saving deposits in response to the general deterioration of market rates following the onset of COVID-19.

The decrease in costs relating to deposits from customers was partly offset by the increase in costs relating to deposits from banks by ₦5,222 million, or 47.4 per cent., from ₦11,018 million to ₦16,240 million which was largely a result of such banks' increased foreign currency funding needs; and the increase in costs relating to borrowings by ₦4,098 million, or 9.9 per cent., from ₦41,408 million to ₦45,506 million during the period.

The decrease in interest expense from the year ended 31 December 2019 to the year ended 31 December 2020 was also partly attributable to the decrease in subordinated liabilities by ₦2,702 million, or 51.9 per cent., from ₦5,207 million to ₦2,505 million during the period. This decrease was primarily due to the early redemption of the Bank's ₦30,500 million 16.45 per cent. fixed rate unsecured subordinated bonds in June 2020, in light of low interest rates.

Net interest income

As a result of the above, the Group's net interest income increased by ₦37,592 million, or 16.9 per cent., from ₦221,875 million for the year ended 31 December 2019, to ₦259,467 million for the year ended 31 December 2020.

Impairment charge for credit losses on loans

Impairment charge for credit losses on loans increased significantly by ₦6,107 million, or 37.4 per cent., from ₦16,336 million for the year ended 31 December 2019, to ₦22,443 million for the year ended 31 December 2020. This increase was mainly attributable to increased provisioning in respect of the Group's foreign currency portfolio following the devaluation of the Naira and the impact of COVID-19.

Net impairment charge on other financial assets

Net impairment charge on other financial assets increased dramatically by ₦2,650 million, or 138.3 per cent., from ₦1,916 million for the year ended 31 December 2019, to a loss of ₦4,566 million for the year ended 31 December 2020. This increase was largely due to the Group's exposure to bulk distribution companies in Ghana which were particularly affected by the decline of global economic activities as a result of COVID-19.

Allowance for credit losses on financial and non-financial instruments

Allowance for credit losses on financial and non-financial instruments stayed largely consistent for the years ended 31 December 2020 and 2019.

Net interest income after impairment on financial and non-financial instruments

Net interest income after impairment on financial and non-financial instruments increased by ₦28,835 million, or 14.2 per cent., from ₦203,623 million for the year ended 31 December 2019, to ₦232,458 million for the year ended 31 December 2020. This increase was primarily due to a combination of the factors discussed above.

Fees and commission income

Fees and commission income increased by ₦16,382 million, or 14.8 per cent., from ₦110,561 million for the year ended 31 December 2019, to ₦126,943 million for the year ended 31 December 2020.

The following table sets forth a breakdown of fees and commission income for the periods indicated:

	For the year ended 31 December		Change
	2020	2019	%
	(₦ millions)		
Credit-related fees and commissions	14,737	10,887	35.4
Commission on turnover	2,113	1,564	35.1
Account maintenance fee	8,461	7,151	18.3
Electronic banking income	44,248	38,766	14.1
Funds transfer fee	10,730	8,582	25.0
Trade transactions income	19,123	14,127	35.4
Remittance fee	9,232	9,108	1.4
Commissions on transactional services	12,793	15,155	(15.6)
Pension funds custody fees	5,506	5,221	5.5
Total	**126,943**	**110,561**	**14.8**

The increase in fees and commission income from the year ended 31 December 2019 to the year ended 31 December 2020 was partly attributable to the increase in electronic banking income by ₦5,482 million, or 14.1 per cent., from ₦38,766 million to ₦44,248 million. This increase was a result of the Group's sustained gains in its market share of e-banking businesses across the countries in which it operates as part of the Group's strategy to leverage innovations and strategies partnerships across Africa.

The increase in electronic banking income was partly offset by the decrease in revenue from commissions on transactional services by ₦2,362 million, or 15.6 per cent., from ₦15,155 million to ₦12,793 million during the period. This increase was largely due to lower volumes of in-branch transactions as a result of the social restrictions that were imposed by governments and local authorities to mitigate the impact of COVID-19.

The increase in fees and commission income from the year ended 31 December 2019 to the year ended 31 December 2020 was also partly attributable to the increase in trade transactions income by ₦4,996 million, or 35.4 per cent., from ₦14,127 million to ₦19,123 million which was mainly due to an increase in letter of credit-related charges across the Group prior to the onset of COVID-19; the increase in income from credit-related fees and commissions by ₦3,850 million, or 35.4 per cent. from ₦10,887 million to ₦14,737 million which was largely attributable to the growth of the Group's loan portfolio (in particular, the retail segment); the increase in income from funds transfer fee by ₦2,148 million, or 25.0 per cent., from ₦8,582 million to ₦10,730 million which was mainly a result of an increase in remittances charges across Africa; and the increase in income from account maintenance fee by ₦1,310 million, or 18.3 per cent., from ₦7,151 million to ₦8,461 million during the period which was largely due to increase of customer accounts to over 25 million across the Group during such period.

Fees and commission expense

Fees and commission expense increased significantly by ₦13,778 million, or 45.1 per cent., from ₦30,557 million for the year ended 31 December 2019, to ₦44,335 million for the year ended 31 December 2020.

The following table sets forth a breakdown of fees and commission expense for the periods indicated:

	For the year ended 31 December		Change
	2020	2019	%
	(₦ millions)		
E-banking expense	35,303	28,454	24.1
Trade related expenses	8,599	1,541	458.0
Funds transfer expense	433	562	(23.0)
Total	**44,335**	**30,557**	**45.1**

The increase in fees and commission expense from the year ended 31 December 2019 to the year ended 31 December 2020 was mainly attributable to the increase in trade related expenses by ₦7,058 million, or 458.0 per cent., from ₦1,541 million to ₦8,599 million. This increase was largely due to the devaluation of the Naira following the onset of COVID-19 as a substantial majority of the Group's fee and commission expenses are denominated in the U.S. dollar. These expenses include MasterCard and Visa settlement fees, Remote-on-Us ATM fees and annual license fees, with an associated translation impact of ₦35.6/$1.

The increase in fees and commission expense from the year ended 31 December 2019 to the year ended 31 December 2020 was also partly attributable to the increase in e-banking expense by ₦6,849 million, or 24.1 per cent., from ₦28,454 million to ₦35,303 million during the period. This increase was mainly a result of the devaluation of the Naira following the onset of the COVID-19 pandemic, as a substantial majority of the Group's expenses are denominated in the U.S. dollar. These expenses are charges relating to trade export, letters of credit, swift transactions and bills for collections, with an associated translation effect of ₦35.6/$1.

Net fee and commission income

As a result of the above, the Group's net fee and commission income increased slightly by ₦2,604 million, or 3.3 per cent., from ₦80,004 million for the year ended 31 December 2019, to ₦82,608 million for the year ended 31 December 2020.

Net trading and foreign exchange income

Net trading and foreign exchange income increased significantly by ₦21,823 million, or 58.0 per cent., from ₦37,627 million for the year ended 31 December 2019, to ₦59,450 million for the year ended 31 December 2020.

The following table sets forth a breakdown of net trading and foreign exchange income for the periods indicated:

	For the year ended 31 December		Change
	2020	2019	%
	(₦ millions)		
Fixed income securities	19,648	10,641	84.6
Foreign exchange trading income	28,267	24,563	15.1
Foreign currency revaluation gain/(loss)	6,174	(10,171)	n.m
Net fair value gain on derivatives	5,361	12,594	(57.4)
Total	**59,450**	**37,627**	**58.0**

The increase in net trading and foreign exchange income from the year ended 31 December 2019 to the year ended 31 December 2020 was mainly attributable to the change to foreign currency revaluation gain of ₦6,174 million for the year ended 31 December 2020, compared to foreign currency revaluation loss of ₦10,171 million for the year ended 31 December 2019. This change was primarily the result of gains realised from the Group's positive trading position arising from the devaluation of the Naira during such period.

The change to foreign currency revaluation gain was partly offset by the decrease in net fair value gain on derivatives by ₦7,233 million, or 57.4 per cent., from ₦12,594 million to ₦5,361 million during the period. This decrease was mainly due to reduced yields associated with the Group's underlying assets.

The increase in net trading and foreign exchange income from the year ended 31 December 2019 to the year ended 31 December 2020 was also partly attributable to the increase in fixed income securities by ₦9,007 million, or 84.6 per cent., from ₦10,641 million to ₦19,648 million which was mainly a result of favourable market conditions during such period; and the increase in foreign exchange trading income by ₦3,704 million, or 15.1 per cent., from ₦24,563 million to ₦28,267 million during the period which was primarily due to an increased volume of trading activities to take advantage of the devaluation of local currencies from the onset of COVID-19.

Other operating income

Other operating income decreased by ₦667 million, or 9.8 per cent., from ₦6,787 million for the year ended 31 December 2019, to ₦6,120 million for the year ended 31 December 2020.

The following table sets forth a breakdown of other operating income for the periods indicated:

	For the year ended 31 December		Change
	2020	2019	%
	(₦ millions)		
Dividend income	2,943	3,305	(11.0)
Income on cash handling	2,857	2,810	1.7
Rental income	320	421	(24.0)
Gain on disposal of property and equipment	-	251	(100.0)
Total	**6,120**	**6,787**	**(9.8)**

The decrease in other operating income from the year ended 31 December 2019 to the year ended 31 December 2020 was mainly attributable to the decrease in dividend income by ₦362 million, or 11.0 per cent., from ₦3,305 million to ₦2,943 million. This decrease was primarily a result of reduced dividend income received from investments in equity securities.

The decrease in other operating income from the year ended 31 December 2019 to the year ended 31 December 2020 was also partly attributable to the decrease in gain on disposal of property and equipment by ₦251 million, or 100.0 per cent., from ₦251 million to nil which was largely due to the lack of disposal of any assets in 2020; and the decrease in rental income by ₦101 million, or 24.0 per cent. from ₦421 million to ₦320 million during the period which was primarily a result of reduced occupancy levels in the Group's investment properties.

Employee benefit expenses

Employee benefit expenses increased by ₦12,446 million, or 16.6 per cent., from ₦75,099 million for the year ended 31 December 2019, to ₦87,545 million for the year ended 31 December 2020.

The following table sets forth a breakdown of employee benefit expenses for the periods indicated:

	For the year ended 31 December		Change
	2020	2019	%
	(₦ millions)		
Wages and salaries	84,483	72,490	16.5
Defined contribution plans	3,062	2,609	17.4
Total	**87,545**	**75,099**	**16.6**

The increase in employee benefit expenses from the year ended 31 December 2019 to the year ended 31 December 2020 was mainly attributable to the increase in wages and salaries by ₦11,993 million, or 16.5 per cent., from ₦72,490 million to ₦84,483 million. This increase was primarily a result of the implementation of salary harmonisation carried out across certain entities within the Group.

Depreciation and amortisation

Depreciation and amortisation increased significantly by ₦4,515 million, or 29.1 per cent., from ₦15,490 million for the year ended 31 December 2019, to ₦20,005 million for the year ended 31 December 2020. This increase was primarily attributable to the acquisition by the Group of fixed assets, right-of-use assets and software.

Other operating expenses

Other operating expenses increased by ₦15,719 million, or 12.4 per cent., from ₦126,578 million for the year ended 31 December 2019, to ₦142,297 million for the year ended 31 December 2020. This increase was largely a result of an increase in donations made by the Group in support of efforts to curtail the impact of COVID-19, AMCON-related charges and fuel, repair and maintenance costs across the Group.

Share of profit of equity-accounted investee

Share of profit of equity-accounted investee increased dramatically by ₦658 million, or 159.3 per cent., from ₦413 million for the year ended 31 December 2019, to ₦1,071 million for the year ended 31 December 2020. This increase was largely attributable to UBA Zambia Limited's improved profitability.

Profit before income tax

Profit before income tax increased by ₦20,573 million, or 18.5 per cent., from ₦111,287 million for the year ended 31 December 2019, to ₦131,860 million for the year ended 31 December 2020.

Income tax expense

Income tax expense decreased by ₦4,103 million, or 18.5 per cent., from ₦22,198 million for the year ended 31 December 2019, to ₦18,095 million for the year ended 31 December 2020. The decrease was largely a result of tax incentives granted to the Bank by the Federal Government to cushion the impact of COVID-19.

Profit for the period

Profit for the period increased significantly by ₦24,676 million, or 27.7 per cent., from ₦89,089 million for the year ended 31 December 2019, to ₦113,765 million for the year ended 31 December 2020.

Consolidated statements of profit or loss for the year ended 31 December 2019 compared to the year ended 31 December 2018

The following table sets out the results of operations for the years ended 31 December 2019 and 2018:

	For the year ended 31 December		**Change**
	2019	**2018**	**%**
	(₦ millions)		
Interest income	404,830	362,922	11.5
Interest income on amortised cost and FVOCI securities	390,304	360,583	8.2
Interest income on FVTPL securities	14,526	2,339	521.0
Interest expense	(182,955)	(157,276)	(16.3)
Net interest income	**221,875**	**205,646**	**7.9**
Impairment charge for credit losses on loans	(16,336)	1,199	n.m
Net impairment charge on other financial assets	(1,916)	(5,728)	66.6
Net interest income after impairment on financial and non-financial instruments	**203,623**	**201,117**	**1.2**
Fees and commission income	110,561	93,997	17.6
Fees and commission expense	(30,557)	(28,551)	(7.0)
Net fee and commission income	**80,004**	**65,446**	**22.2**
Net trading and foreign exchange income	37,627	31,675	18.8
Other operating income	6,787	5,451	24.5
Employee benefit expenses	(75,099)	(71,158)	(5.5)
Depreciation and amortisation	(15,490)	(11,801)	(31.3)
Other operating expenses	(126,578)	(114,383)	(10.7)
Share of profit of equity-accounted investee	413	419	(1.4)
Profit before income tax	**111,287**	**106,766**	**4.2**
Income tax expense	(22,198)	(28,159)	21.2
Profit for the period	**89,089**	**78,607**	**13.3**

Interest income

Interest income increased by ₦41,908 million, or 11.5 per cent., from ₦362,922 million for the year ended 31 December 2018, to ₦404,830 million for the year ended 31 December 2019. The Group's interest income is subject to foreign currency translation effects to the extent any income derived is not denominated in Naira (such as foreign currency loans and placements with foreign banks). See also "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies*".

The following table sets forth a breakdown of interest income for the periods indicated:

	For the year ended 31 December		Change
	2019	2018	%
	(₦ millions)		
Cash and bank balances	14,864	7,814	90.2
Interest income on loans and advances to banks	3,801	3,667	3.7
Interest on loans to customers			
To individuals			
Term loans	6,714	8,436	(20.4)
Overdrafts	2,422	2,060	17.6
To corporates			
Term loans	162,274	146,577	10.7
Overdrafts	36,049	37,551	(4.0)
Others	501	320	56.6
Investment securities			
Treasury bills	123,470	107,137	15.2
Bonds	40,209	47,021	(14.5)
Total	390,304	360,583	8.2
Interest income on financial assets at FVTPL			
Promissory notes	14,353	-	n.m
Bonds	173	2,339	(92.6)
Total interest income	**404,830**	**362,922**	**11.5**

The increase in interest income from the year ended 31 December 2018 to the year ended 31 December 2019 was partly attributable to the increase in income from treasury bills by ₦16,333 million, or 15.2 per cent., from ₦107,137 million to ₦123,470 million. This increase was a result of improved yields on Federal Government securities and higher transaction volumes during the period.

The increase in interest income from treasury bills was partly offset by the decrease in revenue from bonds by ₦6,812 million, or 14.5 per cent., from ₦47,021 million to ₦40,209 million during the period. This decrease was primarily attributable to a decline in the volume in bond investments as the Group reallocated funds to high-yield securities.

The increase in interest income from the year ended 31 December 2018 to the year ended 31 December 2019 was also partly attributable to the increase in income from term loans to corporates by ₦15,697 million, or 10.7 per cent., from ₦146,577 million to ₦162,274 million, which was largely a result of a higher volume of loans to corporates during the period; and the increase in income from cash and bank balances by ₦7,050 million, or 90.2 per cent. from ₦7,814 million to ₦14,864 million during the period which was primarily due to increased volumes of money market placement and restricted balances with the CBN in response to a growth in deposit liabilities.

The increase in interest income was partly offset by the decrease in income from bonds by ₦2,166 million, or 92.6 per cent., from ₦2,339 million to ₦173 million during the period, which was primarily a result of reduced volumes of bond investments.

The increase in interest income from the year ended 31 December 2018 to the year ended 31 December 2019 was also partly attributable to the increase in income from promissory notes by ₦14,353 million from nil to ₦14,353 million during the period. This increase was largely attributable to accrued interest earned on the increased volumes of promissory notes held.

Interest income on amortised cost and FVOCI securities

Interest income on amortised cost and FVOCI securities increased by ₦29,721 million, or 8.2 per cent., from ₦360,583 million for the year ended 31 December 2018, to ₦390,304 million for the year ended 31 December 2019.

Interest income on FVTPL securities

Interest income on FVTPL securities increased dramatically by ₦12,187 million, or 521.0 per cent., from ₦2,339 million for the year ended 31 December 2018, to ₦14,526 million for the year ended 31 December 2019. This increase was primarily attributable to a higher transaction volume in respect of treasury bills and bonds.

Interest expense

Interest expense increased by ₦25,679 million, or 16.3 per cent., from ₦157,276 million for the year ended 31 December 2018, to ₦182,955 million for the year ended 31 December 2019. The Group's interest expense is partially subject to foreign currency translation effects due to certain of the Group's borrowings and deposits being denominated in foreign currencies. See also "*Risk Factors—Risks related to the Group—The Group is subject to foreign exchange risk and is particularly affected by changes in the value of the Naira against other currencies*".

The following table sets forth a breakdown of interest expense for the periods indicated:

	For the year ended 31 December		Change
	2019	2018	%
	(₦ millions)		
Deposits from banks	11,018	7,083	55.6
Deposits from customers	125,046	106,010	18.0
Borrowings	41,408	35,151	17.8
Subordinated liabilities	5,207	9,032	(42.3)
Lease liabilities	276	-	n.m
Total	**182,955**	**157,276**	**16.3**

The increase in interest expense from the year ended 31 December 2018 to the year ended 31 December 2019 was partly attributable to the increase in costs relating to deposits from customers by ₦19,036 million, or 18.0 per cent., from ₦106,010 million to ₦125,046 million. This increase was primarily due to growth in deposit liabilities from customers and an increase in term deposit rates.

The increase in costs relating to deposits from customers was partly offset by the decrease in interest expense on the Group's subordinated liabilities by ₦3,825 million, or 42.3 per cent., from ₦9,032 million to ₦5,207 million during the period. This decrease was largely a result of the redemption of subordinated debt during such period.

The increase in interest expense from the year ended 31 December 2018 to the year ended 31 December 2019 was also partly attributable to the increase in costs relating to borrowings by ₦6,257 million, or 17.8 per cent., from ₦35,151 million to ₦41,408 million which was mainly due to additional foreign currency borrowings to support the Group's balance sheet position; and the increase in costs relating to deposits from banks by ₦3,935 million, 55.6 per cent. from ₦7,083 million to ₦11,018 million during the period which was primarily a result of increased foreign currency funding to support the Group's balance sheet position.

Net interest income

As a result of the above, the Group's net interest income increased by ₦16,229 million, or 7.9 per cent., from ₦205,646 million for the year ended 31 December 2018, to ₦221,875 million for the year ended 31 December 2019.

Impairment charge for credit losses on loans

Impairment charge for credit losses on loans increased by ₦17,535 million from a recovery of ₦1,199 million for the year ended 31 December 2018, to ₦16,336 million for the year ended 31 December 2019. The increase was attributable to increased allowance for credit losses, and lower recovery in credit loss allowance in 2019.

Net impairment charge on other financial assets

Net impairment charge on other financial assets decreased by ₦3,812 million from ₦5,728 million for the year ended 31 December 2018, to ₦1,916 million for the year ended 31 December 2019. The decrease was largely due to a reversal of allowances on some off balance sheet items, due to a change in credit quality.

Net interest income after impairment on financial and non-financial instruments

Net interest income after impairment on financial and non-financial instruments increased slightly by ₦2,506 million, or 1.2 per cent., from ₦201,117 million for the year ended 31 December 2018, to ₦203,623 million for the year ended 31 December 2019.

Fees and commission income

Fees and commission income increased by ₦16,564 million, or 17.6 per cent., from ₦93,997 million for the year ended 31 December 2018, to ₦110,561 million for the year ended 31 December 2019.

The following table sets forth a breakdown of fees and commission income for the periods indicated:

	For the year ended 31 December		Change
	2019	2018	%
	(₦ millions)		
Credit-related fees and commissions	10,887	7,045	54.5
Commission on turnover	1,564	1,102	41.9
Account maintenance fee	7,151	6,248	14.5
Electronic banking income	38,766	27,923	38.8
Funds transfer fee	8,582	8,289	3.5
Trade transactions income	14,127	19,492	(27.5)
Remittance fee	9,108	5,422	68.0
Commissions on transactional services	15,155	13,009	16.5
Pension funds custody fees	5,221	5,467	(4.5)
Total	**110,561**	**93,997**	**17.6**

The increase in fees and commission income from the year ended 31 December 2018 to the year ended 31 December 2019 was mainly attributable to the increase in electronic banking income by ₦10,843 million, or 38.8 per cent., from ₦27,923 million to ₦38,766 million, which was largely due to sustained gains derived from the Group's e-banking and payments initiatives.

The increase in electronic banking income was partly offset by the decrease in trade transactions income by ₦5,365 million, or 27.5 per cent., from ₦19,492 million to ₦14,127 million during the period and such decrease was primarily attributable to a reduction in the fees charged on transactions by the Bank in accordance with CBN's Revised Guide to Bank Charges.

The increase in fees and commission income from the year ended 31 December 2018 to the year ended 31 December 2019 was also partly attributable to the increase in income from credit-related fees and commissions by ₦3,842 million, or 54.5 per cent., from ₦7,045 million to ₦10,887 million as a result of increased growth in loans to customers among the corporate and retail segments; the increase in income from remittance fee by ₦3,686 million, 68.0 per cent. from ₦5,422 million to ₦9,108 million which was primarily due to a growth in remittance transfers, the increase in income from commissions on transactional services by ₦2,146 million, 16.5 per cent. from ₦13,009 million to ₦15,155 million which was mainly a result of higher in-branch transactions; and the increase in income from account maintenance fee by ₦903 million, 14.5 per cent. from ₦6,248 million to ₦7,151 million during the period which was largely attributable to the growth of customer accounts held with the Group.

Fees and commission expense

Fees and commission expense increased by ₦2,006 million, or 7.0 per cent., from ₦28,551 million for the year ended 31 December 2018, to ₦30,557 million for the year ended 31 December 2019.

The following table sets forth a breakdown of fees and commission expenses for the periods indicated:

	For the year ended 31 December		Change
	2019	2018	%
	(₦ millions)		
E-banking expense	28,454	23,768	19.7
Trade related expenses	1,541	4,391	(64.9)
Funds transfer expense	562	392	43.4
Total	**30,557**	**28,551**	**7.0**

The increase in fees and commission expense from the year ended 31 December 2018 to the year ended 31 December 2019 was mainly attributable to the increase in e-banking expense by ₦4,686 million, or 19.7 per cent., from ₦23,768 million to ₦28,454 million. This increase was largely a result of a growth in the volume of e-banking transactions.

The increase in e-banking expense was partly offset by the decrease in trade related expenses by ₦2,850 million, or 64.9 per cent., from ₦4,391 million to ₦1,541 million during the period, which was primarily due to a decline in the volume of trade transactions to ensure compliance with the CBN's Revised Guide to Bank Charges.

The increase in fees and commission expense from the year ended 31 December 2018 to the year ended 31 December 2019 was also partly attributable to the increase in funds transfer expense by ₦170 million, or 43.4 per cent., from ₦392 million to ₦562 million during the period. This increase was mainly attributable to a growth in transaction volumes during the period.

Net fee and commission income

As a result of the above, the Group's net fee and commission income increased significantly by ₦14,558 million, or 22.2 per cent., from ₦65,446 million for the year ended 31 December 2018, to ₦80,004 million for the year ended 31 December 2019.

Net trading and foreign exchange income

Net trading and foreign exchange income increased by ₦5,952 million, or 18.8 per cent., from ₦31,675 million for the year ended 31 December 2018, to ₦37,627 million for the year ended 31 December 2019.

The following table sets forth a breakdown of net trading and foreign exchange income for the periods indicated:

	For the year ended 31 December		Change
	2019	**2018**	**%**
	(₦ millions)		
Fixed income securities	10,641	6,705	58.7
Foreign exchange trading income	24,563	29,872	(17.8)
Foreign currency revaluation gain/(loss)	(10,171)	(31,482)	67.7
Net fair value gain on derivatives	12,594	26,580	(52.6)
Total	**37,627**	**31,675**	**18.8**

The increase in net trading and foreign exchange income from the year ended 31 December 2018 to the year ended 31 December 2019 was mainly attributable to the decrease in revenue from foreign currency revaluation loss by ₦21,311 million, or 67.7 per cent., from ₦31,482 million to ₦10,171 million. This increase was mainly a result of gains realised from the revaluation of trading positions in light of favourable exchange rates.

The decrease in revenue from foreign currency revaluation loss was partly offset by the decrease in net fair value gain on derivatives by ₦13,986 million, or 52.6 per cent., from ₦26,580 million to ₦12,594 million which was primarily due to a decline of rates in the underlying assets; and the decrease in foreign exchange trading income by ₦5,309 million, or 17.8 per cent., from ₦29,872 million to ₦24,563 million during the period which was largely due to a decline in the exchange margin across various market sectors.

The increase in net trading and foreign exchange income from the year ended 31 December 2018 to the year ended 31 December 2019 was also partly attributable to the increase in fixed income securities by ₦3,936 million, or 58.7 per cent., from ₦6,705 million to ₦10,641 million during the period. This increase was primarily a result of favourable yields derived from such securities.

Other operating income

Other operating income increased significantly by ₦1,336 million, or 24.5 per cent., from ₦5,451 million for the year ended 31 December 2018, to ₦6,787 million for the year ended 31 December 2019.

The following table sets forth a breakdown of other operating income for the periods indicated:

	For the year ended 31 December		Change
	2019	**2018**	**%**
	(₦ millions)		
Dividend income	3,305	3,454	(4.3)
Income on cash handling	2,810	1,592	76.5
Rental income	421	390	7.9
Gain on disposal of property and equipment	251	15	1,573.3
Total	**6,787**	**5,451**	**24.5**

The increase in other operating income from the year ended 31 December 2018 to the year ended 31 December 2019 was mainly attributable to the increase in income on cash handling by ₦1,218 million, or 76.5 per cent., from ₦1,592 million to ₦2,810 million. This increase was mainly due to a growth in transaction volumes as the Group enhanced its income collection capabilities.

The increase in income on cash handling was partly offset by the decrease in dividend income by ₦149 million, or 4.3 per cent., from ₦3,454 million to ₦3,305 million during the period. This decrease was primarily attributable to a decline in divided income derived from the Group's equity investments.

The increase in other operating income from the year ended 31 December 2018 to the year ended 31 December 2019 was also partly attributable to the increase in gain on disposal of property and equipment by ₦236 million, or 1,573.3 per cent., from ₦15 million to ₦251 million during the period. This sharp increase was largely due to additional asset disposals on obsolete and unrepairable assets during the period, made by the Group in the normal course of business.

Employee benefit expenses

Employee benefit expenses increased by ₦3,941 million, or 5.5 per cent., from ₦71,158 million for the year ended 31 December 2018, to ₦75,099 million for the year ended 31 December 2019.

The following table sets forth a breakdown of employee benefit expenses for the periods indicated:

	For the year ended 31 December		Change
	2019	2018	%
	(₦ millions)		
Wages and salaries	72,490	68,487	5.8
Defined contribution plans	2,609	2,671	(2.3)
Total	**75,099**	**71,158**	**5.5**

The increase in employee benefit expenses from the year ended 31 December 2018 to the year ended 31 December 2019 was mainly attributable to the increase in wages and salaries by ₦4,003 million, or 5.8 per cent., from ₦68,487 million to ₦72,490 million.

Depreciation and amortisation

Depreciation and amortisation increased significantly by ₦3,689 million, or 31.3 per cent., from ₦11,801 million for the year ended 31 December 2018, to ₦15,490 million for the year ended 31 December 2019. This increase was primarily attributable to the capitalisation of lease rental payments in line with IFRS 16 and the acquisition of additional fixed assets during the period.

Other operating expenses

Other operating expenses increased by ₦12,195 million, or 10.7 per cent., from ₦114,383 million for the year ended 31 December 2018, to ₦126,578 million for the year ended 31 December 2019. This increase was primarily a result of AMCON and NDIC charges and increased costs associated with staff training.

Share of profit of equity-accounted investee

Share of profit of equity-accounted investee decreased slightly by ₦6 million, or 1.4 per cent., from ₦419 million for the year ended 31 December 2018, to ₦413 million for the year ended 31 December 2019.

Profit before income tax

Profit before income tax increased slightly by ₦4,521 million, or 4.2 per cent., from ₦106,766 million for the year ended 31 December 2018, to ₦111,287 million for the year ended 31 December 2019.

Income tax expense

Income tax expense decreased significantly by ₦5,961 million, or 21.2 per cent., from ₦28,159 million for the year ended 31 December 2018, to ₦22,198 million for the year ended 31 December 2019. This decrease was primarily due to changes in tax laws which reduced the Bank's tax expenses and, in particular, eliminated excess dividend tax on exempt income.

Profit for the period

Profit for the period increased by ₦10,482 million, or 13.3 per cent., from ₦78,607 million for the year ended 31 December 2018, to ₦89,089 million for the year ended 31 December 2019.

Segmental Analysis of Results of Operations for the six months ended 30 June 2021 and 2020 and the years ended 31 December 2020, 2019 and 2018

The following financial information presented below represents a summary of the Group's results of operations (before any eliminations) based on geographic and business segments. See "*Description of the Group—Description of Business*" for a description of the Group's business segments. See Note 9 of the H1 Financial Statements and the Annual Financial Statements for further information about the Group's segmental results.

Geographical Segments

Nigeria

	For the six months ended 30 June		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
	(₦ millions)		*(₦ millions)*		
Total Revenue	**171,226**	**189,608**	**372,223**	**407,546**	**338,798**
Interest expenses	(46,878)	(62,475)	(115,623)	(154,743)	(128,829)
Fee and commission expense	(19,969)	(11,844)	(28,660)	(22,555)	(21,260)
Impairment loss recognised in Profit or Loss	(2,192)	(7,019)	(21,388)	(15,686)	(4,829)
Share of gain in equity-accounted investee	-	-	-	-	-
Operating expenses	(79,523)	(88,498)	(153,358)	(144,500)	(128,785)
Profit before tax	**22,664**	**19,772**	**53,194**	**70,063**	**55,096**
Income tax expenses	(1,527)	(5,079)	(2,366)	(8,720)	(15,685)
Profit for the period	**21,137**	**14,693**	**50,828**	**61,343**	**39,411**

The Group's profit before tax from its Nigerian operations increased by ₦2,892 million, or 14.6 per cent. from ₦19,772 million for the six months ended 30 June 2020 to ₦22,664 million for the six months ended 30 June 2021, which was mainly due to a reduction in impairment charges and year-on-year decline in operating expenses during the period. The Group's profit before tax from its Nigerian operations decreased by ₦16,869 million, or 24.1 per cent. from ₦70,063 million for the year ended 31 December 2019 to ₦53,194 million for the year ended 31 December 2020. This was principally attributable to a decline in total revenue due to the impact of the COVID-19 pandemic and the associated increase in impairment cost for the year. The Group's profit before tax from its Nigerian operations increased by ₦14,967 million, or 27.2 per cent. from ₦55,096 million for the year ended 31 December 2018 to ₦70,063 million for the year ended 31 December 2019, which was largely a result of growth in total revenue due to favourable market rates during the period.

The Group recorded revenues of ₦189,608 for the six months ended 30 June 2020 from its Nigerian operations representing a decrease of ₦18,382 million, or 9.7 per cent., compared to ₦171,226 million for the six months ended 30 June 2021, which was mainly due to fair value and revaluation losses on derivative and foreign currency recorded in the first half of 2021. The Group's revenues from its Nigerian operations decreased by ₦34,323 million, or 8.4 per cent. from ₦407,546 million for the year ended 31 December 2019 to ₦373,223 million for the year ended 31 December 2020. This was principally attributable to a decline in interest incomes on placement and financial assets through profit or loss. The Group's revenues from its Nigerian operations increased by ₦68,748 million, or 20.3 per cent. from ₦338,798 million for the year ended 31 December 2018 to ₦407,546 million for the year ended 31 December 2019, which was largely a result of interest income on both amortised cost & FVOCI securities, financial assets at FVTPL and growth in e-business transaction income.

Interest expense from the Group's Nigerian operations decreased by ₦15,597 million, or 25.0 per cent., from ₦62,475 million for the six months ended 30 June 2020 to ₦46,878 million for the six months ended 30 June 2021, which was largely attributable to repricing of applicable rates to deposit liabilities, particularly savings and term deposits. Interest expense from the Group's Nigerian operations decreased by ₦39,120 million, or 25.3 per cent., from ₦154,743 million for the year ended 31 December 2019 to ₦115,623 million for the year ended 31 December 2020, which was mainly due to a 78.1 per cent decline in tenured retail deposit. Interest expense from the Group's Nigerian operations rose by ₦25,914 million, or 20.1 per cent., from ₦128,829 million for the year ended 31

December 2018 to ₦154,743 million for the year ended 31 December 2019, which was principally a result of a general growth in deposit liabilities.

The Group's Nigerian operations recorded operating expenses of ₦88,498 million for the six months ended 30 June 2020 as compared to ₦79,523 million for the six months ended 30 June 2021, representing a 10.1 per cent. decrease, which was primarily due to cost management initiatives by the Bank. The Group's Nigerian operations recorded operating expenses of ₦153,358 million for the year ended 31 December 2020 as compared to ₦144,500 million for the year ended 30 December 2019, representing a 6.1 per cent. increase, which was mainly due to an increase in an annual levy payable by the Bank to support AMCON in meeting its banking sector resolution obligations (and such levy is computed on the basis of a bank's asset size). The Group's Nigerian operations recorded operating expenses of ₦144,500 million for the year ended 31 December 2019 as compared to ₦128,785 million for the year ended 30 December 2018, representing a 12.2 per cent. decrease, which was largely a result of decline in contract services cost for the period.

The revenues from the Group's Nigerian operations were also partly offset by an increase of ₦8,125 million, or 68.6 per cent. in fee and commission expense from ₦11,844 million for the six months ended 30 June 2020 to ₦19,969 million for the six months ended 30 June 2021, which was mainly due to the devaluation of the Naira as most of these expenses are denominated in U.S. dollars. The Group recorded an increase of ₦6,105 million, or 27.1 per cent. in fee and commission expense from ₦22,555 million for the year ended 31 December 2019 to ₦28,660 million for the year ended 31 December 2020, which was primarily attributable to growth in e-business transaction volumes during the period . The Group recorded an increase of ₦1,295 million, or 6.1 per cent. in fee and commission expense from ₦21,260 million for the year ended 31 December 2018 to ₦22,555 million for the year ended 31 December 2019, which was largely a result of an increase in transaction related volumes during the period.

For the six months ended 30 June 2021, the Group recorded a ₦2,192 million impairment loss recognised in the income statement from its Nigerian operations, representing a ₦4,827 million decrease, or 68.8 per cent., compared to ₦7,019 million for the six months ended 30 June 2020. This was primarily attributable to repayments from COVID-19 restructured facilities in 2021. For the year ended 31 December 2020, the Group recorded a ₦21,388 million impairment loss recognised in the income statement from its Nigerian operations, representing a ₦5,702 million increase, or 36.4 per cent., compared to ₦15,686 million for the year ended 31 December 2019. This was mainly a result of the impact of the COVID-19 pandemic. For the year ended 31 December 2019, the Group recorded a ₦15,686 million impairment loss recognised in the income statement from its Nigerian operations, representing a ₦10,857 million increase, or 224.8 per cent., compared to ₦4,829 million for the year ended 31 December 2018. This was largely due to an additional provision on facilities in the oil & gas sector due to the decline of oil prices.

As a result of the above factors, profit derived from the Group's Nigerian operations increased by ₦6,444 million, or 43.9 per cent., from ₦14,693 million for the six months ended 30 June 2020, to ₦21,137 million for the six months ended 30 June 2021. Profit derived from the Group's Nigerian operations decreased by ₦10,515 million, or 17.1 per cent., from ₦61,343 million for the year ended 31 December 2019, to ₦50,828 million for the year ended 31 December 2020. Profit derived from the Group's Nigerian operations increased by ₦21,932 million, or 55.7 per cent., from ₦39,411 million for the year ended 31 December 2018, to ₦61,343 million for the year ended 31 December 2019.

Africa (Excluding Nigeria)

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(₦ millions)			(₦ millions)	
Total Revenue..	**141,870**	**107,203**	**232,055**	**166,267**	**151,977**
Interest expenses...	(27,474)	(25,124)	(49,144)	(32,965)	(32,036)
Fee and commission expense..................................	(8,267)	(5,291)	(15,527)	(8,058)	(7,281)
Impairment loss recognised in Profit or Loss..........	(1,837)	(646)	(5,145)	(2,309)	(2,844)
Share of gain in equity-accounted investee	710	353	1,071	-	419
Operating expenses...	(48,904)	(40,853)	(88,187)	(71,203)	(66,022)
Profit before tax..	**56,098**	**35,642**	**75,123**	**51,732**	**44,213**
Income tax expenses...	(14,078)	(7,619)	(15,848)	(10,867)	(12,477)
Profit for the period..	**42,020**	**28,023**	**59,275**	**40,865**	**31,736**

The Group's profit before tax from its African operations (excluding Nigeria) increased by ₦20,456 million, or 57.4 per cent. from ₦35,642 million for the six months ended 30 June 2020 to ₦56,098 million for the six months ended 30 June 2021, which was mainly due to growth in total revenue as most markets recovered from the COVID-19 pandemic. The Group's profit before tax from its African operations (excluding Nigeria) increased by ₦23,391 million, or 45.2 per cent. from ₦51,732 million for the year ended 31 December 2019 to ₦75,123 million for the year ended 31 December 2020. This was principally attributable to a 39.6 per cent increase in total revenue as the Group took advantage of increased borrowings from African governments to cushion the impact of the COVID-19 pandemic. The Group's profit before tax from its African operations (excluding Nigeria) increased by ₦7,519 million, or 17.0 per cent. from ₦44,213 million for the year ended 31 December 2018 to ₦51,732 million for the year ended 31 December 2019, which was largely a result of an increase in investment and trading volumes during the period.

The Group recorded revenues of ₦107,203 million for the six months ended 30 June 2020 from its African operations (excluding Nigeria) representing an increase of ₦34,667, or 32.3 per cent. as compared to ₦141,870 million for the six months ended 30 June 2021, which was mainly due to growth in interest incomes on investment securities and trading activities as market rates recovered after the COVID-19 pandemic. The Group's revenues from its African operations (excluding Nigeria) increased by ₦65,788 million, or 39.6 per cent. from ₦166,267 million for the year ended 31 December 2019 to ₦232,055 million for the year ended 31 December 2020. This was principally attributable to active participation of the Group's entities in increased debt issuance from various African Governments, in order to ameliorate the effect of the pandemic. The Group's revenues from its African operations (excluding Nigeria) increased by ₦14,290 million, or 9.4 per cent. from ₦151,977 million for the year ended 31 December 2018 to ₦166,267 million for the year ended 31 December 2019, which was largely a result of increase in interest income and trading gains as volumes increased.

Interest expense from the Group's African operations (excluding Nigeria) rose by ₦2,350 million, or 9.4 per cent., from ₦25,124 million for the six months ended 30 June 2020 to ₦27,474 million for the six months ended 30 June 2021, which was largely attributable to an increase in term deposits during the period. Interest expense from the Group's African operations (excluding Nigeria) rose by ₦16,179 million, or 49.1 per cent., from ₦32,965 million for the year ended 31 December 2019 to ₦49,144 million for the year ended 31 December 2020, which was mainly due to growth in the volumes of deposits both from other banks & customers. Interest expense from the Group's African operations (excluding Nigeria) rose by ₦929 million, or 2.9 per cent., from ₦32,036 million for the year ended 31 December 2018 to ₦32,965 million for the year ended 31 December 2019, which was principally a result of finance costs on lease liabilities.

The Group's African operations (excluding Nigeria) recorded operating expenses of ₦40,853 million for the six months ended 30 June 2020 as compared to ₦48,904 million for the six months ended 30 June 2021, representing a 19.7 per cent. increase, which was primarily due to an uptick in fuel, repairs & maintenance and donations made in respect of COVID-19 support across the African markets the Group operates in. The Group's African operations (excluding Nigeria) recorded operating expenses of ₦88,187 million for the year ended 31 December 2020 as compared to ₦71,203 million for the year ended 30 December 2019, representing a 23.9 per cent. increase, which was mainly due to higher overhead costs. The Group's African operations (excluding Nigeria) recorded operating expenses of ₦71,203 million for the year ended 31 December 2019 as compared to ₦66,022 million for the year ended 31 December 2018, representing a 7.8 per cent. increase, which was largely a result of training expenses, bank charges and other ancillary expenses.

The revenues from the Group's African operations (excluding Nigeria) were also partly offset by an increase of ₦2,976 million, or 56.2 per cent. in fee and commission expense from ₦5,291 million for the six months ended 30 June 2020 to ₦8,267 million for the six months ended 30 June 2021, which was mainly due to growth in e-business expenses. The Group recorded an increase of ₦7,469 million, or 92.7 per cent. in fee and commission expense from ₦8,058 million for the year ended 31 December 2019 to ₦15,527 million for the year ended 31 December 2020, which was primarily attributable to e-banking & trade related expenses. The Group recorded an increase of ₦777 million, or 10.7 per cent. in fee and commission expense from ₦7,281 million for the year ended 31 December 2018 to ₦8,058 million for the year ended 31 December 2019, which was largely a result of increase in trade expenses such as letters of credit and bills for collections etc.

For the six months ended 30 June 2021, the Group recorded a ₦1,837 million impairment loss recognised in income statement from its African operations (excluding Nigeria), representing a ₦1,191 million increase, or 184.4 per cent., compared to ₦646 million for the six months ended 30 June 2020. This was primarily attributable to higher net impairment loss on financial assets in respect of UBA Ghana from ₦1,118 million for the six months ended 30 June 2020 to ₦1,673 million for the six months ended 30 June 2021 (and this, in turn, resulted in its profits before tax decreasing from ₦9,162 million for the six months ended 30 June 2020 to ₦8,526 million for the six months ended 30 June 2021). For the year ended 31 December 2020, the Group recorded a ₦5,145 million impairment loss recognised in income statement from its African operations (excluding Nigeria), representing a ₦2,836 million increase, or 122.8 per cent., compared to ₦2,309 million for the years ended 31 December 2019. This was mainly a result of additional provision in Ghana and Cote D'Ivoire, due to the impact of the COVID-19 pandemic. For the year ended 31 December 2019, the Group recorded a ₦2,309 million impairment loss recognised in income statement from its African operations (excluding Nigeria), representing a ₦535 million decrease, or 18.8 per cent., compared to ₦2,844 million for the year ended 31 December 2018. This was largely due to recoveries of loans that were previously written off during the period.

As a result of the above factors, profit derived from the Group's African operations (excluding Nigeria) increased by ₦13,997 million, or 49.9 per cent., from ₦28,023 million for the six months ended 30 June 2020, to ₦42,020 million for the six months ended 30 June 2021. Profit derived from the Group's African operations (excluding Nigeria) increased by ₦18,410 million, or 45.1 per cent., from ₦40,865 million for the year ended 31 December 2019, to ₦59,275 million for the year ended 31 December 2020. Profit derived from the Group's African operations (excluding Nigeria) increased by ₦9,129 million, or 28.8 per cent., from ₦31,736 million for the year ended 31 December 2018, to ₦40,865 million for the year ended 31 December 2019.

Rest of the World

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(₦ millions)			(₦ millions)	
Total Revenue	**9,616**	**9,219**	**19,750**	**17,771**	**14,170**
Interest expenses	(1,651)	(1,926)	(3,628)	(2,950)	(2,391)
Fee and commission expense	(79)	(137)	(86)	57	(9)
Impairment loss recognised in Profit or Loss	(106)	(46)	(476)	(683)	540
Share of gain in equity-accounted investee	-	-	-	-	-
Operating expenses	(4,029)	(4,398)	(8,301)	(7,203)	(6,294)
Profit before tax	**3,751**	**2,712**	**7,259**	**6,992**	**6,016**
Income tax expenses	-	-	-	-	-
Profit for the period	**3,751**	**2,712**	**7,259**	**6,992**	**6,016**

The Group's profit before tax from its operations from the rest of the world (excluding Africa) increased by ₦1,039 million, or 38.3 per cent. from ₦2,712 million for the six months ended 30 June 2020 to ₦3,751 million for the six months ended 30 June 2021, which was mainly due to a decline in both interest and operating expenses. The Group's profit before tax from its operations from the rest of the world (excluding Africa) increased by ₦267 million, or 3.8 per cent. from ₦6,992 million for the year ended 31 December 2019 to ₦7,259 million for the year ended 31 December 2020. This was principally attributable to a marginal increase in interest income. The Group's profit before tax from its operations from the rest of the world (excluding Africa) increased by ₦976 million, or

16.2 per cent. from ₦6,016 million for the year ended 31 December 2018 to ₦6,992 million for the year ended 31 December 2019, which was largely a result of growth in total revenue.

The Group recorded revenues of ₦9,219 million from its operations from the rest of the world (excluding Africa) for the six months ended 30 June 2020 representing an increase of ₦397 million, or 4.3 per cent. as compared to ₦9,616 million for the six months ended 30 June 2021, which was mainly due to an increase in interest income. The Group's revenues from its operations from the rest of the world (excluding Africa) increased by ₦1,979 million, or 11.1 per cent. from ₦17,771 million for the year ended 31 December 2019 to ₦19,750 million for the year ended 31 December 2020. This was principally attributable to growth on interest income on additional investment in securities. The Group's revenues from its operations from the rest of the world (excluding Africa) increased by ₦3,601 million, or 25.4 per cent. from ₦14,170 million for the year ended 31 December 2018 to ₦17,771 million for the year ended 31 December 2019, which was largely a result of an uptick in interest income on investment securities.

Interest expense from the Group's operations from the rest of the world (excluding Africa) fell by ₦275 million, or 14.3 per cent., from ₦1,926 million for the six months ended 30 June 2020 to ₦1,651 million for the six months ended 30 June 2021, which was largely attributable to the repricing of deposits. Interest expense from the Group's operations from the rest of the world (excluding Africa) rose by ₦678 million, or 23.0 per cent., from ₦2,950 million for the year ended 31 December 2019 to ₦3,628 million for the year ended 31 December 2020, which was mainly due to an increase in deposit liabilities. Interest expense from the Group's operations from the rest of the world (excluding Africa) increased by ₦559 million, or 23.4 per cent., from ₦2,391 million for the year ended 31 December 2018 to ₦2,950 million for the year ended 31 December 2019, which was principally a result of growth in volume of deposits during the period.

The Group's operations from the rest of the world (excluding Africa) recorded operating expenses of ₦4,398 million for the six months ended 30 June 2020 as compared to ₦4,029 million for the six months ended 30 June 2021, representing an 8.4 per cent. decrease, which was primarily due to personnel expenses. The Group's operations from the rest of the world (excluding Africa) recorded operating expenses of ₦8,301 million for the year ended 31 December 2020 as compared to ₦7,203 million for the year ended 30 December 2019, representing a 15.2 per cent. increase, which was mainly due to general administrative expenses. The Group's operations from the rest of the world (excluding Africa) recorded operating expenses of ₦7,203 million for the year ended 31 December 2019 as compared to ₦6,294 million for the year ended 31 December 2018, representing a 14.4 per cent. increase, which was largely a result of occupancy and maintenance costs.

As a result of the above factors, profit derived from the Group's operations from the rest of the world (excluding Africa) increased by ₦1,039 million, or 38.3 per cent., from ₦2,712 million for the six months ended 30 June 2020, to ₦3,751 million for the six months ended 30 June 2021. Profit derived from the Group's operations from the rest of the world (excluding Africa) increased by ₦267 million, or 3.8 per cent., from ₦6,992 million for the year ended 31 December 2019, to ₦7,259 million for the year ended 31 December 2020. Profit derived from the Group's operations from the rest of the world (excluding Africa) increased by ₦976 million, or 16.2 per cent., from ₦6,016 million for the year ended 31 December 2018, to ₦6,992 million for the year ended 31 December 2019.

Business Segments

Corporate Banking

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(₦ millions)		*(₦ millions)*		
Total Revenue	**88,296**	**55,268**	**201,024**	**156,750**	**122,951**
Interest expenses	(20,232)	(15,676)	(41,832)	(39,703)	(44,384)
Fee and commission expense	-	(62)	(358)	(209)	(69)
Impairment loss recognised in Profit or Loss	248	(673)	(20,207)	(16,209)	(4,022)
Share of gain in equity-accounted investee	-	36	-	26	372
Operating expenses	(27,909)	(3,059)	(66,330)	(42,616)	(29,550)
Depreciation and amortisation	(1,854)	(75)	(1,398)	(103)	(116)
Profit before tax	**38,550**	**35,757**	**70,900**	**57,936**	**45,182**
Income tax expenses	(6,723)	(2,334)	(8,581)	(10,034)	(10,809)
Profit for the period	**31,827**	**33,423**	**62,319**	**47,902**	**34,373**

Corporate Banking's profit before tax increased by ₦2,793 million, or 7.8 per cent. from ₦35,757 million for the six months ended 30 June 2020 to ₦38,550 million for the six months ended 30 June 2021, which was mainly due to significant growth in total revenue. Corporate Banking's profit before tax increased by ₦12,964 million, or 22.4 per cent. from ₦57,936 million for the year ended 31 December 2019 to ₦70,900 million for the year ended 31 December 2020. This was principally attributable to growth in total revenue. Corporate Banking's profit before tax increased by ₦12,754 million, or 28.2 per cent. from ₦45,182 million for the year ended 31 December 2018 from ₦57,936 million for the year ended 31 December 2019, which was largely a result of growth in revenue and decline in interest expense.

Corporate Banking revenues increased by ₦33,028 million, or 59.8 per cent. from ₦55,268 million for the six months ended 30 June 2020 to ₦88,296 million for the six months ended 30 June 2021, which was mainly due to increased fees and commissions generated from transactional banking activities. Corporate Banking's revenues increased by ₦44,274 million, or 28.2 per cent. from ₦156,750 million for the year ended 31 December 2019 to ₦201,024 million for the year ended 31 December 2020. This was principally attributable to increased loans and advances to customers during the period. Corporate Banking's revenues increased by ₦33,799 million, or 27.5 per cent. from ₦122,951 million for the year ended 31 December 2018 to ₦156,750 million for the year ended 31 December 2019, which was largely a result of increased loans and advances to customers during the period.

Interest expense from Corporate Banking rose by ₦4,556 million, or 29.1 per cent., from ₦15,676 million for the six months ended 30 June 2020 to ₦20,232 million for the six months ended 30 June 2021, which was largely attributable to an uptick in term deposits. Interest expense from Corporate Banking rose by ₦2,129 million, or 5.4 per cent., from ₦39,703 million for the year ended 31 December 2019 to ₦41,832 million for the year ended 31 December 2020, which was mainly due to an increase in deposit liabilities. Interest expense from Corporate Banking decreased by ₦4,681 million, or 10.5 per cent., from ₦44,384 million for the year ended 31 December 2018 to ₦39,703 million for the year ended 31 December 2019, which was principally a result of repricing of term deposits during the period.

Corporate Banking recorded operating expenses of ₦3,059 million for the six months ended 30 June 2020 as compared to ₦27,909 million for the six months ended 30 June 2021, representing an 812.4 per cent. increase, which was primarily due to increased overhead costs (which are centrally incurred and apportioned to the various business segments using a pre-defined criteria). Corporate Banking recorded operating expenses of ₦66,330 million for the year ended 31 December 2020 as compared to ₦42,616 million for the year ended 31 December 2019, representing a 55.6 per cent. increase, which was mainly due to an increased share of absorbed overhead cost. Corporate Banking recorded operating expenses of ₦42,616 million for the year ended 31 December 2019 as compared to ₦29,550 million for the year ended 30 December 2018, representing a 44.2 per cent. increase, which was largely a result of an increased share of absorbed overhead cost.

Corporate Banking recorded a decrease of ₦62 million, or 100 per cent. in fee and commission expense from ₦62 million for the six months ended 30 June 2020 to nil for the six months ended 30 June 2021, which was mainly due to commercial negotiations and waivers on commission expenses. Corporate Banking recorded an increase of ₦149 million, or 71.3 per cent. in fee and commission expense from ₦209 million for the year ended 31 December

2019 to ₦358 million for the year ended 31 December 2020, which was primarily attributable to an increase in trade related expenses. Corporate Banking recorded an increase of ₦140 million, or 202.9 per cent. in fee and commission expense from ₦69 million for the year ended 31 December 2018 to ₦209 million for the year ended 31 December 2019, which was largely a result of e-business expenses.

For the six months ended 30 June 2021, Corporate Banking recorded a ₦248 million impairment gain recognised in the income statement, representing a ₦921 million increase compared to an impairment loss of ₦673 million for the six months ended 30 June 2020. This was primarily attributable to the reversal of a previous impairment charge to profit as a result of an observed improvement in the credit quality of a loan. For the year ended 31 December 2020, Corporate Banking recorded a ₦20,207 million impairment loss recognised in the income statement due to additional loan provisioning in light of fluctuations in the credit quality of certain loans, representing a ₦3,998 million increase compared to ₦16,209 million for the years ended 31 December 2019. This was mainly a result of additional provision due to the impact of the COVID-19 pandemic. For the year ended 31 December 2019, Corporate Banking recorded a ₦16,209 million impairment loss recognised in income statement, representing a ₦12,187 million increase compared to ₦4,022 million for the years ended 31 December 2018. This was largely due to additional loan provisioning in light of fluctuations in the credit quality of certain loans.

As a result of the above factors, profit derived from Corporate Banking decreased by ₦1,596 million, or 4.8 per cent., from ₦33,423 million for the six months ended 30 June 2020, to ₦31,827 million for the six months ended 30 June 2021. Profit derived from Corporate Banking increased by ₦14,417 million, or 30.1 per cent., from ₦47,902 million for the year ended 31 December 2019, to ₦62,319 million for the year ended 31 December 2020. Profit derived from Corporate Banking increased by ₦13,529 million, or 39.4 per cent., from ₦34,373 million for the year ended 31 December 2018, to ₦47,902 million for the year ended 31 December 2019.

Retail & Commercial

	For the six months ended 30 June		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
	(₦ millions)		*(₦ millions)*		
Total Revenue	**156,942**	**184,766**	**214,392**	**303,161**	**283,865**
Interest expenses	(30,736)	(43,630)	(21,339)	(85,019)	(82,534)
Fee and commission expense	(28,317)	(17,224)	(31,977)	(30,347)	(28,479)
Impairment loss recognised in Profit or Loss	(4,387)	(6,401)	(4,985)	(1,974)	(490)
Share of gain in equity-accounted investee	710	278	1,071	358	45
Operating expenses	(77,142)	(101,863)	(104,609)	(136,791)	(135,994)
Depreciation and amortisation	(9,199)	(9,510)	(17,620)	(15,380)	(11,682)
Profit before income tax	**7,871**	**6,416**	**34,933**	**34,008**	**24,731**
Income tax expenses	(3,163)	(9,388)	(4,704)	(9,652)	(8,218)
Profit for the period	**4,708**	**(2,972)**	**30,229**	**24,356**	**16,513**

Retail & Commercial's profit before tax increased by ₦1,455 million, or 22.7 per cent. from ₦6,416 million for the six months ended 30 June 2020 to ₦7,871 million for the six months ended 30 June 2021, which was mainly due to growth in total revenue. Retail & Commercial's profit before tax increased by ₦925 million, or 2.7 per cent. from ₦34,008 million for the year ended 31 December 2019 to ₦34,933 million for the year ended 31 December 2020. This was principally attributable to a slight decline in impairment loss. Retail & Commercial's profit before tax increased by ₦9,277 million, or 37.5 per cent. from ₦24,731 million for the year ended 31 December 2018 to ₦34,008 million for the year ended 31 December 2019, which was largely a result of higher interest income on loans and advances which was driven by an increase of volumes.

Retail & Commercial recorded revenues decreased by ₦27,824 million, or 15.1 per cent. from ₦184,766 million for the six months ended 30 June 2020 to ₦156,942 million for the six months ended 30 June 2021, which was mainly due to a decline in fee and commission income. Retail & Commercial's revenues decreased by ₦88,769 million, or 29.3 per cent. from ₦303,161 million for the year ended 31 December 2019 to ₦214,392 million for the year ended 31 December 2020. This was principally attributable to a growth in interest income on term loans. Retail & Commercial's revenues increased by ₦19,296 million, or 6.8 per cent. from ₦283,865 million for the year ended 31 December 2018 to ₦303,161 million for the year ended 31 December 2019, which was largely a result of a decline in the volume of loans to customers.

Interest expense from Retail & Commercial decreased by ₦12,894 million, or 29.6 per cent., from ₦43,630 million for the six months ended 30 June 2020 to ₦30,736 million for the six months ended 30 June 2021, which was largely attributable to the repricing of deposit liabilities. Interest expense from Retail & Commercial decreased by ₦63,680 million, or 74.9 per cent., from ₦85,019 million for the year ended 31 December 2019 to ₦21,339 million for the year ended 31 December 2020, which was mainly due to the repricing of deposits during the period. Interest expense from Retail & Commercial rose by ₦2,485 million, or 3.0 per cent., from ₦82,534 million for the year ended 31 December 2018 to ₦85,019 million for the year ended 31 December 2019, which was principally a result of a slight increase in term deposits.

Retail & Commercial recorded operating expenses of ₦101,863 million for the six months ended 30 June 2020 as compared to ₦77,142 million for the six months ended 30 June 2021, representing a 24.3 per cent. decrease which was primarily due to expenses relating to increase in customer touch points. Retail & Commercial recorded operating expenses of ₦104,609 million for the year ended 31 December 2020 as compared to ₦136,791 million for the year ended 31 December 2019, representing a 23.5 per cent. decrease, which was mainly due to a decrease in general administrative expenses. Retail & Commercial recorded operating expenses of ₦136,791 million for the year ended 31 December 2019 as compared to ₦135,994 million for the year ended 30 December 2018, representing a 0.6 per cent. increase, which was largely a result of an increase in general overhead costs.

The revenues from Retail & Commercial were also partly offset by an increase of ₦11,093 million, or 64.4 per cent. in fee and commission expense from ₦17,224 million for the six months ended 30 June 2020 to ₦28,317 million for the six months ended 30 June 2021, which was mainly due to an increase in e-business expenses. Retail & Commercial recorded an increase of ₦1,630 million, or 5.4 per cent. in fee and commission expense from ₦30,347 million for the year ended 31 December 2019 to ₦31,977 million for the year ended 31 December 2020, which was primarily attributable to the expenses remaining relatively stable. Retail & Commercial recorded an increase of ₦1,868 million, or 0.06 per cent. in fee and commission expense from ₦28,479 million for the year ended 31 December 2018 to ₦30,347 million for the year ended 31 December 2019, which was largely a result of increased electronic card-related expenses.

For the six months ended 30 June 2021, Retail & Commercial recorded a ₦4,387 million impairment loss recognised in income statement, representing a ₦2014 million decrease compared to ₦6,401 million for the six months ended 30 June 2020. This was primarily attributable to the reversal of a previous impairment charge to profit as a result of an observed improvement in the credit quality of a loan. For the year ended 31 December 2020, Retail & Commercial recorded a ₦4,985 million impairment loss recognised in income statement, representing a ₦3,011 million increase compared to ₦1,974 million for the years ended 31 December 2019. This was mainly a result of an increase in loan loss provisions due to the COVID-19 pandemic. For the year ended 31 December 2019, Retail & Commercial recorded a ₦1,974 million impairment loss recognised in income statement, representing a ₦1,484 million increase compared to ₦490 million for the years ended 31 December 2018. This was largely due to additional provision made during the period.

As a result of the above factors, profit derived from Retail & Commercial increased by ₦7,680 million, or 258.4 per cent., from a loss of ₦2,972 million for the six months ended 30 June 2020, to ₦4,708 million for the six months ended 30 June 2021. Profit derived from Retail & Commercial increased by ₦5,873 million, or 24.1 per cent., from ₦24,356 million for the year ended 31 December 2019, to ₦30,229 million for the year ended 31 December 2020. Profit derived from Retail & Commercial increased by ₦7,843 million, or 47.5 per cent., from ₦16,513 million for the year ended 31 December 2018, to ₦24,356 million for the year ended 31 December 2019.

Treasury & Financial Markets

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(₦ millions)			(₦ millions)	
Total Revenue	**70,088**	**60,223**	**204,959**	**99,894**	**87,229**
Interest expenses	(23,595)	(26,956)	(105,224)	(58,233)	(30,358)
Fee and commission expense	-	-	(12,000)	(1)	(3)
Impairment loss recognised in Profit or Loss	2	(732)	(1,817)	(69)	(17)
Share of gain in equity-accounted investee	-	39	-	29	2
Operating expenses	(16,326)	(17,613)	(58,904)	(22,270)	(19,997)
Depreciation and amortisation	(405)	(4)	(987)	(7)	(3)
Profit before tax	**29,765**	**14,956**	**26,027**	**19,343**	**36,853**
Income tax expenses	(5,719)	(976)	(4,810)	(2,512)	(9,132)
Profit for the period	**24,046**	**13,980**	**21,217**	**16,831**	**27,721**

Treasury & Financial Markets profit before tax increased by ₦14,809 million, or 99.0 per cent. from ₦14,956 million for the six months ended 30 June 2020 to ₦29,765 million for the six months ended 30 June 2021, which was mainly due to growth in total revenue. Treasury & Financial Markets profit before tax increased by ₦6,684 million, or 34.6 per cent. from ₦19,343 million for the year ended 31 December 2019 to ₦26,027 million for the year ended 31 December 2020. This was principally attributable to additional gains in trading income. Treasury & Financial Markets profit before tax decreased by ₦17,510 million, or 47.5 per cent. from ₦36,853 million for the year ended 31 December 2018 to ₦19,343 million for the year ended 31 December 2019, which was largely a result of a decline in fair value gain on derivatives.

Treasury & Financial Markets recorded revenues increased by ₦9,865 million, or 16.4 per cent. from ₦60,223 million for the six months ended 30 June 2020 to ₦70,088 million for the six months ended 30 June 2021, which was mainly due to an increase in foreign exchange trading income. Treasury & Financial Markets revenues increased by ₦105,065 million, or 105.2 per cent. from ₦99,894 million for the year ended 31 December 2019 to ₦204,959 million for the year ended 31 December 2020. This was principally attributable to an increase in the volume of investment securities and trading activities. Treasury & Financial Markets revenues increased by ₦12,665 million, or 14.5 per cent. from ₦87,229 million for the year ended 31 December 2018 to ₦99,894 million for the year ended 31 December 2019, which was largely a result of an uptick in interest income on amortised and FVOCI securities due to favourable market rates.

Interest expense from Treasury & Financial Markets decreased by ₦3,361 million, or 12.5 per cent., from ₦26,956 million for the six months ended 30 June 2020 to ₦23,595 million for the six months ended 30 June 2021, which was largely attributable to the repricing of deposits and replacement of expensive borrowings. Interest expense from Treasury & Financial Markets increased by ₦46,991 million, or 80.7 per cent., from ₦58,233 million for the year ended 31 December 2019 to ₦105,224 million for the year ended 31 December 2020, which was mainly due to an increase in borrowing and deposits. Interest expense from Treasury & Financial Markets rose by ₦27,875 million, or 91.8 per cent., from ₦30,358 million for the year ended 31 December 2018 to ₦58,233 million for the year ended 31 December 2019, which was principally a result of an increase in borrowings during the period.

Treasury & Financial Markets recorded operating expenses of ₦17,613 million for the six months ended 30 June 2020 as compared to ₦16,326 million for the six months ended 30 June 2021, representing a 7.3 per cent. decrease, which was primarily due to increased overhead costs. Treasury & Financial Markets recorded operating expenses of ₦58,904 million for the year ended 31 December 2020 as compared to ₦22,270 million for the year ended 30 December 2019, representing a 164.5 per cent. increase, which was mainly due to additional overhead absorbed cost. Treasury & Financial Markets recorded operating expenses of ₦22,270 million for the year ended 31 December 2019 as compared to ₦19,997 million for the year ended 30 December 2018, representing a 11.4 per cent. increase, which was largely a result of additional overhead costs.

There was no fee or commission expense for the six months ended 30 June 2020 and 2021. Treasury & Financial Markets recorded an increase of ₦11,999 million, or 1,199,900 per cent. in fee and commission expense from ₦1 million for the year ended 31 December 2019 to ₦12,000 million for the year ended 31 December 2020, which was primarily attributable to a large increase in e-banking expenses. Treasury & Financial Markets recorded a decrease of ₦2 million, or 66.7 per cent. in fee and commission expense from ₦3 million for the year ended

31 December 2018 to ₦1 million for the year ended 31 December 2019, which was largely a result of e-banking expenses.

For the six months ended 30 June 2021, Treasury & Financial Markets recorded a ₦2 million impairment gain recognised in income statement, representing a ₦734 million increase compared to a loss of ₦732 million for the six months ended 30 June 2020. This was primarily attributable to the reversal of a previous impairment. For the year ended 31 December 2020, Treasury & Financial Markets recorded a ₦1,817 million impairment loss recognised in income statement, representing a ₦1,748 million increase compared to ₦69 million for the years ended 31 December 2019. This was mainly a result of additional provisions on loans to banks. For the year ended 31 December 2019, Treasury & Financial Markets recorded a ₦69 million impairment loss recognised in income statement, representing a ₦52 million increase compared to ₦17 million for the years ended 31 December 2018. This was largely due to additional provision made during the year in light of observed changes to the credit quality of certain loans.

As a result of the above factors, profit derived from Treasury & Financial Markets increased by ₦10,066 million, or 72.0 per cent., from ₦13,980 million for the six months ended 30 June 2020, to ₦24,046 million for the six months ended 30 June 2021. Profit derived from Treasury & Financial Markets increased by ₦4,386 million, or 26.1 per cent., from ₦16,831 million for the year ended 31 December 2019, to ₦21,217 million for the year ended 31 December 2020. Profit derived from Treasury & Financial Markets decreased by ₦10,890 million, or 39.3 per cent., from ₦27,721 million for the year ended 31 December 2018, to ₦16,831 million for the year ended 31 December 2019.

Cash flows

The following table sets out financial information extracted from the cash flow statements for the six months ended 30 June 2020 and 2021 and the years ended 31 December 2018, 2019 and 2020:

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
			(₦ millions)		
Net cash generated from/ (used in) operating activities	546,147	628,495	1,456,784	(198,684)	605,847
Net cash (used in)/generated from investing activities	(326,984)	(469,665)	(1,106,177)	108,367	(436,866)
Net cash (used in)/generated from financing activities	(181,865)	(302,314)	(217,772)	(8,643)	7,858
Foreign currency revaluation (gain)/loss	2,841	(7,997)	(6,174)	10,171	31,482
Cash and cash equivalents at beginning of period	794,594	559,471	559,471	662,245	428,428
Cash and cash equivalents at end of period	879,168	514,887	860,647	559,471	662,245

Net cash generated from/(used in) operating activities

The following table provides a breakdown of net cash generated from/(used in) operating activities for the periods indicated:

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
			(₦ millions)		
Profit before income tax	76,186	57,129	131,860	111,287	106,766
Adjustments for:					
Depreciation of property and equipment	7,955	7,116	14,970	11,980	10,199
Amortisation of intangible assets	2,045	1,201	2,972	1,627	1,602
Depreciation of right-of-use assets	1,457	1,273	2,063	1,883	-
Impairment charge on loans to customers	2,702	6,958	19,366	14,160	34,280
Reversal of credit loss on loans to customers	(1,678)	(1,545)	-	-	-
Impairment charge/(reversal) on investment securities	209	156	385	254	-
Impairment charge /(reversal) on off-balance sheet items	-	-	1,598	(2,076)	-
Allowance for credit loss/(reversal) on loans to banks	1,008	(770)	49	2,741	(213)
Impairment charge on contingent liabilities	1,574	2,608	-	-	-
Write-off of loans and advances	1,248	1,228	6,152	1,689	1,725
Impairment charge/(reversal) on other assets	(926)	(828)	2,583	3,738	4,162
Net fair value gain on derivative financial instruments	5,266	(9,432)	(5,361)	(12,594)	(26,581)
Foreign currency revaluation (gain)/loss	2,841	(7,997)	(6,174)	10,171	31,482
Dividend income	(2,653)	(2,617)	(2,943)	(3,305)	(3,454)
Net gain/loss on disposal of property and equipment	-	-	163	(251)	(15)
Write-off of property and equipment	94	31	37	74	6
Net amount transferred to the income statement	(1,247)	(11,501)	(10,577)	(5,893)	(777)
Origination and reversal of temporary differences	-	-	-	-	(501)
Net interest income	(148,044)	(119,082)	(259,467)	(221,875)	(205,646)
Share of profit of equity-accounted investee	(710)	(353)	(1,071)	(413)	(419)
Total	**(52,673)**	**(76,425)**	**(103,395)**	**(86,803)**	**(47,384)**
Changes in operating assets and liabilities:					
Change in financial assets at FVTPL	(3,679)	18,463	(54,984)	(70,209)	10,532
Change in cash reserve balance with CBN	(15,601)	(747,270)	(271,780)	(268,425)	(118,445)
Change in loans and advances to banks	(74,690)	41,788	30,729	(95,155)	5,056
Change in loans and advances to customers	(77,499)	(131,860)	(519,039)	(361,711)	(149,043)
Change in other assets	(77,559)	77,009	67,121	(102,377)	(33,358)
Change in deposits from banks	143,318	273,538	151,087	92,234	40,547
Change in deposits from customers	414,800	967,426	1,843,127	483,764	615,772
Change in placement with banks	(20,666)	(22,721)	(28,515)	(22,722)	31,676
Change in other liabilities and provisions	153,679	96,358	49,127	(10,864)	22,487
Interest received	219,043	205,586	427,862	404,830	362,922

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
			(₦ millions)		
Interest paid on deposit from banks and customers	(44,058)	(63,533)	(119,868)	(138,064)	(113,093)
Income tax paid...	(18,268)	(9,864)	(14,688)	(23,182)	(21,822)
Net cash generated from/ (used in) operating activities..	**546,147**	**628,495**	**1,456,784**	**(198,684)**	**605,847**

Net cash generated from operating activities decreased by ₦82,348 million, or 13.1 per cent., from an inflow of ₦628,495 million for the six months ended 30 June 2020 compared to an inflow of ₦546,147 million for the six months ended 30 June 2021.

The decrease in net cash generated from operating activities from the six months ended 30 June 2020 to the six months ended 30 June 2021 was mainly attributable to lower inflows from deposits from customers for the six months ended 30 June 2021, which was due to the combined impact of the post-COVID-19 economic recovery in 2021 and inflation, which in turn resulted in the observation of reduced savings and term deposits from customers due to their increased spending.

The decrease in the inflow of net cash generated from operating activities for the six months ended 30 June 2020 to the six months ended 30 June 2021 was also partly attributable to the change to increase of ₦77,559 million in other assets, compared to decrease of ₦77,009 million in other assets, which was primarily due to higher receivables driven by increased e-banking transactions; the lower inflow in deposits from banks for the six months ended 30 June 2021 which was attributable to improved liquidity from customer deposits which necessitated less dependence on interbank deposits; the outflow of ₦74,690 million in loans and advances to banks, compared to an inflow of ₦41,788 million in loans and advances to banks which was primarily due to increased loan drawdown to improve the Group's earnings asset portfolio, the greater outflows in net interest income by ₦28,962 million, or 24.3 per cent., from an outflow of ₦119,082 million to an outflow of ₦148,044 million which was largely a result of the combined impact of the ₦11,093 million decrease in interest paid on customer deposits due to reduced interest on savings deposits, as well as the ₦17, 303 million increase in interest income due to the growth of the Group's loan portfolio; and the outflow of ₦3,679 million in financial assets at FVTPL, compared to an inflow of ₦18,463 million in financial assets at FVTPL during the period which was mainly due to favourable market trading opportunities.

The decrease in net cash generated from operating activities was partly offset by the lower outflows in the cash reserve balance with CBN for the six months ended 30 June 2021 which was mainly a result of CRR debits as part of the CBN's measures to manage money in circulation and curb inflationary pressures; higher inflows from other liabilities and provisions for the six months ended 30 June 2021 which was largely due to growth in accounts payable, electronic settlement balances and other liabilities; higher outflows in loans and advances to customers for the six months ended 30 June 2021 which was mainly due to a growth in the Group's loan portfolio; lower outflows in interest paid on deposit from banks and customers for the six months ended 30 June 2021 which was primarily attributable to the growth in low-cost current deposits; and the increase in profit before income tax by ₦19,057 million, or 33.4 per cent., from ₦57,129 million for the six months ended 30 June 2020 to ₦76,186 million for the six months ended 30 June 2021 which was mainly attributable to a 24.1 per cent. growth in net interest income due to balance sheet efficiency and 18.6 per cent. growth in net fee and commission income largely due to higher volumes of e-banking transactions and the associated increase in income derived from such transactions.

Net cash generated from operating activities represented an inflow of ₦1,456,784 million for the year ended 31 December 2020, compared to an outflow of ₦198,684 million for the year ended 31 December 2019. The change to net cash generated from operating activities from the year ended 31 December 2019 to the year ended 31 December 2020 was mainly attributable to the further increase in deposits from customers for the year ended 31 December 2020, which in turn was mainly due to enhanced deposit mobilisation efforts aimed at growing the Group's low-cost deposits.

Net cash used in operating activities was an outflow of ₦198,684 million for the year ended 31 December 2019, compared to an inflow of ₦605,847 million for the year ended 31 December 2018. The change to net cash used in operating activities from the year ended 31 December 2018 to the year ended 31 December 2019 was mainly attributable to the higher decrease in loans and advances to customers for the year ended 31 December 2019, which in turn was primarily a result of a 20.2 per cent. growth in loans and advances to customers in 2019 as compared to 2018.

Net cash generated from/(used in) investing activities

The following table provides a breakdown of net cash (used in)/generated from investing activities for the periods indicated:

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
			(₦ millions)		
Proceeds from sale/redemption of investment securities	(110,307)	(74,136)	3,543,327	3,089,704	2,757,710
Purchase of investment securities	(195,674)	(362,245)	(4,598,133)	(2,956,816)	(3,175,007)
Purchase of property and equipment	(20,542)	(19,645)	(33,426)	(23,271)	(19,044)
Addition of right to use assets	-	-	(7,759)	(3,242)	-
Purchase of intangible assets	(1,462)	(11,487)	(14,933)	(1,846)	(3,364)
Lease Payment	(1,883)	(5,389)	-	-	-
Additional investment in equity-accounted investee	-	-	-	-	(945)
Proceeds from disposal of property and equipment	313	326	(1,040)	522	297
Proceeds from disposal of intangible assets	8	293	379	11	33
Proceeds from disposal of investment in subsidiaries	-	-	-	-	-
Dividend received	2,653	2,617	2,943	3,305	3,454
Net cash (used in)/generated from investing activities	**(326,894)**	**(469,665)**	**(1,106,177)**	**108,367**	**(436,866)**

Net cash used in investing activities decreased by ₦142,771 million, or 30.4 per cent., from an outflow of ₦469,665 million for the six months ended 30 June 2020, to an outflow of ₦326,894 million for the six months ended 30 June 2021.

The decrease in net cash used in investing activities from the six months ended 30 June 2020 to the six months ended 30 June 2021 was partly attributable to: the decreased outflows in purchase of investment securities by ₦166,571 million, or 46.0 per cent., from an outflow of ₦362,245 million for the six months ended 30 June 2020 to ₦195,674 million for the six months ended 30 June 2021, which was primarily a result of the deployment of funds by the Group towards increased loan origination during the period; and lower outflows in the purchase of intangible assets by ₦10,025 million, or 87.3 per cent., from ₦11.487 million for the six months ended 30 June 2020 to ₦1,462 million for the six months ended 30 June 2021, which was primarily due to reduced investment in intangible assets. These decreased outflows were partly offset by an increase in the proceeds from sale/redemption of investment securities by ₦36,171 million, or 48.8 per cent., from ₦74,136 million for the six months ended 30 June 2020 to ₦110,307 million for the six months ended 30 June 2021, which was mainly attributable to matured treasury bills and bonds.

Net cash used in investing activities increased dramatically by ₦997,810 million, or 920.8 per cent., from an inflow of ₦108,367 million for the year ended 31 December 2019, to an outflow of ₦1,106,177 million for the year ended 31 December 2020.

The increase in net cash used in investing activities from the year ended 31 December 2019 to the year ended 31 December 2020 was partly attributable to an increase in outflows from the purchase of investment securities by ₦1,641,317 million, or 55.5 per cent., from ₦2,956,816 million for the year ended 31 December 2019 to ₦4,598,133 million for the year ended 31 December 2020, which was primarily as a result of increased liquidity which was facilitated by a 48.1 per cent. growth in deposits from customers. The increase in purchase of investment securities was partly offset by the inflows from proceeds from the sale/redemption of investment securities by ₦453,623 million, or 14.7 per cent., from ₦3,089,704 million for the year ended 31 December 2019 to ₦3,543,327 million for the year ended 31 December 2020, which was primarily due to a higher volume of matured treasury bills.

Net cash used in investing activities decreased by ₦545,233 million, or 124.8 per cent., from an outflow ₦436,866 million from the year ended 31 December 2018 to an inflow of ₦108,367 million for the year ended 31 December 2019. The decrease in net cash used in investing activities from the year ended 31 December 2018 to the year ended 31 December 2019 was partly attributable to the decreased outflows in the purchase of investment securities by ₦218,191 million, or 6.9 per cent., from ₦3,175,007 million for the year ended 31 December 2018 to ₦2,956,816 million for the year ended 31 December 2019, which was primarily due to the Group's deployment of funds towards the growth of its loan portfolio.

Net cash (used in)/generated from financing activities

The following table provides a breakdown of net cash (used in)/generated from financing activities for the periods indicated:

	For the six months ended 30 June		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(₦ millions)		
Interest paid on borrowings and subordinated liabilities	(18,013)	(27,337)	(58,580)	(55,120)	(47,066)
Proceeds from borrowings	117,685	237,919	487,475	140,708	235,128
Repayment of borrowings	(269,393)	(256,210)	(582,713)	(64,062)	(116,117)
Transfer to deposit from banks	-	(195,786)	-	-	-
Payments of principal on leases	(120)	(491)	(495)	(1,000)	-
Payments of interest on leases	(54)	(54)	(227)	(99)	-
Repayment of subordinated liabilities	-	(32,995)	(30,058)	-	(35,017)
Dividend paid to owners of the parent	(11,970)	(27,360)	(33,174)	(29,070)	(29,070)
Net cash (used in)/generated from financing activities	**(181,865)**	**(302,314)**	**(217,772)**	**(8,643)**	**7,858**

Net cash used in financing activities decreased significantly by ₦120,449 million, or 39.8 per cent., from an outflow of ₦302,314 million for the six months ended 30 June 2020, to an outflow of ₦181,865 million for the six months ended 30 June 2021.

The decrease in net cash used in financing activities from the six months ended 30 June 2020 to the six months ended 30 June 2021 was partly attributable to the decrease in transfer to deposit from banks by ₦195,786 million, or 100.0 per cent., from an outflow of ₦195,786 million for the six months ended 30 June 2020 to nil for the six months ended 30 June 2021, which was primarily a result of the repayment of bank borrowings and subordinated liabilities.

The decrease in transfer to deposit from banks was partly offset by the decrease in proceeds from borrowings by ₦120,234 million, or 50.5 per cent., from an inflow of ₦237,919 million for the six months ended 30 June 2020 to an inflow of ₦117,685 million for the six months ended 30 June 2021, which was primarily due to reduced borrowings as a result of the growth of deposits from customers.

The decrease in net cash used in financing activities from the six months ended 30 June 2020 to the six months ended 30 June 2021 was also partly attributable to the decrease in repayment of subordinated liabilities by ₦32,995 million, or 100.0 per cent., from an outflow of ₦32,995 million for the six months ended 30 June 2020 to nil for the six months ended 30 June 2021. This decrease was largely a result of the Group's repayment of outstanding debt securities as a result of an early redemption of the Bank's ₦₦30,500 million 16.45 per cent. fixed rate unsecured subordinated bonds in June 2020.

Net cash used in financing activities increased significantly by ₦209,129 million, or 2,419.6 per cent., from an outflow of ₦8,643 million for the year ended 31 December 2019, to an outflow of ₦217,772 million for the year ended 31 December 2020.

The increase in net cash used in financing activities from the year ended 31 December 2019 to the year ended 31 December 2020 was mainly attributable to the increase in repayment of borrowings by ₦518,651 million, or 809.6 per cent., from an outflow of ₦64,062 million for the year ended 31 December 2019 to an outflow of ₦582,713 million for the year ended 31 December 2020. This sharp increase was mainly attributable to the Group's improved liquidity which was enhanced by a growth in deposits by customers.

The increase in repayment of borrowings was partly offset by the increase in proceeds from borrowings by ₦346,767 million, or 246.4 per cent., from an inflow of ₦140,708 million for the year ended 31 December 2019 to an inflow of ₦487,475 million for the year ended 31 December 2020. This increase was primarily due to the Group's need to refinance matured long-term debt obligations.

Net cash used in financing activities represented an outflow of ₦8,643 million for the year ended 31 December 2019, compared to net cash generated from financing activities of an inflow of ₦7,858 million for the year ended 31 December 2018.

The change to net cash used in financing activities from the year ended 31 December 2018 to the year ended 31 December 2019 was mainly attributable to the decrease in proceeds from borrowings by ₦94,420 million, or 40.2 per cent., from an inflow of ₦235,128 million for the year ended 31 December 2018 to an inflow of ₦140,708 million for the year ended 31 December 2019. This decrease was in turn primarily attributable to a reduction in additional borrowings due to increased funding following a growth in deposits from customers.

The decrease in proceeds from borrowings was partly offset by the decrease in repayment of borrowings by ₦52,055 million, or 44.8 per cent., from an outflow of ₦116,117 million for the year ended 31 December 2018 to an outflow of ₦64,062 million for the year ended 31 December 2019, which was mainly due to a lower volume of matured obligations; and the decrease in repayment of subordinated liabilities by ₦35,017 million, or 100.0 per cent., from an outflow of ₦35,017 million for the year ended 31 December 2018 to nil for the year ended 31 December 2019, which was mainly due to the Group's redemption of outstanding debt securities as a result of an early redemption of the Bank's ₦30,500 million 16.45 per cent. fixed rate unsecured subordinated bonds in June 2020.

The change to net cash used in financing activities from the year ended 31 December 2018 to the year ended 31 December 2019 was also partly attributable to the increase in interest paid on borrowings and subordinated liabilities by ₦8,054 million, or 17.1 per cent., from an outflow of ₦47,066 million for the year ended 31 December 2018 to an outflow of ₦55,120 million for the year ended 31 December 2019. This increase was largely a result of a higher volume of outstanding borrowings.

Financial Position as at 30 June 2021 and 31 December 2020, 2019 and 2018

The following table sets out financial information extracted from the balance sheet statements as of 31 December 2019 and 2020:

	As at 30 June	As of 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Cash and bank balances	2,065,021	1,874,618	1,396,228	1,220,596
Financial assets at fair value through profit or loss	147,867	214,400	102,388	19,439
Derivative financial assets	47,594	53,148	48,131	34,784
Loans and advances to banks	151,965	77,419	108,211	15,797
Loans and advances to customers	2,634,556	2,554,975	2,061,147	1,715,285
Investment securities:				
At fair value through other comprehensive income	807,553	1,421,527	901,048	1,036,653
At amortised cost	2,022,940	1,159,264	670,502	600,479
Other assets	196,495	115,432	139,885	63,012
Investment in equity-accounted investee	5,299	4,504	4,143	4,610
Property and equipment	166,735	153,191	128,499	115,973
Intangible assets	28,304	28,900	17,671	18,168
Deferred tax assets	40,981	40,602	43,054	24,942
Total assets	**8,315,310**	**7,697,980**	**5,620,907**	**4,869,738**
Deposits from banks	561,545	418,157	267,070	174,836
Deposits from customers	6,095,574	5,676,011	3,832,884	3,349,120
Derivative financial liabilities	220	508	852	99
Other liabilities	315,879	157,827	107,255	120,764
Current income tax liabilities	7,319	9,982	9,164	8,892
Borrowings	565,095	694,355	758,682	683,532
Subordinated liabilities	-	-	30,048	29,859
Deferred tax liabilities	17,157	16,992	16,974	28
Total liabilities	**7,562,789**	**6,973,832**	**5,022,929**	**4,367,130**
Share capital	17,100	17,100	17,100	17,100
Share premium	98,715	98,715	98,715	98,715
Retained earnings	271,406	255,059	184,685	168,073
Other reserves	333,962	324,194	278,073	199,581
Equity attributable to owners of the parent	**721,183**	**695,068**	**578,573**	**483,469**
Non-controlling interests	31,338	29,080	19,405	19,139
Total equity	**752,521**	**724,148**	**597,978**	**502,608**
Total liabilities and equity	**8,315,310**	**7,697,980**	**5,620,907**	**4,869,738**

Total assets

Total assets increased by ₦617,330 million, or 8.0 per cent., from ₦7,697,980 million as of 31 December 2020, to ₦8,315,310 million as of 30 June 2021.

Total assets increased significantly by ₦2,077,073 million, or 37.0 per cent., from ₦5,620,907 million as of 31 December 2019, to ₦7,697,980 million as of 31 December 2020.

Total assets increased by ₦751,169 million, or 15.4 per cent., from ₦4,869,738 million as of 31 December 2018, to ₦5,620,907 million as of 31 December 2019.

Cash and bank balances

Cash and bank balances increased significantly by ₦190,403 million, or 10.2 per cent., from ₦1,874,618 million as of 31 December 2020, to ₦2,065,021 million as of 30 June 2021. This increase was mainly a result of ₦89,857 million increase in money market placements with counterparties and a ₦119,735 million increase in balances with foreign banks to support the Group's foreign trade financing.

Cash and bank balances increased significantly by ₦478,390 million, or 34.3 per cent., from ₦1,396,228 million as of 31 December 2019, to ₦1,874,618 million as of 31 December 2020. This increase was primarily a result of a ₦271,780 million increase in the Bank's restricted balance with the CBN on account of the increase in the CRR from 22.5 per cent. to 27.5 per cent. in 2020, as well as a ₦117,959 million increased in the Bank's unrestricted balance with the CBN due to a growth of transaction volumes.

Cash and bank balances increased by ₦175,632 million, or 14.4 per cent., from ₦1,220,596 million as of 31 December 2018, to ₦1,396,228 million as of 31 December 2019. This increase was largely attributable to a ₦268,425 million increase in the Group's restricted balance with the CBN on account of its increased deposit size and the applicable CRR, which were offset by a ₦89,140 million decrease in the Group's unrestricted balance with the CBN.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss decreased by ₦66,533 million, or 31.0 per cent., from ₦214,400 million as of 31 December 2020, to ₦147,867 million as of 30 June 2021. This increase was mainly a result of an ₦84,644 million decrease in the volume of treasury bills held by the Group for trading purposes, which was partially offset by a ₦18,116 million in Federal Government bonds held by the Group.

Financial assets at fair value through profit or loss increased significantly by ₦112,012 million, or 109.4 per cent., from ₦102,388 million as of 31 December 2019, to ₦214,400 million as of 31 December 2020. This increase was largely due to a ₦140,541 million increase in the volume of treasury bills held for trading purposes, which was partially offset by ₦30,434 increase in Federal Government bonds held by the Group.

Financial assets at fair value through profit or loss increased dramatically by ₦82,949 million, or 426.7 per cent., from ₦19,439 million as of 31 December 2018, to ₦102,388 million as of 31 December 2019. This increase was largely due to a ₦59,038 million increase in promissory notes issued by the CBN.

Derivative financial assets

Derivative financial assets decreased by ₦5,554 million, or 10.5 per cent., from ₦53,148 million as of 31 December 2020, to ₦47,594 million as of 30 June 2021. This increase was mainly a result of fair-value changes in the Group's cross-currency swap portfolio.

Derivative financial assets increased by ₦5,017 million, or 10.4 per cent., from ₦48,131 million as of 31 December 2019, to ₦53,148 million as of 31 December 2020. This increase was largely a result of fair-value changes in the Group's cross-currency swap portfolio.

Derivative financial assets increased significantly by ₦13,347 million, or 38.4 per cent., from ₦34,784 million as of 31 December 2018, to ₦48,131 million as of 31 December 2019. This increase was primarily due to fair-value changes in the Group's cross-currency swap portfolio.

Loans and advances to banks

Loans and advances to banks increased significantly by ₦74,546 million, or 96.3 per cent., from ₦77,419 million as of 31 December 2020, to ₦151,965 million as of 30 June 2021. This increase was mainly a result of funding to support correspondent banking and trade financing activities to third party banks across Sub-Saharan Africa.

Loans and advances to banks decreased significantly by ₦30,792 million, or 28.5 per cent., from ₦108,211 million as of 31 December 2019, to ₦77,419 million as of 31 December 2020. This decrease was primarily a result of the detrimental impact of COVID-19 on the Group's trade financing activities.

Loans and advances to banks increased dramatically by ₦92,414 million, or 585.0 per cent., from ₦15,797 million as of 31 December 2018, to ₦108,211 million as of 31 December 2019. This increase was largely attributable to funding to support correspondent banking and trade financing activities to third party banks across Sub-Saharan Africa.

Loans and advances to customers

Loans and advances to customers increased significantly by ₦79,581 million, or 3.1 per cent., from ₦2,554,975 million as of 31 December 2020, to ₦2,634,556 million as of 30 June 2021. This increase was primarily related to term loans to corporate entities which grew by ₦277,196 million, but was partially offset by a ₦156,915 million decrease in overdrafts to corporate clients and a ₦59,073 million decline in term loans to individuals.

Loans and advances to customers increased significantly by ₦493,828 million, or 24.0 per cent., from ₦2,061,147 million as of 31 December 2019, to ₦2,554,975 million as of 31 December 2020. This increase was mainly the result of ₦295,474 million and ₦74,752 million increases in term loans to corporates and individuals respectively, as well as ₦141,244 million increase in overdraft facilities to corporate clients, which when combined, were partially offset by ₦9,001 million decrease in overdrafts to individual customers.

Loans and advances to customers increased significantly by ₦345,862 million, or 20.2 per cent., from ₦1,715,285 million as of 31 December 2018, to ₦2,061,147 million as of 31 December 2019. This increase was largely attributable to ₦245,519 million and ₦93,531 million increases in terms loans and overdrafts facilities to corporate customers.

Investment securities at fair value through other comprehensive income

Investment securities at fair value through other comprehensive income decreased by ₦613,974 million, or 43.2 per cent., from ₦1,421,527 million as of 31 December 2020, to ₦807,553 million as of 30 June 2021. This increase was primarily a result of a ₦656,000 million of treasury bills being reclassified to "at amortised cost".

Investment securities at fair value through other comprehensive income increased significantly by ₦520,479 million, or 57.8 per cent., from ₦901,048 million as of 31 December 2019, to ₦1,421,527 million as of 31 December 2020. This increase was mainly due to the issuance of ₦656,000 million in special bills by the CBN to the Bank as a form of refund of a portion of the Bank's contributions under the CRR.

Investment securities at fair value through other comprehensive income decreased by ₦135,605 million, or 13.1 per cent., from ₦1,036,653 million as of 31 December 2018, to ₦901,048 million as of 31 December 2019. This decrease was largely attributable to ₦112,049 million and ₦34,911 million reduction of treasury bills and bonds, respectively, held by the Group to meet its liquidity needs.

Investment securities at amortised cost

Investment securities at amortised cost increased significantly by ₦863,676 million, or 74.5 per cent., from ₦1,159,264 million as of 31 December 2020, to ₦2,022,940 million as of 30 June 2021. This increase was largely due to a ₦656,000 million of treasury bills being reclassified from FVOCI to amortised cost, and a ₦94,491 million increase in treasury bills investment to optimise the Group's balance sheet.

Investment securities at amortised cost increased significantly by ₦488,762 million, or 72.9 per cent., from ₦670,502 million as of 31 December 2019, to ₦1,159,264 million as of 31 December 2020. This increase was primarily a result of ₦255,095 million and ₦234,063 million increases in the Group's investments in treasury bills and bonds, respectively, in order to improve the Group's earning asset portfolio.

Investment securities at amortised cost increased by ₦70,023 million, or 11.7 per cent., from ₦600,479 million as of 31 December 2018, to ₦670,502 million as of 31 December 2019. This increase was primarily attributable to a ₦140,222 million increase in Group investments in treasury bills, which was partially offset by a ₦70,013 million decline in the bonds portfolio due to maturities.

Other assets

Other assets increased by ₦81,063 million, or 70.2 per cent., from ₦115,432 million as of 31 December 2020, to ₦196,495 million as of 30 June 2021. This increase was primarily due to a ₦45,734 million increase in account receivables from third parties, an ₦18,604 million increase in electronic payments receivables, and a ₦16,597 million increase in prepayments.

Other assets decreased by ₦24,453 million, or 17.5 per cent., from ₦139,885 million as of 31 December 2019, to ₦115,432 million as of 31 December 2020. This decrease was primarily due to a ₦31,090 million decline in net settlement of POS and interbank-related transfer.

Other assets increased dramatically by ₦76,873 million, or 122.0 per cent., from ₦63,012 million as of 31 December 2018, to ₦139,885 million as of 31 December 2019. This increase was primarily a result of a ₦68,487 million rise in account receivables from third parties.

Investment in equity-accounted investee

Investment in equity-accounted investee increased by ₦795 million, or 17.7 per cent., from ₦4,504 million as of 31 December 2020, to ₦5,299 million as of 30 June 2021. This increase was primarily a result of a realised translation gain of ₦796 million in the investee's net asset on account of on account of depreciation of the Zambian Kwacha relative to the U.S. dollar.

Investment in equity-accounted investee increased by ₦361 million, or 8.7 per cent., from ₦4,143 million as of 31 December 2019, to ₦4,504 million as of 31 December 2020. This increase was primarily a result of a ₦658 million increase in the share of profit from UBA Zambia Limited and a ₦170 million decrease in translation loss, which were partially offset by ₦467 million decline in the opening balance within the comparative period.

Investment in equity-accounted investee decreased by ₦467 million, or 10.1 per cent., from ₦4,610 million as of 31 December 2018, to ₦4,143 million as of 31 December 2019. This decrease was largely attributable to a ₦1,267 million increase in translation loss from UBA Zambia Limited.

Property and equipment

Property and equipment increased by ₦13,544 million, or 8.8 per cent., from ₦153,191 million as of 31 December 2020, to ₦166,735 million as of 30 June 2021. This increase was mainly a result of a ₦12,592 million of additions to property and equipment, ₦4,421 million increase in right-of-use assets and new lease contracts, in each case net of disposals, write-off, and depreciation charges for the year.

Property and equipment increased by ₦24,692 million, or 19.2 per cent., from ₦128,499 million as of 31 December 2019, to ₦153,191 million as of 31 December 2020. This increase was largely a result of a ₦33,426 million of additions to property and equipment, ₦7,759 million increase in right-of-use assets and new lease contracts, in each case net of disposals, write-off, and depreciation charges for the year.

Property and equipment increased by ₦12,526 million, or 10.8 per cent., from ₦115,973 million as of 31 December 2018, to ₦128,499 million as of 31 December 2019. This increase was primarily attributable to a ₦18,421 million of additions to property and equipment, ₦3,242 million increase in right-of-use assets and new lease contracts, in each case net of disposals, write-off, and depreciation charges for the year.

Intangible assets

Intangible assets decreased by ₦596 million, or 2.1 per cent., from ₦28,900 million as of 31 December 2020, to ₦28,304 million as of 30 June 2021. This increase was mainly due to ₦2,045 million of software amortisations for the year offset by ₦1,462 million of software acquisitions.

Intangible assets increased significantly by ₦11,229 million, or 63.5 per cent., from ₦17,671 million as of 31 December 2019, to ₦28,900 million as of 31 December 2020. This increase was largely due to ₦14,933 increase in software acquisitions offset by ₦2,972 million of software amortisations.

Intangible assets decreased slightly by ₦497 million, or 2.7 per cent., from ₦18,168 million as of 31 December 2018, to ₦17,671 million as of 31 December 2019. This decrease was largely due to ₦1,627 million of software amortisations offset by ₦1,846 million of software acquisitions.

Deferred tax assets

Deferred tax assets decreased by ₦379 million, or 0.9 per cent., from ₦40,602 million as of 31 December 2020, to ₦40,981 million as of 30 June 2021. This decrease was mainly due to a slight increase in temporary differences on balance sheet items attributable to property, equipment and software.

Deferred tax assets decreased by ₦2,452 million, or 5.7 per cent., from ₦43,054 million as of 31 December 2019, to ₦40,602 million as of 31 December 2020. This decrease was primarily related to a reduction in foreign currency revaluation loss as well as other temporary differences on balance sheet items such as accounts receivables and financial assets.

Deferred tax assets increased significantly by ₦18,112 million, or 72.6 per cent., from ₦24,942 million as of 31 December 2018, to ₦43,054 million as of 31 December 2019. This increase was largely a result of an increase in allowances for loan losses and temporary differences on balance sheet items attributable to property, equipment and software.

Total liabilities

Total liabilities increased by ₦588,957 million, or 8.4 per cent., from ₦6,973,832 million as of 31 December 2020, to ₦7,562,789 million as of 30 June 2021.

Total liabilities increased significantly by ₦1,950,903 million, or 38.8 per cent., from ₦5,022,929 million as of 31 December 2019, to ₦6,973,832 million as of 31 December 2020.

Total liabilities increased by ₦655,799 million, or 15.0 per cent., from ₦4,367,130 million as of 31 December 2018, to ₦5,022,929 million as of 31 December 2019.

Deposits from banks

Deposits from banks increased by ₦143,388 million, or 34.3 per cent., from ₦418,157 million as of 31 December 2020, to ₦561,545 million as of 30 June 2021. This increase was mainly attributable to a ₦97,393 million increase in money market deposits primarily to support the Group's short-term liquidity needs; and a ₦45,995 million increase due to other banks to fund short-term foreign trade facilities.

Deposits from banks increased significantly by ₦151,087 million, or 56.6 per cent., from ₦267,070 million as of 31 December 2019, to ₦418,157 million as of 31 December 2020. This increase was primarily attributable to a ₦193,637 million increase in interbank deposits partially offset by repayments of short-term foreign currency funding obligations to foreign counterparties.

Deposits from banks increased significantly by ₦92,234 million, or 52.8 per cent., from ₦174,836 million as of 31 December 2018, to ₦267,070 million as of 31 December 2019. This increase was largely a result of a ₦105,144 million increase in foreign currency funding to finance short-term trade facilities, partially offset by a ₦12,910 million decrease in money market deposits.

Deposits from customers

Deposits from customers are the main item of liabilities of the Group, constituting 80.6 per cent. of total liabilities as at 30 June 2021, 81.4 per cent. as at 31 December 2020, 76.3 per cent. as at 31 December 2019 and 76.7 per cent. as at 31 December 2018. The following table sets out details of the Group's deposits from customers as at the dates indicated:

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Retail customers				
Term deposits	65,661	144,720	385,635	353,247
Current deposits	586,312	815,250	483,714	663,514
Savings deposits	1,552,813	1,447,514	855,079	701,980
Corporate customers				
Term deposits	890,348	890,012	630,358	419,230
Current deposits	3,000,440	2,378,515	1,478,098	1,211,149
Total deposits from customers	**6,095,574**	**5,676,011**	**3,832,884**	**3,349,120**

Deposits from customers increased by ₦419,563 million, or 7.4 per cent., from ₦5,676,011 million as of 31 December 2020, to ₦6,095,574 million as of 30 June 2021. This increase was mainly due to a ₦621,925 million growth in current deposits from corporate customers and a ₦105,299 million increase in savings deposits by retail customers, which were partially offset by a ₦307,997 million decrease in current and term deposits from retail customers. The Group continues to position itself to attract and grow low-cost deposits.

Deposits from customers increased significantly by ₦1,843,127 million, or 48.1 per cent., from ₦3,832,884 million as of 31 December 2019, to ₦5,676,011 million as of 31 December 2020. This increase was primarily a result of the accommodative interest rate environment in 2020, occasioned by COVID-19 which led to limited investment outlets for depositors.

Deposits from customers increased by ₦483,764 million, or 14.4 per cent., from ₦3,349,120 million as of 31 December 2018, to ₦3,832,884 million as of 31 December 2019. This increase was largely a result of ₦243,516 million increase in term deposits from corporate and retail customers, a ₦266,949 million increase in current deposits from corporates, a ₦153,099 million increase in savings deposits from retail customers, which were partially offset by a ₦179,800 million decrease in current deposits from retail customers.

Derivative financial liabilities

Derivative financial liabilities decreased by ₦288 million, or 56.7 per cent., from ₦508 million as of 31 December 2020, to ₦220 million as of 30 June 2021. This decrease was largely due to fair value changes in the Group's swaps and forward positions.

Derivative financial liabilities decreased significantly by ₦344 million, or 40.4 per cent., from ₦852 million as of 31 December 2019, to ₦508 million as of 31 December 2020. This decrease was primarily related to fair value changes in the Group's swaps and forward positions.

Derivative financial liabilities increased dramatically by ₦753 million, or 760.6 per cent., from ₦99 million as of 31 December 2018, to ₦852 million as of 31 December 2019. This increase was mainly a result of fair value changes in the Group's swaps and forward positions.

Other liabilities

The following table sets out details of the Group's other liabilities as at the dates indicated:

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Financial liabilities:				
Creditors and payables	215,881	85,743	63,306	61,762
Managers cheques	7,057	4,475	5,942	5,233
Unclaimed dividends	7,678	7,678	5,885	7,076
Customers' deposit for foreign trade	24,691	23,950	10,174	27,793
Lease liabilities	9,728	6,929	1,630	-
Accrued expenses	42,660	25,316	18,647	15,065
Non-financial liabilities				
Provisions	252	252	252	252
Allowance for credit losses on off-balance sheet items	6,165	2,807	1,157	3,264
Deferred income	1,767	677	262	319
Total other liabilities	**315,879**	**157,827**	**107,255**	**120,764**

Other liabilities increased significantly by ₦158,052 million, or 100.1 per cent., from ₦157,827 million as of 31 December 2020, to ₦315,879 million as of 30 June 2021. This increase was largely related to growth in electronic payables, account payables and accruals.

Other liabilities increased by ₦50,572 million, or 47.2 per cent., from ₦107,255 as of 31 December 2019, to ₦157,827 million as of 31 December 2020. This increase was primarily due to growth in electronic payables, account payables, deposits for foreign trade and accruals.

Other liabilities decreased by ₦13,509 million, or 11.2 per cent., from ₦120,764 million as of 31 December 2018, to ₦107,255 million as of 31 December 2019. This decrease was mainly attributable to a reduction in customer deposits for foreign trade.

Current income tax liabilities

Current income tax liabilities decreased by ₦2,663 million, or 26.7 per cent., from ₦9,982 million as of 31 December 2020, to ₦7,319 million as of 30 June 2021. This increase was primarily due to the comparable decrease in profit before tax between the periods. The time lag between the making of tax provisions and the settlement of income tax in various countries in which the Group operates also impacted the Group's current income tax liabilities.

Current income tax liabilities increased by ₦818 million, or 8.9 per cent., from ₦9,164 million as of 31 December 2019, to ₦9,982 million as of 31 December 2020. This increase was primarily due to the time lag between the making of tax provisions and the settlement of income tax in various countries in which the Group operates. The tax provisions are largely driven by the level of profitability in each country.

Current income tax liabilities increased slightly by ₦272 million, or 3.1 per cent., from ₦8,892 million as of 31 December 2018, to ₦9,164 million as of 31 December 2019. This increase was mainly related to 13.3 per cent. growth in the Group's profitability.

Borrowings

Borrowings decreased by ₦129,260 million, or 18.6 per cent., from ₦694,355 million as of 31 December 2020, to ₦565,095 million as of 30 June 2021. This decrease was mainly related to the repayment of short-term borrowings disbursed by the African Export-Import Bank, Citibank and ABSA Bank Limited.

Borrowings decreased by ₦64,327 million, or 8.5 per cent., from ₦758,682 million as of 31 December 2019, to ₦694,355 million as of 31 December 2020. This decrease was primarily attributable to the repayment of short-term borrowings disbursed by J.P. Morgan Securities Limited and Société Generale Bank.

Borrowings increased by ₦75,150 million, or 11.0 per cent., from ₦683,532 million as of 31 December 2018, to ₦758,682 million as of 31 December 2019. This increase was mainly related to the incurrence of new borrowings from Sumitomo Mitsui Banking Corporation, Rand Merchant Bank and Credit Suisse.

See Note 37 of the Annual Financial Statements and the H1 Financial Statements for further information about the Group's short-term and long-term borrowings.

Subordinated liabilities

Subordinated liabilities decreased dramatically by ₦30,048 million, or 100.0 per cent., from ₦30,048 million as of 31 December 2019, to nil as of 31 December 2020. This decrease was mainly attributable to the early redemption of the Bank's ₦30,500 million 16.45 per cent. fixed rate unsecured subordinated bonds.

Subordinated liabilities stayed largely consistent throughout the period increasing only by ₦189 million, or 0.6 per cent., from ₦29,859 million as of 31 December 2018, to ₦30,048 million as of 31 December 2019.

The Group did not record any subordinated liabilities as at 30 June 2021.

Deferred tax liabilities

Deferred tax liabilities increased by ₦165 million, or 1.0 per cent., from ₦16,992 million as of 31 December 2020, to ₦17,157 million as of 30 June 2021. This increase was mainly attributable to a decrease in the value of unutilised tax losses between 31 December 2020 and 30 June 2021.

Deferred tax liabilities stayed largely consistent throughout the period increasing only by ₦18 million, or 0.1 per cent., from ₦16,974 million as of 31 December 2019, to ₦16,992 million as of 31 December 2020.

Deferred tax liabilities increased by ₦16,946 million, or 60,521 per cent., from ₦28 million as of 31 December 2018, to ₦16,974 million as of 31 December 2019. This sharp increase was largely due to changes in temporary differences in balance sheet items attributable to property, equipment and software.

Segmental Analysis of Financial Position as at 30 June 2021 and 31 December 2020, 2019 and 2018

The following financial information presented below represents a summary of the Group's financial position based on geographic and business segments. See "*Description of the Group—Description of Business*" for a description of the Group's business segments. See Note 9 of the H1 Financial Statements and the Annual Financial Statements for further information about the Group's segmental results.

Geographical Segments

Nigeria

Loans and advances in Nigeria decreased by ₦35,997 million, or 2.0 per cent., from ₦1,799,404 million as of 31 December 2020, to ₦1,835,401 million as of 30 June 2021. This decrease was primarily related to loan repayments made within the period.

Loans and advances in Nigeria increased by ₦268,463 million, or 17.5 per cent., from ₦1,530,941 million as of 31 December 2019, to ₦1,777,496 million as of 31 December 2020. This increase was mainly the result of increased volumes of overdraft and term loans granted to corporates and retail customers.

Loans and advances in Nigeria increased significantly by ₦322,598 million, or 26.7 per cent., from ₦1,208,343 million as of 31 December 2018, to ₦1,530,941 million as of 31 December 2019. This increase was largely attributable to increased volumes of overdraft and term loans granted to corporates and retail customers.

Deposits from customers and banks in Nigeria increased by ₦45,758 million, or 1.2 per cent., from ₦3,965,731 million as of 31 December 2020, to ₦4,011,489 million as of 30 June 2021. This increase was mainly due to improved deposit volumes from the bank's corporate and retail customers, and increased money market deposits.

Deposits from customers and banks in Nigeria increased significantly by ₦1,068,000 million, or 36.9 per cent., from ₦2,897,071 million as of 31 December 2019, to ₦3,965,731 million as of 31 December 2020. This increase was primarily a result of the accommodative interest rate environment in 2020, occasioned by the COVID-19 pandemic which led to limited investment outlets for depositors.

Deposits from customers and banks in Nigeria increased by ₦387,565 million, or 15.4 per cent., from ₦2,509,506 million as of 31 December 2018, to ₦2,897,071 million as of 31 December 2019. This increase was largely a result of improved deposit volumes from the Bank's corporate and retail customers, and increased money market deposit.

Total assets in Nigeria increased by ₦13,023 million, or 0.2 per cent., from ₦5,232,415 million as of 31 December 2020, to ₦5,245,438 million as of 30 June 2021. Total assets in Nigeria increased by ₦1,055,915 million, or 25.3 per cent., from ₦4,176,500 million as of 31 December 2019, to ₦5,232,415 million as of 31 December 2020. Total assets in Nigeria increased by ₦524,647 million, or 14.4 per cent., from ₦3,651,853 million as of 31 December 2018, to ₦4,176,500 million as of 31 December 2019.

Total liabilities in Nigeria increased by ₦50,516 million, or 1.0 per cent., from ₦4,763,277 million as of 31 December 2020, to ₦4,813,793 million as of 30 June 2021. Total liabilities in Nigeria increased significantly by ₦1,028,970 million, or 27.6 per cent., from ₦3,734,307 million as of 31 December 2019, to ₦4,763,277 million as of 31 December 2020. Total liabilities in Nigeria increased by ₦447,461 million, or 13.6 per cent., from ₦3,286,846 million as of 31 December 2018, to ₦3,734,307 million as of 31 December 2019.

Africa (Excluding Nigeria)

Loans and advances from the Group's operations in Africa (excluding Nigeria) increased significantly by ₦97,402 million, or 12.6 per cent., from ₦770,289 million as of 31 December 2020, to ₦867,691 million as of 30 June 2021. This increase was primarily related to improved volumes of loans and advances to retail customers.

Loans and advances from the Group's operations in Africa (excluding Nigeria) increased by ₦216,246 million, or 39 per cent., from ₦554,043 million as of 31 December 2019, to ₦770,289 million as of 31 December 2020. This increase was mainly the result of improved volumes of loans and overdraft to corporates and retail.

Loans and advances from the Group's operations in Africa (excluding Nigeria) increased by ₦35,166 million, or 6.8 per cent., from ₦518,877 million as of 31 December 2018, to ₦554,043 million as of 31 December 2019. This increase was largely attributable to improved volumes of loans and overdraft to corporates and retail customers.

Deposits from customers and banks in Africa (excluding Nigeria) increased by ₦375,192 million, or 17.3 per cent., from ₦2,170,132 million as of 31 December 2020, to ₦2,545,324 million as of 30 June 2021. This increase was mainly due to increased term and current deposits.

Deposits from customers and banks in Africa (excluding Nigeria) increased by ₦894,596 million, or 70.1 per cent., from ₦1,275,536 million as of 31 December 2019, to ₦2,170,132 million as of 31 December 2020. This increase was primarily a result of increased term and current deposits.

Deposits from customers and banks in Africa (excluding Nigeria) increased by ₦29,505 million, or 2.4 per cent., from ₦1,246,031 million as of 31 December 2018, to ₦1,275,536 million as of 31 December 2019. This increase was largely a result of increased term and current deposits.

Total assets in Africa (excluding Nigeria) increased by ₦423,782 million, or 16 per cent., from ₦2,654,320 million as of 31 December 2020, to ₦3,078,102 million as of 30 June 2021. Total assets in Africa (excluding Nigeria) increased significantly by ₦1,074,001 million, or 68 per cent., from ₦1,580,319 million as of 31 December 2019, to ₦2,654,320 million as of 31 December 2020. Total assets in Africa (excluding Nigeria) increased by ₦51,685 million, or 3.4 per cent., from ₦1,528,634 million as of 31 December 2018, to ₦1,580,319 million as of 31 December 2019.

Total liabilities in Africa (excluding Nigeria) increased by ₦378,015 million, or 16.3 per cent., from ₦2,316,525 million as of 31 December 2020, to ₦2,694,540 million as of 30 June 2021. Total liabilities in Africa (excluding Nigeria) increased significantly by ₦957,929 million, or 70.5 per cent., from ₦1,358,596 million as of 31 December 2019, to ₦2,316,525 million as of 31 December 2020. Total liabilities in Africa (excluding Nigeria) increased by ₦34,749 million, or 2.6 per cent., from ₦1,323,847 million as of 31 December 2018, to ₦1,358,596 million as of 31 December 2019.

Rest of the World

Loans and advances from the Group's operations in the rest of the world (excluding Africa) increased significantly by ₦41,652 million, or 20.9 per cent., from ₦199,252 million as of 31 December 2020, to ₦240,894 million as of 30 June 2021. This increase was primarily related to funding to support correspondent banking and trade financing activities to third party banks across Sub-Sahara Africa.

Loans and advances from the Group's operations in the rest of the world (excluding Africa) increased significantly by ₦34,929 million, or 21.3 per cent., from ₦164,323 million as of 31 December 2019, to ₦199,252 million as of 31 December 2020. This increase was mainly the result of funding to support correspondent banking and trade financing activities to third party banks across Sub-Sahara Africa.

Loans and advances from the Group's operations in the rest of the world (excluding Africa) increased significantly by ₦56,828 million, or 52.9 per cent., from ₦107,495 million as of 31 December 2018, to ₦164,323 million as of 31 December 2019. This increase was largely attributable to funding to support correspondent banking and trade financing activities to third party banks across Sub-Sahara Africa.

Deposits from customers and banks in the rest of the world (excluding Africa) increased by ₦136,885 million, or 65.3 per cent., from ₦209,548 million as of 31 December 2020, to ₦346,433 million as of 30 June 2021. This increase was mainly due to improved money market and customer deposits.

Deposits from customers and banks in the rest of the world (excluding Africa) increased by ₦55,566 million, or 36.1 per cent., from ₦153,982 million as of 31 December 2019, to ₦209,548 million as of 31 December 2020. This increase was primarily a result of improved money market and customer deposits.

Deposits from customers and banks in the rest of the world (excluding Africa) increased by ₦48,366 million, or 45.8 per cent., from ₦105,616 million as of 31 December 2018, to ₦153,982 million as of 31 December 2019. This increase was largely a result of improved money market and customer deposits.

Total assets in the rest of the world (excluding Africa) increased by ₦226,328 million, or 92.4 per cent., from ₦244,824 million as of 31 December 2020, to ₦471,152 million as of 30 June 2021. Total assets in the rest of the world (excluding Africa) increased significantly by ₦63,929 million, or 35.3 per cent., from ₦180,895 million as of 31 December 2019, to ₦244,824 million as of 31 December 2020. Total assets in the rest of the world (excluding Africa) increased by ₦50,196 million, or 38.4 per cent., from ₦130,699 million as of 31 December 2018, to ₦180,895 million as of 31 December 2019.

Total liabilities in the rest of the world (excluding Africa) increased by ₦127,856 million, or 58.3 per cent., from ₦219,457 million as of 31 December 2020, to ₦347,313 million as of 30 June 2021. Total liabilities in the rest of the world (excluding Africa) increased significantly by ₦61,512 million, or 39 per cent., from ₦157,945 million as of 31 December 2019, to ₦219,457 million as of 31 December 2020. Total liabilities in the rest of the world (excluding Africa) increased by ₦49,191 million, or 45.2 per cent., from ₦108,754 million as of 31 December 2018, to ₦157,945 million as of 31 December 2019.

Business Segments

Corporate Banking

Corporate Banking's loans and advances decreased by ₦118,762 million, or 6.8 per cent., from ₦1,759,083 million as of 31 December 2020, to ₦1,640,321 million as of 30 June 2021. This increase was primarily related to loan repayments by corporate customers.

Corporate Banking's loans and advances increased by ₦309,421 million, or 21.3 per cent., from ₦1,449,662 million as of 31 December 2019, to ₦1,759,083 million as of 31 December 2020. This increase was mainly the result of increased loan drawdown by corporate customers.

Corporate Banking's loans and advances increased by ₦313,836 million, or 27.6 per cent., from ₦1,135,826 million as of 31 December 2018, to ₦1,449,662 as of 31 December 2019. This increase was largely attributable to increased loan drawdown by corporate customers.

Corporate Banking's deposits from customers and banks decreased by ₦526,819 million, or 32.8 per cent., from ₦1,604,685 million as of 31 December 2020, to ₦1,077,866 million as of 30 June 2021. This decrease was mainly due to deposit withdrawals by corporate customers.

Corporate Banking's deposits from customers and banks increased significantly by ₦525,106 million, or 48.6 per cent., from ₦1,079,579 million as of 31 December 2019, to ₦1,604,685 million as of 31 December 2020. This increase was primarily a result of the accommodative interest rate environment in 2020, occasioned by COVID-19 which led to limited investment outlets for depositors.

Corporate Banking's deposits from customers and banks increased by ₦237,271 million, or 28.2 per cent., from ₦842,308 million as of 31 December 2018, to ₦1,079,579 million as of 31 December 2019. This increase was largely a result of increased current deposits from corporate customers.

Total assets attributable to Corporate Banking decreased by ₦3,449,063 million, or 67.4 per cent., from ₦5,116,892 million as of 31 December 2020, to ₦1,667,829 million as of 30 June 2021, primarily due to increased investment securities and loans. Total assets attributable to Corporate Banking increased by ₦1,391,846 million, or 37.4 per cent., from ₦3,725,046 million as of 31 December 2019, to ₦5,116,892 million as of 31 December 2020. Total assets attributable to Corporate Banking increased by ₦525,044 million, or 16.4 per cent., from ₦3,200,002 million as of 31 December 2018, to ₦3,725,046 million as of 31 December 2019.

Total liabilities attributable to Corporate Banking decreased by ₦722,616 million, or 39.2 per cent., from ₦1,841,374 million as of 31 December 2020, to ₦1,118,758 million as of 30 June 2021. Total liabilities attributable to Corporate Banking increased significantly by ₦519,568 million, or 39.3 per cent., from ₦1,321,806 million as of 31 December 2019, to ₦1,841,374 million as of 31 December 2020. Total liabilities attributable to Corporate Banking increased by ₦272,003 million, or 25.9 per cent., from ₦1,049,803 million as of 31 December 2018, to ₦1,321,806 million as of 31 December 2019.

Retail & Commercial

Retail & Commercial's loans and advances increased by ₦531,936 million, or 93.9 per cent., from ₦566,783 million as of 31 December 2020, to ₦1,098,719 million as of 30 June 2021. This increase was primarily related to deepening of the Click Credit loan initiative which has helped improved loans to retail customer.

Retail & Commercial's loans and advances increased by ₦99,696 million, or 21.3 per cent., from ₦467,087 million as of 31 December 2019, to ₦566,783 million as of 31 December 2020. This increase was mainly the result of the introduction of the Click Credit initiative which has shown some progress in terms of acceptance.

Retail & Commercial's loans and advances increased significantly by ₦69,414 million, or 17.5 per cent., from ₦397,673 million as of 31 December 2018, to ₦467,087 million as of 31 December 2019. This increase was largely attributable to increased loan volumes from the Commercial and retail customers as the Group continues to consolidate its value chain strategy to on board more loan customers.

Retail & Commercial's deposits from customers and banks increased by ₦959,967 million, or 21.4 per cent., from ₦3,520,622 million as of 31 December 2020, to ₦4,480,589 million as of 30 June 2021. This increase was mainly due to increased current and savings deposits from this customer segment.

Retail & Commercial's deposits from customers and banks increased significantly by ₦1,152,064 million, or 48.6 per cent., from ₦2,368,558 million as of 31 December 2019, to ₦3,520,622 million as of 31 December 2020. This increase was primarily a result of the accommodative interest rate environment in 2020, occasioned by COVID-19 which led to limited investment outlets for depositors.

Retail & Commercial's deposits from customers and banks increased by ₦109,582 million, or 4.9 per cent., from ₦2,258,976 million as of 31 December 2018, to ₦2,368,558 million as of 31 December 2019. This was largely a result of increases savings and term deposits.

Total assets attributable to Retail & Commercial increased by ₦3,341,289 million, or 197.8 per cent., from ₦1,689,449 million as of 31 December 2020, to ₦5,030,738 million as of 30 June 2021, which was primarily due to increased loan volumes. Total assets attributable to Retail & Commercial increased significantly by ₦459,547 million, or 37.4 per cent., from ₦1,229,902 million as of 31 December 2019, to ₦1,689,449 million as of 31 December 2020. Total assets attributable to Retail & Commercial increased by ₦116,822 million, or 10.5 per cent., from ₦1,113,080 million as of 31 December 2018, to ₦1,229,902 million as of 31 December 2019.

Total liabilities attributable to Retail & Commercial increased by ₦1,126,417 million, or 28 per cent., from ₦4,020,692 million as of 31 December 2020, to ₦5,147,109 million as of 30 June 2021. Total liabilities attributable to Retail & Commercial increased significantly by ₦1,134,491 million, or 39.3 per cent., from ₦2,886,201 million as of 31 December 2019, to ₦4,020,692 million as of 31 December 2020. Total liabilities attributable to Retail & Commercial increased by ₦95,668 million, or 3.4 per cent., from ₦2,790,533 million as of 31 December 2018, to ₦2,886,201 million as of 31 December 2019.

Treasury & Financial Markets

Treasury & Financial Markets' loans and advances decreased by ₦259,046 million, or 84.5 per cent., from ₦306,527 million as of 31 December 2020, to ₦47,481 million as of 30 June 2021. This decrease was primarily related to decline in loans to banks.

Treasury & Financial Markets' loans and advances increased significantly by ₦53,918 million, or 21.3 per cent., from ₦252,609 million as of 31 December 2019, to ₦306,527 million as of 31 December 2020. This increase was mainly the result of funding to support correspondent banking and trade financing activities to third party banks across Sub-Sahara Africa.

Treasury & Financial Markets' loans and advances increased significantly by ₦55,026 million, or 27.8 per cent., from ₦197,583 million as of 31 December 2018, to ₦252,609 million as of 31 December 2019. This increase was largely attributable to funding to support correspondent banking and trade financing activities to third party banks across Sub-Sahara Africa.

Treasury & Financial Markets' deposits from customers and banks increased by ₦129,803 million, or 13.4 per cent., from ₦968,861 million as of 31 December 2020, to ₦1,098,664 million as of 30 June 2021. This increase was mainly due to increased money market deposits.

Treasury & Financial Markets' deposits from customers and banks increased significantly by ₦317,044 million, or 48.6 per cent., from ₦651,817 million as of 31 December 2019, to ₦968,861 million as of 31 December 2020. This increase was primarily a result of the accommodative interest rate environment in 2020, occasioned by COVID-19 which led to limited investment outlets for institutional depositors.

Treasury & Financial Markets' deposits from customers and banks increased by ₦229,145 million, or 54.2 per cent., from ₦422,672 million as of 31 December 2018, to ₦651,817 million as of 31 December 2019. This increase was largely a result of increased Term deposits from institutional deposit customers.

Total assets attributable to Treasury & Financial Markets increased by ₦725,104 million, or 123 per cent., from ₦891,639 million as of 31 December 2020, to ₦1,616,743 million as of 30 June 2021. Total assets attributable to Treasury & Financial Markets increased significantly by ₦242,535 million, or 37.4 per cent., from ₦649,104 million as of 31 December 2019, to ₦891,639 million as of 31 December 2020. Total assets attributable to Treasury & Financial Markets increased by ₦92,448 million, or 16.6 per cent., from ₦556,656 million as of 31 December 2018, to ₦649,104 million as of 31 December 2019.

Total liabilities attributable to Treasury & Financial Markets increased by ₦185,156 million, or 16.7 per cent., from ₦1,111,766 million as of 31 December 2020, to ₦1,296,922 million as of 30 June 2021. Total liabilities attributable to Treasury & Financial Markets increased significantly by ₦313,699 million, or 39.3 per cent., from ₦798,067 million as of 31 December 2019, to ₦1,111,766 million as of 31 December 2020. Total liabilities attributable to Treasury & Financial Markets increased by ₦271,273 million, or 51.5 per cent., from ₦526,794 million as of 31 December 2018, to ₦798,067 million as of 31 December 2019.

Funding and Liquidity

The Group believes that its management of assets and liabilities have allowed it to maintain prudent levels of liquidity. In line with the CBN Prudential Guidelines, which require the Group, to maintain a minimum liquidity ratio of 30.0 per cent. As at 30 June 2021, the Group's liquidity ratio was 62.3 per cent. as at 30 June 2021, compared to 66.0 per cent. as at 31 December 2018. The liquidity ratio is the ratio of net liquid assets to deposits from customers. For a summary of the effect of the Group's undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity, see "*Asset, Liability and Risk Management—Liquidity Risk*".

For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitment maturing within one month.

As at 30 June 2021, the Group's funding base consisted of customer deposits (73.3 per cent.), deposits from banks (6.8 per cent.), borrowings (6.8 per cent.), equity (9 per cent.) and other liabilities (4.1 per cent). See "*—Financial condition as at 30 June 2021 and 31 December 2020, 2019 and 2018*" above for more information on the Group's funding sources. Historically, the Group's long-term funding sources consisted primarily of equity. However, the Group also has some long-term borrowings from international financial institutions and multilateral agencies. See Notes 34 through 38 to the H1 Financial Statements for further information regarding the Group's funding base.

The following table sets out certain liquidity ratios for the Group as at the dates indicated:

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(%)		
Liquid assets(1)/total assets	45.6	44.7	37.9	45.4
Liquid assets(1)/customer deposits	62.3	60.6	55.4	66.0
Liquid assets(1)/liabilities up to three months	55.9	52.9	48.6	60.5
Loans to customers, net/total assets	31.7	33.2	36.8	35.2
Loans to customers, net/customer deposit	43.2	45.0	53.8	51.2
Loans to customers, net/total equity	350.1	352.8	344.7	341.3

(1) Liquid assets is comprised of the following components:

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Cash and bank balances (including unrestricted balances with central banks, but excluding restricted balances with central banks)	728,843	643,898	410,765	648,446
Money market placements	216,689	126,832	153,355	8,467
Financial assets at FVTPL	147,867	214,400	102,388	19,439
Investment securities at FVOCI	677,815	1,293,730	786,940	933,900
Investment securities at amortised cost	2,024,041	1,160,156	670,998	600,789
Total	**3,795,255**	**3,439,016**	**2,124,446**	**2,211,041**

Off-balance sheet arrangements

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. These instruments involve varying degrees of credit risk and are not reflected in the balance sheet of the Group.

As at 30 June 2021, the Group has issued outstanding performance bonds and guarantees totalling ₦291,687 million as compared to ₦170,047 million as at 31 December 2020. The increase was primarily attributable to a growth in the volume of customer transactions. As at 30 June 2021, the Group had letters of credit totalling ₦1,055,857 million compared to ₦685,975 million as at 31 December 2020. The growth in off-balance sheet transactions between 31 December 2020 and 30 June 2021, particularly letters of credit, was largely related to improved volumes of foreign trade transactions.

The Group had ₦48,574 million in outstanding performance bonds and guarantees as at 31 December 2019, representing a decrease from ₦427,439 million in outstanding performance bonds and guarantees as at 31 December 2018. The Group had letters of credit totalling ₦594,952 million as at 31 December 2019 compared to ₦215,689 million as at 31 December 2018.

The Group's maximum exposure to credit losses for off-balance sheet arrangements is reflected in the contractual amount of these transactions. The possibility of outflows in settlement of the contingent liabilities is considered remote. In accordance with the CBN Prudential Guidelines, the maximum amount that can be included in off-balance sheet arrangements is 150 per cent. of shareholders' funds and was ₦1,347,545 million, ₦856,022 million, ₦643,526 million and ₦643,128 million as at 30 June 2021 and 31 December 2020, 2019 and 2018, respectively.

Capital commitments

Capital commitments are irrevocable contractual commitments for the acquisition of items of property and equipment or intangible assets. As at 30 June 2021, the Group had capital commitments of ₦6,131 million as compared to ₦5,247 billion as at 31 December 2020, ₦4,204 million as at 31 December 2019 and ₦8,130 million as at 31 December 2018, in each case in respect of authorised and contracted capital projects.

Capital adequacy

The Bank calculates its risk-weighted capital adequacy ratio as the quotient of the qualified capital base of the Bank and the Bank's risk weighted asset base. The Bank's risk-weighted capital adequacy ratio was 22.4 per cent. as at 31 December 2020, 24.2 per cent. as at 31 December 2019 and 24.0 per cent. as at 31 December 2018. In accordance with CBN Regulations, Nigerian banks with international banking operations are required to maintain a total risk-weighted capital adequacy ratio of 15 per cent. and domestic banks are required to maintain a total risk-weighted capital adequacy ratio of 10 per cent. The Bank has applied the Basel II framework in its estimate of risk-weighted capital adequacy ratio and as part of its capital management strategy, in line with the CBN Prudential Guideline. Substantial enhancements were made to the risk management framework based on the guidelines of the Basel II capital accord (the "**Basel II Capital Accord**") and the Bank's risk management system became compliant with Basel II principles in January 2015, in accordance with the CBN Guidelines. The Group's risk-weighted capital adequacy ratio was 23.9 per cent. as at 30 June 2021, 22.4 per cent. as at 31 December 2020, and 24.2 per cent. as at 31 December 2019.

In May 2016, the CBN extended the deadline for the implementation of higher risk-weighted capital adequacy ratio requirements for systemically important banks in Nigeria ("**SIBs**"). The policy, which was to take effect from 1 July 2016, has been deferred to an undisclosed date and stipulates the implementation of a 16 per cent. minimum for SIBs. Eight designated banks, including the Bank, were required to hold more liquid assets and have a liquidity ratio of 35 per cent. On 14 March 2016, the CBN tightened risk-weighted capital adequacy ratio requirements such that all intragroup placements will be assigned a minimum risk weight of 100 per cent. (up from 20 per cent.) owing to perceived risks from such exposures.

The following table sets forth the Bank's capital adequacy as at the dates indicated, prepared in accordance with IFRS:

	As at 31 December		
	2020	**2019**	**2018**
	(*₦ millions except percentages*)		
Tier 1 capital			
Ordinary Share capital	17,100	17,100	17,100
Share premium	98,715	98,715	98,715
Retained earnings	95,480	103,442	89,217
Other reserves	97,451	86,068	74,603
Gross Tier 1 capital	**308,746**	**305,325**	**279,635**
Less:			
Deferred tax on accumulated losses	7,816	6,362	10,779
Intangible assets	16,237	7,070	6,911
Tier 1 capital after regulatory deduction	**284,693**	**291,893**	**261,945**
Investment in subsidiaries	(51,638)	(51,638)	(51,889)
Eligible Tier 1 capital	**233,055**	**240,255**	**210,056**
Tier 2 capital			
Fair value reserve for securities measured at FVOCI	123,421	117,995	69,751
Subordinated liabilities	-	30,048	29,859
Less: Limit of tier 2 to tier 1 capital	(28,523)	(50,745)	(12,295)
Qualifying Tier 2 capital before deductions	**94,898**	**97,298**	**87,315**
Less: Investment in subsidiaries	(51,638)	(51,889)	(51,889)
Net Tier 2 capital	**43,260**	**45,409**	**35,426**
Qualifying capital			
Net Tier 1 regulatory capital	233,055	240,255	210,056
Net Tier 2 regulatory capital	43,260	45,409	35,426
Total qualifying capital	**276,315**	**285,664**	**245,482**
Composition of risk-weighted assets:			
Risk-weighted amount for credit risk	991,245	918,586	873,808
Risk-weighted amount for operational risk	396,319	369,284	348,242
Risk-weighted amount for market risk	15,390	40,361	26,460
Total Basel II risk-weighted assets	**1,402,955**	**1,328,231**	**1,248,510**
Basel II capital ratios			
Risk weighted capital adequacy ratio (%)	22.4	24.2	24.0

Related Party Transactions

Save as disclosed in Note 42 to each of the Financial Statements appearing elsewhere in this Base Prospectus, the Group has not entered into any other related party transactions with any related party during the six months ended 30 June 2021, the year ended 31 December 2020, the year ended 31 December 2019 and the year ended 31 December 2018.

As at 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018, 0.5 per cent., 0.6 per cent., 0.9 per cent. and 1.4 per cent. of the Group's gross loans and advances to customers were made to related parties, respectively.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for the Group as at the dates and for the periods indicated. The selected statistical information should be read in conjunction with the Financial Statements included elsewhere in this Base Prospectus and the information included in "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" as well as "*Presentation of Financial and Certain Other Information*". Investors should also note that certain information included in this section (including monthly average balances and interest rates) were prepared based on the unaudited management accounts of the Group and is not extracted from the audited Financial Statements.

Average balances and interest rates

The following table sets forth the consolidated average balances of interest-earning assets and interest-bearing liabilities of the Group for the six months ended 30 June 2021 and 2020 and for the years ended 31 December 2020, 2019 and 2018. The table also sets forth the amount of interest income earned and interest expense incurred by the Group for the same periods, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities. For the purposes of this table, the average balances of assets and liabilities for the Group have been calculated on the basis of daily average balances.

	For the six months ended 30 June					
	2021			2020		
	Average Balance	Interest Income/ Expense	Average Rate (%)	Average Balance	Interest Income/ Expense	Average Rate (%)
	(₦ millions, except percentages)					
Interest-earning assets:						
Cash and cash equivalents	144,009	6,572	9.1	78,569	6,480	16.5
Trading assets(1)	107,259	2,309	4.3	78,035	849	2.2
Investment securities	2,275,288	84,926	7.5	1,695,323	82,192	9.7
Loans and advances to banks	109,579	10,382	18.9	74,225	2,174	5.9
Loans and advances to customers(2)	2,410,461	118,442	9.8	1,936,936	113,891	11.8
Total interest-earning assets	**5,046,595**	**222,631**	**8.8**	**3,863,088**	**205,586**	**10.6**
Interest-bearing liabilities:	5,748	435	15.1	2,874	242	16.8
Deposits from banks	540,608	6,621	2.4	355,900	9,910	5.6
Deposits from customers	4,800,310	42,434	1.8	4,155,274	53,381	2.6
Debt securities	-	-	-	29,976	2,947	19.7
Other borrowings	584,592	25,073	8.6	637,115	19,782	6.2
Total interest-bearing liabilities	**5,931,258**	**74,563**	**2.5**	**5,181,138**	**86,262**	**3.3**
Net interest spread(3) (%)			**6.1**			**7.3**
Net interest income		**148,068**			**119,324**	
Net interest margin(4) (%)		**5.9**			**6.2**	

	For the year ended 31 December								
	2020			2019			2018		
	Average Balance(1)	Interest Income/ Expense	Average Rate (%)	Average Balance(1)	Interest Income/ Expense	Average Rate (%)	Average Balance(1)	Interest Income/ Expense	Average Rate (%)
	(₦ millions, except percentages)								
Interest-earning assets:									
Money market placements	140,094	12,089	8.6	80,911	14,864	18.4	36,657	7,814	21.3
Trading assets	158,394	5,207	3.3	60,914	14,526	23.8	25,669	2,339	9.1
Investment Securities	1,955,218	170,796	8.7	1,495,911	149,153	10.0	1,328,208	154,158	11.6
Loans and advances to banks	92,815	9,521	10.3	62,004	594	1.0	18,219	3,667	20.1
Loans and advances to customers	2,308,061	225,042	9.8	1,888,216	207,960	11.0	1,683,088	194,944	11.6
Total interest-earning assets	**4,654,582**	**422,655**	**9.1**	**3,587,956**	**387,097**	**10.8**	**3,091,841**	**362,922**	**11.7**
Interest-bearing liabilities:									
Lease liabilities	4,280	516	12.1	815	276	33.9	-	-	-
Deposits from banks	342,614	16,240	4.7	220,953	11,018	5.0	154,563	7,083	4.6
Deposits from customers	4,754,448	103,628	2.2	3,591,002	125,046	3.5	3,041,234	106,010	3.5
Debt securities	15,024	2,505	16.7	29,954	5,207	17.4	47,800	9,032	18.9
Other borrowings	726,519	45,506	6.3	721,107	41,408	5.7	592,871	35,151	5.9
Total liabilities	**5,842,883**	**168,395**	**2.9**	**4,563,831**	**182,955**	**4.0**	**3,836,467**	**157,276**	**4.1**
Net interest spread(2) (%)			**6.2**			**6.8**			**7.6**
Net interest income		**254,260**			**204,142**			**205,646**	
Net interest margin(3) (%)		**5.5**			**5.7**			**6.7**	

(1) Average balances are net of impairment allowance.
(2) Net interest spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities.
(3) Net interest margin is calculated as the Group's net interest income divided by the daily average balance of the Group's total interest-earning assets during the applicable period.

Interest-earning assets: yield, margin and spread

The following table sets forth the Group's net interest income, yield, margin and spread for the six months ended 30 June 2021 and 2020 and for years ended 31 December 2020, 2019 and 2018.

	For the six months ended 30 June	
	2021	2020
	(₦ millions, except percentages)	
Net interest income (Naira)	86,446	68,445
Net interest income (Foreign Currency)	61,622	50,879
Yield on interest-earning assets (Naira)(1)	9.5%	11.5%
Yield on interest-earning assets (Foreign Currency)(1)	6.0%	8.0%
Yield on interest-bearing liabilities (Naira)(2)	2.0%	3.0%
Yield on interest-bearing liabilities (Foreign Currency)(2)	2.1%	2.8%
Net interest margin (Naira)(3) (%)	6.8%	7.0%
Net interest margin (Foreign Currency)(3) (%)	3.6%	4.4%
Net interest spread (Naira)(4) (%)	7.4%	8.5%
Net interest spread (Foreign Currency)(4) (%)	3.9%	5.1%

(1) Yield on interest-earning assets is calculated by dividing total interest by average volume.
(2) Yield on interest-bearing liabilities is calculated by dividing total interest by average volume.
(3) Net interest margin is calculated as the Group's net interest income divided by the daily average balance of the Group's total interest-earning assets during the applicable period. Daily average balances of total interest-earning assets are calculated as the monthly average of daily balances during the applicable period.
(4) Net interest spread is calculated as the difference between the average interest rate on the Group's interest-earning assets and the average interest rate on the Group's interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities are calculated as the monthly average of daily balances during the applicable period.

	As at and for the year ended 31 December		
	2020	2019	2018
	(₦ millions, except percentages)		
Net interest income (Naira)	145,848	155,928	158,460
Net interest income (Foreign Currency)	113,619	65,947	47,186
Yield on interest-earning assets (Naira)(1)	9.9%	15.0%	14.2%
Yield on interest-earning assets (Foreign Currency)(1)	5.7%	5.8%	7.2%
Yield on interest-bearing liabilities (Naira)(2)	3.2%	5.4%	4.3%
Yield on interest-bearing liabilities (Foreign Currency)(2)	1.6%	2.2%	3.2%
Net interest margin (Naira)(3)	5.4%	8.3%	9.3%
Net interest margin (Foreign Currency)(3)	4.0%	3.1%	4.4%
Net interest spread (Naira)(4)	6.7%	9.6%	9.9%
Net interest spread (Foreign Currency)(4)	4.2%	3.6%	4.0%

(1) Yield on interest-earning assets is calculated by dividing total interest by average volume.
(2) Yield on interest-bearing liabilities is calculated by dividing total interest by average volume.
(3) Net interest margin is calculated as the Group's net interest income divided by the daily average balance of the Group's total interest-earning assets during the applicable period. Daily average balances of total interest-earning assets are calculated as the monthly average of daily balances during the applicable period.
(4) Net interest spread is calculated as the difference between the average interest rate on the Group's interest-earning assets and the average interest rate on the Group's interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities are calculated as the monthly average of daily balances during the applicable period.

Net changes in interest income and interest expense — Volume and rate analysis

The following table provides a comparative analysis of net changes in interest income and interest expense of the Group by reference to changes in the average volume and average rates for the periods indicated. Net changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for interest-earning assets and interest-bearing liabilities on which interest is earned or incurred. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume change) of interest bearing assets or interest bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities or (iii) changes in rate/volume. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate/volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. See "—*Average balances and interest rates*" above for an explanation of the calculation of the average balances.

	Change from 30 June 2021 to 30 June 2020			
	Volume	Rate	Volume/Rate	Net change
	(₦ millions)			
Interest-earning assets:				
Cash and cash equivalents	5,397	(2,894)	(2,411)	92
Investment securities	28,526	(18,111)	(6,222)	4,194
Loans and advances to banks	1,035	4,858	2,314	8,208
Loans and advances to customers	27,843	(18,716)	(4,576)	4,551
Total	**62,802**	**(34,863)**	**(10,894)**	**17,045**
Interest-bearing liabilities:				
Deposits from banks	5,143	(5,551)	(2,881)	(3,289)
Deposits from customers	8,287	(16,649)	(2,584)	(10,947)
Debt securities	(2,947)	(2,947)	2,947	(2,947)
Other borrowings	(1,631)	7,544	(622)	5,291
Total	**8,852**	**(17,604)**	**(3,140)**	**(11,892)**

	Changes from 31 December 2019 to 31 December 2020				Changes from 31 December 2018 to 31 December 2019			
	Increase/(decrease) due to changes in							
	Volume	Rate	Volume/ Rate	Net change	Volume	Rate	Volume/ Rate	Net change
	(₦ millions)							
Interest-earning assets:								
Cash and Cash Equivalents	10,872	(7,882)	(5,765)	(2,775)	9,434	(1,080)	(1,304)	7,050
Investment Securities	58,539	(34,040)	(12,174)	12,324	23,459	(14,155)	(2,122)	7,182
Loans and Advances to Banks	295	5,766	2,865	8,927	8,813	(3,492)	(8,394)	(3,073)
Loans and Advances to Customers	46,240	(23,854)	(5,304)	17,082	23,759	(9,576)	(1,167)	13,016
Total	**115,946**	**(60,010)**	**(20,378)**	**35,558**	**65,465**	**(28,303)**	**(12,986)**	**24,175**
Interest-bearing liabilities:								
Deposits from Banks	6,067	(545)	(300)	5,222	3,042	624	268	3,935
Deposits from Customers	40,514	(46,776)	(15,155)	(21,418)	19,164	(108)	(20)	19,036
Debt Securities	(2,595)	(213)	106	(2,702)	(3,372)	(723)	270	(3,825)
Other Borrowings	311	3,759	28	4,098	7,603	(1,107)	(239)	6,257
Total	**44,296**	**(43,775)**	**(15,321)**	**(14,800)**	**26,437**	**(1,313)**	**279**	**25,403**

Deposits

The following table shows the composition of the Group's deposits at the end of the reported periods, and the average rate paid on such deposits, for the periods indicated. For the purposes of these tables, the average rates on deposits for the Group have been calculated on the basis of daily averages.

	As at 30 June 2021	
	Volume	Rate (%)
	(₦ millions, except percentages)	
Domestic branches:		
Non-interest-bearing demand deposits	1,896,615	0.92
Savings deposits	1,269,507	0.41
Time deposits	647,779	3.71
Total domestic deposits	**3,813,901**	**1.22**
Foreign branches	2,281,673	1.67
Total deposits	**6,095,574**	**1.39**

	As at 31 December					
	2020		2019		2018	
	Volume	Rate (%)	Volume	Rate (%)	Volume	Rate (%)
	(₦ millions, except percentages)					
Domestic branches:						
Non-interest bearing demand deposits	1,830,940	1.2	1,135,215	1.7	1,123,561	1.4
Savings deposits	1,199,738	1.7	711,516	3.3	578,963	3.3
Term deposits	660,066	4.0	824,495	7.5	620,483	7.3
Total domestic deposits	**3,690,744**	**1.9**	**2,671,226**	**3.9**	**2,323,007**	**3.4**
Foreign branches	**1,985,267**	**1.8**	**1,161,658**	**1.7**	**1,026,113**	**2.5**
Total deposits	**5,676,011**	**1.8**	**3,832,884**	**3.3**	**3,349,120**	**3.2**

Loan portfolio

Distribution of loans by economic sector

The following table sets forth the Group's net loans and advances to customers by economic sector as at the dates indicated.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
	(₦ millions)			
Agriculture	84,192	82,215	59,606	83,724
Oil and gas	374,935	498,788	371,005	382,998
General commerce	417,179	241,790	285,366	225,672
General	147,423	205,472	130,321	137,173
Manufacturing	359,124	312,884	309,305	287,963
Construction and real estate	159,140	123,739	84,902	50,879
Finance and insurance	147,525	128,357	104,942	108,164
Governments	479,317	515,783	333,420	157,217
Power and energy	261,444	242,943	211,879	188,037
Transportation and storage	15,982	12,161	20,627	3,042
Information and communication	174,237	166,148	133,116	73,495
Education	14,058	24,695	16,658	16,922
Total	**2,634,556**	**2,554,975**	**2,061,147**	**1,715,286**

Maturity profile of the Group's loan portfolio

The following table sets forth the maturity analysis of the net loans and advances to customers as at the dates indicated.

	Within 30 days	From 31 – 90 days	From 91 - to 365 days	From 1 to 5 years	Over 5 years	Total
	(₦millions)					
As at 30 June 2021	940,738.8	189,806.6	279,566.2	556,477.8	667,965.1	**2,634,554.4**
As at 31 December 2020	1,076,902.8	297,284.0	226,854.1	397,856.3	556,077.9	**2,554,975.0**
As at 31 December 2019	961,309.8	185,872.2	200,879.7	345,678.1	367,407.2	**2,061,147.0**
As at 31 December 2018	938,762.6	254,357.9	119,199.6	272,785.9	130,179.1	**1,715,285.0**

Loan concentration

The following table sets forth information on the Group's exposure to borrowers with the ten largest balances of outstanding loans, which constituted 19 per cent. of total gross loans and advances to customers as at 31 December 2020.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
	(₦ millions)			
Loans extended to the Group's 10 largest borrowers	716,100	654,440	549,060	424,530
Loans extended to other borrowers	2,010,251	2,011,882	1,598,223	1,382,863
Total gross loans and advances	**2,726,351**	**2,666,322**	**2,147,283**	**1,807,393**

Geographical distribution of the Group's loan portfolio

The following table sets forth the geographical distribution of the Group's gross loans and advances to customers and banks as at the dates indicated.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Nigeria	2,007,348	1,941,878	1,659,104	1,289,971
South South	84,710	81,947	70,014	54,437
South West	1,221,873	1,182,021	1,009,897	785,205
South East	367,746	355,752	303,948	236,323
North West	92,137	89,132	76,153	59,210
North Central	138,306	133,795	114,312	88,879
North East	102,576	99,230	84,780	65,918
Anglophone Africa (excluding Nigeria)	132,497	197,412	168,935	113,074
Francophone Africa	741,357	606,426	429,368	420,496
Total	**2,881,201**	**2,745,716**	**2,257,406**	**1,823,540**

Loans to customers and banks by credit quality classification

The following table shows the Group's loans to customers and banks by credit quality classification as at the dates indicated.

	Loans and advances to customers				Loans and advances to banks			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2021	2020	2019	2018	2021	2020	2019	2018
				(₦ millions)				
Carrying amount	2,634,556	2,554,975	2,061,147	1,715,285	151,965	77,419	108,211	15,797
Stage 1	2,323,650	2,219,123	1,561,846	1,462,532	151,965	77,419	108,211	15,797
Stage 2	261,537	258,133	421,373	197,244	-	-	-	-
Stage 3	49,368	77,719	77,930	55,509	-	-	-	-
Total	**2,634,555**	**2,554,975**	**2,061,147**	**1,715,285**	**151,965**	**77,419**	**108,211**	**15,797**
Impairment	**91,797**	**111,347**	**86,136**	**92,108**	**2,885**	**1,975**	**1,912**	**350**

Non-performing loans

Loans and advances under close monitoring

The following table sets forth the breakdown of the Group's non-performing and past due but not impaired loans as at the dates indicated.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
NPLs	100,062	128,801	114,003	116,660
Past due but not impaired	20,532	15,473	16,003	16,087

Distribution of non-performing loans by sector

The following table presents the Group's NPLs by sector as at the dates indicated.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Agriculture	1,002	617	794	514
Oil and gas	32,010	47,721	44,771	40,831
General (represents consumer credit – loans to individuals, professionals and religious bodies, not conglomerates)	24,790	28,444	20,523	11,666
General commerce	16,416	18,821	16,848	11,666
Administrative & support services activities	1,474	1,443	805	402
Manufacturing	5,597	4,591	7,793	3,500
Real estate and construction	4,399	5,270	2,998	2,104
Finance and insurance	444	416	326	298
Government	9,630	16,892	16,596	999
Others	400	411	1,512	513
Power & energy	3,090	3,187	809	915
Information & communication	230	160	130	43,164
Education	580	828	98	88
Total	**100,062**	**128,801**	**114,003**	**116,660**

Distribution of non-performing loans by geography

The following table presents the Group's NPLs by geography as at the dates indicated.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Nigeria	**47,270**	**43,328**	**39,650**	**53,992**
South South	4,630	4,130	3,760	3,010
South West	30,000	27,480	27,896	42,168
South East	2,860	2,730	2,758	2,835
North West	3,280	2,828	2,270	1,049
North Central	5,910	5,630	2,586	4,460
North East	590	530	380	470
Rest of Africa	**52,792**	**85,473**	**74,353**	**62,668**
Total	**100,062**	**128,801**	**114,003**	**116,660**

Changes in provision for loan impairment

The following table sets out details of movements in the Group's provision for loan losses for the periods indicated.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Balance at the beginning of the period	**111,347**	**86,136**	**92,108**	**104,507**
Impairment loss for the period:				
Charge for the year	5,593	4,524	17,871	34,280
Write-back of impairment charge	(2,891)	14,842	(3,711)	(36,991)
Exchange difference	6,082	5,845	-	-
Net impairment for the period	**8,784**	**25,212**	**14,160**	**(2,711)**
Write offs	28,334	-	20,132	9,688
Balance at the end of the period	**91,797**	**111,347**	**86,136**	**92,108**

Investment securities

The following table sets out details of the Group's investment securities held for sale as at the dates indicated.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Government bonds, treasury bills and other bonds	677,815	1,293,730	786,940	933,900
Equity securities at fair value – unlisted	129,738	127,797	114,108	102,753
Total investment securities held for sale	**807,553**	**1,421,527**	**901,048**	**1,036,653**

The following table shows the contractual maturity distributions of securities held as at the dates indicated.

	Maturity periods			
	Due within 3 months	Due within 3 to 12 months	Over 12 months	Total gross
		(₦ millions)		
As at 30 June 2021	191,683	379,373	332,983	**904,038**
As at 31 December 2020	810,548	445,158	206,168	**1,463,815**
As at 31 December 2019	145,305	646,824	209,015	**1,001,144**
As at 31 December 2018	275,014	572,756	520,427	**1,368,197**

Credit-related commitments

The following table sets forth the Group's credit-related commitments as at the dates indicated.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
		(₦ millions)		
Performance bonds and guarantees	293,734	170,988	48,692	428,043
Letters of credit	1,059,975	687,841	595,896	217,764
Loan commitments	87,499	95,030	87,028	159,543
Total credit-related commitments	**1,441,208**	**953,859**	**731,616**	**805,350**

Return on assets and equity

The following table shows the Group's return on assets and equity as at the dates indicated.

	For the six months ended 30 June	For the year ended 31 December		
	2021	2020	2019	2018
		(₦ millions except percentages)		
Net profit	60,581	113,765	89,089	78,607
Average total assets[(1)]	7,545,338	6,651,016	5,245,323	4,469,606
Return on average assets (%)[(2)]	1.6	1.7	1.7	1.8
Return on average equity (%)[(3)]	17.5	17.2	16.2	15.3
Average equity[(4)]	693,627	661,063	550,293	515,194
Equity to assets ratio (%)[(5)]	9.0	9.4	10.7	10.3

(1) Average total assets is calculated as the average opening (1 January) and closing (31 December) balances of total assets.
(2) Return on average assets is calculated as net profit for the year attributable to equity holders divided by the average total assets. Return on average assets is presented on an annualised basis for the six months ended 30 June 2021.
(3) Return on average equity is calculated as net profit for the year attributable to equity holders divided by the average equity. Return on average equity is presented on an annualised basis for the six months ended 30 June 2021.
(4) Average equity is calculated as the average opening (1 January) and closing (31 December) balances of equity attributable to equity holders.
(5) Equity to assets ratio is calculated as total equity divided by the total assets.

DIRECTORS AND SENIOR MANAGEMENT

Overview of Nigerian Company Law

The CAMA regulates the affairs of companies in Nigeria while the BOFIA regulates the conduct of banking operations and business. Under Nigerian law, a company acts directly through its shareholders or its board of directors or indirectly through officers or agents appointed by, or under the authority derived from, the shareholders or the board of directors. Every company is required to register a copy of its memorandum and articles of association with the Corporate Affairs Commission of Nigeria ("**CAC**"). Once registered, the memorandum and articles of association have the effect of a contract under seal between the company and its shareholders and officers and between the shareholders and officers themselves. The memorandum of association, amongst other things, states the nature of the business of the company and any restrictions on its powers. The respective powers of the shareholders and the board of directors are contained in the articles of association of the company. Except as otherwise contained in the articles, the business of a company is to be managed by the board of directors, who may in turn delegate its powers to board committees or the managing director. The articles of association prescribe the regulations of the company.

The Group's management structure is as follows:

The Board of Directors

As at the date of this Base Prospectus, the Board of Directors comprised 16 members, six of whom are Executive Directors (including the Group Managing Director/Chief Executive Officer and the Group Deputy Managing Director) and the remaining 10 of whom are non-executive Directors of the Board ("**Non-Executive Directors**") (including 3 independent Directors). The Board members are professionals in their respective fields and are knowledgeable in business matters with extensive experience and credible track records. The Non-Executive Directors are not employees of the Group and contribute actively to the Board of Director's deliberations and decision making.

The Group created the position of Deputy Managing Director in July 2020 and appointed Oliver Alawuba (see below in *"Director Profiles – Oliver Alawuba, Executive Director")* and Ayoku Liadi. In October 2021, Mr. Liadi expressed an intention to resign from the Board effective 4 October 2021.

The Board of Directors is responsible for formulating the broader policies of the Group and makes decisions in respect of the management and operations of the Group with a view to attaining its overall corporate objectives. The responsibilities of the Directors are well defined with no individual Director dominating the Board. The chairman of the Board (the "**Chairman**") is not a member of any Board Committees. The role and office of the Chairman is separate from that of the Managing Director, in line with CBN and the Nigerian SEC requirements. The Chairman does not have any involvement in the day-to-day operations of the Group; the Chairman is primarily responsible for the working of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. No two members of the same extended family occupy the position of Chairman and that of Managing Director or Executive Director of the Group at the same time.

Directors are appointed in line with the Group's Corporate Governance Charter (the "**Corporate Governance Charter**") and with the CBN's Policy on Approved Persons Regime. All Directors on the Group's Board have been approved by the CBN.

Directors on the Board of the Group are nominated by shareholders and then presented to the Board of Directors for approval after initial recommendation by the Board Governance Committee. All appointments are also subject to the approval of the CBN in addition to ratification at general meetings of the Group. Eligibility requirements for Directors are set forth in the Corporate Governance Charter and applicable policies of the CBN.

The Board of Directors meets once every quarter and additional meetings are convened as the need arises. Sufficient notice and a detailed agenda and reports are provided in advance of such meetings.

Director Profiles

Tony O. Elumelu, CON, Chairman

Mr. Elumelu is the Chairman of the Group and a Non-Executive Director. He holds a BSc from Ambrose Alli University, an MSc from the University of Lagos and an AMP from Harvard Business School.

In his early career Mr. Elumelu worked at Standard Trust Bank and in 2005 led the merger between STB and the Group. In addition to his current role at the Group, Mr. Elumelu serves as the Chairman of Heirs Holdings, an African investment holding company founded by Mr. Elumelu, and Transcorp Plc, Nigeria's largest listed conglomerate. Mr. Elumelu presently sits on a number of public and social sector boards, including the United Nations Sustainable Energy for All Initiative and the United States Agency for International Development's Private Capital Group for Africa Partners Forum. He is also the founder of the Tony Elumelu Foundation, an Africa-based charity dedicated to catalyzing entrepreneurship across Africa.

Mr. Elumelu has been honored by the Federal Government as a member of the Federal Republic and was later named a Commander of the Order of the Niger for his service in promoting private enterprise. In 2020, in recognition of his business leadership and economic empowerment of young African entrepreneurs, he was named in the Time100 Most Influential People in the World, and recognised with Belgium's oldest and highest royal order.

Mr. Elumelu was appointed Chairman in 2014.

Ambassador Joseph Chiedu Keshi, Vice Chairman

Ambassador Keshi is the Vice Chairman of the Group and a Non-Executive Director. Ambassador Keshi holds a BSc in Political Science from the University of Ibadan and an MA in Administration and Development from the Institute of Social Studies, the Hague.

A career diplomat of over 35 years, Ambassador Keshi's experience has included serving Nigeria in some of its most eminent government departments. He successfully served as Permanent Secretary in the Ministry of Foreign Affairs, the Cabinet Secretariat and the Ministry of the Presidency. His work has taken him across four continents, including as Charge d'Affaires for the Embassy of Nigeria in The Hague, Netherlands and Consul-General of Nigeria in Atlanta, Georgia. His work at the Group involves supporting the executive management in their steering of the Group.

Ambassador Keshi was appointed Vice Chairman in 2014.

Kennedy Uzoka, Executive Director

Mr. Uzoka is the Group Managing Director ("**GMD**") and Chief Executive Director of the Group and an Executive Director. Mr. Uzoka holds a BSc in Mechanical Engineering from the University of Benin, an MBA from the University of Lagos and an AMP from Harvard Business School.

Mr. Uzoka has had a lengthy career at the Group, which over the course of two decades has seen him at the helm of a number of critical departments. Mr. Uzoka began his career at Standard Trust Bank, where prior to the merger he served as Regional Director South East and Chief Marketing Officer. He later served as the Head of Strategy and Business Transformation and Head of Resources at the Group and supervised the Group's businesses in New York and London. Immediately prior to his appointment as GMD and CEO of the Group, he served as the Deputy Managing Director and CEO of UBA Africa.

Mr. Uzoka joined the Board of Directors of the Group in 2010 and was appointed GMD and Chief Executive Officer in 2016.

Oliver Alawuba, Executive Director

Mr. Alawuba is the Deputy Managing Director and an Executive Director, having originally joined the Group in 1997. A member of the Association of Bank Directors in Nigeria, he had previously supervised the Group's Public Sector and Personal Banking businesses. He has over 25 years of banking experience.

Mr. Alawuba joined the Board of Directors of the Group in 2016 and was appointed as a Deputy Managing Director in 2020.

Chiugo Ndubisi, Executive Director

Mr. Ndubisi is an Executive Director (Treasury and International Banking). Mr. Ndubisi holds a first-class honours degree in Engineering from the University of Nigeria Nsukka and a Master of Business Administration degree from the University of Lagos.

A fellow of the Institute of Chartered Accountants of Nigeria, Chartered Institute of Bankers of Nigeria and Chartered Institute of Taxation of Nigeria, Mr Ndubisi's career spans over 20 years in the Banking industry.

Prior to joining UBA, Mr. Ndubisi was an executive director and chief financial officer of Diamond Bank Plc, a position he held until the merger of Diamond Bank and Access Bank Plc in April 2019.

In the course of his career, Mr. Ndubisi has served as a member of the Board of Trustees, Central Bank of Nigeria Banking Industry Resolution Trust fund, as well as a member of the Audit Committee of the Nigeria Interbank Settlement Systems.

Mr. Ndubisi joined United Bank for Africa in May 2019 and was appointed to the Board of Directors of the Group in 2020.

Chukwuma Nweke, Executive Director

Mr. Nweke is the Group Chief Operating Officer and an Executive Director. An accounting graduate of the University of Nigeria at Nsukka, Mr. Nweke holds an MBA from the same university. Mr. Nweke is also a qualified Chartered Accountant. He has over 25 years of banking experience and joined the Board of the Group in 2016.

Ibrahim Puri, Executive Director

Mr. Puri is the Directorate Head for Northern Nigeria. He holds an MSc in Banking and in Finance from Bayero University, Kano. Mr. Puri has over 25 years of banking experience and joined the Board of the Group in 2016.

Uche Ike, Executive Director

Mr. Ike is currently the Group's CRO and has responsibility for coordinating the risk management activities of the Group. He has been with the Group since 2006 and has served in a number of prominent roles, first as Group Head of Operations in South and South East Banks and then for a period of five years as General Manager at the Bank's New York branch. Mr. Ike has over 27 years of banking experience and is an Associate Member of the Institute of Chartered Accountants of Nigeria. He also holds an MBA from the University of Benin.

Mr. Ike joined the Board of Directors of the Group in 2016.

Isaac Olukayode Fasola, Non-Executive Director

Mr. Fasola is a consummate professional with over 30 years' cognate experience obtained from Management and Board positions covering banking operations, risk management, credit analysis, insurance, asset management, business strategy/development, performance management and corporate governance.

Mr. Fasola previously served as an Executive Director of a commercial Bank in Nigeria. Mr. Fasola holds 2 MBAs and a Ph.D. in Business Administration.

Mr. Fasola joined the Board of Directors of the Group in 2018.

Erelu Angela Adebayo, Non-Executive Director

Mrs. Adebayo who graduated with an M. Phil in Land Economy from Cambridge University is the former First Lady of Ekiti State in Nigeria.

Mrs. Adebayo previously served on the boards of several organizations, including the Dangote Foundation, DN Meyer Plc, Wemabod Estates. Mrs. Adebayo is a council member of the Nigerian Stock Exchange and has worked extensively on real estate development and is the Chairman of the Erelu Adebayo Foundation for the underprivileged.

Mrs. Adebayo joined the Board of Directors of the Group in 2018.

Alhaji Abdulqadir Jeli Bello, Non-Executive Director

Mr. Abdulqadir J. Bello, a Chartered Accountant, has over 30 years' corporate experience in the banking sector, during which period he held several senior Management positions in various Banks.

Mr. Abdulqadir J. Bello has also previously served as the Group Chief Credit Officer of UBA and thereafter as the Executive Director in charge of Risk Management for UBA Group.

Mr. Abdulqadir J. Bello joined the Board of Directors of the Group in 2018.

Angela Aneke, Non-Executive Director

Ms. Aneke is a board advisor, banker and a strategic thinker with over 30 years' experience in financial services, in the areas of financial control, strategy, transaction banking, corporate banking, retail banking, and governance.

Ms. Aneke has held executive management and board positions in several international and regional institutions, including Ecobank Transnational Incorporated, Citigroup and the United Bank for Africa.

Ms. Aneke joined the Board of Directors of the Group in 2018.

Aisha Hassan Baba, OON, Non-Executive Director (Independent Director)

Ms. Hassan Baba, OON is the founding and Managing Partner of EBO, HASSAN BABA & CO. Ms. Hassan Baba, OON was admitted to practice law in Nigeria in 1981 and has 35 years' experience serving in senior positions in both federal and state public services in Nigeria.

Ms. Hassan Baba, OON is a trained Legal Draftsman, contract negotiator and has worked as Co-Chair of the Committee on High Profile Federal Bills, notably the production of the final draft copy of the National Competition and Consumer Protection Bill and the National Competition and Consumer Protection Policy in 2014/15, amongst others. Ms. Hassan Baba, OON is a member of the Nigerian Bar Association, Commonwealth Bar Association, Member, Chartered Institute of Arbitrators UK. Ms. Hassan Baba, OON currently serves on the Board Audit Committee, the Board Governance Committee and the Finance & General-Purpose Committee of the Board.

Ms. Hassan Baba, OON joined the Board of Directors of the Group in 2020.

Caroline Anyanwu, Non-Executive Director

Mrs. Anyanwu holds a First-Class degree in Statistics from the University of Ilorin in Nigeria and has worked extensively in the fields of accounting, taxation, credit risk and banking throughout her career of close to four decades.

She worked at UBA from 1996-2006, where she held the position of Head, Credit Risk Management. Mrs. Anyanwu also served as the Deputy Managing Director of Diamond Bank with supervisory responsibility for risk management, until her retirement in 2019.

Mrs. Anyanwu joined the Board of the Group in 2021.

Owanari Duke, Non-Executive Director (Independent Director)

Mrs. Duke is an attorney, public servant, entrepreneur and philanthropist. She holds an LLB from Ahmadu Bello University, Zaria and was admitted to the Nigerian bar in 1984.

Mrs. Duke is a certified Mediation and Dispute Resolution Consultant and is a founding partner and managing partner of the law firm Duke and Bobmanuel. She also serves as the Executive Chairman of Allied Merchants & Brokers Limited, a leading merchandising and brokerage firm. As the former First Lady of Cross Rivers State, Nigeria, Mrs. Duke has also been actively involved in raising public awareness for various public service initiatives and charities, including the United Nations Conference on Trade and Development, for which she chairs the Empretec Africa Forum.

Mrs. Duke joined the Board of the Group in 2012.

High Chief Samuel Oni, FCA, Non-Executive Director (Independent Director)

High Chief Oni is a career banker with over 30 years' experience who has held several senior roles within the CBN. Prior to his retirement from the CBN, High Chief Oni was the Director of Banking Supervision at the CBN and played a critical role during the 2009 banking financial crisis. His timely interventions resulted in him receiving a special commendation from the Board of the CBN. He was also the Chairman of the committee set up by the CBN to supervise the establishment of the Asset Management Corporation Nigeria.

High Chief Samuel Oni holds an MBA from the University of Ilorin. An accountant by training, he is a fellow of the Association of Chartered Certified Accountants, London and the Institute of Chartered Accountants, Nigeria.

High Chief Oni joined the Board of the Group in 2015.

Business Address of the Board of Directors

The business address of each of the members of the Board of Directors is the Bank's registered office at UBA House, 57 Marina, Lagos Island, Lagos, Nigeria. There are no potential conflicts of interest between any duties of the Board of Directors towards the Bank and the members private interests and/or other duties.

Board Committees

The Group at present has the following Board Committees:

Board Credit Committee

The BCC is made up of five members, comprising five Non-Executive Directors. The BCC was established to assist the Board of Directors in discharging its responsibility to exercise due care, diligence and skill to oversee, direct and review the management of the credit portfolio of the Group. Its terms of reference include determining and setting the parameters for credit risk and asset concentration and reviewing compliance within such limits; determining and setting the lending limits; and reviewing and approving the Group's credit strategy and the credit risk tolerance. The BCC also reviews the Group's loan portfolio and reviews and approves country risk exposure limits.

As at the date of this Base Prospectus, the composition of the Board Credit Committee is as follows: Mr. Abdulqadir J. Bello (Chair), Mrs. Owanari Duke (Member), Ms. Angela Aneke (Member), Mr. Kayode Fasola (Member) and Mrs. Caroline Anyanwu (Member).

Board Nominations and Governance Committee

The Board Nominations and Governance Committee is made up of four Non-Executive Directors. This Committee is responsible for the overall governance of the Bank and meets at least once every quarter. Some functions of the Board Nominations and Governance Committee include: (i) ensuring compliance with governance codes, laws and regulations; (ii) corporate governance issues and assessment and evaluation of the Board; (iii) approval of contractors and major contracts; (iv) human resources matters, matters relating to employment, termination of employment, review of performance appraisals of assistant general managers and above, staff salary changes, and loans; and (v) appointment of directors and approval of their emoluments.

As at the date of this Base Prospectus, the composition of the Board Governance Committee is as follows: Ms. Angela Aneke (Chair), Mrs. Owanari Duke (Member), Erelu Angela Adebayo (Member) and Mrs. Aisha Hassan Baba, OON (Member).

Board Risk Management Committee

The BRMC is made up of eight members, comprising five Non-Executive Directors and three Executive Directors. The functions of the BRMC include: (i) reviewing and recommending changes to the Board, where necessary in respect of the Group's Risk Management Policy from time to time; (ii) approving and recommending risk tolerance levels, limits and metrics; (iii) reviewing Management's periodic reports on risk exposure, risk portfolio composition and risk management activities, which are prepared by Management and seek to identify and evaluate all material risks; (iv) providing oversight to ensure that the Group's risk management monitoring and reporting functions are independent of business line or risk-taking processes; (v) discussing and evaluating the Group's risk exposures in light of current market conditions, established risk limits, operating performance, and other relevant factors; (vi) reviewing reports that monitor compliance with risk parameters established by regulation or Group policy and measuring the adequacy of risk monitoring, testing, and governance; (vii) informing the Board of Directors of the status of risk exposures and risk management processes in place at the Group; (viii) overseeing the Group's risk framework and controls and monitoring the activities of management-level risk committees; and

(ix) periodically reviewing and approving proposals regarding financial, investment, credit, and operating risk management strategies as well as key decisions of the management-level risk committee.

As at the date of this Base Prospectus, the composition of the BRMC is as follows: High Chief Samuel Oni, FCA (Chair), Erelu Angela Adebayo (Member), Dr. Kayode Fasola (Member), Mr. Abdulqadir Bello (Member), Mr. Kennedy Uzoka (Member), Mr. Chukwuma Nweke (Member), Mr. Uche Ike (Member) and Mrs. Caroline Anyanwu (Member).

Board Finance and General Purpose Committee

The F&GPC consists of four Non-Executive Directors and three Executive Directors and meets at least once every quarter. The purpose of the F&GPC is to, amongst other things, discharge the Board's responsibilities with regard to strategic direction and budgeting and to provide oversight on financial matters and the performance of the Group.

As at the date of this Base Prospectus, the composition of the F&GPC is as follows: Dr. Kayode Fasola (Chair), Ms. Angela Aneke (Member), Mr. Abdulqadir J. Bello (Member), Mrs. Aisha Hassan Baba, OON (Member), Mr. Kennedy Uzoka (Member), Mr. Chukwuma Nweke (Member) and Mr. Chiugo Ndubisi (Member).

Board Audit Committee

The Group has a Board Audit Committee made up of five Non-Executive Directors who meet at least once a quarter. The primary function of this Committee is to ensure compliance with all applicable laws, regulations and operating standards. This Committee is responsible for reviewing fraud and forgeries, the Group's compliance requirements, the financial performance, the scope and planning of audits, audited accounts, management control reports, capital expenditures, and operating expenses. In addition, the Board Audit Committee reviews and assesses all internal and external audit reports and monitors internal controls to ensure their effectiveness. The Board Audit Committee functions as the liaison between external auditors and internal auditors and management.

As at the date of this Base Prospectus, the composition of the Board Audit Committee is as follows: Mrs. Owanari Duke (Chair), High Chief Samuel Oni, FCA (Member), Erelu Angela Adebayo (Member), Mrs. Aisha Hassan Baba, OON (Member) and Mrs. Caroline Anyanwu (Member).

Statutory Audit Committee

The Statutory Audit Committee was set up in accordance with the provisions of the CAMA. It comprises of a mixture of Non-Executive Directors and ordinary shareholders elected at the annual general meeting. Its terms of reference include the monitoring of processes designed to ensure compliance by the Group in all respects with legal and regulatory requirements, including disclosure, controls and procedures and the impact (or potential impact) of developments related thereto. It evaluates annually, the independence and performance of the external auditors. The committee also reviews with management and the external auditors the annual audited financial statement before its submission to the Board of Directors.

As at the date of this Base Prospectus, the composition of the Statutory Audit Committee is as follows: The Members of the Statutory Audit Committee in 2021 are as follows: Mr. Feyi Ogoji (Chairman/Shareholder), Mr. Matthew Esonanjor (Shareholder), Mr. Alex Adio (Shareholder), Mrs. Owanari Duke (Non-Executive Director) and Ms. Angela Aneke (Non-Executive Director).

The Management Team

The executive management team, led by the Group Managing Director/Chief Executive Officer, the Deputy Managing Directors and four other Executive Directors, oversees the day-to-day activities of the Group. The management team is directly responsible to the Board. The profile of the executive management staff is given below:

Members of the Management Team

Ugo A. Nwaghodoh, Group Chief Financial Officer

Mr. Nwaghodoh holds a BSc from the University of Ibadan, Nigeria and an MSc in Finance and Management from Cranfield University, England. He is a fellow of the Institute of Chartered Accountants of Nigeria, an Associate of the Chartered Institute of Taxation of Nigeria, a Honorary Senior Member of The Chartered Institute of Bankers of Nigeria, Member of the Chartered Institute for Securities and Investments, United Kingdom and a member of the Finance & Management MSc Practice Advisory Board of Cranfield University.

Mr. Nwaghodoh is a seasoned financial analyst and accountant with about two decades of experience spanning assurance, advisory, financial control, strategy and business transformation, investor relations, mergers and acquisitions, business integration and project management. Prior to his current role, he was, at different times, Group Financial Controller, Group Chief Compliance Officer and Head of Performance Management of the Group.

Before joining the Group in 2004, Mr. Nwaghodoh had nearly a decade of experience with Deloitte and PwC.

Franklyn Bennie, Group Chief Compliance Officer

Mr. Bennie is an experienced compliance, regulatory, and AML/CFT risks professional with over two decades of experience in the banking profession. Other areas of specialty include banking operations, local and international bank branch start-up, internal control and corporate governance. He holds a BSc in Business Administration from Ahmadu Bello University Zaria and an MBA from the University of Lagos.

Prior to his current role he worked with Citibank in various capacities, including Chief Compliance Officer for Citi Nigeria Limited, Compliance Head for Citi in West Africa and acting Compliance Head for sub-Saharan Africa. He worked briefly with Union Bank Plc as a Regulatory and Franchise Risk Strategy Consultant leading the AML/CFT compliance transformation.

Mr. Bennie is an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria; Member, Association of Certified Anti-Money Laundering Specialists; and Associate Member, Nigeria Institute of Management (Chartered).

Okechukwu Oko, Group General Counsel

Mr. Oko is the Group Legal Counsel of UBA. He is a seasoned solicitor who combines legal expertise and commercial acumen to drive business and produce desired results in banking.

Prior to joining the Bank, Mr. Oko had almost two decades of core legal banking experience in reputable commercial banks in Nigeria, where he held various senior roles including the Head Legal/Assistant Company Secretary, and Head Bank-wide Litigation/Recovery. He holds an LL.B Hons degree from University of Uyo, Akwa Ibom State and was enrolled as Solicitor and Advocate of the Supreme Court of Nigeria in 1993. Mr. Oko is a member of the Nigeria Bar Association and alumnus of the prestigious Lagos Business school.

Gboyega Sadiq, Group Chief Internal Auditor

Mr. Sadiq has had a distinguished banking career spanning over 20 years in operations and control. He holds a first class BSc (Honors) degree in Accounting from the Obafemi Awolowo University Ile-Ife and is a fellow of the Institute of Chartered Accountants of Nigeria and Honorary Senior Member of the Chartered Institute of Bankers of Nigeria. He also holds post-graduate degrees in Economics and Public Administration. Before joining the Group, he worked in senior roles at Citibank Nigeria Limited and Access Bank Plc.

Michelle Nwoga, Group Chief Experience Officer

Ms. Nwoga is the Group chief experience officer, responsible for the development and implementation of customer experience strategies across private, business, corporate, and financial inclusion sectors for our 20 countries in Africa. With almost two decades of banking and consulting experience that spans business development, project management, brand marketing & communication, customer experience, and engagement. Ms. Nwoga is renowned for her wealth of experience in customer insights, engagement, value management, and organisation development.

Prior to joining the Group, she worked in several capacities in the United Kingdom as well as Access Bank Plc and Diamond Bank, managing a host of successful projects and initiatives; some of which include Retail banking transformation, deploying the first retail banking sales force amongst others. Ms. Nwoga holds a masters degree in management, marketing, and organisation management; a degree in international relations, environmental science, and business management from leading universities in the United Kingdom. Ms. Nwoga is a thought leader, an advocate for women empowerment and is fully committed to transformation, customer centricity, inclusiveness, and engagement.

Kennedy Uzoka, Group Managing Director and Chief Executive Officer

See "—*The Board of Directors*" above.

Oliver Alawuba, Deputy Managing Director

See "—*The Board of Directors*" above.

Chiugo Ndubisi, Executive Director, Treasury and International Banking

See "—*The Board of Directors*" above.

Uche Ike, Executive Director, Risk Management, Corporate Governance and Compliance

See "—*The Board of Directors*" above.

Chukwuma Nweke, Executive Director, Group Chief Operating Officer

See "—*The Board of Directors*" above.

Business Address of the Management Team

The business address of each of the members of the Group's management team is the Bank's registered office at UBA House, 57 Marina, Lagos Island, Lagos, Nigeria. There are no potential conflicts of interest between any duties of the Group's management team towards the Group and the member's private interests and/or other duties.

Information Flows

It is the responsibility of executive management to ensure that adequate information about the Group's businesses and operations is provided to the Board of Directors on a timely basis, at appropriate intervals and in a manner that enables the Board to carry out its responsibilities effectively.

The Company Secretary

The Company Secretary provides a point of reference and support for all Directors and consults regularly with Directors to ensure that they receive any necessary information on the Group from Executive Management. The expectations for the role of Company Secretary are as contained in the CAMA.

Executive Management Committees

The Group's executive management committees comprise members of senior management and have been established with the general purpose of identifying, assessing and making recommendations in respect of all risks and exposures arising from, or otherwise affecting, the day-to-day operations of the Group. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times, provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented.

As at the date of this Base Prospectus, the Group has the following management committees:

Executive Management Committee

The EMC is responsible for the day-to-day oversight of the Group. As part of its remit, the EMC monitors the overall performance of the Group, manages the Group's risks and executes strategies that have been approved by the Board of Directors. Additionally, the EMC reviews and approves (or recommends the applicable Board Committee to approve) all non-credit products in line with the Group's approval limits. Non-credit products that exceed the EMC's approval limits are approved by the F&GPC. The EMC, on behalf of the F&GPC, also approves all new business activity, irrespective of capital commitment.

Executive Credit Committee

The ECC's main objective is to develop and maintain a sound credit risk portfolio for the Group and to oversee the development and deployment of credit risk practices across the Group. The ECC meets this objective through, among other things, setting frameworks and guidelines for credit risk management for the Group and reviewing and recommending all credit-related policies for the Group to the BCC for approval. The ECC also plays a key role in monitoring implementation of and compliance with credit policy. In particular, the ECC monitors the Group's credit concentration and credit portfolio quality, reviews credit requests and recommends those above its approval limit to the BCC for approval, ensures the Group's NPL portfolio remains within acceptable limits and reviews any major credit audit issues with a view to enhancing the Group's credit approval process.

Additionally, the ECC oversees a sub-committee, the GALCO, which is responsible for managing the Group's balance sheet. GALCO manages both traded and non-traded market risks, in particular by:

- recommending balance sheet management policies, frameworks, and procedures through EMC to the BRMC for approval;
- recommending Treasury policies, frameworks and procedures through EMC to the F&GPC for approval;
- managing the Group's balance sheet to ensure compliance with regulatory and statutory ratios and requirements;
- developing an optimal structure for the Group's balance sheet in order to optimise risk and reward, specifically through review of liquidity gap analysis, MCO, stress tests, wholesale borrowing guidelines and a contingency liquidity plan;
- reviewing liquidity, interest rate and currency risks and approve risk mitigation proposals, subject to ratification by EMC; and
- setting pricing strategies for the Group on assets and liabilities, including pool rate, asset composition and/or liability composition, subject to ratification by EMC.

Group Risk Management Committee

The GRMC, along with the EMC and the Chief Risk Officer, takes on key responsibilities as part of the Group's overall financial risk management regime. In particular, the GRMC undertakes the following responsibilities:

- providing support to the EMC in discharging its risk management responsibilities, including but not limited to the management of risk, determination of risk tolerance levels and risk appetite, monitoring risk, risk assurance and risk disclosures for the Group;
- reviewing, assessing and making recommendations related to the integrity and adequacy of the overall risk management function of the Group;
- reviewing, assessing and making recommendations to the EMC regarding risk management policies;
- reviewing risk limits and periodic risk and compliance reports then formulating recommendations to the EMC;
- recommending risk approval limits to the EMC;
- annually reviewing and recommending updates to the Group's risk management policies, frameworks, and procedures;
- advising the EMC on any emerging risks that the Group is or could be exposed to, as well as recommending mitigating responses to such risks;
- monitoring the overall risk management framework to ensure its uniform application throughout all entities in the Group;
- monitoring the Group's implementation of and compliance with the capital framework of the Basel II Accords, as adopted by the CBN;
- periodically reviewing the risk assets portfolio and limits to ensure alignment with regulatory and internal benchmarks; and

- reviewing and recommending the annual risk management staffing model.

Criticised Assets Committee

The Criticised Assets Committee reviews past-due obligations, develops a framework to reduce the Group's portfolio of watch-list assets and delinquent accounts, monitors the implementation of strategies developed for recovering and reducing loan delinquencies, ratifies the proposed classification of accounts and provisioning levels and recommends write-offs for approval through the EMC to the Board of Directors.

Information Technology Steering Committee

The Information Technology Steering Committee serves as a think tank for all IT matters and determines IT strategy and policies and coordinates the implementation of these policies.

Corporate Governance

In Nigeria, corporate governance practices for public companies were originally set forth in the Code of Corporate Governance as adopted by the Nigerian SEC in October 2003. In 2011, the Nigerian SEC adopted a new Code of Corporate Governance (the "**Nigerian SEC Code**"), which contains corporate governance, transparency and accountability standards and effectively overrides the 2003 code. The changes to the Nigerian SEC Code include the removal of a maximum limit for the number of directors of a company, more robust provisions on risk management and audit requirements, the requirement to establish a whistle-blowing mechanism, and increased disclosure requirements. The Nigerian SEC Code also prescribes that not more than two members of a family should serve on the same board, requires that every director attend at least two-thirds of board meetings, and prohibits directors and their immediate family members from dealing in the company's securities where doing so would amount to insider trading under Nigerian law. Further, the CBN began enforcing regulations that prohibit Non-Executive Directors from remaining on the board of a bank continuously for more than three terms of four years each.

In May 2014, the CBN issued a revised Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in the Nigerian Banking Industry, which became effective on 1 October 2014 (the "**Revised Code**"). The Revised Code, which supersedes the previous code issued in March 2006, amends certain sections of the previous code of corporate governance in order to align the Revised Code with current realities and global best practice and to eliminate perceived ambiguities and strengthen governance practices. The CBN, in ensuring the enforcement of the Revised Code, creates an obligation on banks and discount houses to submit quarterly returns on their compliance with the provisions of the Revised Code not later than seven days after the end of each quarter. In addition, the FRCN released the Nigerian Code on 15 January 2019. The Nigerian Code highlights key principles that seek to institutionalise corporate governance best practices in Nigerian companies.

The current Governance Charters were created in 2010 and are updated as necessary. The Group has maintained for itself and its subsidiaries a Group Code of Corporate Governance in line with international best practice. The Corporate Governance Charter documents the role of the Board of Directors and is revised from time to time based on the evolving nature of the Board of Director's responsibilities and operating and regulatory environments. In line with the Revised Code, the performances of the Board of Directors and individual Directors are reviewed by an independent consultant. For the year ended 31 December 2020, EY carried out reviews of the performance of the Board of Directors.

The Board continues to receive training on corporate governance and other relevant areas of banking. As at 30 June 2021, its Directors attended training on the following in 2021:

- Executive Induction Programme;
- Board Effectiveness;
- Global Account Management; and
- Coaching for Peak Performance.

The Group currently complies with the provisions of the Nigerian SEC Code, the Revised Code and the Group's Corporate Code in all material respects. The Board of Directors' oversight of the operations and activities of the Group continues to be carried out transparently.

Remuneration of Directors

In the six months ended 30 June 2021, the aggregate remuneration paid to the Group's directors amounted to ₦373 million. For the year ended 31 December 2020, the aggregate remuneration paid to the Group's directors amounted to ₦782 million as compared to ₦888 million for the year ended 31 December 2019.

NIGERIA

The information in this section has been extracted from documents and other publications released by various officials and other public and private sources, such as the CBN, the IMF, the DMO, the NBS, the FMF and OPEC, as indicated herein. There is not necessarily any uniformity of views among such sources as to such information provided. The Bank has not independently verified the information included in this section. The information in this section has been derived substantially from publicly available information, such as annual reports, official data published by the Nigerian Government or regional agencies or other third party sources as indicated in the text.

Introduction

Nigeria is the largest economy in Africa by GDP. In 2020, Nigeria's nominal GDP was U.S.$429.4 billion, GDP per capita was U.S.$2,083.1 and real GDP growth was a contraction of 1.92 per cent. due to the economic effects of COVID-19. Nigeria ranks 25 out of 195 countries in the world in terms of GDP on purchasing power parity ("**PPP**") basis, according to the IMF.

With an estimated population of over 206 million people, Nigeria is the most populous country in Africa and the seventh most populous country in the world. The country's population is forecast to grow at an average of 2.51 per cent. annually, with its total population expected to reach 263 million by 2025. The NBS also estimates a working age population of 122.1 million, with an average life expectancy of 54 years, according to the United Nations Population Fund ("**UNFPA**").

The country has the tenth largest proven crude oil and natural gas reserves in the world. According to OPEC, Nigeria is the tenth largest oil producing country globally as of early 2020. Nigeria is also a significant exporter of cocoa, rubber and cassava, in addition to other significant natural resources.

Constitution, Government and Political Landscape

Constitution

Nigeria is a federation made up of three tiers of government — federal, state and local governments. The Constitution was adopted in May 1999 with three amendments signed by the then President, Goodluck Jonathan, in 2011. The Constitution provides for a tripartite structure of government in which power is divided amongst the executive, legislative and judicial branches. It establishes and sets out the powers and functions of the President (executive), the National Assembly (legislative) and an independent judicial system (judicial) as well as persons and bodies which may validly exercise such powers.

Executive branch

Nigeria has adopted a presidential system of government with the executive powers of the Federal Government vested in the President. Such executive powers, subject to the provisions of the Constitution and of any law made by the National Assembly, may be exercised by the President directly or through the Vice President and/or any officer(s) in the public service of the Federal Government. The President has the power to appoint ministers, and such appointments shall be effective if confirmed by the Senate. In appointing ministers, the President shall appoint at least one member from each state. The executive is accountable to the bicameral National Assembly. The President is elected by popular vote for a four-year term and is eligible to be re-elected to a second (and final) term. In addition to being the Head of Government, the President is also the Head of State and the Commander-in-Chief of the armed forces of the country. The President's role includes overseeing the day-to-day running of the affairs of the nation assisted by the Vice President, ministers, special assistants, special advisers and other relevant government functionaries with supervisory roles over areas of government. The President may, in his discretion and in addition to any duties prescribed under the Constitution and other legislation, assign to the Vice President or any minister of the Federal Government, responsibility for any business of the Federal Government, including the administration of any department of government.

Legislative branch

The legislative powers of the Federal Government are vested in the National Assembly, which consists of a Senate and a House of Representatives. The National Assembly is empowered to legislate in respect of matters set out in the Exclusive Legislative List and the Concurrent Legislative List, as set out in the Second Schedule to the Constitution. The current House of Representatives, formed following elections held in March 2015, has 360 members who are elected in single-member constituencies. Members serve four-year terms. The number of seats per state is based on the population of each state. The Speaker is the Head of the House of Representatives. The Senate is made up of members elected to the upper house for a four-year term. Each state elects three senators while the Federal Capital Territory (the "**FCT**") elects one, making 109 seats in total. The Head of the Senate is referred to as the Senate President. The two chambers of the National Assembly work in collaboration with the executive arm in areas such as budgetary appropriation and the enactment of laws. A bill may originate from either of the chambers, but it must be passed by both chambers in order for it to be signed into law by the President.

Judicial branch

In accordance with the Constitution, judicial authority is vested mainly in the following courts: the Supreme Court; the Court of Appeal; the Federal High Court; the High Court of the FCT; the National Industrial Court; the Sharia Court of Appeal and the Customary Court of Appeal of the FCT; the High Court; Sharia Court of Appeal and the Customary Court of Appeal of each state; and such other court as may be authorised by law to exercise jurisdiction over matters with respect to which the National Assembly (national legislature) may make laws at first instance or on appeal over matters with respect to which a House of Assembly (state legislature) may make laws. Nigerian courts are empowered to hear and determine disputes between private parties, disputes between a private party and any of the three tiers of government or their agencies or disputes between the three tiers of government or their agencies. Thus, the courts have the power to review statutes and executive actions to ensure that they conform to the Constitution and other laws in force in Nigeria. The courts with jurisdiction and power to deal with commercial, civil, criminal and constitutional matters, mentioned above, are described as follows:

Supreme Court of Nigeria — The Supreme Court is the highest court in Nigeria and is seated in the FCT. The Supreme Court consists of the Chief Justice of Nigeria (the "**CJN**") and such number of justices not exceeding 21 as may be prescribed by the National Assembly. The CJN and other justices of the Supreme Court are appointed by the President on the recommendation of the National Judicial Council ("**NJC**"), subject to confirmation of such appointments by the Senate. The CJN heads the judiciary of Nigeria and presides over the Supreme Court. The Supreme Court exercises original jurisdiction in respect of disputes between: (i) the Federal Government and the states; (ii) the states of the federation; (iii) the National Assembly and the President; (iv) the National Assembly and a state; and (v) the National Assembly and a State House of Assembly. Decisions of the Court of Appeal can also be appealed to the Supreme Court. The Supreme Court is duly constituted by seven justices where it is exercising its original jurisdiction, or is sitting to consider an appeal requiring it to interpret any provision of the Constitution or whether the human rights of any individual have been violated. In all other cases, the court is duly constituted by not less than five justices.

Court of Appeal — The Court of Appeal, comprising the President of the Court of Appeal and such number of Justices of the Court of Appeal (not less than 49) ranks immediately below the Supreme Court. It exercises original jurisdiction in respect of the election to the office of the President or Vice President of Nigeria, whether the term of those offices has ceased, and in relation to the question as to whether those offices have become vacant. The Court of Appeal has the exclusive jurisdiction to hear appeals from the Federal High Court, the High Courts, the National Industrial Court, the Sharia Courts of Appeal and the Customary Courts of Appeal of each state and the FCT, as well as decisions of any court martial or any other tribunal established pursuant to the Act of the National Assembly. The court is duly constituted by not less than three justices for the purpose of exercising any of its stated jurisdictions. For administrative convenience, the court is divided into judicial divisions which sit in various parts of the country; namely, Abuja, Lagos, Enugu, Kaduna, Ibadan, Benin, Jos, Calabar, Ilorin, Sokoto, Owerri, Yola, Ekiti, Akure and Port Harcourt and Makurdi. The President of the Court of Appeal is appointed by the President on the recommendation of the NJC, subject to confirmation by the Senate. Justices of the Court of Appeal are appointed by the President on the recommendation of the NJC.

Federal High Court — The Federal High Court comprising the Chief Judge of the Federal High Court and such number of judges of the Federal High Court as may be prescribed by an Act of the National Assembly is a specialised court, which hears and determines civil cases and matters arising from a number of areas including (but not limited to): the operation of the Companies and Allied Matters Act, Cap C20 LFN 2004; bankruptcy and insolvency; the taxation of companies (and other bodies established or carrying on business in Nigeria) and all other persons subject to federal taxation; banking and securities regulation; and foreign investments and foreign exchange. The Chief Judge of the Federal High Court is appointed by the President on the recommendation of the NJC, subject to confirmation by the Senate. Judges of the Federal High Court are appointed by the President on the recommendation of the NJC. The court is duly constituted by not less than one judge for the purpose of exercising any of its stated jurisdictions.

High Court — There is a High Court for each state and the FCT. Subject to the jurisdiction of the Federal High Court as stipulated in the Constitution, the High Court has jurisdiction to determine civil and criminal proceedings which originate in the High Court and those brought before the High Court in the exercise of its appellate and supervisory jurisdiction. The High Court exercises jurisdiction over matters pertaining to contract, tort and negligence, amongst other things. The Chief Judge of the High Court of the FCT is appointed by the President on the recommendation of the NJC and is subject to confirmation of the National Assembly. Judges of the High Court of the FCT are appointed by the President on the recommendation of the NJC. The Chief Judge of a state is appointed by the Governor of the state on the recommendation of the NJC, subject to the confirmation of the House of Assembly of a state. Judges of the State High Court are appointed by the Governor on the recommendation of the NJC.

The National Industrial Court — The National Industrial Court has exclusive jurisdiction in civil cases and matters relating to labour, employment, trade unions, industrial relations, terms of service and matters arising in relation to the workplace. The Court also has exclusive jurisdiction on matters relating to or arising from the Factories Act, the Trade Disputes Act, the Trade Unions Act, the Workmen's Compensation Act or any other legislation in relation to labour, employment, industrial relations or workplaces. There is a limited scope for appeal against NIC rulings on the basis of infringement of fundamental human rights. In June 2017, the Vice President Professor Yemi Osinbajo, as Acting President, approved the appointment of 19 new judges for the National Industrial Court.

The Constitution also establishes the election tribunals and authorises the National Assembly to constitute other tribunals as may be required. The more prominent of these special "courts" is the Investments and Securities Tribunal established under the Investments and Securities Act, 2007, which handles disputes in relation to capital market activities.

State and local government

Each state is governed by a chief executive (known as the Governor) who is elected to a four-year term of office and is eligible for a further four-year (final) term. The Governor is empowered to appoint commissioners and advisers and to assign responsibilities to them.

The legislative powers of a state are vested in a unicameral legislative body called the House of Assembly. It is made up of representatives from all the local government areas within the state and exercises identical functions at the state level to those of the National Assembly at the federal level. A State House of Assembly shall consist of not less than 24 and not more than 40 members. State governments are vested with the power to collect personal income tax of its residents, impose sales tax and to impose and collect certain forms of stamp duties, amongst others.

There are 774 local government councils (including the six area councils of the FCT) in Nigeria. Each local government area is administered under a local government council consisting of a Chairman who is the chief executive of the local government area/area council and other elected members who are referred to as councillors. The functions of local governments include the consideration and the making of recommendations to a state commission on economic, administrative and urban planning issues including the economic development of the state, collection of rates, radio and television licences and establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm, naming of roads and streets and numbering of houses and such other functions as may be conferred on a local government council by the State House of Assembly.

Political parties

According to the Independent National Electoral Commission ("**INEC**"), there are 91 political parties currently registered in Nigeria.

The ruling All Progressives Congress ("**APC**") has been in power since the March 2015 general elections when President Muhammadu Buhari defeated the then President, Goodluck Jonathan. The People's Democratic Party ("**PDP**") is considered the main opposition political party in Nigeria. In addition to the APC and PDP, the other major political parties are the Labour Party and the All Progressives Grand Alliance.

Economy

The transition to a multi-party democracy in 1999 ushered in a period of improved political stability, economic liberalisation reforms and macroeconomic stability. The economy enjoyed sustained high economic growth for more than a decade between 2000 and 2014, with annual real GDP growth averaging about 7.7 per cent. within the period. The non-oil sector was the major driver of growth, supported by liberalisation reforms in the telecommunications and financial services sectors, as well as a commodity price boom which buoyed consumption expenditure.

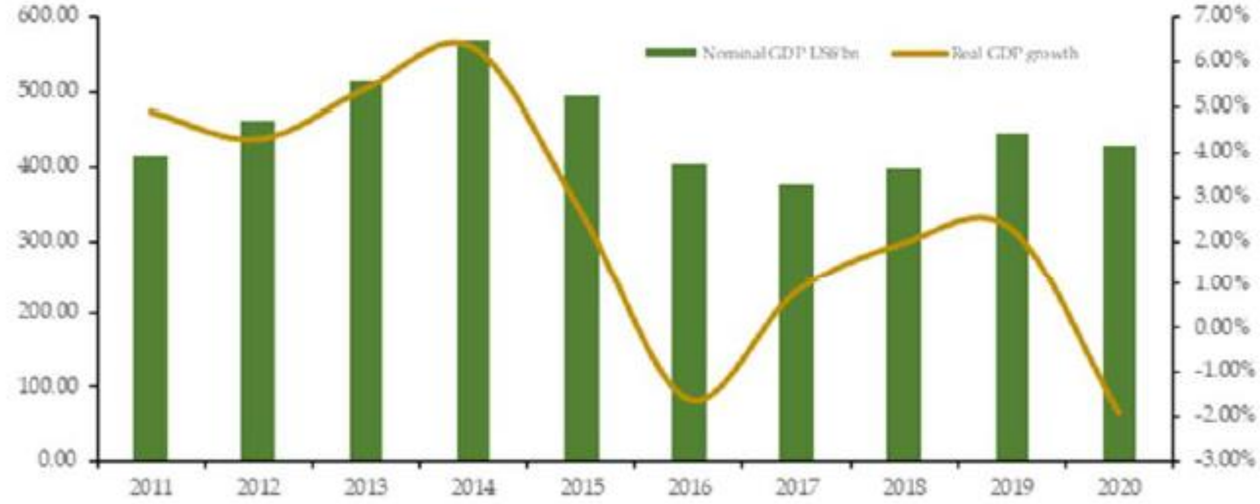
In April 2014, Nigeria rebased its GDP from the 1990 base year to 2010. As a result of the rebasing, Nigeria became the largest economy in Africa (surpassing South Africa) and the 26th largest economy in the world, with a nominal GDP of U.S.$568.5 billion in 2014. In addition, real GDP growth post-rebasing was 6.3 per cent. in 2014. In 2014, services contributed about 52 per cent., while manufacturing and agriculture, respectively, contributed about 9 per cent. and 23 per cent. to GDP.

Growth momentum has slowed significantly since 2014, partly due to fluctuations in the price of crude oil, capital flight due to security and infrastructural challenges and periodic attacks on oil production facilities in the Niger Delta region. Improvements in hydraulic fracturing technology helped enable oil and gas producers to tap reserves in shale formations across North America. As a result of the shale oil boom which boosted global crude oil supply, oil prices fell from U.S.$114.60 per barrel in June 2014 to a low of U.S.$30.66 per barrel in January 2016.

Nigeria's crude oil production (including condensates) also fell from 2.21 million barrels per day in 2014 to 1.81 million barrels per day in January 2016 after renewed attacks on oil facilities in oil producing communities in the Niger Delta. The oil and gas sector accounted for over 90 per cent. of exports and 70 per cent. of Federally Collected Revenue in 2014. As such, the decline in oil production and prices led to a twin shock in the current and fiscal accounts, with feedback effects on foreign exchange liquidity and consumption spending. Consequently, real GDP growth weakened to 2.65 per cent. in 2015 and the economy slipped into its first recession since 1991 in 2016 as GDP contracted by 1.62 per cent.

Figure 1: Nigeria Real GDP Growth

	GDP growth rate
Q1-2019	2.10%
Q2-2019	2.12%
Q3-2019	2.28%
Q4-2019	2.55%
Q1-2020	1.87%
Q2-2020	(6.10)%
Q3-2020	(3.62)%
Q4-2020	0.11%
Q1-2021	0.51%
Q2-2021	5.01%



Source: DMO, Chapel Hill Denham Research

In response to the drop in oil prices and widening current account deficit, the CBN initially responded pro-cyclically by raising interest rates and devaluing the USD/NGN rate twice between October 2014 and February 2015. The CBN later changed its strategy in the second half of 2015 by loosening monetary policy. The exchange rate was also pegged at the interbank market rate despite investors' concern on overvaluation of the Naira and weak foreign exchange ("**FX**") liquidity.

The CBN also introduced capital control policies to reduce pressure on the trade account and allocate scarce foreign exchange. The CBN's policy barring certain importers from accessing foreign exchange and classifying their goods as 'not valid for FX' was among certain currency control measures introduced by the apex bank, particularly aimed at curbing "speculative activities". Other measures include restrictions on foreign currency cash deposits into domiciliary accounts and restrictions on foreign currency loans granted to firms earning local currency revenue.

Fallouts of these activities were varying-market shaping events that included the JP Morgan phase-out of Nigeria's sovereign bonds from its emerging market bond index, difficulty in accessing foreign exchange by investors who tracked its GBI-EM series and an equity market dip as foreign portfolio investors stalled in returning to the Nigerian Capital Market even after the peaceful outcome of the May 2015 general elections, one of many reasons why they initially pulled out. Consequently, capital importation into Nigeria slumped by 54 per cent. in 2015 and 47 per cent. in 2016 to U.S.$9.6 billion and U.S.$5.1 billion, respectively.

The CBN eventually introduced a more investor-friendly foreign exchange policy between 2016 and 2017. The cornerstone of the FX policy reforms was the establishment of the I&E Window in April 2017 to allow investors and non-oil exporters trade and access foreign exchange without restrictions. The CBN had earlier introduced monthly Naira-settled OTC FX Futures (non-deliverable forwards) contracts to help investors and domestic corporates with foreign currency loans hedge against devaluation, thus reducing the incentive for frontloading FX demand and hoarding.

The pro-market FX market reform introduced by the CBN, as well as a tightening of monetary policy, was the major catalyst for improvement in foreign investors' appetite for Nigerian assets in 2017. Capital importation more than doubled to U.S.$12.2 billion in 2017. The balance of payments was further supported by an improvement in current account surplus to 2.8 per cent. of GDP from 0.7 per cent. of GDP in 2016, following the recovery in oil prices and domestic crude oil production. Average crude oil prices strengthened by 23.3 per cent. in 2017 in response to the decision of OPEC and key non-OPEC countries, including the Russian Federation, to cut oil production. Crude oil production (including condensates) also rose by 4.5 per cent. in 2017 to 1.89 million barrels per day after the Federal Government negotiated a ceasefire with militant groups.

Nigeria was able to achieve macroeconomic stability in 2017 on the back of the improvement in foreign exchange liquidity and rebound in crude oil production. The economy exited recession in 2017 and grew by 0.81 per cent. in 2017 in real terms, compared to a contraction of 1.62 per cent. in 2016. Growth momentum quickened to

1.91 per cent. in 2018, driven by recovery in the manufacturing and telecommunications and information services sectors. Real GDP growth picked up marginally to 2.27 per cent. in 2019, supported by improvements in industry (2.31 per cent.), agriculture (2.36 per cent.) and services (2.22 per cent.).

On security, the emergence of Boko Haram in 2009, and the proliferation of its activities, annually dampened the macroeconomic environment. Nigerian security forces have made some gains against Boko Haram insurgents in the North East region, but challenges remain. The Federal Government pronounced the insurgents "technically defeated" in 2015, but the group has continued to claim responsibility for random guerrilla attacks on military formations and the civilian population in the North East region. There is also the rising threat of secession, with some groups in the South East of Nigeria clamouring for secession to form their own nation called "Biafra". These groups are the Movement for the Actualization of the Sovereign State of Biafra ("**MASSOB**") and the IPOB. The recent clash between Nigeria's security agencies and protesting members of the Islamic Movement of Nigeria ("**IMN**") Shiite Muslims in Abuja also highlights some security risks. Furthermore, the recent spate of kidnapping of students in secondary schools and universities have worsened security. As of 2020, Nigeria ranked third among 135 countries on the Global Terrorism Index published by the Institute for Economics and Peace.

The Nigerian economy faces the risk of being stuck in a low-growth environment over the medium term. Real GDP growth has consistently fallen short of the 2.75 per cent. population growth rate, implying that per-capita income, measured in real terms, is on the decline. The economic recovery is also yet to be broad-based, with the telecommunications and information services sector accounting for over 45 per cent. of GDP growth in 2019 based on attribution analysis. More importantly, the labour market remains slack with the unemployment rate, based on NBS' estimate, rising to a record high of 23.1 per cent. in the third quarter of 2018. President Muhammadu Buhari successfully renewed his mandate for a second four-year term in February 2019 and faces a challenge of lifting growth back to trend level, generating employment for the teeming labour force, confronting the security risks and reducing the poverty headcount. The recent escalation of the COVID-19 pandemic further pushed the economy into recession.

The economy contracted by 6.1 per cent. and 3.6 per cent. in the second quarter of 2020 and third quarter of 2020, respectively, officially entering into a recession. It has since witnessed growth below 1 per cent. until the first quarter of 2021. Unemployment increased to 33.3 per cent. by the fourth quarter of 2020, the highest since 2014. Also, inflation, trade and capital importation decreased significantly to 15.75 per cent., ₦7.4 trillion and U.S.$9.68 billion, respectively, in 2020, compared to 11.98 per cent., ₦2.23 trillion and U.S.$23.99 billion, respectively, in 2019.

February/March 2019 Elections

Despite the momentum gained by the opposition People's Democratic Party ("**PDP**") in the period leading to Nigeria's Presidential elections in February 2019, President Muhammadu Buhari of the ruling All Progressives Congress ("**APC**") emerged victorious with a slightly stronger mandate. President Buhari secured 55.6 per cent. (15.19 million) of the total valid votes (27.32 million) to defeat his closest opponent, former Vice President Atiku Abubakar of the opposition PDP who secured 41.2 per cent. (11.26 million) of the votes. The APC also regained its slipping majority in the upper and lower chambers of the National Assembly. Candidates of the APC – Ahmed Lawan (Senate President) and Femi Gbajabiamila (Speaker of the House of Representatives) – emerged victorious in the National Assembly leadership elections.

The PDP and its candidate challenged the result of the presidential election at the Presidential Election Tribunal. The Tribunal dismissed all the charges brought by the petitioners and ruled unanimously in favour of President Buhari on 11 September 2019. In October 2019, the PDP and its candidate lost the appeal lodged at the Supreme Court challenging the Tribunal's verdict. With the APC's power consolidation undisputed, the administration was expected to capitalise on improved executive/legislature harmony to push through its key policy agenda. President Buhari promised not to seek re-election after his tenure expires in 2023.

This announcement addressed concerns that he may modify the Constitution to seek a third term. The timely assurance by the President was positive for political stability, and particularly eased fears that a third term bid could weaken democratic institutions.

Nigeria – Key Macroeconomic Indicators

Table 1: Macro Economic Data

Economic Indicators	2019	2020	2021F	2022F	2023F	2024F
GDP at current prices (U.S.$ billions)	446.5	429.4	508.0	560.0	660.0	742.9
Real GDP growth (%)................	2.27%	(1.92)%	2.50%	2.30%	2.20%	2.10%
GDP per capita (U.S.$ market exchange rates)7	2,222	2,083	2,602	2,830	3,075	3,346
Average Consumer Price Index (CPI) (%)	11.39%	15.75%	17.47%	16.10%	14.80%	13.50%
Monetary policy rate (%)...........	13.5%	13.5%	14.0%	14.0%	13.5%	13.5%
Current account/GDP (%)..........	(3.6)%	(4.5)%	(2.5)%	(2.0)%	(1.5)%	(1.4)%
Population (million)...................	201.0	206.1	211.4	216.7	222.2	227.7
Total external debt (U.S.$ billions)	27.4	33.3	35.0	35.4	41.5	45.6
Total external debt (% of GDP)..	6.1%	7.8%	7.5%	7.5%	7.5%	7.5%
Exchange rate U.S.$/₦ (average)*	360.7	410.3	420.0	435.0	440.0	450.5

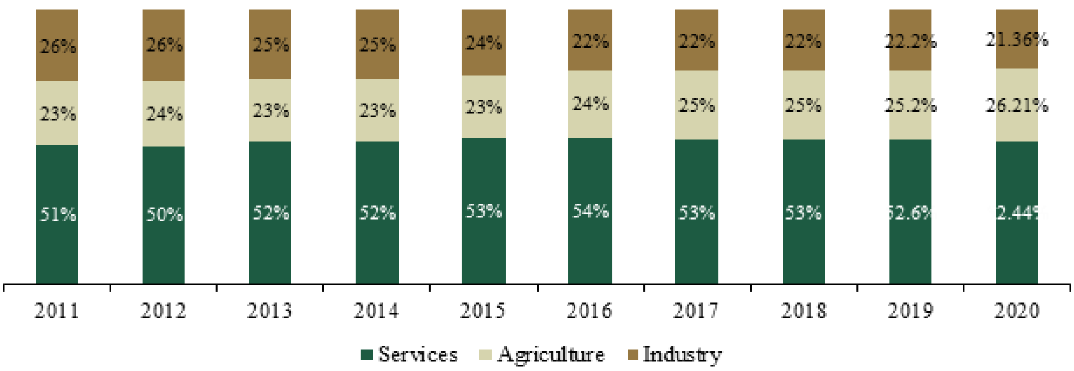
Source: IMF, DMO, Chapel Hill Denham Research

* refers to I&E Window rate

2020 GDP by Sector Contribution

According to the NBS, the services sector contributed the largest percentage to Nigeria's real GDP as at 31 December 2020, accounting for 52.44 per cent. of aggregate GDP. The services sector was dominated by information & communications and finance and insurance in 2020. The agriculture sector trailed with a contribution of 26.20 per cent. The agriculture sector is dominated by crop production. The industrial sector followed with 21.36 per cent., mainly attributed to food, beverage and tobacco production and footwear and textile production. A breakdown of GDP contribution by sector is given below.

Figure 2: Sectoral Contributions to GDP



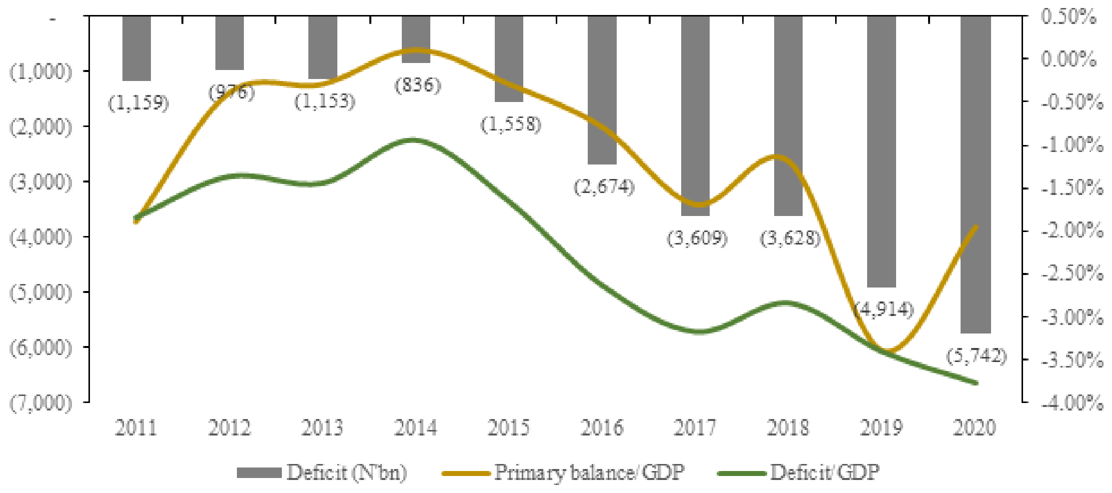
Source: DMO, Chapel Hill Denham Research

Fiscal Deficit

The Federal Government of Nigeria's overall fiscal deficit increased by 16.9 per cent. to ₦5.74 billion (3.8 per cent. of GDP) in 2020 from ₦4.91 billion (a contraction of 3.4 per cent. of GDP) in 2019. Notably, the deficit recorded in 2020 exceeded the 2020 budget benchmark of ₦4.98 billion and the 3.0 per cent. of GDP maximum limit set by the Fiscal Responsibility Act (FRA). The worsening fiscal deficit balance is tied to lower oil prices and production caused by a fall in demand due to the COVID-19 pandemic. Over the past three years, fiscal deficits have significantly missed targets due to ambitious revenue estimates and expenditure pressure.

The new minimum wage law prescribes an upward review of minimum wage to ₦30,000 per month from ₦18,000 per month. The labour union and the Federal Government have also negotiated a consequential adjustment in wages of civil servants across all levels. The impact of higher personnel expenditure is expected to be offset by new revenue measures. The revenue measures include: (1) the Deep Offshore and Inland Basin Production Sharing Contract ("**PSC**") Act, which improves the fiscal terms for deep offshore fields; and (2) the Finance Act 2020, which, amongst other provisions, prescribes an upward review of the Value Added Tax ("**VAT**") rate to 7.5 per cent. from 5.0 per cent. In 2021, the Federal Government has budgeted a fiscal deficit of ₦5.6 trillion. This will be financed using the conventional method of combining domestic borrowing, external debt and monetary financing by the CBN.

Figure 3: Nigeria's Fiscal Deficit



Source: CBN, Chapel Hill Denham Research

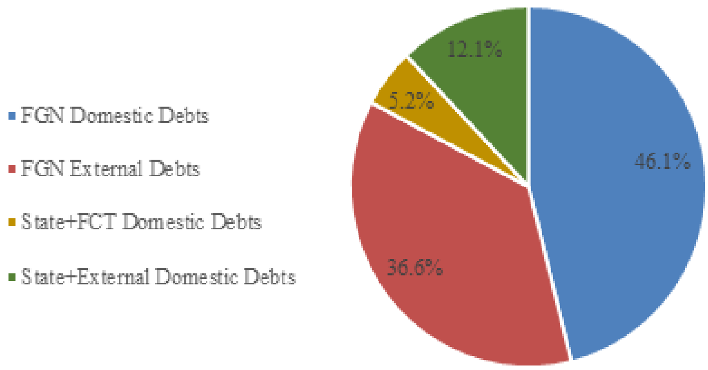
Public Debt

As at December 2020, Nigeria's total public debt was U.S.$86.4 billion (₦32.9 trillion or 21.61 per cent. of GDP) according to the DMO. Of the outstanding public debt, the external component was U.S.$33.3 billion (₦12.7 trillion), having increased from U.S.$10.7 billion in 2015 after the DMO started implementing a new medium term (2016-2019) debt management strategy. The 2016-2019 debt management strategy targets a debt composition of 60:40 for domestic and external debt, respectively, as against 83:17 at end-2015, so as to reduce the cost of debt servicing while taking into consideration the need to moderate foreign exchange risk. The domestic debt stood at U.S.$53.0 billion (₦20.2 trillion), having increased from U.S.$54.7 billion (₦10.5 trillion) in 2015. The sharp increase in external borrowings had altered the debt mix to 61:39 for domestic and external debt, respectively, in December 2020.

The DMO's medium term strategy also targets a domestic debt mix of 75:25 for long- and short-term debts, respectively, from 69:31 as at December 2015, with the objective of reducing debt service cost and rollover risk. The Federal Government has subsequently reduced its treasury bills liabilities and achieved the objective of lengthening the maturity profile of its domestic debt. As at December 2020, the domestic debt mix stood at 74:26 for long- and short-term debts, respectively.

Although Nigeria's public debt burden (at 21.61 per cent. of GDP based on the DMO's data) is low in comparison to peers, focus has shifted to weak debt affordability as indicated by the high debt service cost to revenue ratio. The ratio of debt service cost to revenue increased from 38 per cent. in 2015 to 69 per cent. in 2017 before moderating to 35.8 per cent. in 2020. As such, despite the moderate public debt level, fiscal space is considerably limited without revenue reforms to improve debt affordability and reduce debt sustainability risk.

Figure 4: Public Debt Profile as at December 2019



Source: DMO, Chapel Hill Denham Research

Capital Markets

Sentiment for Nigerian equities improved significantly in 2017 following the pro-market FX reforms by the CBN and the economic recovery. The All Share Index ("**ASI**") returned 42.3 per cent. in the year to emerge as one of the best performing in the world. The ASI lost momentum in 2018, shedding 17.8 per cent. in 2018, partly due to a global risk aversion for emerging and frontier markets ("**EM/FM**") assets, as well as idiosyncratic domestic factors ranging from an increase in political risk premium ahead of the 2019 general elections to the weak momentum of the economic recovery. The ASI subsequently opened at ₦31,430.5 at the beginning of the first quarter of 2019 and fell by 1.2 per cent. to ₦31,041.4 at 31 March 2019.

Market sentiments were generally uncertain during the first quarter of 2019, largely due to concerns surrounding the 2019 general elections as mentioned above, as well as portfolio rebalancing by investors from equities market to money market instruments, particularly Nigeria Treasury Bills. Consequently, volatility in the market intensified, leading to mixed developments on the Nigerian Stock Exchange (*Nigerian Exchange Limited*) in the first quarter of 2019. Thus, the aggregate volume of traded securities rose by 9.5 per cent. to 20.5 billion shares, while the value of traded securities fell by 1.2 per cent. to ₦208.7 billion in 240,990 deals, compared with 18.9 billion shares worth ₦211.2 billion in 196,065 deals, recorded in the fourth quarter of 2018.

The primary market, however, witnessed a boom with two large equity listings in the year. Nigeria's largest telecommunications company, MTN Nigeria Plc, listed by introduction in May 2019. Airtel Africa Plc followed in July 2019 with an Initial Public Offering ("**IPO**") and secondary listing on the NGX. Both listings have boosted equity market capitalisation, which was up 10.6 per cent. in 2019. By 2020, the NGX advanced by +50 per cent. to close the year, ranking as the best performing stock market globally.

Similar to the equity market, sentiments in the fixed income market turned bullish in 2017 as yields compressed by 305 basis points on the sovereign yield curve to an average of 13.93 per cent. on 29 December 2017, due to the rebound in foreign portfolio inflows following the CBN's pro-market FX move. The DMO's strategy to reduce domestic debt issuance in favour of external debt also supported the bullish sentiment in the fixed income market in 2017. The market turned bearish in mid-2018 due to risk aversion for EM/FM assets, weaker oil prices and escalation of the trade conflict between the U.S. and China. The CBN also tightened its balance sheet policy in response to rising domestic political risk premium ahead of the 2019 elections. The market turned bearish in 2019, as the sovereign yield curve has moved lower by over 5.0ppts to an average of 9.55 per cent., thanks to the interest rate cut by the CBN in March (50 basis points reduction to 13.50 per cent.) and the unexpected change in the structure of the fixed income market. Although EM/FM LCY bonds rallied in 2019 due to the dovish policy bias of most central banks, Nigerian bonds outperformed, returning 35 per cent. compared to a 12 per cent. return on the broader EM LCY bond universe. Much of the fixed income rally in 2019 came between September and December, driven by the regulatory decision of the CBN to exclude non-bank local investors from buying OMO bills. Alternative fixed income securities are limited (treasury bills are minimal at ₦2.7 trillion), hence the aggressive positioning in bonds and treasury bills after restriction in the OMO market.

Due to the dovish stance of the CBN to support growth due to the unpalatable effects of the COVID-19 pandemic, yields in the fixed income market were largely reduced in 2020. This prompted bearish sentiments in 2020 as investors sold off their fixed income instruments to reposition into equities. However, with the gradual recovery of the global economy, yields are beginning to pick up as demand for high-yield EM instruments is on the rise.

Foreign Reserves

As at December 2020, Nigeria's foreign reserves stood at U.S.$35.4 billion compared to U.S.$38.6 billion in December 2019 and U.S.$43.1 billion in December 2018, representing a decline of 8.3 per cent. year-on-year in 2020 and 10.4 per cent. year-on-year in 2019. The decline in external reserves is against the backdrop of low oil prices, mounting capital reversal among FPIs and a dip in foreign remittances due to the outbreak of COVID-19. Brent crude oil piece dipped by 69 per cent. between January and April 2020 as prices assumed a low of U.S.$19.33/barrel as at April 2020.

The foreign portfolio also dropped from U.S.$24.0 billion in 2019 to U.S.$9.7 billion in 2020, signalling outflows of FPIs due to the COVID-19 shock and low-yield environment. Foreign interest in OMO dropped from U.S.$14.6 billion in December 2019 to U.S.$10.9 billion in December 2020. The Federal Government launched a security operation in August 2019 to reduce the pressure in the current account and support local industry. The operation includes a partial land blockade with neighbouring countries such as Niger, Benin and Cameroon. This was done to reduce the illegal export of highly subsidised petrol from Nigeria and smuggling of banned items into Nigeria.

Foreign Exchange

The CBN has intensified efforts to converge Nigeria's multiple exchange rates in a bid to reduce arbitrage incentives and round-tripping. In 2019, the CBN adjusted the retail and wholesale intervention USD/NGN rate to ₦358 from ₦330 in August 2018. Also, the CBN adjusted the foreign exchange rate for computing customs duty to ₦326 in 2019 from ₦306 in 2016. The USD/NGN rate in the I&E Window, which is the most flexible of the multiple exchange rates, closed flat year-on-year in 2019 at ₦364.70. The currency initially strengthened following the conclusion of the 2019 presidential election in February 2019, but gave up gains towards the end of 2019 due to capital outflow pressures.

In 2020, Nigeria's foreign exchange market came under pressure as a result of the twin shock of weaker prices and the decline in foreign portfolio inflows, both linked to the COVID-19 pandemic. Against this backdrop, the Naira weakened across all segments of the foreign exchange market. Notably, the CBN adjusted its official USD/NGN peg by 19 per cent. to ₦379.0/U.S.$ in December 2020 from ₦307.0/U.S.$ in 2019. The apex bank also engineered an 11 per cent. depreciation in the I&E Window, to ₦410.3/U.S.$ from ₦364.70/U.S.$ in 2019. In addition, liquidity weakened substantially in the I&E Window, as the average daily turnover fell by 45 per cent. to U.S.$145 million in 2020 from U.S.$262 million in 2019. Furthermore, as a result of demand management measures imposed in the regulated FX windows, as well as lower intervention sales by the CBN in the BDC segment, the NGN depreciated much faster against the USD in the parallel market, by 23 per cent. to ₦470.00 as of 2020 from ₦362.00 in 2019. This has led to a wider parallel market premium in the foreign exchange market.

The CBN has begun paying more attention to the approximately U.S.$25 billion annual remittance market to shore up the foreign reserves as U.S. dollar inflows via oil receipts remain challenged by low production quota by OPEC+. The CBN recently introduced a policy on diaspora remittance, where International Money Transfer Operators ("**IMTOs**") are directed to make diaspora remittances available to beneficiaries in foreign currency (U.S. dollars). According to the CBN, foreign currency inflows through this channel should support the balance of payments position, reduce dependence on external borrowing and improve U.S.$ liquidity in the economy. In furtherance of the new FCY remittance policy, the CBN also recently introduced a "five naira for one dollar" scheme, for inflows received via licensed IMTOs. The new scheme means that recipients of U.S. dollar inflows into Nigeria will receive an additional ₦5.00 for every U.S.$ received in cash or paid into domiciliary accounts. While all these are positive, the outlook suggests further adjustments in the I&E Window rate will be required to close the parallel market premium.

Furthermore, in May 2021, the CBN temporarily removed the official exchange rate from its website sending a signal of a possible devaluation of the Naira. Following this development, the Minister of Finance, Zainab Ahmed, said the Federal Government had adopted the NAFEX Rate used by investors and exporters, effectively devaluing the Naira by 8.2 per cent. The CBN Governor, Godwin Emefiele, also maintained that while the official rate is still maintained by the apex bank, the NAFEX Rate of ₦410 was adopted for certain government businesses. This is expected to reduce the demand pressure on external reserves.

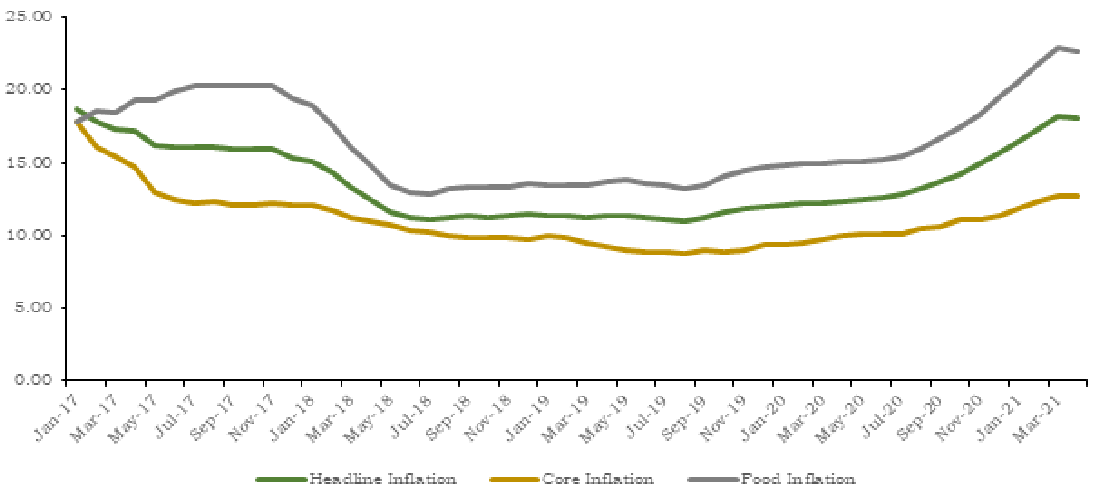
Inflation

The three-year long deflationary trend in consumer price inflation reversed in the third quarter of 2019 as a result of a food price shock triggered by security measures to tighten Nigeria's border controls. Despite opening the border in December 2020, the slowdown in agricultural and industrial production resulted in a pent-up headline inflation rate. Headline inflation peaked at 15.75 per cent. in December 2020 and continued until April 2021 at 18.12 per cent., a marginal decline of five basis points, after 19 months of consecutive price surge. This was mainly driven by food inflation as a result of heightened insecurity, COVID-19 and supply chain bottlenecks.

Food inflation closed at 19.56 per cent. in December 2020 and accelerated to 22.72 per cent. in April 2021. There has been a steep decline in food inflation and as at September 2021, food inflation closed at 19.57 per cent. Core inflation has also come under pressure, as it assumed double-digits since April 2020 when the lockdown commenced. At 12.74 per cent. in April 2021, core inflation is at a 47-month high since the inflection in May 2017, when core inflation trended at 13 per cent.

Historical and current factors driving the poor performance of inflation include high demand (demand-pull pressure), high cost of production, exchange rate depreciation, low agricultural production, concerns about hikes in electricity tariffs, implementation of the new minimum wage, proposed removal of fuel subsidies, the hike in VAT rate to 7.5 per cent. from 5 per cent. and other fiscal/monetary factors. However, upside risks to consumer prices are elevated, from demand-pull factors and supply-push factors.

Figure 5: Inflation trend (%)



Source: DMO, Chapel Hill Denham Research

Interest Rates

The CBN's monetary policy stance turned accommodative in the second quarter of 2019 in response to muted inflationary pressures, stability in exchange rates and weak domestic growth. The Monetary Policy Committee ("**MPC**") of the CBN, in March 2019, slashed its benchmark MPR by 50 basis points to 13.50 per cent., marking the first interest rate cut since 2015. The CRR was retained at 22.5 per cent. while also retaining a liquidity ratio of 30 per cent. The asymmetric corridor around the MPR was maintained at +200 and -500 basis points. Following the benchmark interest rate cut, the CBN also loosened its balance sheet policy with a structural change in the structure of the fixed income market, via a restriction in the sale of OMO bills to non-bank domestic investors. The liquidity glut in the money market, created by the ban on OMO sales to non-bank domestic investors, forced the

CBN to tighten liquidity at the January 2020 MPC meeting. Against expectation, the MPC raised the CRR by 500 basis points at the January 2020 MPC meeting to 27.5 per cent. from 25.0 per cent., which remains the current rate as at the date of this Base Prospectus. The increase in the CRR is aimed at curtailing liquidity surfeit in the banking system from maturing OMO bills, to help address monetary-induced inflation whilst retaining the benefits from the LDR policy in increasing credit to the private sector and pushing market interest rates downwards. At both the July and November meetings in 2020, the MPR voted to retain the CRR at 27.5 per cent.

In July 2019, the CBN introduced a minimum loan-to-deposit ratio regulation, set at 60 per cent., to encourage banks to lend to the real estate sector. Banks are to assign a weight of 150 per cent. to loans to SMEs, retail, mortgage and consumer lending when computing the LDRs, in a bid to encourage lending to these sectors. The CBN will impose an additional CRR on banks that fail to meet the minimum LDR, which will be equivalent to 50 per cent. of the lending shortfall of the target LDR.

In October 2019, the CBN increased the minimum Loan-to-Deposit Ratio requirement to 65 per cent. Furthermore, a new guideline for accessing the CBN's standing deposit facility was released in July 2019, wherein the remunerable daily placement by banks was capped at ₦2.0 billion. The CBN Governor, in recent interviews, ruled out further interest rate cuts until the inflation rate moderates to the CBN's single digit target. However, the CBN is expected to continue to use administrative tools to incentivise banks to increase lending to the real estate sector and bolster economic growth.

In response to the effects of the COVID-19 pandemic on the economy, the MPC of the CBN reduced the MPR from 13.5 per cent. to 12.5 per cent. in May 2020 and subsequently reduced it to 11.5 per cent. in September 2020, where it remained as of 24 November 2020. As at 30 September 2021, the MPC retained the MPR at 11.5 percent and the liquidity ratio at 30.0 per cent. which remains the current rate as at the date of this Base Prospectus.

Reforms

Nigeria is currently concurrently implementing two major economic development plans: the Medium Term National Development Plan ("**MTNDP**") – 2021-2025 and the Nigeria Economic Sustainability Plan ("**NESP**"). These plans replaced the Vision 20:2020 and Economic Recovery and Growth Plan ("**ERGP**"), which partly achieved its objectives. The NESP was enacted to drive the recovery of the Nigerian economy caused by the impact of the COVID-19 pandemic. The ₦23 trillion NESP anchors on job creation and fiscal expansion through mass agricultural and housing programmes, renewable energy, digitisation, public works, support for SMEs and diversification from liquid crude to gas, among others. On its part, the MTNDP is the current medium-term planning framework of the Federal Government. The strategic objectives of the MTNDP include: to establish a strong foundation for a diversified economy, with robust MSME growth, and a more resilient business environment; to invest in critical physical, financial, digital and innovation infrastructure; to build a solid framework and enhance capacities to strengthen security and ensure good governance; and to enable a vibrant, educated and healthy populace.

The Ministry of Power is also implementing the Power Sector reform programme ("**PSRP**"), a medium term (2017-2021) plan developed and supported by the World Bank. The plan is aimed at resolving the current challenges in the power sector, restore its financial viability and improve power supply. There is also the U.S.$2 billion Siemens power deal that is expected to raise electricity generation in Nigeria from 4,500MW to 25,000MW.

The summary of reforms under the Vision 20:2020, MTNDP, ERGP and PSRP are set out below:

Nigeria's Medium Term National Development Plan (MTNDP) - 2021-2025

The goal is that by 2025, Nigeria has laid the foundation for a strong institutional structure and systems driving efficient implementation of at least 60 per cent. of the targets in the MTNDP. The Federal Ministry of Finance, Budget & National Planning will harmonize and consolidate different coordination functions/mechanisms, enabling more streamlined management of the MTNDP implementation.

The MTNDP focuses on the following main areas:

- economic growth and development – to achieve a growth rate of 6-8 per cent. required for significant positive development;

- infrastructure – transport, renewable energy, housing digital economy and financial and capital market development;
- public administration – improving the state of defence and security, governance, institutions, anti-corruption, foreign policy and international economic relations;
- social development – addressing the complexities around women and gender balance, poverty alleviation, job creation, population and identity management, youth and sport development and environment and disaster management; and
- regional cooperation and economic development.

Nigeria Economic Sustainability Plan (NESP)

The NESP calibrates economic growth based on three scenarios for the recovery of the Nigerian economy from the COVID-19 shock using three different projections of crude oil prices – U.S.$15/bl, U.S.$20/bl and U.S.$30/bl. The plan consolidates fiscal and monetary policy measures to steer the course of the Nigerian economy for one year, ending in 2021.

Some of the fiscal policy measures include the following:

- deregulate the price of refined petroleum products and establish a sustainable framework for maintaining the national strategic stock;
- activate the provisions of the Finance Act 2020 in support of MSMEs;
- unlock available funds in Special Accounts to create a ₦500 billion intervention fund;
- expand the scope of the Road Infrastructure Tax Credit Scheme ("**RITCS**"); and
- implement the VAT reforms in the Finance Act 2020, maintaining the increase in VAT rate to 7.5 per cent.

Some of the monetary policy measures include the following:

- provide ₦1 trillion in loans to boost local manufacturing and production across critical sector;
- unify exchange rates to maximise Naira returns to FAAC from foreign exchange inflows;
- manage the exchange rate in a sustainable manner;
- invoke partial risk guarantees for SMEs;
- grant additional moratorium of one year on CBN intervention facilities;
- reduce interest rate on intervention facilities from 9 per cent. to 5 per cent.;
- create ₦100 billion target credit facility for affected MSMEs;
- grant regulatory forbearance to banks to restructure terms of facilities in affected sectors; and
- improve foreign exchange supply to the CBN by directing oil companies and oil service companies to sell foreign exchange to the CBN rather than the NNPC.

Power Sector Recovery Programme (PRSP)

The objectives of the PRPS include: (i) restoring the sector's financial viability; (ii) improving the power sector reliability to meet growing demand; (iii) strengthen the sector's institutional framework and increase transparency; (iv) implement clear policies that promote and encourage investor confidence; and (v) establish a contract-based electricity market. At the core of the programme is comprised of three areas of interventions, detailed below.

- *Financial intervention to fully fund historical and future deficit* – the plan aims to establish a sustainable and appropriate electricity tariff and fully fund projected sector deficits due to tariff shortfall from 2017 to

2021. Historical deficits due to tariff shortfall and MDAs electricity debt will also be cleared as part of the financing plan.

- *Operational and Technical Intervention* – Ensure minimum baseline power of 4,500 MWh/hour to the national grid is distributed daily to achieve grid stability and phase out operational shortages. Improve Discos performance by employing a balanced approach of incentive regulation, monitoring and enforcement, aimed at ensuring aggressive ATC&C loss reduction. Address major issues constraining gas availability in the power sector, notably pipeline vandalism, arrears due to gas suppliers and lack of payment security for guarantees.

- *Governance intervention* – restore sector governance, improve sector transparency, and make contracts fully effective.

- *Policy intervention* – increase awareness of fiscal and monetary policies pertaining to power sector, increase electricity access via off-grid and renewable energy solutions.

Regulatory and Legislative Environment

The law governing the formation and regulation of companies in Nigeria is set out in CAMA. Where a company intends to undertake a public offering of its securities, such offering will be regulated by the provisions of the Nigerian ISA and the rules and regulations of the Nigerian SEC from time to time. All companies, both local and foreign, intending to carry on business in Nigeria must be registered with the Corporate Affairs Commission, which is the body responsible for the registration and regulation of companies. The principal laws regulating foreign investment in Nigeria are the Nigerian Investment Promotion Commission Act 1995, Cap N117, Laws of the Federation 2004 ("**NIPC**") and the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995, Cap F34 LFN 2004 ("**Nigerian Forex Act**").

The Nigerian Forex Act establishes an Autonomous Foreign Exchange Market and provides for the monitoring and supervision of the transactions conducted in the market. Transactions in foreign exchange are therefore expected to be conducted in accordance with the provisions of this act. The Nigerian Forex Act allows any person to invest in any enterprise or security, with foreign currency or capital imported into Nigeria through an authorised dealer (being a bank licensed by the CBN to deal in foreign currencies) either by telegraphic transfer, cheques or other negotiable instruments and converted into Naira in the market in accordance with the provisions of the Nigerian Forex Act. The Nigerian Forex Act guarantees unconditional transferability of funds that have been imported into Nigeria.

The transferability, which does not require any further approval, could be by way of dividends or profits attributable to the investment; payment in respect of loan servicing where a foreign loan has been obtained; and the remittance of proceeds and other obligations in the event of sale or liquidation of the enterprise or any interest attributable to the investment under section 15(4). The NIPC provides that any enterprise in which there is foreign participation must be registered with the NIPC. The NIPC permits foreign participation in any business enterprise with the exception of enterprises on the "negative list" of the act. The negative list includes enterprises involved in the production of and dealing in arms, ammunition, narcotic drugs and psychotropic substances.

The combined effect of the NIPC and the Nigerian Forex Act is to guarantee the unconditional transferability of dividends from equity investments and interest on foreign loans as well as capital repatriation in the event of liquidation or divestiture, or repayment of foreign loans. However, this is subject to complying with applicable foreign exchange regulations, specifically obtaining a CCI – from the Bank through which the investment amount was remitted to Nigeria – as evidence of capital inflow into the country. A CCI will form the basis for eventual repatriation upon divestment. In a bid to enhance transparency and efficient processing of foreign investment flows into Nigeria, the CBN replaced the hard copy CCI system with an eCCI system effective 11 September 2017. The NIPC gives every foreign investor whose shares are registered under the Act access to arbitration at the International Centre for Settlement of Investment Disputes ("**ICSID**").

Outlook

With the Nigerian economy expanding by 0.11 per cent. and 0.51 per cent. in the fourth quarter of 2020 and first quarter of 2021, respectively, recovery of the economy is best described as fragile. However, the Group expects growth to trend at ≥1 per cent. in the second quarter of 2021 and ≥2 per cent. for the year ended

31 December 2021. This will be influenced by intervention programmes of the CBN like the Anchors' Borrowers Programme; Real Sector Intervention Financing; and the Youth Investment Fund. On the fiscal side, the impact of the Finance Act and budget implementation will help achieve this growth, thereby supporting the gradual opening up of the global economy. While growth projection remains tepid, the slow improvement in COVID-19 vaccination and the emergence of new strains of the corona virus constitute a major risk to the Group's projections.

Gradual pick-up in fiscal activities is also expected to rest on the back of measures including: (i) the increase in VAT rate to 7.5 per cent. from 5.0 per cent.; (ii) introduction of communication services tax at 9 per cent., and (iii) amendment of the PSC to increase the fiscal terms for deep offshore oilfields. Over the short term, the Federal Government faces an interplay of oil price shocks, weak implementation of economic plans, poor diversification of the economy, the encumbrances of doing businesses in Nigeria, rising fiscal deficit and corruption.

The I&E Window rate of the U.S. Dollar against the Naira stood at ₦410/$ as at April, 2020. Pressure will continue to mount on the exchange rate due to low liquidity in the FX market, high backlog of FX demand and weak foreign portfolio investment. External reserves are weak at U.S.$34.2 billion as at June 2020. Reserves have been declining, on average, since April 2016. The CBN is concerned with ensuring the supply-side keeps up with demand, but this is near impossible as demand for FX is growing faster than supply. The Group expects some improvement in the external accounts based on improvements in global trade, but a slim appreciation of the exchange rate.

The President has instructed security agencies to intensify efforts to reduce armed banditry and kidnappings in the Northern region. the Federal Government has secured a court order to proscribe the Islamic Movement of Nigeria (IMN) to check the activities of the Shiite Muslims group. Protests by the group have reduced in recent weeks but risk flaring up as the leader of the group remains in detention by the State Security Services. Boko Haram's control of the territories has successfully been pushed back by security agencies, although the group continues to launch guerrilla attacks on the military and civilians.

In spite of its challenges, Nigeria still presents one of the most compelling frontier/emerging market opportunities in the world due to the following factors:

- *Strong underlying demographics*: The country's huge population, favourable demographics (62 per cent. of people below the age of 25) and a growing, albeit slowly, middle class provide wealth-generating capacity for the foreseeable future.
- *Stable political environment*: Nigeria has had relative political stability since 1999, ending the country's preceding 16-year run under military rule. The country has also witnessed three successful civilian-to-civilian transitions since 1999, providing further evidence of the country's commitment to maintaining democracy.
- *Commitment to reforms*: The pace and steady progress of reforms in Nigeria in recent years is testament to the commitment of the Federal Government to developing the country. The reforms have resulted in Nigeria's improved ranking by the World Bank in the ease of achieving business reform, and resulted in a fundamental shift in the public's perception of the Federal Government fiscal responsibility. It is envisaged that the reforms will continue to be the catalyst for improvement in Nigeria's social and economic infrastructure and provide a favourable framework for investment and real growth opportunities across sectors.
- *Wealth of natural resources*: With its large reserves of human and natural resources, Nigeria has the potential to build a highly prosperous economy, reduce poverty significantly and provide the infrastructure, healthcare and education its population badly needs.
- *External debt management*: Nigeria has successfully reined in external debt over the past decade, thereby allowing for an effective management of public finances and promotion of investment.
- *Significant investment opportunities in infrastructure*: It is estimated that Nigeria requires an investment of U.S.$100 billion (₦36 trillion) in infrastructure – power, rail transportation, roads and oil & gas – to achieve and sustain double-digit economic growth rate. The 2021 budget proposal earmarks ₦2.14 trillion (21 per cent. of total budget) towards capital expenditure. The Federal Government has also set up the Presidential Infrastructure Development Fund (PIDF) and funded it with U.S.$650 million for investments

in infrastructure. The Road Infrastructure Tax Credit Scheme was launched in 2019, via an executive order, to provide incentives for the private sector to construct and rehabilitate 19 roads and bridges totalling 794.4kms. According to the Presidency, the scheme has attracted ₦205 billion in private sector financing, thus reinforcing the Federal Government focus on infrastructure development as well as its drive towards stimulating growth and employment, especially through infrastructure investments.

In conclusion, the ongoing Government reform and fight against corruption and insurgency, continuous drive by the CBN for credit expansion to the real sector, and underlying strong demographic advantages, will continue to present a compelling case for investments in all sectors of the economy.

THE NIGERIAN BANKING SECTOR

The third-party information in this section has been extracted from documents and other publications released by various officials and other public and private sources, such as the CBN, the IMF, the DMO, the NBS and the FMF, as indicated herein. There is not necessarily any uniformity of views amongst such sources as to such information provided and the information provided from such sources can be distorted by the impact of movements in foreign exchange rates. The Bank has not independently verified the information included in this section and has relied on the accuracy of this information without independent verification.

As at the date of this Base Prospectus, the Nigerian banking industry consists of 22 commercial banks. This is made up of eight banks with an international licence, 11 banks with a national licence, three regional banks, five merchant banks and one specialised bank. Fourteen of these banks are listed on the NGX, and represent 17.0 per cent. of the index market capitalization. Total commercial and merchant banking assets as at the end of 2020 stood at ₦52.97 trillion.

Supervision and regulations of the banking sector

The CBN, in collaboration with the National Deposit Insurance Corporation ("**NDIC**"), regulates and ensures rationality and efficiency in the banking sector. A stable financial sector contributes to broader economic growth and rising standards of living. Prior to January 1999, the CBN was supervised by the FMF but now acts autonomously, with the power to formulate and implement monetary and exchange rate policies.

The CBN is governed by its board of directors which consists of the Governor of the CBN, who acts as Chairman, four Deputy Governors and seven non-executive board members, including the Accountant General of the Federation and the Permanent Secretary of the Federal Ministry of Finance. Each Deputy Governor oversees one directorate of the CBN. The directorates are Operations, Corporate Services, Financial System Stability, and Economic Policy.

The functions of the Financial System Stability Directorate include supervision of banks, which involves onsite examination of banks, especially in relation to their financial condition, internal control systems, reliability of information provided and compliance with corporate governance codes. The CBN also monitors trends in the banking sector and generates industry reports on a monthly and quarterly basis, evaluates the development of the finance sector and monitors other financial institutions. Prior approval of the CBN is required for activities such as changes of auditors, announcements of audited consolidated financial statements, opening and closure of branches, and changes in control and appointments of directors by banks, amongst others.

To forestall anomalies in Nigerian banking activities and in a bid to promote a sound financial system, the CBN introduced the Regulation on Scope of Banking Activities and Ancillary Matters 2010, which introduced a narrower banking model. Banks are no longer allowed to perform non-banking activities such as insurance, and pension fund administration. This led to the divestiture of the non-banking arms of banks and reconstitution of banks into holding companies that own separate banking and non-banking subsidiaries.

The CBN regulates foreign exchange in Nigeria. Nigeria is heavily reliant on oil which, according to OPEC, represents 90 per cent. of the total revenue of the country. The collapse of oil prices led to an abrupt decline in the foreign currency revenue and erosion of foreign reserves of the country. The CBN has developed several measures aimed at addressing foreign exchange issues. For example, the revised guideline for the operation of the Nigerian Interbank Foreign Exchange Market and the Primary Dealership Guidelines were introduced in 2016. Furthermore, the introduction of the naira-settled OTC futures market is a measure expected to ease the movement of non-urgent Forex demand from spot to the futures market.

The role of the Nigeria Deposit Insurance Corporation ("**NDIC**") can be brought into sharper focus when examined within the context of its activities in the discharge of its primary mandate of deposit insurance. The NDIC guarantees payments to depositors in case of imminent or actual suspension of payments by insured banks or other deposit-taking financial institutions up to the maximum amount of ₦200,000 per depositor for primary mortgage institutions and microfinance banks, and ₦500,000 per depositor for deposit money banks. The NDIC is also mandated to assist monetary authorities with the formulation and implementation of banking policy in Nigeria to ensure sound banking practices and promote fair competition amongst banks in Nigeria. It also plays a major role in collaborating with the CBN in the liquidation of banks in Nigeria. The powers and functions of the NDIC are stated in the NDIC Act.

In recent times, the banking sector has gone through several regulatory-driven reforms, and various intervention measures have been put in place to further strengthen the system.

Banking Sector Reforms

Banking reform in Nigeria is an integral part of the country-wide reform programme undertaken to reposition the Nigerian economy to achieve the objective of becoming one of the largest economies in the world. The various reforms undertaken by the CBN were targeted at making the system more effective and strengthening its growth potential. The recent experience from the global financial crisis has further underscored the imperatives of countries to undertake banking reforms on a regular basis.

The world economy was hit by an unprecedented financial and economic crisis in 2008 that resulted in a global economic recession. This crisis led to the collapse of many world-renowned financial institutions. The Nigerian economy weakened and was hit by the secondary effect of the crisis as the stock market collapsed by 70 per cent. in 2008-2009 and many Nigerian banks bore huge losses, particularly as a result of their exposure to the capital market and the downstream oil & gas sector of the economy. To restore confidence and stability in the banking system, the CBN had to rescue eight banks through capital and liquidity injections and management changes (including some prosecutions of the latter).

Following the banking crisis of 2008, the CBN articulated a blueprint known as "The Project Alpha Initiative" to reform the Nigerian financial system in general and the banking sector in particular. The reforms were aimed at removing the inherent weaknesses and fragmentation of the financial system, integrating the various ad hoc and piecemeal reforms and releasing the huge potential of the economy. The banking sector has since gone through several regulator- driven reforms and developments, some of which are discussed below.

Repeal of the Universal Banking Model and introduction to Regulation 3

The universal banking model, adopted in 2000, allowed banks to diversify into non-bank financial business. Some banks abused the objectives of the universal banking model with banks operating as private equity and venture capital funds to the detriment of core banking practices. To address these challenges, the CBN reviewed the universal banking model with a view to directing banks to focus on their core banking businesses only.

To address these challenges, in October 2010, the CBN repealed the universal banking guidelines which had been in operation since 2000, and issued new rules and guidelines for the banking licences regime titled "Regulation on the Scope of Banking Activities & Ancillary Matters, No. 3, 2010". The new rules, according to the CBN, were aimed at streamlining banking operations in Nigeria as well as reducing the exposure of banks to higher operational risks. Upon the new regulation coming into force, licensed banks were authorised to undertake the following types of business: commercial banking (with either regional, national and international authorisation); Merchant (investment) banking; specialised banking (microfinance, mortgage, non-interest banking (regional and national)); and development finance institutions.

This rule effectively required banks to divest from all non-banking business or to adopt a non-operating holding company structure in compliance with the regulation. Under Regulation 3, commercial banks were also required to maintain a minimum paid-up share capital of ₦10 billion for institutions granted a regional banking licence, ₦25 billion for institutions granted a national banking licence and ₦50 billion for institutions granted an international banking licence. On the other hand, merchant banks are required to have a share capital of ₦15 billion, and specialised banks a capital of ₦10 billion.

The 2010 Regulations represent a positive step by the CBN to sanitise the banking sector, with the aim of ensuring financial stability. Since the release of the 2010 Regulations, the Nigerian banking system has witnessed a flurry of restructuring and reorganisations, which has reduced the risks to which the banks were previously exposed as a result of their operations and restored investor confidence.

Recent Trends in the Banking Industry

Bank Consolidation: In recent years, the banking industry witnessed two major bank consolidations. Polaris bank, a CBN bridge bank took over defunct Skye Bank Plc in 2018, while Access Bank took over the defunct Diamond Bank in 2019.

Loan Restructuring: CBN requested banks to grant loan forbearance in March 2020 for leveraged businesses and households, particularly in the oil & gas, agriculture and manufacturing sectors. This forbearance has been extended for another year, and will now end in March 2022.

Intervention Funds: New CBN intervention funds were created to cushion the impact of the pandemic on the economy. The ₦100bn health facility, ₦1 trillion manufacturing facility, ₦200 billion SME fund and ₦50 billion for households were all created out of the need to support critical sectors of the economy.

Increased Retail Drive: Financial Inclusion Growth in the industry has engendered growth in the retail banking business. The retail banking segment, over time, has proven to be a good source of low cost deposits as it assists with keeping overall interest expenses low. Also, the LDR policy favours loans given to SMEs and retail customers.

Increased Presence of FinTechs: There are over 200 FinTechs in Nigeria, with investments reaching 197 per cent. in the past three years. Of the FinTech players, 39 per cent., 28 per cent. and 11 per cent. are present in the payment, lending and savings space, respectively. Banks have responded by launching FinTech solutions through in-house innovations or collaboration with FinTechs.

Increased Risk Asset Creation: Banks were mandated, by the CBN, to meet the minimum of 65 per cent. (initially 60 per cent.) LDR in 2019. Loans have grown by 29 per cent. to reach ₦21.02 trillion in Q1 2021 relative to Q3 2019, when the policy was implemented. However, LDR for the industry for Q1 2021 is at 58.4 per cent. Banks failing to reach this level were debited 50 per cent. of the lending shortfall.

Digitisation: Many bank customers have become acquainted with online banking tools bank doors were locked at the outbreak of the COVID-19 pandemic. Some banks have introduced agents across the country to use digital services to provide banking services to customers.

Others Include: Ban on cryptocurrencies, meeting Minimum LDR or face penalties, review of minimum interest rate on savings accounts, Increased CRR and Open Banking Reform.

Establishment of AMCON

AMCON was established on 19 July 2010, pursuant to the Asset Management Corporation of Nigeria Act No.4, 2010 (the "**AMCON Act**"). AMCON Act was established to achieve a resolution of the banking crisis with minimal impact on depositors, taxpayers and other bank creditors. AMCON was created as a resolution vehicle to assist DMBs in Nigeria with improving their capital and liquidity positions, with the ultimate aim of stabilising the financial system. Pursuant to the provisions of the AMCON Act, AMCON has an authorised capital of up to U.S.$67 million, which is jointly funded by the FMF and the CBN. To achieve its objectives, AMCON is expected to engage the debtors of all Nigerian banks, with a view to taking over their NPLs and restructuring such loans by negotiating more favourable terms of repayment with the debtors. AMCON is also required to appoint asset managers to manage and seek the best returns on the underlying collateral with a view to minimising costs to the Nigerian Government in the event that debtors cannot redeem the debt. With AMCON's intervention, the banking industry ratio of non-performing loans to total credit significantly reduced, from 34.4 per cent. to 4.95 per cent. within one year of its inception.

The CBN and all the DMBs signed a Memorandum of Understanding on the financing of AMCON. CBN makes annual contribution of ₦50 billion to the Resolution Cost fund which was established mainly for paying AMCON bonds from 2011-2020, while each of the participating banks contributes an amount equivalent to 0.5 per cent. of its total assets and off-balance sheet assets annually into a sinking fund as at the date of their audited financial statements for the immediately preceding financial year. Consequently, the cost of the resolution to the Nigerian taxpayer is significantly minimised. Since inception, AMCON has already acquired about 12,537 NPLs worth ₦1.7 trillion from 22 financial institutions, and some ₦3.66 trillion of depositors' funds have been protected since the creation of the corporation.

In December 2016, as a measure to address the increase in NPLs, the CBN and the NDIC set up a joint committee to consider the potential need to establish a second AMCON to acquire NPLs from the banks, which would be funded by the private sector and pave the way for the gradual transition or folding up of the current AMCON. The CBN has also issued a "Supervisory Intervention" framework, and it is expected that the intervention will be dependent on the financial condition of the affected banks. In 2016, the CBN intervened to support Skye Bank Plc. The management of Skye Bank Plc was changed and the CBN provided a line of guarantee to creditors and depositors of Skye Bank Plc, although it has not yet been called on. The CBN extended the guarantees for another year from July 2017.

As at 2017, the total collection in the sinking fund created under the 2015 amendment of the AMCON Act (Banking Sector Resolution Cost Fund ("**BSRCF**") for the redemption of debt securities issued by AMCON stood at about ₦168 billion in 2019. The carrying value of AMCON's liabilities increased from ₦4.5 trillion at the end of June 2018 to ₦5.4 trillion at the end of December 2018, arising from the Corporation's investment of ₦898.5 billion in Polaris Bank Limited. Polaris Bank Limited is a bridge bank established by the CBN following its regulatory action on Skye Bank Plc to save depositors' funds and to ensure that the bank continued as a going concern, being a Domestic Systemically Important Bank ("**D-SIB**").

In 2018, the CBN notified all DMBs that, due to an erroneous application of the definition of "Total Assets" to exclude off-balance sheet items, banks across the Nigeria had underpaid their contributions in 2016 and 2017. This was being computed as 0.05 per cent. of on-balance sheet assets plus 33.3 per cent. of eligible off -balance sheet commitment. However, the fee was revised to 0.05 per cent. of both on-balance sheet and off-balance sheet assets which is responsible for the increased AMCON costs.

Although section 47 of the AMCON Act contemplates that AMCON will eventually be dissolved and wound up, there is no clear provision as to its lifespan or its dissolution date. The BSRCF has a tenor of 10 years "from the calendar year 2010" (that Act became law on 19 July 2010), which may be extended by the National Assembly for a further period of no more than five years. In December 2014, AMCON bonds were fully repaid to the public in a restructuring exercise that led to the conversion of ₦3.8 trillion into 6.0 per cent. AMCON Notes for the CBN to hold to maturity in 2023, as the sole investor. The possibilities are that when the corporation is dissolved, it may be (i) completely shut down, (ii) shut down and a new statutory undertaker body is created to inherit its remaining assets, or (iii) shut down with its assets sold to private sector funds.

In August 2019, President Buhari assented to the AMCON (Amendment) Bill 2019. Implementation of the new law is ongoing, which will empower the AMCON to access the financial details of its debtors, place bank accounts of debtors under surveillance and advise the Federal Government to deny contracts to defaulting companies and persons. Vice President Yemi Osinbajo has also set up a task force to facilitate ways to recover over ₦5 trillion debts owed to AMCON. On 28 April 2021, the Senate passed the AMCON Bill 2021. The AMCON Bill 2021 was transmitted to the House of Representatives on 6 May 2021 for its concurrence, after which the AMCON Bill 2021 will be sent to the President for his assent.

Introduction of USSD

Recently, providers of mobile telephony-based financial transactions are increasingly adopting USSD technology while the range of services supported by their mobile transaction services, using the USSD channel, is broadening rapidly. Services provided through the channel include account opening, balance and other enquiries, money transfers, airtime vending, bill payments &c. The USSD technology is a protocol used by the GSM network to communicate with a service provider's platform. It is a session-based, real-time messaging communication technology accessed through a string, which starts normally with asterisk (*) and ends with a hash (#). It is implemented as an interactive menu-driven service or command service. It has a shorter turnaround time than SMS, and unlike SMS, it does not operate by store-and-forward, meaning that data are neither stored on the mobile phone nor on the application. USSD technology is considered cost-effective, more user-friendly, faster in concluding transactions, and handset agnostic (source: the Regulatory Framework for the use of Unstructured Supplementary Service Data (USSD) in the Nigerian Financial System (2018) – Banks and Payment System Department (CBN)).

Regulation and Supervision of Unstructured Supplementary Service Data (USSD)

Domestic Systemically Important Banks (D-SIBs)

In November 2013, the CBN issued a draft paper where it designated certain Nigerian Financial System banks as SIBs (systemically important banks) and thus required them to hold more liquid assets and maintain higher liquidity and capital adequacy ratios. In 2014, the CBN commenced the implementation of the Framework for the Regulation and Supervision of Domestic Systemically Important Banks. By 31 December 2015, the CBN had fully implemented the D-SIBs framework, with eight DMBs designated as D-SIBs. The CBN adopted the indicator-based measurement approach as recommended by the Basel Committee on Banking Supervision and utilised the following indices in identifying banks which w ere systemically important to the Nigerian financial system:

- total assets (size measure);
- net interbank placements (interconnectedness measure);
- total credits and total deposits (substitutability measure); and
- total number of branches and foreign subsidiaries (complexity measure).

As at 31 December 2018, seven banks were categorised as D-SIBs. The banks were selected based on the D- SIB supervisory framework, size, interconnectedness, substitutability and complexity. The D-SIBs accounted for 63.8 per cent. of the industry total assets of ₦35.1 trillion and 65.2 per cent. of the industry total deposit of ₦21.7 trillion as well as 66.0 per cent. of the industry total loans of ₦15.3 trillion. The examination revealed that the D-SIBs were largely in compliance with the regulatory requirements, including capital adequacy and liquidity ratios. The average capital adequacy ratio for the D-SIBs stood at 19.8 per cent., while the average liquidity ratio stood at 46.2 per cent. There was an improvement in the average NPL ratio from 11.3 per cent. at end-June 2018 to 9.8 per cent. as at 31 December 2018.

Rapid growth in online Banking transactions in Nigeria

While the COVID-19 pandemic has provided lots of challenges, it brought about positive changes in the e-payment landscape. It accelerated the adoption of instant payments as the population transitioned to electronic channels for funds exchange in the wake of Government-imposed lockdowns. According to data from NIBBS, mobile and USSD channels accounted for a large element of total transfer transactions in 2020. For context, mobile channels remain the most preferred, with 43 per cent. of total transactions, while USSD is the next preferred with 35 per cent. of transactions. This indicates that 78 per cent. of total transfer transactions were carried out using a mobile device. Additionally, a significant spike was observed for Internet Banking transactions, as they grew to 10 per cent. of total transactions. This can be attributed to the move from physical channels, and the closures of branches in key commercial hubs in the wake of the pandemic. Mobile payments and USSD continued to experience steady growth, growing by 84 per cent. and 80 per cent. respectively year-on-year. With approximately 49.5 per cent. smartphone ownership and an estimated 97 million mobile internet users, there are strong indicators that mobile and USSD payments will see significant growth in the short to medium term (Source: NIBSS Insight (3rd Edition): Instant Payments – 2020 Annual Statistic).

Financial Inclusion

The global pursuit of financial inclusion as a vehicle for economic development had a positive effect in Nigeria, as the exclusion rate reduced from 53.0 per cent. in 2008 to 46.3 per cent. in 2010. Encouraged by this positive development, the CBN in collaboration with stakeholders launched the National Financial Inclusion Strategy on 23 October 2012 aimed at further the exclusion rate to 20 per cent. by 2020. Specifically, adult Nigerians with access to payment services is to increase from 21.6 per cent. in 2010 to 70 per cent. in 2020, while those with access to savings should increase from 24.0 per cent. to 60 per cent.; and Credit from 2 per cent. to 40 per cent., Insurance from 1 per cent. to 40 per cent. and Pensions from 5 per cent. to 40 per cent., within the same period. However, according to Enhancing Financial Innovation and Access (EFInA), only 64 per cent. of Nigerian adults were financially included by the end of 2020. This means that 36 per cent. of Nigerian adults or 38 million adults remain completely financially excluded.

In recent times, some promising developments have emerged. For instance, the CBN and the Nigerian Communications Commission signed an MoU on digital payment systems in 2018. In the same year, CBN collaborated with the Nigeria Interbank Settlement System ("**NIBSS**") to create a regulatory sandbox that will allow financial technology start-ups to test solutions in a controlled environment, and is partnering with the private sector to roll out a 500,000-agent network to offer basic financial services.

In addition, several players in the private sector have introduced new products and services aimed at the unserved/underserved, and new partnerships are driving the delivery of digital financial services more widely – programmes have been launched to boost access to finance specifically for excluded groups such as women and micro, small and medium-sized enterprises.

Use of Bank Verification Number ("BVN")

The CBN, in conjunction with the Bankers Committee, introduced a financial inclusion strategy targeted at increasing access to financial services for many Nigerians at reduced cost. Following the introduction of a "cashless policy" in 2013, the CBN initiated the Bank Verification Number ("**BVN**") project in February 2014. The BVN initiative aims to allocate a unique identification number to every customer which can be verified in the Nigerian banking system. The objectives are to improve banking reach, capture customers' data, reduce fraud, and enhance credit growth over the long term.

Over 2,000 BVN machines were deployed in 2014 to facilitate the enrolment process. An initial deadline of 30 June 2015 was set by the CBN for the completion of the BVN enrolment exercise but was extended to 31 October 2015. According to the CBN, the extension was expected to facilitate a smooth completion of the registration exercise. The CBN stipulated a purportedly final deadline of 31 December 2017 for the customers of other financial institutions to enrol and/or submit their BVN details. Following this, the CBN issued a directive in January 2018 mandating other financial institutions to place all accounts without BVN on a "post no debit status". However, credit payments may be received into such accounts.

Non-Interest Banking

Non-Interest Banking ("**NIB**") is a system of financial services that provide unique services in accordance with Islamic religious jurisprudence and Sharia principles, and are fully regulated by the relevant regulatory authorities as provided for in sections 9, 23 and 52 of the Bank's and other Financial Institution Act ("**BOFIA**") 1991 as amended. The CBN is empowered by law to issue licences to appropriate entities for the establishment of Non-Interest Banks provided they meet the banking requirements.

In 2011, the CBN issued the Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria (the NIFI Guidelines). The NIFI Guidelines provide the framework for the provision of non-interest banking services in Nigeria and the licensing of such institutions. The guidelines focus on non-interest financial institutions operating under the principles of Islamic jurisprudence. Non-interest banking has been the subject of debate in Nigeria on whether its religious connotations align with the constitutional secularity of the country. An advisory body called the Financial Regulation Advisory Council of Experts ("**FRACE**") was also created. The guidelines seek to define the working relationship between the FRACE and the individual Advisory Committee of Experts of NIFIs, among other functions.

Implementation of International Financial Reporting Standard ("IFRS 9")

Nigerian banks now comply with IFRS 9, a new accounting standard for financial instruments that became effective on 1 January 2018. IFRS 9 differs from the previous reporting standard IAS 39 in various ways, but the key change is the difference in impairment recognition. IFRS 9 requires banks to recognise impairment sooner than under IASB 39 and to recognise estimated lifetime expected losses against a wider spectrum of financial assets. This is completely different from the incurred loss model, which required banks to set aside specific provisions only when they incurred losses, or when the counterparty or financial asset defaults on its obligations.

COVID-19 contributed to an increase of economic uncertainties and challenges for the customers, employees, businesses and communities that the Group serves. In recognition of the impact of COVID-19 on several businesses and the associated supply chain disruptions, the Group deployed a macroeconomic scanning model by using a more advanced scenario planning system, as well as a reverse stress testing system in addition to an increase in the frequency of such tests. Through these and other measures, the Group has been able to identify businesses, obligors and geographies with the highest vulnerabilities and determine the necessary response to address such circumstance through internal and external action.

The Group's internal responses include a review of terms of the loans disbursed to vulnerable obligors and sectors, regular engagement with all stakeholders as well as enhanced liquidity/capital management processes. To address the currency risks that were exacerbated by the pandemic and related economic and social restrictions, the Group minimised foreign currency lending and ensured appropriate cash coverage for local currency establishments and enhanced its monitoring of currency risks generally.

Externally, central banks of the various countries in which the Group operates provided support by making provisions for forbearance for certain loan facilities. This allowed the Group to amend and align loan terms for specific categories of borrowers in accordance with the guidance provided by the relevant regulators. In addition, the governments of the various countries in which the Group operates also deployed various economic and other support measures for businesses and individuals which included the provision of funding, sector-targeted intervention funds, tax holidays, as well as increased healthcare spending. While these measures were intended to mitigate the detrimental impact of COVID-19 on businesses and individuals, they in turn assisted with maintaining a degree of stability in the Group's loan asset quality in light of the impact of the pandemic.

The support provided by regulators during the pandemic provided options for the Group to apply additional management overlay on its provision allowance. Similar allowance was contained in a publication by the International Accounting Standards Board (IASB) on application of IFRS 9 'Financial Instruments' during the period of enhanced economic uncertainty arising from COVID-19. Despite these possibilities, the Group applied a maximum of ₦1.63billion management overlay (representing 1.4 per cent. of total impairment) on the provision allowance in the year ended 31 December 2020. The Group continued to pursue its objectives of maintaining adequate capital and liquidity position through a loss norm of 4 per cent. Throughout this period of the pandemic, the Group maintained the definition of significant increase in credit risk as contained in the IFRS9 impairment policy. There has, however, been some modification to the Group's approach to identifying and assessing risk events and occurrences as follows:

- assessment of sectoral vulnerabilities to pandemics and using the outcome to adjust volume of asset growth in such sectors in the periodic loan portfolio plan.
- analysis of economic sector correlations as means of determining credit risk concentration.
- application of integrated scenario analysis for past-due, loss given default and staging conditions.

Banking Sector Outlook

- The COVID-19 pandemic is having significant adverse consequences for both global and Nigerian economies. It has already led to unprecedented disruptions in global supply chains, sharp reduction in crude oil prices, and turmoil in global stocks and financial markets. To curb the problems these cause, the CBN announced the following policy measures which include: extension of moratorium, interest rate reduction, creation of a ₦50 billion targeted credit facility, credit support for the healthcare industry, regulatory forbearance and strengthening of the CBN LDR policy. Consequently, Nigeria's banking sector asset quality over 2020 remained subdued as NPL remained low, at 6 per cent. in December 2020. However, with new variants of the COVID-19 pandemic appearing, the Nigerian banking industry NPLs are at risk as economic activities could be impacted if the pandemic again becomes full blown.
- The Group also contends with political, regulatory and macroeconomic factors that could affect the bank's operations. On the political front, rising agitation for political reforms and constitutional review creates a major political risk, as these could materially change the dynamics of Nigeria's political environment and judicial system. Also, growing secessionist agitations – particularly from the south-east and south-west regions of Nigeria, as well as agitation by militants in the Niger Delta – could stall economic activities in the country. Furthermore, incessant switching of political affiliations and loyalties creates uncertainty and makes it difficult to plan and successfully predict outcomes in the political scene. There is also tension brewing ahead of the 2023 elections as political players jostle for prelevance. In addition, some insurgency in parts of Mozambique and isolated cases of unrest in some areas of DR Congo, albeit minimal, could impact the bank's operations.
- On the regulatory front, the regulatory environment is laced with uncertainty as the CBN continues to make frequent policy changes. The CBN raised the Loan-to-Deposit Ratio and set a penalty for companies that fail to comply. Furthermore, the CBN reviewed the minimum interest rate on savings accounts and increased cash reserves ratio by 500 basis points to 27.5 per cent. In addition, the CBN, in a bid to promote financial system stability, issued the regulatory framework for open banking in Nigeria.
- On the economic front there are growing security concerns with Boko Haram kidnappings (especially from schools), Fulani herdsmen and farmers clashing, amongst others. This could lead to food shortages and trigger upward movements in headline inflation. Also, rising unemployment and poverty could reduce the demand for financial products and limit growth in banks' assets. Furthermore, declines in commodity prices due to falls in global demand, and the associated impacts on foreign currency reserves and local currencies, are potential risks to the group. In addition, given the continued global incidence of COVID-

19 and its variants, the residual impact could cause strain on economic activity. Finally, the increase in cybercrime could frustrate the group's effort to pursue greater e-channel adoption.

The Nigerian banking industry is also contending with cyber risk, increased competition from FinTech companies, increased regulations, and a customer base continually demanding effective and flexible banking services. These challenges will negatively impact the implementation of Basel III and the minimum Loan-to-Deposit ratio policy of the CBN. Notwithstanding, the banking sector has largely been stable and has made steady progress in terms of reducing non-performing loans and improving capital adequacy. However, a few changes are anticipated, such as:

- **Consolidation**: The CBN Governor, during the unveiling of his economic agenda for the five-year period (2019–2024) upon his reappointment, alluded to the possible recapitalisation of the industry to ensure global competitiveness, as the minimum capital of banks had weakened due to Naira depreciation;

- **Crypto Policies**: As the use of cryptocurrency continues to increase globally, perhaps the CBN could rethink the prohibition of financial institutions from dealing in cryptocurrencies or facilitating payments for cryptocurrency exchange; and

- **FX Harmonisation**: There could be more traction / initiatives to further promote the harmonisation of FX following the replacement of the official rate with NAFEX to make the Naira more reflective of the market.

Despite the near-term concerns, the medium- to long-term outlook for the banking sector remains positive, with intensified efforts by the CBN to ensure financial system stability and protect depositors' funds.

Amid the current challenges, Nigeria's large unbanked population and increased consumer switch to electronic banking channels (such as mobile and internet) present a unique opportunity for banks with a wide branch network and viable technologies to promote financial inclusion in the economy. It is likely that banks will emerge from the current crises with new and improved operating models. Measures such as building stronger capital buffers, tighter risk management frameworks, intensified investment in technology, expanding the portfolio of digital banking products, expansion into new markets, and exploring new businesses, amongst others, will likely be implemented as banks position for stronger and more resilient business models.

Furthermore, the release of operating guidelines and licensing of payment service banks ("**PSB**") in 2020 as well as the CBN's issuance of guidance notes governing PSBs in Nigeria in 2021, are expected to intensify competition in the sector as it gives telecommunication companies an entry into the banking industry. On 1 August 2021, the CBN had granted final approvals to three PSB licence applicants, namely Moneymaster PSB, Hope PSB and 9 PSB. Two out of three institutions which have been granted PSB licences by the CBN are owned by telecommunication companies in Nigeria. Moneymaster PSB is owned by Globacom and 9 PSB is owned by 9Mobile, whilst Hope PSB is owned by Unified Payments. The competitive landscape in 2021 will be shaped by the apex bank's level of adherence to the new act, the resilience of non-bank competitors and the reaction of traditional banks to the changing landscape.

There are over 200 FinTech in Nigeria, with investments reaching 197 per cent. in the last 3 years. Of the FinTech participants, 39 per cent., 28 per cent. and 11 per cent. are present in the payment, lending and savings space, respectively. Commercial banks have responded by launching FinTech solutions through in-house innovations or collaboration with FinTechs.

Credit Bureaux in Nigeria

Rising levels of NPLs in the banking sector and the need for a central database from which credit information on prospective borrowers could be obtained led to the establishment of the Credit Risk Management System ("**CRMS**") by the CBN. The CRMS aims to gather information on a borrower's credit history from various sources and analyse the merged information to form a comprehensive credit history for the borrower, which helps in ascertaining their creditworthiness.

Previously, financial institutions in Nigeria had little information regarding the credit history of borrowers and principally relied on their own internal data, or shared data with other financial institutions as a business courtesy.

The CBN Act No. 7 of 2007 ("**CBN Act**") empowers the CBN to collect credit information on customers of banks and other financial institutions from any person or credit bureau, and to disclose such information collected as deemed appropriate. The CBN Act also requires banks to obtain credit information from the CBN before granting a loan, advance or credit facility to any customer of over ₦1.0 million or such other sums as may be set from time to time by the CBN. However, the "Guidelines for the Licensing, Operations and Regulation of Credit Bureaux and Credit Bureaux Related Transactions in Nigeria" issued by the CBN require banks to obtain credit reports from at least two credit bureaux before granting any facility to their customers.

Currently, the CRMS is web-enabled thus allowing banks and other stakeholders to directly access the CRMS database for the purpose of rendering the statutory returns or conducting status enquiries on borrowers. In addition, the CBN has also licensed some private credit bureaux, including Credit Registry and XDS Credit Bureau, to provide credit information to banks and other entities that are registered with the relevant bureau. In a letter dated 14 March 2013, the CBN informed all credit bureaux in Nigeria of its revision of the existing "Guidelines for Licensing, Operations and Regulation of Credit Bureaux and Credit Bureaux Related Transactions in Nigeria" and released the exposure draft of the guidelines. The proposed changes in the exposure draft included a requirement that a data provider give notice to all its customers of its duty to report positive and negative information to a licensed bureau. In addition, the guidelines provide that the consent of the customer who is the subject of the data is not required where the credit report is required by law. Furthermore, the guidelines mandate banks to obtain credit reports for quarterly credit review from at least two licensed credit bureaux.

In May 2017, as part of its drive towards increasing the ease of doing business in Nigeria, the Credit Reporting Act ("**CRA**") was signed into law to replace the CBN guidelines on credit bureau and credit reporting. The key objectives of the CRA include: (i) facilitating and promoting access to credit; (ii) enhancing risk management in credit transactions; (iii) promoting responsibility in the credit market by encouraging responsible borrowing; and (iv) discouraging reckless credit granting by credit providers. The CRA also provides a framework for licensing credit bureaux including the terms and conditions upon which the licences may be suspended or revoked.

The CRA mandates all credit information providers to provide credit and credit-related information to credit bureaux upon entering into a credit-related transaction with their customers. The credit information providers are thereafter required to provide information on a periodic basis on the status of performance of such customer's obligations under the transaction. Additionally, a credit information provider does not require the consent of the customer in order to provide a credit bureau with information relating to such customer or client.

When credit information providers furnish the credit bureaux with the credit information of their customers or clients, the credit bureaux are authorised to disclose such information to "credit information users" who may require them. A credit information user must have entered into a data exchange agreement with a credit bureau before a person's credit information can be released by the credit bureaux to the credit information user. In the case of those credit information users who do not have data exchange agreements with the credit bureaux, such users must obtain the written consent of the relevant customer or client before such customer 's information can be released to the credit information user.

National Collateral Registry

In May 2017, the Secured Transactions in Moveable Assets No. 3, 2017 ("**Collateral Registry Act**") was signed into law to replace the CBN directive and provide for the establishment of a National Collateral Registry within the CBN to register and store information on security interests created over movable assets. Under the Collateral Registry Act, when security is created, the secured creditor may perfect the security by filing the prescribed forms and other relevant information relating to the security interest at the National Collateral Registry. Under the Collateral Registry Act, where a registered security interest is transferred, the transfer is valid without the need to register an amendment financing statement with the National Collateral Registry. A registered security interest that is subsequently transferred has the same priority that it had at the time of the transfer. Upon registration of a security interest, all obligations (whether existing or future) secured by that security interest have the same priority.

To protect creditors, the Collateral Registry Act provides that the security interests created over movable assets in favour of creditors attach not only to the collateral itself, but also to all identifiable and traceable proceeds of the collateral. Even if the security interest was created before the collateral was turned into a mass or product, the security interest automatically continues in that mass or product. In this way, the Collateral Registry Act has given creditors a statutory right to trace and claim their security interests even if the essential character of the collateral materially changes.

Prudential Guidelines

As part of its initiative of enhancing the quality of banks in Nigeria and with a view to adhering to international best practices, the CBN issued revised prudential guidelines which came into effect on 1 July 2010. The CBN Prudential Guidelines revised the previous guidelines issued in November 1990 and aimed to address various key aspects of banks' operations such as risk management, corporate governance, know-your-customer, anti-money laundering, financing of terrorism and loan loss provisioning. The CBN Prudential Guidelines are to be regarded as minimum requirements, and licensed banks are required to implement more stringent policies and practices to enhance mitigation of risks. In addition to the CBN Prudential Guidelines, the CBN also prescribes certain mandatory ratios that must be maintained by Nigerian banks.

The CBN issued "Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for Fiscal Years 2020/2021", which state that the CBN Prudential Guidelines shall, subject to review based on developments in the industry, continue to apply through 2020 and 2021 unless the CBN indicates otherwise.

The CBN Prudential Guidelines stipulate requirements that must be met by Nigerian banks with regard to classification of assets, disclosure, provisioning and interest accruals. They also set forth the minimum standards that Nigerian banks must meet in this regard, while encouraging banks to implement even more stringent requirements.

The CBN Prudential Guidelines also require licensed banks to review their credit portfolios at least once every quarter, and to provide in their audited financial statements an analysis of whether their credit facilities are performing or non-performing. Under the CBN Prudential Guidelines, a credit facility is deemed to be performing if payments of both the principal amount and interest sums are up-to-date in accordance with the agreed terms. A credit facility is considered to be non-performing if: (i) interest or principal is due and unpaid for 90 days or more; or (ii) interest payments equal to 90 days ' interest or more have been capitalised, rescheduled or rolled over into a new loan. A non-performing credit facility is reclassified as performing only when the borrower pays the outstanding unpaid interest within 90 days. They also provide for a classification of non-performing credit facilities into sub-standard, doubtful and lost, depending on the number of days for which the principal amount and/or interest sums have remained outstanding. Assessment parameters in this regard include repayment performance and net value of collateral that can be realised.

The CBN Prudential Guidelines further specify that off-balance sheet engagements such as letters of credit, bonds and guarantees, indemnities and protracted litigation must also be properly appraised to determine the extent of any likely loss arising from them. The factors to be taken into consideration in recognising losses on off-balance sheet engagements include the date the liability was incurred, expiration date, security pledge, performance of other facilities provided to the customer and perceived risk.

The CBN Prudential Guidelines prescribe a maximum tenure of 10 years for the chief executive officer of every bank. Under the CBN Prudential Guidelines, the CEO shall not qualify for appointment in his former bank or subsidiaries in any capacity until after three years following the expiration of his tenure as CEO. Non-executive directors may serve a maximum of 12 years on the board of directors of a bank under the CBN Prudential Guidelines.

Additionally, the CBN Prudential Guidelines require banks to rotate their firm of external auditors after the expiration of 10 years following the auditors' appointment. The auditors shall not be reappointed until an additional 10 year period has passed.

Mandatory Ratios	CBN Maximum/Minimum Mandatory Ratio Requirements
Cash reserve ratio/requirement	27.5 per cent. of public sector deposits to be held at the CBN
Specified liquidity ratio	30.0 per cent. of deposits
Specified capital adequacy ratio	10.0 / 15.0 per cent. of risk-weighted assets
Guaranteed BAS/CPS to shareholder funds	150.0 per cent. of shareholders ' funds
Statutory minimum capital base	Minimum capital base (inclusive of reserves) of ₦25.0 billion
Long term equity investments	25.0 per cent. of paid up capital and statutory reserves
Single exposure limit	20.0 per cent. of shareholders' funds unimpaired by losses
Statutory limit to a single obligor	33 1/3 per cent. of a bank's off-balance sheet engagement
Large exposure limit	Total of all large exposures cannot exceed eight times shareholders' funds unimpaired by losses
Total outstanding exposure to all tiers of government and their agencies	10.0 per cent. of total credit portfolio

Regulatory Developments

In September 2019, the CBN issued the Regulation on Electronic Payments and Collections for Public and Private Sectors in Nigeria (the "**Regulation**"). The Regulation governs the operational procedures for end-to-end electronic payments and collections in Nigeria. The Regulation is a revision of the "Guidelines on Electronic Payment of Salaries, Pensions, Suppliers and Taxes in Nigeria", issued by the CBN in 2014, and seeks to ensure availability of safe, effective and efficient mechanisms for conveniently making and receiving all types of payments from any location and at any time, through multiple electronic channels. In the same month, the CBN issued the Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Papers (the "**Guidelines**"). The Guidelines set uniform procedures for the issuance of Bankers Acceptances ("**BAs**") and Commercial Papers ("**CPs**") in Nigeria.

The CBN on September 2, 2021, released the Guidelines on Regulatory Capital (the "**Revised RC Guidelines**"). The Revised RC Guidelines aim, amongst others, to further strengthen the resilience of Nigerian banks by increasing the minimum requirement for high quality capital which can absorb losses on a going concern basis by requiring banks to build up additional capital buffers to cushion against future unexpected losses. According to the Revised RC Guidelines, all banks are required by the CBN to maintain the minimum capital and capital buffer requirements at both stand-alone ("**Solo**") and consolidated ("**Group**") levels.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Bank, the Arrangers, the Dealers, the Trustee nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Information in this section has been derived from the Clearing Systems.

Book entry systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "member of the Federal Reserve System, a banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book entry changes in the Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**").

More information about DTC can be found at www.dtcc.com and www.dtc.org but such information is not incorporated by reference in and does not form part of this Base Prospectus.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book entry settlement system ("**DTC Notes**") as described below, and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depositary with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depositary is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book entry ownership of and payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through Direct Participants and Indirect Participants in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg account holders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Transfer Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between account holders in Euroclear and Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between account holders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Transfer Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Euroclear and Clearstream, Luxembourg have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes amongst participants and account holders of DTC, Euroclear and Clearstream, Luxembourg. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bank, the Trustee, the Agents or any Dealer will be responsible for any performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following is a general summary of the Nigerian and United States tax consequences as at the date hereof in relation to payments made under the Notes in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring Notes.

Nigeria

General

The following is a general summary of Nigerian tax consequences as of the date hereof. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes. In view of its general nature, it should be treated with corresponding caution. It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes. Except as otherwise indicated, this summary only addresses Nigerian tax legislation, as in effect and in force at the date hereof, as interpreted and applied by the courts or tax authorities in Nigeria, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Taxation of Noteholders

Under Nigerian law, income accruing in, derived from, brought into, or received in Nigeria in respect of dividends, interest, royalties, discounts, charges or annuities is subject to tax. Interest shall be deemed to be derived from Nigeria if: (a) there is a liability to payment of the interest by a Nigerian company or a company in Nigeria regardless of where or in what form the payment is made; or (b) the interest accrues to a foreign company or person from a Nigerian company or a company in Nigeria regardless of whichever way the interest may have accrued. Consequently, interest payments on the Notes derived from Nigeria and accruing to both Nigerian Holders and non-Nigerian Holders would ordinarily be subject to withholding tax in Nigeria at the applicable rate of 10 per cent. or 7.5 per cent. if the foreign company or person to whom the interest accrues is resident in a country with which Nigeria has a double taxation treaty (which has been domesticated by an Act of the Nigerian National Assembly) and the Issuer would be required to withhold tax on such payments and remit the same to the FIRS.

However, the Federal Government has approved a waiver of capital gains tax and income tax on all forms of debt instruments and the legislative and administrative processes required to give legal effect to the waivers save for the waiver on capital gains tax have been implemented. In this regard the Federal Government issued the CIT Order, which exempts bonds issued by corporate bodies from tax imposed under the Companies' Income Tax Act for a period of ten years from the date of the CIT Order being 2 January 2012. Therefore, interest payments made by the Issuer to the Noteholders will not be subject to withholding tax under Nigerian law where the tenor of the Notes does not exceed the duration of the CIT Order (2 January 2022). The exemption would be applicable to both Nigerian Holders and Non-Nigerian Holders of the Notes (corporate entities) as the CIT Order is in relation to bonds issued by corporate bodies, including the Bank. Upon termination of the exemption period on 2 January 2022, where the Notes remain outstanding, the interest accruing to both Nigerian Holders and Non-Nigerian Holders would be subject to withholding tax and the Bank would be required by law to withhold tax on interest payment on the Notes.

The Personal Income Tax Act 2004 Chapter P8 LFN 2004 as amended by the Personal Income Tax (Amendment) Act No. 20 of 2011 and the Finance Acts of 2019 and 2020 ("**PITA**") also exempts from taxation any income earned by an individual from bonds issued by corporate bodies such as the Bank. However, there is no limitation period for the exemption granted in the PITA. Thus, except as otherwise provided by any subsequent amendments to the PITA, interest payments by the Bank to individual Noteholders subject to the PITA will not be subject to withholding tax even after 1 January 2022. However, the National Assembly may amend the PITA at any time to either provide for a limitation period for the exemption granted in the PITA or to terminate the exemption.

The Finance Act of 2019 specifically exempts "*securities*" from the definition of goods and services under the Value Added Tax Act Chapter V1 LFN 2004 (as amended) ("**VAT Act**"). On this basis, notwithstanding the impending expiration of the Value Added Tax (Exemption of Proceeds of the Disposal of Government and

Corporate Securities) Order 2011 (the "**VAT Order**"), VAT will not be payable upon a disposal of the Notes. Prior to the Finance Act of 2019, the Federal Government did not seek to impose VAT on the consideration for the sale of corporate bonds. In relation to capital gains tax, whilst there is no capital gains tax payable upon disposal of any Nigerian Government securities, stocks or shares in Nigeria under the provisions of the Capital Gains Tax Act, Chapter C1 LFN 2004 (as amended by the Finance Acts of 2019 and 2020) ("**CGT Act**"), there is currently capital gains tax on disposal of corporate bonds or other debt instruments that are not issued by the Federal Government of Nigeria. The CGT Act provides that any gain paid, used or enjoyed in or in any manner or form transmitted or brought to Nigeria shall be treated as being received in Nigeria for the purposes of the CGT Act. Gains realised by Noteholders that are not resident in Nigeria from the disposal, sale, exchange or transfer of the Notes will not be subject to capital gains tax. In the case of an individual who is in Nigeria for a temporary purpose only and does not have any view or intent to establish his residence in Nigeria, such gain will be subject to tax if the period or sum of the periods for which he is present in Nigeria in that year of assessment exceeds 182 days. However, capital gains tax may, in future, not be charged on gains realised from a disposal of corporate bonds or other non-governmental debt instruments. This is so because the Federal Government of Nigeria has approved a waiver of capital gains tax on gains accruing further to the sale of bonds issued by Nigerian companies, but the necessary legislative and administrative processes required to give legal effect to the waiver have not yet been implemented.

Accordingly, where the exemption period provided in the CIT Order is not extended and any Notes continue to be outstanding beyond 1 January 2022, interest payments on such Notes may be subject to withholding tax (if held by corporate Noteholders). However, the Issuer has agreed in the Terms and Conditions of the Notes to gross up for any withholding or other taxes and pay such additional amounts as shall be necessary to ensure that the net amount received by the Noteholders after the withholding or deduction shall be equal to the respective amounts which would have been received in respect of the Notes in the absence of the withholding or deduction. See "*Terms and Conditions of the Notes—Condition 8 (Taxation)*".

Stamp duties

The Trust Deed, the Agency Agreement and the documents for the issue of any series of Notes are intended to be executed and held outside of Nigeria and are therefore not required to be stamped in Nigeria under the Stamp Duties Act, Chapter S8 LFN 2004 (as amended by the Finance Acts or 2019 and 2020) ("**Stamp Duties Act**"). However, if any such documentation is brought into, received in or deemed to be received in Nigeria for the purpose of admission in evidence before a Nigerian court and enforcement by such courts, or for any purpose whatsoever, the documents will be required to be stamped and will be subject to the payment of the relevant rate of stamp duty, assessed by the Nigerian Commissioner for Stamp Duties, as prescribed by the Stamp Duties Act. Arrangements will need to be made for the payment of stamp duty within 30 days from when the documents are brought into, received in or deemed to be received in Nigeria. By the combined effect of the Finance Act 2019 and the FIRS Information Circular on the Clarifications on the Provisions of the Stamp Duties Act, any document executed outside Nigeria will be "deemed to be received in Nigeria" (and hence liable to stamping and stamp duty as stated above) if such document: (a) is retrieved or accessed electronically in or from Nigeria; (b) (or an electronic copy of it) is stored on a device (including a computer, magnetic storage, etc.) and brought into Nigeria; or (c) (or an electronic copy of it) is stored on a device or computer in Nigeria. Failure to stamp a document would not affect the validity of such document but would render it inadmissible in any civil or arbitration proceedings in Nigeria for the purpose of enforcement.

Stamp duty is payable in Nigeria either on a flat rate or an *ad valorem* basis. Each of the documents, other than the Trust Deed, would be subject to a nominal amount of stamp duty assessed on a flat rate. Based on the schedule to the Stamp Duties Act, the maximum rate of stamp duty payable in Nigeria in respect of security documents securing payment or repayment of money (where the security is not a marketable security transferable by delivery), is 0.375 per cent., levied on an *ad valorem* basis on the value of the underlying transaction whilst the stamp duty payable on the issuance of the Notes transferable by delivery is 2.25 per cent. Based on current practice in Nigeria, it is unclear whether stamp duty will be assessed on the Trust Deed at a flat rate or on an *ad valorem* basis.

Pursuant to the Stamp Duties Act and only in the case the Notes are first received in Nigeria, the stamp duty payable on the issuance of the Notes transferable by delivery is 2.25 per cent. However, with respect to marketable securities that are not transferable by delivery, and again only in the case the Notes are brought into Nigeria, the applicable rate of stamp duties is 0.375 per cent.

In addition, Section 102 of the Stamp Duties Act requires a statement of the amount to be secured by an issue of loan capital by a company in Nigeria to be delivered to the Corporate Affairs Commission of Nigeria ("**Nigerian CAC**") and charged with *ad valorem* duty of 0.125 per cent. However, this duty will not apply where it is shown to the satisfaction of the Nigerian CAC that the duty in respect of a marketable security has been paid on any trust deed. Whilst the application of Section 102 hitherto applied to only secured loan, the FIRS has recently indicated that the section may now also apply to unsecured loan capital. Where the interpretation of the FIRS on payment of stamp duty on unsecured loan capital is affirmed or established, the Issuer would have an obligation to pay *ad valorem* stamp duty on the Notes (based on Section 102) regardless of whether a statement was made to the Nigerian CAC or not. The obligation that arises under Section 102 of the Stamp Duties Act is an obligation of the issuer of loan capital. As a result of this, where Section 102 is deemed to be applicable to unsecured loan capital, (such as the Notes), it would be immaterial whether the Notes are brought into Nigeria or not. In that case, the Bank, being the Issuer of the Notes, would be required to pay stamp duty on the Notes at the rate of 0.125 per cent. whether the Notes are brought into Nigeria or not. See "*Risk Factors—Risks related to the Notes and the trading market—Risks related to the market generally—Enforcement of the obligations of the Bank under the Trust Deed and any Notes issued under the Programme may be subject to the payment of Nigerian stamp duty*".

Other taxes and duties

Save as set out above, no registration fees, or any other similar documentary tax, charge or duty will be payable in Nigeria by Noteholders in respect of, or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

United States

The following summary discusses certain U.S. federal income tax consequences to U.S. Holders (as defined below) of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Registered Notes;
- with a maturity of 30 years or less;
- purchased by U.S. Holders (as defined below);
- purchased on original issuance at their published offer price; and
- that are held as capital assets (generally, property held for investment).

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances or to U.S. Holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- tax-exempt organizations;
- individual retirement accounts and other tax-deferred accounts;
- dealers in securities or foreign currencies;
- persons holding Notes as part of a hedging transaction, straddle, conversion transaction or other integrated transaction;
- U.S. Holders whose functional currency is not the U.S. dollar;

- investors using the accrual method of accounting for U.S. federal income tax purposes and who are required to recognize any item of gross income for such purposes no later than when such income is taken into account on an applicable financial statement;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes; or
- former citizens and residents of the United States.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations all as of the date of this Base Prospectus and any of which may at any time be repealed, revised or subject to differing interpretation, possibly retroactively so as to result in U.S. federal income tax consequences different from those described below. No rulings have been requested from the U.S. Internal Revenue Service (the "**IRS**") and there can be no guarantee that the IRS would not challenge, possibly successfully, the treatment described below. This discussion does not address any other U.S. federal tax laws rules (such as the alternative minimum tax or the Medicare contribution tax on net investment income) nor does it address any non-U.S. tax rules. Moreover, this summary does not describe the U.S. federal income tax considerations relating to the purchase, ownership or disposition of a Note treated as a "contingent payment debt instrument" (under applicable U.S. Treasury Regulations) or certain "variable rate debt instruments" (under applicable U.S. Treasury Regulations). The U.S. federal income tax consequences of such Notes will be addressed in a supplement to this Base Prospectus or in a Drawdown Prospectus. Persons considering the purchase of the Notes should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under any other U.S. federal laws or the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organised in or under the laws of the United States or of any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult with their tax advisers regarding the U.S. federal tax consequences of an investment in the Notes.

Characterisation and Treatment of the Notes

Whether a debt instrument is treated as debt (and not equity or some other instrument or interest) for U.S. federal income tax purposes is an inherently factual question and no single factor is determinative. The discussion below assumes that the Notes are treated as indebtedness for U.S. federal income tax purposes unless provided otherwise in the Final Terms, although no assurances can be given, with respect to such treatment. If the Notes were not treated as indebtedness, it may affect the timing, amount and character of income inclusion to a U.S. Holder. In addition, the discussion below assumes that certain features of the Notes do not cause them to be "contingent payment debt instruments" for U.S. federal income tax purposes. The following discussion assumes that such treatment will be respected.

There are no regulations, published rulings or judicial decisions addressing the characterisation for U.S. federal income tax purposes of securities issued under the same circumstances and with substantially the same terms as the Subordinated Notes. Although the discussion below assumes that the Subordinated Notes constitute debt for U.S. federal income tax purposes, there can be no assurance that the IRS or the courts would agree with the characterisation of the Notes described below. If the Subordinated Notes were treated as equity interests of the Issuer, U.S. Holders may be treated as owning interests in a "passive foreign investment company" (a "**PFIC**") and U.S. Holders could be subject to a materially greater tax liability on gain from the sale or exchange of the Subordinated Notes and on certain "excess distributions". No determination has been made regarding whether the Company will be classified as a PFIC for its taxable year ending 31 December 2021 or in the future.

Prospective investors should consult their tax advisers regarding the characterisation of the Subordinated Notes and the consequences of owning an equity interest in a PFIC.

Pre-Issuance Accrued Interest

If a portion of the price paid for a Note is allocable to interest that accrued prior to the date the Note is issued ("**pre-issuance accrued interest**"), on the first interest payment date a U.S. Holder may exclude (and may be required to exclude, in the case of a Note that forms part of a series of Notes already outstanding) from income, as a return on capital, the portion of the interest received in an amount equal to the pre-issuance accrued interest. The U.S. Holder's tax basis in the Note will not include any pre-issuance accrued interest excluded from income. The remainder of this discussion does not address the treatment of pre-issuance accrued interest. U.S. Holders should consult their own tax advisors with regard to the tax treatment of the pre-issuance accrued interest on the Notes.

Payments of interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes, *provided that* the interest is "qualified stated interest" (as defined below). Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the U.S. Holder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisers about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to original issue discount notes and foreign currency notes are described under "*—Original issue discount*", and "*—Foreign currency notes*".

Original issue discount

A Note that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued with original issue discount for U.S. federal income tax purposes (and will be referred to as an "original issue discount Note") unless the Note satisfies a *de minimis* threshold (as described below) or is a short-term Note (as defined below). The "issue price" of a Note generally will be the first price at which a substantial amount of the Notes is sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest". "Qualified stated interest" is stated interest unconditionally payable (other than in debt instruments of the Issuer) at least annually during the entire term of the Note at a single fixed rate of interest, at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, being ¼ of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity (or weighted average maturity if any amount included in the stated redemption price at maturity is payable before maturity), the Note will not be considered to have original issue discount. U.S. Holders of the Notes with a *de minimis* amount of original issue discount will include this original issue discount (other than any amount that is treated as qualified stated interest) in income, as capital gain, on a *pro rata* basis as principal payments are made on the Note.

U.S. Holders of original issue discount Notes that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal income tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received. Under these rules, U.S. Holders generally will have to include in taxable income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any particular Note (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and generally may revoke such election only with the permission of the IRS (a "**constant yield election**"). If a U.S. Holder makes a constant yield election with respect to a Note with market discount (discussed below), the U.S. Holder will be treated as having made an election to include market discount in income currently over the life of all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies. U.S. Holders should consult their tax advisers about making this election in light of their particular circumstances.

A Note that matures one year or less from its date of issuance (a "**short-term Note**") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest regardless of issue price. In general, a cash method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. Cash method U.S. Holders who do not elect to accrue the discount should include stated interest payments on short-term Notes as ordinary income upon receipt. Cash method U.S. Holders who do elect to accrue the discount and certain other U.S. Holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Notes in an amount not exceeding the accrued discount until the accrued discount is included in income.

The Issuer may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require the Issuer to redeem, a Note prior to its stated maturity date. Under applicable regulations, if the Issuer has an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilising any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, the yield on the Note would be lower than its yield to maturity. If the U.S. Holders have an unconditional option to require the Issuer to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Note would be higher than its yield to maturity. If it was presumed that an option would be exercised but it is not in fact exercised, the Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

Market discount

If a U.S. Holder purchases a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its revised issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the U.S. Holder to include market discount in income as it accrues. An election to include market discount in income as it accrues applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies and may not be revoked without the consent of the IRS. In addition, a U.S. Holder that does not elect to include market discount in income currently may be required to defer, until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

Market discount will accrue on a straight-line basis unless a U.S. Holder makes an election with respect to a particular note to accrue on a constant yield basis (as described under "—*Original issue discount*"). Such election will result in a deemed election for all market discount bonds acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies.

Acquisition premium and amortisable bond premium

A U.S. Holder who purchases a Note for an amount that is greater than the Note's adjusted issue price but less than or equal to sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of original issue discount that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount that is greater than the stated redemption price at maturity, the U.S. Holder will be considered to have purchased the Note with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The U.S. Holder may elect to amortise this premium, using a constant yield method, over the remaining term of the Note. A U.S. Holder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the IRS. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note. Special rules limit the amortisation of bond premium in the case of Notes subject to certain options, including callable Notes. U.S. Holders should consult their tax advisers about these rules if applicable.

If a U.S. Holder makes a constant yield election (as described under "—*Original issue discount*") for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the U.S. Holder's debt instruments with amortisable bond premium.

Sale, exchange or retirement of the notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of original issue discount and market discount included in the Holder's gross income and decreased by any bond premium or acquisition premium previously amortised and by the amount of any payment received from the Issuer other than a payment of qualified stated interest. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued but unpaid qualified stated interest on the Note. Amounts attributable to accrued but unpaid qualified stated interest are treated as payments of interest as described under "—*Payments of interest*".

Gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the U.S. Holder has held the Note for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "—*Original issue discount*" and "—*Market discount*". In addition, other exceptions to this general rule apply in the case of foreign currency Notes. See "—*Foreign currency notes*". The deductibility of capital losses is subject to limitations.

Foreign currency notes

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of the Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are determined by reference to a currency other than the U.S. dollar ("**foreign currency Notes**").

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder (or cash method U.S. Holder with respect to original issue discount) will be required to include in income the U.S. dollar value of the amount of interest income, including original issue discount, that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year.

Alternatively, the U.S. Holder described in the preceding paragraph may elect to translate interest income, including original issue discount, into U.S. dollars at the spot rate on the last day in the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the partial accrual period in the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

A U.S. Holder that has accrued interest income as described in either of the two preceding paragraphs will recognise ordinary income or loss with respect to accrued income on the date the corresponding payment is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment determined on the date the payment is received, and the U.S. dollar value that was accrued with respect to the accrual period.

Original issue discount, market discount, acquisition premium and amortisable bond premium on a foreign currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above. Accrued market discount (other than market discount currently included in income) taken into account upon the receipt of any partial principal payment or upon the sale, retirement or other disposition of a Note is translated into U.S. dollars at the spot rate on such payment or disposition date.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as payments on the sale, exchange or retirement of the foreign currency Note, as described below. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss that will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between: (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of; and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder on whose books the Note is properly reflected. Any gain or loss realised by these U.S. Holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of short-term Note, to the extent of any discount not previously included in the U.S. Holder's income. U.S. Holders should consult their tax advisers with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue and how to account for the U.S. dollar value of payments made or received upon the acquisition or disposition of Notes.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of the Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to (a) recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes) and the U.S. Holder's tax basis in the Notes and (b) if such Notes are treated as having been issued with original issue discount as described above in (*—Original issue discount*), include such original issue discount in the gross income on a constant yield basis. U.S. Holders should consult with their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Reference rate replacement

Under certain circumstances, the modification or application of certain terms of the Notes including, in certain circumstances, a Reference Rate Replacement may result in a deemed exchange of "old" Notes for "new" Notes for U.S. federal income tax purposes. As a result of the occurrence of such a deemed exchange, a U.S. Holder may recognise gain or loss, treated in the manner described above, under "*— Sale, exchange or retirement of the notes*", and "new" Notes deemed received in a deemed exchange may be treated as issued with, or with different amount of, OID. The IRS and the U.S. Treasury have proposed regulations, upon which taxpayers generally may rely until the promulgation of final regulations, that, in certain circumstances, could reduce the likelihood that a Reference Rate Replacement would result in a "deemed exchange" of the affected Notes. Moreover, the Internal Revenue Service has issued guidance that sets forth certain safe harbours pursuant to which replacing a rate based on LIBOR with an alternative method or index would not result in a deemed exchange. However, there can be no assurance that these regulations, in either their current form or as finalised, or this guidance, will provide any relief from the tax consequences described above if a Reference Rate Replacement is effected. Prospective U.S. Holders should consult their own tax advisers regarding the application of these rules in their particular circumstances.

Information reporting and backup withholding

A U.S. Holder may be subject to information reporting on amounts received by such U.S. Holder from a payment on, or disposition of, the Notes, unless such U.S. Holder establishes that it is exempt from these rules. If a U.S. Holder does not establish that it is exempt from these rules, it may be subject to backup withholding on the amounts received unless it provides a taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, *provided that* the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisers about any additional reporting obligations that may apply as a result of the acquisition, holding or disposition of the Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A U.S. HOLDER'S PARTICULAR SITUATION. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE,

LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL OR OTHER TAX LAWS.

Certain ERISA considerations

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes certain requirements on "employee benefit plans" (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Accordingly, each original or subsequent purchaser or transferee of a Note that is or may become a Plan is responsible for determining that its purchase and holding of such Note will not constitute a prohibited transaction under ERISA or Section 4975 of the Code.

To the extent the purchaser and holder of any Note is a Plan, at any time when regulation 29 C.F.R. Section 2510.3-21, as modified in 2016, is applicable, will be deemed to represent that none of the Issuer, Arrangers, Dealers, or Trustee or other persons that provide marketing services, or any of their affiliates (each, an "**ERISA Transaction Party**", and collectively, the "**ERISA Transaction Parties**") has provided or will provide advice with respect to the acquisition or holding of the Notes by the Plan and that the decision to acquire or hold the Notes has been made by one or more persons which (a) meets all of the requirements of an "independent fiduciary with financial expertise" as described in 29 C.F.R. Sec. 2510.3-21(c)(1), (b) is responsible for exercising independent judgment in evaluating the transaction and (c) it is not paying any fee or other compensation to an ERISA Transaction Party for investment advice (as opposed to other services) in connection with the transaction. In addition, such fiduciary will be deemed to acknowledge and agree that it (i) has been informed (and it is hereby expressly confirmed) that none of the ERISA Transaction Parties has provided, and none of them will provide, impartial investment advice and they are not giving any advice in a fiduciary capacity, in connection with the investor's acquisition or holding of Notes and (ii) has received and understands the disclosure of the existence and nature of the financial interests contained in this Programme and related materials. Notwithstanding the foregoing, any Plan fiduciary which is directing his or her own individual retirement account shall not be deemed to represent that it holds, manages or controls total assets of at least U.S. $50 million.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISERS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

The Proposed Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal for a Directive for a common Financial Transaction Tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a "**participating Member States**"). However, Estonia has ceased to participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes.

Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed above, as well as the application of state, local, foreign or other tax laws.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement dated 8 November 2021 (the "**Programme Agreement**"), agreed with the Bank a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The Arrangers and Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Arrangers and Dealers and their respective affiliates may have performed investment banking and advisory services for the Group from time to time for which they may have received customary fees and expenses. The Arrangers and Dealers and their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Group in the ordinary course of their business. In the ordinary course of their various business activities, the Arrangers and Dealers and their respective affiliates may make or hold a broad array of loans or other investments and actively trade debt securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Group.

If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Arrangers and Dealers or any affiliate of the Arrangers or applicable Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arrangers or such Dealer or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

In order to facilitate the offering of any Tranche of the Notes, one or more relevant Dealers named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Transfer restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A; (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter; or (c) it is outside the United States and is not a U.S. person;

(ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Regulation S Global Note and is a non-U.S. person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so only: (A) to the Issuer or any affiliate thereof; (B) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (C) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (E) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in sub-paragraph (iii) above, if then applicable;

(v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vi) that either: (i) it is not acquiring the Note (or a beneficial interest therein) with the assets of an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, any "plan" as defined in and subject to Section 4975 of the Code, any entity whose underlying assets include "plan assets" of any of the foregoing or a U.S. governmental plan, church plan or non-U.S. plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"); or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law;

(vii) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "**ACCREDITED INVESTOR**" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "**INSTITUTIONAL ACCREDITED INVESTOR**"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES

IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF THE NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE OR TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THE NOTES AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)";

(viii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only: (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) to a QIB in compliance with Rule 144A, in each case in accordance with all applicable U.S. state securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND

PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW";

(ix) if a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Arrangers and Dealers or any affiliate of the Arrangers or applicable Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arrangers or such Dealer or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction; and

(x) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Section 4(a)(2) or Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form. See "*Form of the Notes*".

The IAI Investment Letter will state, amongst other things, the following:

(i) that the Institutional Accredited Investor has received a copy of the Base Prospectus and such other information as it deems necessary in order to make its investment decision;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Base Prospectus and the Notes (including those set out in the section "*Transfer restrictions*" under "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with such restrictions and conditions, the Securities Act or any other applicable U.S. state securities laws, and the applicable securities laws of any other jurisdiction;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or the approximate equivalent in another Specified Currency) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or the approximate equivalent in another Specified Currency) principal amount of Registered Notes.

Selling restrictions

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury Regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided by Regulation S ("**Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Registered Notes to QIBs pursuant to Rule 144A and each such purchaser of Registered Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Registered Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$100,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Prohibition of sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

 (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

 (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

 (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "**an offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

 (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of United Kingdom domestic law by virtue of the EUWA; or

 (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA; or

 (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of United Kingdom domestic law by virtue of the EUWA; and

(b) the expression "**an offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and any Notes to be offered so as to enable an investor to decide to purchase or subscribe for such Notes.

Other UK regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Nigeria

This Base Prospectus and the Notes have not been and will not be registered with the Nigerian SEC or under the Nigerian ISA. Further, neither this Base Prospectus nor any other offering material related to the Notes may be utilised in connection with any offering to the public within Nigeria, and the Notes may not be offered or sold within Nigeria to, or for the account or benefit of, persons resident in Nigeria, except to the extent that the Notes have been registered with the Nigerian SEC and its written approval obtained in accordance with the provisions of the Nigerian ISA, the Nigerian SEC Rules and other Nigerian securities law and regulations. Accordingly, this Base Prospectus is not directed to, and the Notes are not available for subscription by the public in Nigeria, other than select investors to whom the Base Prospectus has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the Nigerian ISA and with the approval of the Nigerian SEC.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, subject to the provisions of the Nigerian ISA, the Nigerian SEC Rules and regulations made thereunder, it will not offer, sell or deliver the Notes within Nigeria as part of their distribution at any time.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (1) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA; (2) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

(c) securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

    (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments)(Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Bank, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Bank, the Trustee or the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the relevant Drawdown Prospectus or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Bank dated 26 October 2021. All necessary corporate and regulatory approvals will be obtained by the Bank prior to each issuance of Notes under the Programme.

Legal Entity Identifier

The legal entity identifier code of the Issuer is 0292002067E3RH4D8768.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List of the FCA and to trading on the main market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to London Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List of the FCA and to trading on the main market of the London Stock Exchange.

Documents available

For the period of 12 months following the date of this Base Prospectus, electronic copies of the following documents will, when published, be available for inspection at the registered office of the Bank and from the specified offices of the Paying Agents for the time being in London and on the website on the Issuer at https://www.ubagroup.com:

(i) the constitutional documents of the Bank;

(ii) the consolidated audited annual financial statements of the Bank in respect of the financial years ended 31 December 2020, 2019 and 2018, together with the audit reports prepared in connection therewith;

(iii) the most recently published audited financial statements of the Bank, together with the audit reports prepared in connection therewith;

(iv) the most recently published interim financial statements of the Bank;

(v) this Base Prospectus; and

(vi) any future Base Prospectus, Drawdown Prospectuses, information memoranda and supplements including Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms or the applicable Drawdown Prospectus. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Final Terms or the applicable Drawdown Prospectus. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms or the applicable Drawdown Prospectus.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B 1210 Brussels, Belgium. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, USA.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or material change

There has been no significant change in the financial performance or financial position of the Bank or the Group since 30 September 2021, which is the latest publicly available financial information and there has been no material adverse change in the prospects of the Bank or the Group since 30 June 2021, which is the latest audited financial information.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Bank or the Group.

Material Contracts

The Issuer has not entered into any material contract outside the ordinary course of its business that could result in the Issuer being under an obligation or entitlement that is material to its ability to meet its obligations in respect of any Notes issued under the Programme.

Independent Auditors

The auditors of the Bank are EY, a member of the Institute of Chartered Accountants of Nigeria, who have audited the Bank's consolidated financial statements in accordance with International Standards on Auditing (i) as of and for the year ended 31 December 2020; and (ii) as of and for the six months ended 30 June 2021 (which includes the audited comparative financial information as of 31 December 2020 and for the six months ended 30 June 2020).

EY have also performed a review of the unaudited interim condensed consolidated financial statements as of and for the nine months ended 30 September 2021 (which includes the audited comparative financial information as of 31 December 2020 and unaudited comparative financial information for the nine months ended 30 September 2020).

EY do not have any material interest in the Bank.

The consolidated financial statements of the Bank as of and for the year ended 31 December 2019 (which includes the audited comparative financial information as of and for the year ended 31 December 2018) has been audited in accordance with International Standards on Auditing by PwC, a member of the Institute of Chartered Accountants of Nigeria, as stated in their reports.

PwC do not have any material interest in the Bank.

Dealers transacting with the Bank

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Bank and the Bank's affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such

Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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Independent auditor's report

To the Members of United Bank for Africa Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of United Bank for Africa Plc ("the bank") and its subsidiaries (together "the group") as at 31 December 2019, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

United Bank for Africa Plc's consolidated and separate financial statements comprise:

- the consolidated and separate statements of comprehensive income for the year ended 31 December 2019;
- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	
Gross loans and advances to customers as at 31 December 2019 amounted to ₦2,147 billion for the group and ₦1,557 billion for the bank while the related loan loss reserve were ₦86 billion and ₦54 billion respectively. We focused on this area because of the significant value of loans and advances and because the directors make significant and subjective judgement over the timing, estimation and recognition of the related loan loss reserve. The expected credit loss (ECL) model requires significant judgement exercised by the directors which include; • determination of default definition used in the ECL model; • determining the criteria for assessing significant increase in credit risk (SICR); • the allocation of loan accounts into different stages to reflect the credit risk of the loan; • incorporating forward looking information in building economic scenarios used in the ECL model; • methodology used to determine the 12 month and lifetime probability of default (PD) used in the ECL model • estimation of Loss Given Default (LGD) by considering collateral values and the Credit Conversion Factor (CCF) • haircut adjustment as well as estimation of recoveries on unsecured exposures.	We understood and evaluated the design and operating effectiveness of the controls supporting management's estimate, judgements and assumptions and tested selected key controls focusing on the integrity, completeness and accuracy of data used as input to the models including the transfer of data between source systems and the impairment model We assessed the criteria used by directors in determining the significant increase in credit risk since initial recognition of loans and advances and in determining credit-impaired loans and advances. We also assessed directors default presumption as prescribed by IFRS 9. We checked that the default definition in the ECL model are consistent with Internal credit risk management default definition and appropriately reflects all observable default events across all financial instruments. We applied target testing approach in selecting a sample of loan facilities for detailed reviews of related customer files and account statements. Our reviews included checking the details of the borrower's account history, the nature of the facility and other factors that could indicate deterioration in the financial condition of the borrowers and their capacity to repay. This formed our basis of challenging directors judgement made in determining facilities with significant increase in credit risk since initial recognition and loans in default. We checked the forward looking information applied in the ECL model by benchmarking to industry trends and information to assess the reasonableness of the economic scenarios We assessed the reasonableness of forward looking information incorporated into the impairment calculations and challenged the multiple economic scenarios chosen as well as the weighting applied to capture non-linear losses.

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- Overlays on model to apply judgment on certain areas where subjective information is available to support a different conclusion from the model parameters

This is considered a key audit matter in both the consolidated and separate financial statements.

See notes 3.28, 4.2, 8a (i) and 25 to the consolidated and separate financial statements for further information.

We tested the appropriateness of historical data used for the determination of 12 months PD, which are used as basis for determination of lifetime PDs. We re-performed certain model calculations to evaluate the inputs and risk parameter outputs for the determination of the probability of default (PD), Loss Given default (LGD), Exposure at default (EAD) and credit conversion factor

We tested the valuation of collaterals used in the ECL model by comparing the values to the results of valuation performed by directors' external valuers. We assessed the competence, experience and independence of directors' valuers. We assessed reasonableness of haircut adjustments by checking historical recovery trends, time to realisation and costs of recovery of collaterals.

We reviewed the impairment output of the model for completeness and re-performed the calculation of expected credit losses for a selected sample of facilities. We considered post-model adjustments made by management, challenged their rationale and recalculated where necessary.

We reviewed the IFRS 9 disclosures for reasonableness

Valuation of unquoted equity financial instruments measured at fair value through other comprehensive income

At 31 December 2019, the unquoted equity instruments measured at fair value through other comprehensive income amounted to N114.1 billion and N113.5 billion for the group and bank respectively.

We focused on this area because of the subjective judgement involved in estimating the carrying value of the unquoted equity securities at the period end date.

In particular, we focused on unquoted equity investment where the directors have applied a discounted cash flow (DCF) valuation technique to determine their fair values. There is no active market for this category of investment securities. The directors exercised judgement in:

- identifying the appropriate valuation methodology; and

We adopted a substantive approach to testing the directors' independent valuation of all unquoted equity investment securities performed using the discounted cash flow valuation technique.

We challenged the cash flow forecasts used by the directors in their independent valuation of these securities by checking information on the business plans of the investee companies, their historical performance and long term economic outlook.

We used our internal valuation experts to;

- review the appropriateness of the valuation methodology adopted;
- test the reasonableness of the terminal growth rates and weighted average cost of capital;
- check the mathematical accuracy of the valuation models used in the directors' estimate and review reasonableness of the IFRS 13 disclosures;
- perform an independent valuation of the investee company and compare results of valuation performed to the directors' estimate.

We reviewed the disclosure for adequacy.

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- ensuring that appropriate inputs are used in the selected valuation methodology. The significant inputs include:
  - estimation of future cash flows;
  - determination of terminal growth rate; and
  - determination of the Weighted Average Cost of Capital (WACC).

This is considered a key audit matter in both the consolidated and separate financial statements.

See Notes 3.28, 8a (ii) and 26 to the consolidated and separate financial statements for further information.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, complaints and feedback, corporate governance report, report of the statutory audit committee, statement of directors' responsibilities, statement of value added and five-year financial summary (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the United Bank for Africa Plc 2019 Annual Report, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the United Bank for Africa Plc 2019 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, the Banks and Other Financial Institutions Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

INDEPENDENT AUDITOR'S REPORT

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matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

ii) the bank has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the bank's statement of financial position and statement of comprehensive income are in agreement with the books of account;

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

v) as disclosed in Note 45 to the consolidated and separate financial statements, the bank paid penalties in respect of contraventions of certain sections of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2019.

28 February 2020

For: PricewaterhouseCoopers

Chartered Accountants
Lagos, Nigeria

Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

		GROUP		BANK	
In millions of Nigerian Naira	**Notes**	**2019**	**2018**	**2019**	**2018**
Interest income	10	404,830	362,922	307,433	265,698
Interest income on amortised cost and FVOCI securities		390,304	360,583	292,907	263,359
Interest income on FVTPL securities		14,526	2,339	14,526	2,339
Interest expense	11	(182,955)	(157,276)	(156,580)	(129,396)
Net interest income		**221,875**	**205,646**	**150,853**	**136,302**
Allowance for credit losses on financial and non-financial instruments	12	(18,252)	(4,529)	(16,369)	(4,257)
Net interest income after impairment on financial and non-financial instruments		**203,623**	**201,117**	**134,484**	**132,045**
Fees and commission income	13	110,561	93,997	65,160	53,488
Fees and commission expense	14	(30,557)	(28,551)	(22,556)	(20,964)
Net trading and foreign exchange income	15	37,627	31,675	19,081	12,818
Other operating income	16	6,787	5,451	20,950	9,500
Employee benefit expenses	17	(75,099)	(71,158)	(43,774)	(41,537)
Depreciation and amortisation	18	(15,490)	(11,801)	(11,772)	(8,670)
Other operating expenses	19	(126,578)	(114,383)	(91,510)	(81,330)
Share of gain of equity-accounted investee	28(a)	413	419	-	-
Profit before income tax		**111,287**	**106,766**	**70,063**	**55,350**
Income tax expense	20	(22,198)	(28,159)	(7,313)	(14,303)
Profit for the period		**89,089**	**78,607**	**62,750**	**41,047**
Other comprehensive income					
Items that may be reclassified to the income statement:					
Exchange differences on translation of foreign operations		(12,958)	(21,264)	-	-
Fair value changes on investments in debt securities at fair value through other comprehensive income(FVOCI):					
Net change in fair value during the period		44,942	(14,498)	44,914	(14,498)
Net amount transferred to the income statement		(5,893)	(777)	(5,893)	(777)
		26,091	**(36,539)**	**39,021**	**(15,275)**
Items that will not be reclassified to the income statement:					
Fair value changes on equity investments designated at FVOCI		9,259	3,266	9,223	3,266
		9,259	**3,266**	**9,223**	**3,266**
Other comprehensive income for the period, net of tax		35,350	(33,273)	48,244	(12,009)
Total comprehensive income for the period		**124,439**	**45,334**	**110,994**	**29,038**
Profit for the period attributable to:					
Owners of Parent		86,220	75,359	62,750	41,047
Non-controlling interest		2,869	3,248	-	-
Profit for the period		**89,089**	**78,607**	**62,750**	**41,047**
Total comprehensive income attributable to:					
Owners of Parent		124,173	44,426	110,994	29,038
Non-controlling interest		266	908	-	-
Total comprehensive income for the period		**124,439**	**45,334**	**110,994**	**29,038**
Total comprehensive income attributable to equity shareholders arises from:					
- Continuing operations		123,997	44,426	110,818	29,038
- Discontinued operations	29(iv)	176	-	176	-
Total comprehensive income for the period		**124,173**	**44,426**	**110,994**	**29,038**
Earnings per share attributable to owners of the parent					
Basic and diluted earnings per share (Naira)	**21**	**2.52**	**2.20**	**1.83**	**1.20**

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

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019

		GROUP		BANK	
In millions of Nigerian Naira	**Notes**	**2019**	**2018**	**2019**	**2018**
ASSETS					
Cash and bank balances	22	1,396,228	1,220,596	1,182,554	1,015,199
Financial assets at fair value through profit or loss	23	102,388	19,439	102,388	19,439
Derivative assets	33(a)	48,131	34,784	48,131	34,784
Loans and advances to banks	24	108,211	15,797	99,849	15,516
Loans and advances to customers	25	2,061,147	1,715,285	1,503,380	1,213,801
Investment securities:					
- At fair value through other comprehensive income	26	901,048	1,036,653	772,658	925,892
- At amortised cost	26	670,502	600,479	73,556	84,265
Other assets	27	139,885	63,012	111,607	49,642
Investment in equity-accounted investee	28	4,143	4,610	2,715	2,715
Investment in subsidiaries	29	-	-	103,275	103,777
Property and equipment	30	128,499	115,973	107,448	97,502
Intangible assets	31	17,671	18,168	7,070	6,911
Deferred tax asset	32	26,199	24,942	21,862	21,862
TOTAL ASSETS		**5,604,052**	**4,869,738**	**4,136,493**	**3,591,305**
LIABILITIES					
Derivative liabilities	33(b)	852	99	852	99
Deposits from banks	34	267,070	174,836	92,717	30,502
Deposits from customers	35	3,832,884	3,349,120	2,764,388	2,424,108
Other liabilities	36	107,255	120,764	57,150	84,299
Current tax liability	20	9,164	8,892	722	706
Borrowings	37	758,682	683,532	744,094	657,134
Subordinated liabilities	38	30,048	29,859	30,048	29,859
Deferred tax liability	32	119	28	-	-
TOTAL LIABILITIES		**5,006,074**	**4,367,130**	**3,689,971**	**3,226,707**
EQUITY					
Share capital	39	17,100	17,100	17,100	17,100
Share premium	39	98,715	98,715	98,715	98,715
Retained earnings	39	184,685	168,073	90,090	89,217
Other reserves	39	278,073	199,581	240,617	159,566
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		578,573	483,469	446,522	364,598
Non-controlling interests		19,405	19,139	-	-
TOTAL EQUITY		**597,978**	**502,608**	**446,522**	**364,598**
TOTAL LIABILITIES AND EQUITY		**5,604,052**	**4,869,738**	**4,136,493**	**3,591,305**

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

The financial statements were approved by the directors on 27 January, 2020.

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

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

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2019

(i) 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	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2018	**17,100**	**98,715**	**37,102**	**932**	**81,108**	**84,626**	**148,532**	**468,115**	**18,231**	**486,346**
Profit for the period	-	-	-	-	-	-	75,359	75,359	3,248	78,607
Exchange differences on translation of foreign operations	-	-	(18,924)	-	-	-	-	(18,924)	(2,340)	(21,264)
Fair value change in debt instruments classified as FVOCI	-	-	-	-	(14,498)	-	-	(14,498)	-	(14,498)
Fair value change in equity instruments classified as FVOCI	-	-	-	-	3,266	-	-	3,266	-	3,266
Net amount transferred to income statement	-	-	-	-	(777)	-	-	(777)	-	(777)
Total comprehensive income for the period	**-**	**-**	**(18,924)**	**-**	**(12,009)**	**-**	**75,359**	**44,426**	**908**	**45,334**
Transfer between reserves	-	-	-	20,589	-	6,157	(26,746)	-	-	-
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(29,072)	(29,072)	-	(29,072)
Balance at 31 December 2018	**17,100**	**98,715**	**18,178**	**21,521**	**69,099**	**90,783**	**168,073**	**483,469**	**19,139**	**502,608**
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	-	-	-	-	-	-	86,220	86,221	2,869	89,090
Exchange differences on translation of foreign operations	-	-	(10,355)	-	-	-	-	(10,355)	(2,603)	(12,958)
Fair value change in debt instruments classified as FVOCI	-	-	-	-	44,942	-	-	44,942	-	44,942
Fair value change in equity instruments classified as FVOCI	-	-	-	-	9,259	-	-	9,259	-	9,259
Net amount transferred to income statement	-	-	-	-	(5,893)	-	-	(5,893)	-	(5,893)
Total comprehensive income for the period	**-**	**-**	**(10,355)**	**-**	**48,309**	**-**	**86,220**	**124,174**	**266**	**124,440**
Transfer between reserves	-	-	-	29,073	-	11,465	(40,538)	-	-	-
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(29,070)	(29,070)	-	(29,070)
Balance at 31 December 2019	**17,100**	**98,715**	**7,823**	**50,594**	**117,408**	**102,248**	**184,685**	**578,573**	**19,405**	**597,978**

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2019

(ii) BANK

In millions of Nigerian naira	Share Capital	Share premium	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
At 1 January 2018	**17,100**	**98,715**	**932**	**81,760**	**68,446**	**97,677**	**364,630**
Profit for the period	-	-	-	-	-	41,047	41,047
Fair value change in debt instruments classified as FVOCI	-	-	-	(14,498)	-	-	(14,498)
Fair value change in equity instruments classified as FVOCI	-	-	-	3,266	-	-	3,266
Net amount transferred to income statement	-	-	-	(777)	-	-	(777)
Total comprehensive income for the period	**-**	**-**	**-**	**(12,009)**	**-**	**41,047**	**29,038**
Transfer between reserves	-	-	14,280	-	6,157	(20,437)	-
Transactions with owners							
Dividends paid	-	-	-	-	-	(29,070)	(29,070)
Balance at 31 December 2018	**17,100**	**98,715**	**15,212**	**69,751**	**74,603**	**89,217**	**364,598**
At 1 January 2019	**17,100**	**98,715**	**15,212**	**69,751**	**74,603**	**89,217**	**364,598**
Profit for the period	-	-	-	-	-	62,750	62,750
Fair value change in debt instruments classified as FVOCI	-	-	-	44,914	-	-	44,914
Fair value change in equity instruments classified as FVOCI	-	-	-	9,223	-	-	9,223
Net amount transferred to income statement	-	-	-	(5,893)	-	-	(5,893)
Total comprehensive income for the period	**-**	**-**	**-**	**48,244**	**-**	**62,750**	**110,994**
Transfer between reserves	-	-	21,342	-	11,465	(32,807)	-
Transactions with owners							
Dividends paid	-	-	-	-	-	(29,070)	(29,070)
Balance at 31 December 2019	**17,100**	**98,715**	**36,554**	**117,995**	**86,068**	**90,090**	**446,522**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

For the year ended December 31, 2019

		GROUP		BANK	
In millions of Nigerian Naira	Notes	2019	2018	2019	2018
Cash flows from operating activities					
Profit before income tax		**111,287**	**106,766**	**70,063**	**55,350**
Adjustments for:					
Depreciation of property and equipment	18	11,980	10,199	8,842	7,368
Amortisation of intangible assets	18	1,627	1,602	1,325	1,302
Depreciation of right-of-use assets	18	1,883	-	1,605	-
Allowance for credit loss on loans to customers	12	14,160	34,280	11,098	11,373
Allowance for credit loss/(reversal) on loans to banks	12	2,741	(213)	2,675	(213)
Write-off of loans and advances	12	1,689	1,725	1,095	1,558
Impairment charge on other assets	12	3,738	4,162	3,074	3,105
Net fair value gain on derivative financial instruments	15	(12,594)	(26,581)	(12,594)	(26,896)
Foreign currency revaluation loss	15	10,171	31,482	12,080	31,227
Dividend income	16	(3,305)	(3,454)	(20,190)	(8,469)
Gain on disposal of property and equipment	16	(251)	(15)	(16)	(15)
Write-off of property and equipment	30	74	6	13	6
Net amount transferred to the income statement		(5,893)	(777)	(5,893)	(777)
Origination and reversal of temporary differences		91	(501)	-	-
Net interest income		(221,598)	(205,646)	(150,634)	(136,302)
Share of gain of equity-accounted investee	28	(414)	(419)	-	-
		(84,614)	**(47,384)**	**(77,457)**	**(61,383)**
Changes in operating assets and liabilities					
Change in financial assets at FVTPL		(70,208)	10,532	(70,208)	10,532
Change in cash reserve balance		(268,425)	(118,445)	(264,410)	(121,564)
Change in loans and advances to banks		(95,155)	5,056	(87,008)	4,671
Change in loans and advances to customers		(361,711)	(149,043)	(301,772)	(96,959)
Change in other assets		(102,377)	(33,358)	(77,119)	(6,025)
Change in deposits from banks		92,234	40,547	62,215	15,212
Change in deposits from customers		483,764	615,772	340,280	546,372
Change in placement with banks		(22,722)	31,676	(3,822)	12,776
Change in other liabilities and provisions		(12,686)	22,487	(26,284)	15,540
Interest received		404,830	362,922	307,433	265,698
Interest paid on deposits from banks and customers		(136,341)	(113,093)	(112,004)	(86,855)
Income tax paid	20(c)	(23,182)	(21,822)	(7,297)	(9,389)
Net cash generated from operating activities		**(196,593)**	**605,847**	**(317,453)**	**488,626**
Cash flows from investing activities					
Proceeds from sale/redemption of investment securities		3,089,704	2,757,710	3,155,680	2,566,241
Purchase of investment securities		(2,956,816)	(3,175,007)	(2,939,081)	(2,921,905)
Purchase of property and equipment	30	(26,513)	(19,044)	(20,461)	(15,493)
Purchase of intangible assets	31	(1,846)	(3,364)	(1,683)	(2,621)
Additional investment in equity-accounted investee		-	(945)	-	(945)
Proceeds from disposal of property and equipment		522	297	270	185
Proceeds from disposal of intangible assets		11	33	12	34
Proceeds from disposal of investement in subsidiaries		-	-	502	-
Dividend received		3,305	3,454	20,190	8,469
Net cash used in investing activities		**108,367**	**(436,866)**	**215,429**	**(366,035)**
Cash flows from financing activities					
Interest paid on borrowings and subordinated liabilities		(55,120)	(47,066)	(54,795)	(46,739)
Proceeds from borrowings	37	140,708	235,128	126,120	235,128
Repayment of borrowings	37	(64,062)	(116,117)	(37,664)	(116,117)
Payments of principal on leases		(1,000)	-	(988)	-
Payments of interest on leases		(99)	-	(96)	-
Repayment of subordinated liabilities		-	(35,017)	-	(35,017)
Dividend paid to owners of the parent		(29,070)	(29,070)	(29,070)	(29,070)
Net cash generated from financing activities		**(8,643)**	**7,858**	**3,507**	**8,185**
Net decrease in cash and cash equivalents		**(96,869)**	**176,839**	**(98,517)**	**130,776**
Effects of exchange rate changes on cash and cash equivalents		(5,905)	56,978	10,381	46,162
Cash and cash equivalents at beginning of period	22	662,245	428,428	450,063	273,125
Effect of exchange rate fluctuations on cash held					
Cash and cash equivalents at end of period	**22**	**559,471**	**662,245**	**361,927**	**450,063**

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

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019

1 General Information

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

The consolidated financial statements of the Group for the year ended 31 December 2019 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

The financial statements for the year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 27 January, 2020.

2 Basis of preparation

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

3 Significant accounting policies

3.1 Basis of measurement

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

3.2 Functional and presentation currency

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

3 Significant accounting policies - Continued

3.4 Basis of consolidation - continued

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

3 Significant accounting policies - Continued

3.4 Basis of consolidation - continued

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.

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

3.6 Interest income and interest expense

Interest income and expense for all interest bearing financial instruments are calculated by applying the effective interest rate to the gross carrying amount for non-credit impaired financial assets and are recognised within 'interest income' and 'interest expense' in the 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

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

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

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

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

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

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

3.11 Cash and bank balances

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

Cash and cash equivalents as referred to in the cash flow statement 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

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 Significant accounting policies - Continued

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.

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.

3 Significant accounting policies - Continued

3.22 Share capital and reserves - continued

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

3.26 Segment reporting

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

3.27 IFRS 15: Revenue from contracts with customers

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

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

3.28 IFRS 9: Financial instruments

a. Initial recognition, classification and measurement of financial assets

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

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - continued

a. Initial recognition, classification and measurement of financial assets - continued

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.

c. SPPI assessment

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

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

d. Investment securities

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - continued

d. Investment securities - continued

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.

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.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - continued

g. Allowance for credit losses

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

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ACL is separately calculated and included in Other Liabilities – Provisions.

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

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

1) Performing financial assets:

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

2) Underperforming financial assets:

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

3) Impaired financial assets

• Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. The Stage 3 expected credit loss impairment model is based on changes in credit quality since initial recognition. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - continued

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.

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.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - continued

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.
- 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.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - continued

l. Definition of default - continued

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.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - continued

o. Modifications - continued

- 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.

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.

3 Significant accounting policies - Continued

3.28 IFRS 9: Financial instruments - continued

q. De-recognition of financial instruments - continued

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.

3.29 Changes in accounting policies

Except for the following new standards, the Group has consistently applied the accounting policies as set out in Notes 3.1 - 3.28 to all periods presented in these consolidated and separate financial statements.The Group has adopted this new standard with initial date of application of January 1, 2019.

a) IFRS 16 Leases

The Group has adopted the use of IFRS 16 as a new standard with effective date of application January 1, 2019.

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2017. The new standard does not significantly change the accounting for leases for lessors. However, it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees are expected to apply a single model for all recognised leases, but will also have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The Group has consequently reclassified the existing prepaid operating leases as of January 1, 2019 to Right-of-Use Assets with consideration of corresponding lease liabilities for leases with renewal or extension options. In discounting operating leases with renewal options in the Group's books, the transition date to the next renewal dates were identified as part of the lease terms in determining the lease liability. Meanwhile, associated depreciation of the ROU assets would commence for those period for which the Group has the right to use an underlying asset.

3.30 New standards and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective as at 31 December 2018 are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

a) IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2017. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

3.30 New standards and interpretations not yet adopted - Continued

ai) Impact of adoption of IFRS 16

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised right-of-use assets in relation to leases which had previously been classified as operating leases' under the principles of IAS 17 Leases.

However, for leases for which the group was reasonably certain to exercise the renewal or extension options, those lease liabilities were measured as the present value of the payments made at next respective renewal dates, discounted using the corresponding FGN Bond/Bill yields of similar maturity (risk premium inclusive) with their respective lease terms as of 1 January 2019. The weighted average discount rates applied to the lease liabilities on 1 January 2019 was 16.17%.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified approach in the standard.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepayments relating to the leasse recognised in the statement of financial position as at 31 December 2019.

A reconciliation of the outstanding operating lease payments as at 31 December 2018 and the lease liability as at 1 January 2019 and 31st December 2019 is shown below:

Group

For the period ended 31 December,2019

In millions of Nigerian Naira	**IFRS 16 Disclosures**
Total Operating Leases:	
Operating lease commitments disclosed as at 31 December 2018	-
Discounted using the lessee's incremental borrowing rate of at the date of initial application	-
Less: Short term leases not recognised as a liability	-
Less: Low value leases not recognised as a liability	-
Adjustments as a result of a different treatment of extension option	2,029
Lease liability as at 1 January 2019	**2,029**

The following table summarises the total impact of IFRS 16 on the Group's statement of financial position as at 1 January 2019:

		Impact of IFRS 16		
In millions of Nigerian Naira	**31 December 2018**	**Reclassification**	**Remeasurement**	**1 January 2019**
Assets				
Property and equipment	115,973	2,821	2,029	120,823
Other assets	4,753,765	(2,821)	-	4,750,944
Total assets	**4,869,738**	**-**	**2,029**	**4,871,767**
Liabilities				
Other liabilities	4,367,130	-	2,029	4,369,159
Total liabilities	**4,367,130**	**-**	**2,029**	**4,369,159**
Equity				
Total equity	502,608	-	-	502,608
Total liabilities and equity	**4,869,738**	**-**	**2,029**	**4,871,767**

There was no impact on retained earnings on adoption of IFRS 16 as at January 1 2019.
- Right-of -use assets increased by ₦2.82bn
- Prepaid rent decreased by ₦2.82bn
- Lease liability increased by ₦2.03bn

3.30 New standards and interpretations not yet adopted - Continued

ai) Impact of adoption of IFRS 16 - continued
Adjustments recognised on adoption of IFRS 16 - continued

Bank

For the period ended 31 December,2019

In millions of Nigerian Naira	**IFRS 16 Disclosures**
Total Operating Leases:	
Operating lease commitments disclosed as at 31 December 2018	-
Discounted using the lessee's incremental borrowing rate of at the date of initial application	-
Less: Short term leases not recognised as a liability	-
Less: Low value leases not recognised as a liability	-
Adjustments as a result of a different treatment of extension option	1,679
Lease liability as at 1 January 2019	**1,679**

The following table summarises the total impact of IFRS 16 on the Bank's statement of financial position as at 1 January 2019:

		Impact of IFRS 16		
In millions of Nigerian Naira	**31 December 2018**	**Reclassification**	**Remeasurement**	**1 January 2019**
Assets				
Property and equipment	97,502	2,596	1,679	101,777
Other assets	3,493,803	(2,596)	-	3,491,207
Total assets	**3,591,305**	**-**	**1,679**	**3,592,984**
Liabilities				
Other liabilities	3,226,707	-	1,679	3,228,386
Total liabilities	**3,226,707**	**-**	**1,679**	**3,228,386**
Equity				
Total equity	364,598	-	-	364,598
Total liabilities and equity	**3,591,305**	**-**	**1,679**	**3,592,984**

There was no impact on retained earnings on adoption of IFRS 16 as at January 1 2019.
- Right-of -use assets rose by ₦2.60bn
- Prepaid rent decreased by ₦2.60bn
- Lease liability increased by ₦1.68bn

The associated right-of-use assets for operating leases were measured on a prospective basis as if the new rules had always been applied. They were measured at the amount equal to the lease liability discounted to present value; relating to that lease recognised in the balance sheet as at 31 December 2018.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Practical Expedients applied:
(i)Incremental borrowing rate (IBR) used for discounting was determined using the corresponding FGN Bond/Bill yields of similar maturity (risk premium inclusive) with their respective lease terms(16.45% +1%). Hence, there was application of single lease rate to a portfolio of leases with reasonably similar characteristics but matched with their relevant lease terms.

(ii) There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iii) The Group measured its right-of-use asset as an amount equal to the lease liability and any prepayments made on the lease while excluding other initial direct costs of measurement at the date of initial application.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

3.30 New standards and interpretations not yet adopted - Continued

ai) Impact of adoption of IFRS 16 - continued

Adjustments recognised on adoption of IFRS 16 - continued

(iv) For existing leases which had been prepaid and which have extension or renewal options, the prepayments were reclassed from other assets to right of use assets, and the lease liability relating to the extension period was also recognised as a component of right of use assets.

(v) The Group also considered use of hindsight in determining lease term where the contract contains option to extend or terminate the lease.

(vi) Right of use assets amortisation is computed over the relevant lease terms.

(vii) For the purpose of discounting, the lease liability only exists on leases for which the Group was reasonably certain to be renewed and only those of which with maturity of not more than 12 months.

Short-term leases and leases of low value:

The Group did not apply the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Also, there was no application of the exemption regarding low-value leases as at 31 December 2019.

b) Amendments to IAS 19

This amendment was issued 7 February 2018 and became effective 1 January 2019. It prescribes the accounting for all types of employee benefits except share-based payment, to which IFRS 2 applies. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 requires an entity to recognise:

i) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and

ii) an expense when the entity consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

c) IFRIC 23 – Uncertainty over Income Tax Treatments

This standard which became effective 1 January 2019, clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit(tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over tax treatments under IAS 12. The Group has considered the guidance included within the interpretation and concluded that the prescribed approach does not have a material impact on the Group

d) Amendments to IFRS 2 - Share Based Payment - Classification and measurement of share based payment transactions

This standard clarifies classification and measurement of share based payment transactions with net settlement features for withholding tax obligations (i.e. equity settled share based payment for employees and cash settled share based payment for withholding taxes). It grants an exemption to alleviate operational issues encountered in dividing the share based payment into cash-settled and equity-settled component. The amendments also clarify modifications to terms and conditions that change classifications from cash-settled to equity-settled as well as application of non-market vesting conditions and market non-vesting conditions. These amendments do not have any material impact on the Group.

3.31 Standards and interpretations issued/amended but not yet effective

The standards listed below have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2019. The Group has not applied the following new or amended standards in preparing these consolidated and separate financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on these new standards/amendments are provided below.

3.31 Standards and interpretations issued/amended but not yet effective - Continued

a) Amendments to IFRS 3 (Business Combination)

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g. An acquisition or merger). In October 2018, after the post implementation review of IFRS 3, the IASB issued an amendment to IFRS 3 which centers majorly on the definition of a Business.

The effective date is on or after 1st January 2020.

The considerations include:

- To be considered a business, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs:
- Narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.
- Adds guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
- Removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs: and
- Adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This amendment does not have any impact on the Group.

b) Amendment to IAS 1 and IAS 8

In October 2018, the IASB issued the definition of 'material'. The amendments are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. in IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the revised definition of 'material' is quoted below:

An information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity". The amendments laid emphasis on five (5) ways material information can be obscured. These include:

- If the language regarding a material item, transaction or other event is vague or unclear;
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- If dissimilar items, transactions or other events are inappropriately aggregated;
- If similar items, transactions or other events are inappropriately disaggregated; and
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for annual reporting periods beginning on or after 1st January 2020. The Group has taken into consideration the new definition in the preparation of its annual account.

c) IFRS 17 - Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business.

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

In June 2019, the IASB proposed targeted amendments to IFRS 17 which aim to ease implementation of the standard. The amendments defer the effective date of the standards to reporting periods beginning on or after 1 January 2022. This is a deferral of one year compared to the current data published in IFRS 17 of 1 January 2021 and is subject to public consultation, which will take place in the latter half of 2019.

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

3.32 Rounding of amounts

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management

4.1 Introduction and overview

Given the scale and scope of its operations as well as the diversity of the geographies within which it operates, United Bank for Africa Plc (UBA Plc) has adopted an enterprise wide, integrated approach to risk management. The key objectives are as follow:

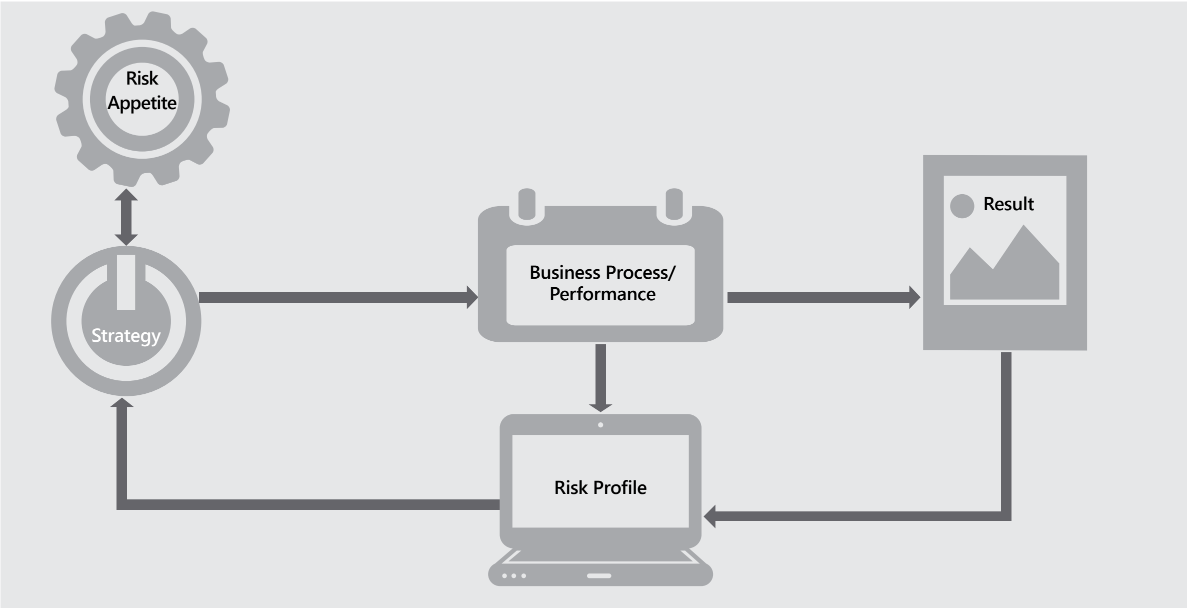
1. meet and exceed best practice global standards as defined by local and international regulatory bodies. We intend to achieve this by adhering to the principles of the Basel II Accords as adopted by the Central Bank of Nigeria (CBN);
2. ensure sustainable profitability and enterprise value protection by maintaining growth within appropriate risk-control boundaries; and
3. enhance corporate governance by involving the Board and Senior Management in setting the tone for the risk management agenda.

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

(a) Risk Management Strategy

UBA's risk management strategy is based on an embedded risk management process from the strategy formulation level to the business unit decision making. The strategic risk management objectives include:

- Evaluation of the strategic risks faced by the Group in the continuously evolving environment;
- Allocate resources in line with strategic objectives and risks;
- Determine the tolerable risk profile and formulate the acceptable risk appetite for the Group;
- Establish adequate risk management and internal control systems to support the business and the risk appetite; and
- Establish proper feedback mechanism as input into the strategic risk management process.



(b) Risk Management Culture

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

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

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

4 Financial Risk Management - Continued

4.1 Introduction and risk profile - continued

(c) Role and responsibilities

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

Board of Directors

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

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

Board Committees

The Board of Directors has established various Board-level risk committees, to support its risk oversight roles and responsibilities. These committees review and advise on numerous risk matters requiring Board approvals.

The Board Risk Management Committee has direct oversight for the Bank's overall risk management framework. The Board Credit Committee considers and approves large exposure underwriting decisions within its authority and recommends those above its limit to the Board for consideration. The Board Audit and Governance Committee assists the Board with regard to internal controls, audit assessments and compliance matters.

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

Management Committees

Key Management Committees include:

(i) Executive Management Committee (EMC)

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

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

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

All new business activity irrespective of capital commitment must be approved by the F & GPC through the EMC.

ii) Executive Credit Committee (ECC)

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

Its principal activities and functions are:

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

4 Financial Risk Management - Continued

4.1 Introduction and risk profile - continued

(c) Role and responsibilities - continued

(iii) Group Asset and Liability Committee

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

In playing this role, GALCO does the following:

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

(iv) Criticized Assets Committee

- The Criticized Assets Committee is a management committee which reviews Past Due Obligations (PDOs) and Develops the framework to reduce the Group's portfolio of risk assets on watch-list as well as delinquent accounts
- Monitor implementation of strategies developed for recoveries and reduction of loan delinquencies
- Ratifies proposed classification of accounts and provisioning levels
- Recommends write-offs for approval through the EMC to the Board

(v) Group Risk Management Committee

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

(a) To support the EMC in the discharge of its risk management responsibilities which includes but is not limited to the management of risk, determining risk tolerance levels, risk appetite, risk monitoring, risk assurance and risk disclosures for the Group.
(b) To review, assess and make recommendations on the integrity and adequacy of the overall risk management function of the Group.
(c) To review, assess and make recommendations to the Executive Management Committee regarding policies relating to risk management.
(d) To review risk limits and periodic risk and compliance reports and make recommendations to the Executive Management Committee.
(e) Recommend risk approval limits to Executive Management Committee.
(f) To review and recommend on an annual basis the update of the risk management policies, frameworks and procedures of the Group.
(g) Advice Executive Management Committee on any emerging risks that the Group is or could be exposed to and recommend mitigation actions.
(h) Monitor overall risk management framework to ensure that the framework is uniformly applied in all the entities in the Group.
(i) Review IT Risk Management and make recommendations in accordance with the risk appetite of the Group.
(j) Monitor the Basel II Accord Capital Framework implementation and compliance program in the Group.
(k) Periodic review of the Risk Assets Portfolio and Limits in line with internal and regulatory benchmarks.
(l) Review and recommend yearly Risk Management staffing model and manpower development programs.

Group Chief Risk Officer

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.1 Introduction and risk profile - continued

(d) Central Risk Management Functions

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

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

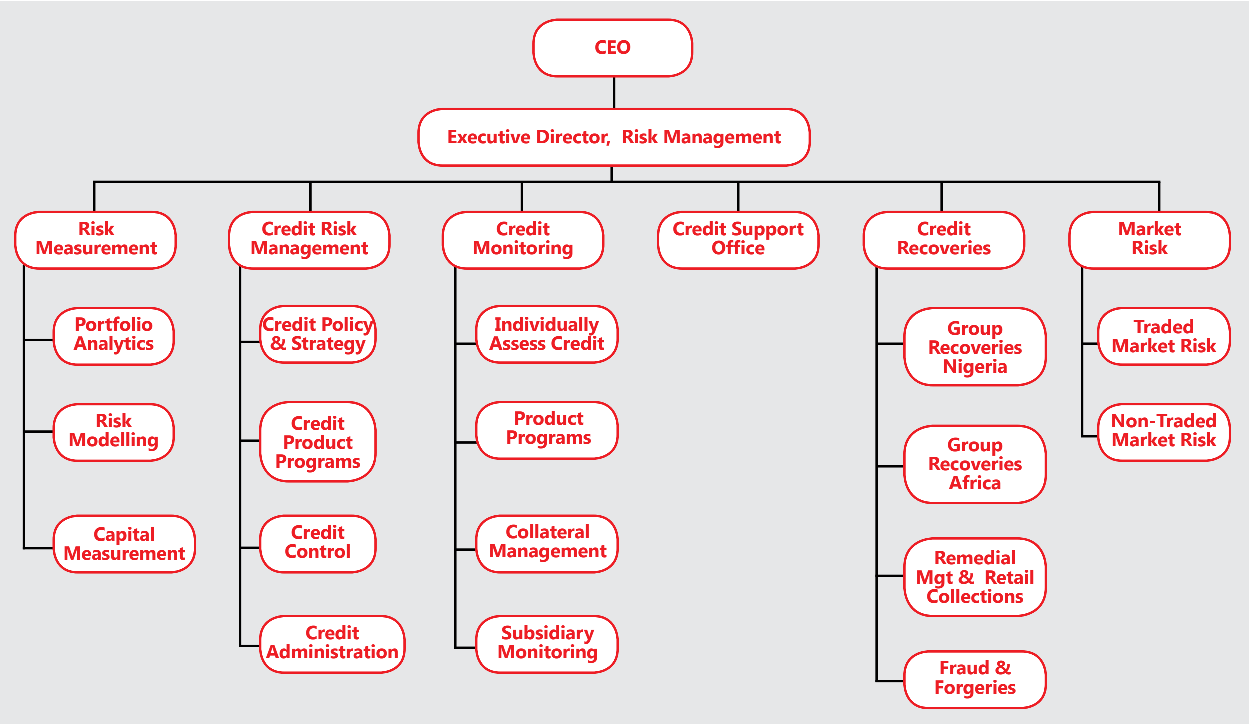
At a strategic level, our risk management objectives are as follows:

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

(e) Risk Management Structure

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

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



(f) Risk Management Policies

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

4 Financial Risk Management- Continued

4.1 Introduction and risk profile - continued

(f) Risk Management Policies - continued

(i) Risk Appetite

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

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

(ii) Approval Authority

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

(iii) Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.
In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group applies a concentration risk management framework that sets exposure limits as a function of capital across all dimensions of its asset portfolio including geography, sector, obligor, product etc. This is closely monitored to ensure diversification of risk.

4.2 Credit Risk

(a) Overview

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

(i) Credit Risk Management (CRM)

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

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

(ii) Credit Risk Governance

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(a) Overview - continued

(iii) Credit Monitoring

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

(iv) Credit Concentration Management

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

The Group ensures that:

- It manages its portfolio by ensuring adequate diversification across industries, segments and jurisdictions to maintain high portfolio quality and liquidity
- Provides risk based concentration limits to ensure that exposures to single obligors, sectors and countries are contained within acceptable risk appetite.

(v) Credit Risk Measurement

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

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

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

Probability of Default

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

Loss Given Default

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

Exposure at default

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

(vi) General Risk Rating Process

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(a) Overview - continued

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

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

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

Deterioration in credit risk are identified based on factors such as

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

(vii) *Credit Rating of Counterparty/Obligor*

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

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

(viii) *Remedial Management Process*

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

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

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

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

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(a) Overview - continued

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

Level 1 is an oversight and supervisory function performed by the Divisional Head through the Regional Heads;
Level 2 is a supervisory and management function performed by the Regional Heads through the Zonal Heads; and
Level 3 is an operational function performed by the Zonal Head in conjunction with the Recovery/Remedial officers from the regional bank offices.

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

Risk Management and Credit Recovery Division methodology

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(b) Credit risk Exposure

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

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

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

	Maximum exposure		Maximum exposure	
	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Cash and bank balances				
Current balances with banks	192,522	344,123	168,775	309,921
Unrestricted balances with Central Banks	113,574	202,714	5,688	27,642
Money market placements	153,355	8,467	117,646	51,089
Restricted balances with central banks	832,108	563,683	815,978	551,568
Financial assets at fair value through profit or loss				
Treasury bills	35,631	18,743	35,631	18,743
Promissory notes	59,038	-	59,038	-
Bonds	7,719	696	7,719	696
Derivative assets	48,131	34,784	48,131	34,784
Loans and advances to banks:				
Term Loan	108,211	15,797	99,849	15,516
Loans and advances to individuals				
Overdraft	16,812	15,668	8,867	7,525
Term loan	88,960	81,905	36,068	15,508
Loans and advances to corporate entities and others				
Overdraft	426,036	332,505	280,503	179,246
Term Loan	1,526,409	1,280,890	1,175,012	1,007,204
Others	2,930	4,317	2,930	4,318
Investment securities at fair value through other comprehensive income:				
Treasury bills	678,243	790,292	634,209	705,152
Bonds	108,697	143,608	24,931	118,498
Investment securities at amortised cost:				
Treasury bills	461,353	321,131	-	-
Bonds	209,149	279,658	73,556	84,509
Other assets	111,912	43,583	98,197	38,949
Total	**5,180,790**	**4,482,564**	**3,692,728**	**3,170,868**
Loans exposure to total exposure	42%	39%	43%	39%
Debt securities exposure to total exposure	30%	35%	23%	29%
Other financial assets exposure to total exposure	28%	27%	34%	32%

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

	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Performance bonds and guarantees	48,692	428,043	47,019	307,680
Letters of credits	595,896	217,764	299,756	71,796
	644,588	**645,807**	**346,775**	**379,476**
Bonds and guarantee exposure to total exposure	8%	66%	14%	81%
Letters of credit exposure to total off-balance sheet exposure	92%	34%	86%	19%

Credit risk exposures relating to loan commitment are as follows:

Loan commitment to corporate entities and others				
Term Loan	87,028	159,543	87,028	159,543
	87,028	**159,543**	**87,028**	**159,543**

There are no loan commitments to individuals.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(b) Credit risk Exposure - continued

(ii) Credit concentration - location

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

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

31 December 2019	Group				Bank			
In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the world	Total	Nigeria	Rest of Africa	Rest of the world	Total
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	36,274	156,248	192,522	-	12,527	156,248	168,775
- Unrestricted balances with Central Banks	5,688	107,886	-	113,574	5,688	-	-	5,688
- Money market placements	44,417	30,660	78,278	153,355	44,417	30,660	42,569	117,646
- Restricted balances with central banks	815,978	16,130	-	832,108	815,978	-	-	815,978
Financial assets at FVTPL:								
- Treasury bills	35,631	-	-	35,631	35,631	-	-	35,631
- Promissory notes	59,038	-	-	59,038	59,038	-	-	59,038
- Government bonds	7,719	-	-	7,719	7,719	-	-	7,719
Derivative assets	38,221	-	9,910	48,131	38,221	-	9,910	48,131
Loans and advances to banks								
- Corporates	31,013	65,328	11,870	108,211	31,013	65,328	3,508	99,849
Loans and advances to customers:								
Individuals:								
- Overdrafts	8,867	7,945	-	16,812	8,867	-	-	8,867
- Term loans	36,068	52,892	-	88,960	36,068	-	-	36,068
Corporates:								
- Overdrafts	219,461	206,575	-	426,036	219,461	61,042	-	280,503
- Term loans	1,139,181	387,228	-	1,526,409	1,139,181	35,831	-	1,175,012
- Others	2,930	-	-	2,930	2,930	-	-	2,930
Investment securities:								
At amortised cost								
- Treasury bills	-	461,353	-	461,353	-	-	-	-
- Bonds	64,392	133,691	11,066	209,149	64,392	-	9,164	73,556
At FVOCI								
- Treasury bills	634,209	44,034	-	678,243	634,209	-	-	634,209
- Bonds	24,931	83,766	-	108,697	24,931	-	-	24,931
Other assets	72,315	39,476	121	111,912	72,315	25,882	-	98,197
Total financial assets	**3,240,059**	**1,673,238**	**267,493**	**5,180,790**	**3,240,059**	**231,270**	**221,399**	**3,692,728**
Commitments and guarantees								
- Performance bonds and guarantees	47,019	1,673	-	48,692	47,019	-	-	47,019
- Letters of credits	299,756	255,559	40,581	595,896	299,756	-	-	299,756
- Loan commitments	87,028	-	-	87,028	87,028	-	-	87,028
Total commitments and guarantees	**433,803**	**257,232**	**40,581**	**731,616**	**433,803**	**-**	**-**	**433,803**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(b) Credit risk Exposure - continued

(ii) Credit concentration - location (continued)

31 December 2018	Group				Bank			
In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the world	Total	Nigeria	Rest of Africa	Rest of the world	Total
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	34,282	309,841	344,123	-	80	309,841	309,921
- Unrestricted balances with Central Banks	27,642	175,072	-	202,714	27,642	-	-	27,642
- Money market placements	-	-	8,467	8,467	-	13,013	38,076	51,089
- Restricted balances with central banks	551,568	12,115	-	563,683	551,568	-	-	551,568
Financial assets at FVTPL:								
- Treasury bills	18,743	-	-	18,743	18,743	-	-	18,743
- Promissory notes	696	-	-	696	696	-	-	696
- Government bonds	34,742	-	42	34,784	34,742	-	42	34,784
Derivative assets								
Loans and advances to banks	8,366	7,150	281	15,797	8,366	7,150	-	15,516
- Corporates								
Loans and advances to customers:								
Individuals:	7,525	8,143	-	15,668	7,525	-	-	7,525
- Overdrafts	15,508	66,397	-	81,905	15,508	-	-	15,508
- Term loans								
Corporates:	178,955	153,550	-	332,505	178,955	291	-	179,246
- Overdrafts	968,834	312,056	-	1,280,890	968,834	38,370	-	1,007,204
- Term loans	4,318	-	-	4,318	4,318	-	-	4,318
- Others								
Investment securities:								
At amortised cost	-	321,131	-	321,131	-	-	-	-
- Treasury bills	75,345	189,517	14,796	279,658	75,345	-	9,164	84,509
- Bonds								
At FVOCI	705,152	85,140	-	790,292	705,152	-	-	705,152
- Treasury bills	118,498	25,110	-	143,608	118,498	-	-	118,498
- Bonds	24,304	18,604	675	43,583	24,304	14,645	-	38,949
Other assets								
Total financial assets	**2,740,196**	**1,408,267**	**334,102**	**4,482,565**	**2,740,196**	**73,549**	**357,123**	**3,170,868**
Commitments and guarantees								
- Performance bonds and guarantees	307,680	120,363	-	428,043	307,680	-	-	307,680
- Letters of credits	71,796	120,427	25,541	217,764	71,796	-	-	71,796
- Loan commitments	159,543	-	-	159,543	159,543	-	-	159,543
Total commitments and guarantees	**539,019**	**240,790**	**25,541**	**805,350**	**539,019**	**-**	**-**	**539,019**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(b) Credit risk Exposure - continued

(iii) Credit concentration - Industry

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

Group *In millions of Nigerian Naira*	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2019													
Cash and bank balances:													
- Current balances with banks	-	-	-	192,522	-	-	-	-	-	-	-	-	192,522
- Unrestricted balances with Central Banks	-	-	-	113,574	-	-	-	-	-	-	-	-	113,574
- Money market placements	-	-	-	153,355	-	-	-	-	-	-	-	-	153,355
- Restricted balances with central banks	-	-	-	832,108	-	-	-	-	-	-	-	-	832,108
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	35,631	-	-	-	-	-	35,631
- Promissory notes	-	-	-	-	-	-	58,963	-	-	75	-	-	59,038
- Government bonds	-	-	-	-	-	-	7,719	-	-	-	-	-	7,719
Derivative assets	-	-	-	48,131	-	-	-	-	-	-	-	-	48,131
Loans and advances to banks	-	-	-	108,211	-	-	-	-	-	-	-	-	108,211
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	16,812	-	-	-	-	-	-	-	16,812
- Term loans	-	-	-	-	88,960	-	-	-	-	-	-	-	88,960
Corporates	-	-	-	-	-	-	-	-	-	-	-	-	
- Overdrafts	12,835	7,406	2,395	4,195	5,408	92,126	59,046	3,589	97,851	128,618	8,885	3,682	426,036
- Term loans	46,771	77,496	14,264	100,747	19,141	193,240	274,374	129,527	208,524	242,387	202,994	16,945	1,526,409
- Others	-	-	-	-	-	-	-	-	2,930	-	-	-	2,930
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	461,353	-	-	-	-	-	461,353
- Bonds	-	-	-	10,577	-	-	198,572	-	-	-	-	-	209,149
At FVOCI													
- Treasury bills	-	-	-	-	-	-	678,243	-	-	-	-	-	678,243
- Bonds	-	-	-	-	-	-	108,697	-	-	-	-	-	108,697
Other assets	-	-	-	31,868	80,044	-	-	-	-	-	-	-	111,912
Total financial assets	**59,606**	**84,902**	**16,659**	**1,595,288**	**210,365**	**285,366**	**1,882,598**	**133,116**	**309,305**	**371,080**	**211,879**	**20,627**	**5,180,790**
Commitments and guarantees													
- Performance bonds and guarantees	1,813	13,667	-	3,824	7,359	2,838	1,092	50	6,587	5,850	4,943	669	48,692
- Letters of credits	11,933	103,561	-	-	79,154	26,231	-	2,135	282,129	85,629	5,124	-	595,896
- Loan Commitments	-	-	-	-	-	-	-	18,198	-	-	68,830	-	87,028
Total commitments and guarantees	**13,746**	**117,228**	**-**	**3,824**	**86,513**	**29,069**	**1,092**	**20,383**	**288,716**	**91,479**	**78,897**	**669**	**731,616**

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(b) Credit risk Exposure - continued

(iii) Credit concentration - Industry (continued)

Bank *In millions of Nigerian Naira*	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2019													
Cash and bank balances:													
- Current balances with banks	-	-	-	168,775	-	-	-	-	-	-	-	-	168,775
- Unrestricted balances with Central Banks	-	-	-	5,688	-	-	-	-	-	-	-	-	5,688
- Money market placements	-	-	-	117,646	-	-	-	-	-	-	-	-	117,646
- Restricted balances with central banks	-	-	-	815,978	-	-	-	-	-	-	-	-	815,978
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	35,631	-	-	-	-	-	35,631
- Promissory notes	-	-	-	-	-	-	58,963	-	-	75	-	-	59,038
- Government bonds	-	-	-	-	-	-	7,719	-	-	-	-	-	7,719
Derivative assets	-	-	-	48,131	-	-	-	-	-	-	-	-	48,131
Loans and advances to banks	-	-	-	99,849	-	-	-	-	-	-	-	-	99,849
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	8,867	-	-	-	-	-	-	-	8,867
- Term loans	-	1,379	-	-	34,689	-	-	-	-	-	-	-	36,068
Corporates													
- Overdrafts	7,408	4,880	1,886	422	5,408	61,425	38,126	583	70,442	78,702	6,907	4,315	280,503
- Term loans	28,930	47,902	12,189	93,436	19,141	171,265	133,086	105,075	187,657	189,627	173,762	12,942	1,175,012
- Others	-	-	-	-	-	-	-	-	2,930	-	-	-	2,930
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	10,577	-	-	62,979	-	-	-	-	-	73,556
At FVOCI													
- Treasury bills	-	-	-	-	-	-	634,209	-	-	-	-	-	634,209
- Bonds	-	-	-	-	-	-	24,931	-	-	-	-	-	24,931
Other assets	-	-	-	54,977	43,220	-	-	-	-	-	-	-	98,197
Total financial assets	**36,338**	**54,161**	**14,075**	**1,415,479**	**111,325**	**232,690**	**995,644**	**105,658**	**261,029**	**268,404**	**180,669**	**17,256**	**3,692,728**
Commitments and guarantees													
- Performance bonds and guarantees	1,813	13,667	-	3,824	7,359	2,838	1,092	50	5,044	5,850	4,943	539	47,019
- Letters of credits	11,933	103,561	-	-	79,154	3,893	-	2,135	91,135	7,945	-	-	299,756
- Loan Commitments	-	-	-	-	-	-	-	18,198	-	-	68,830	-	87,028
Total commitments and guarantees	**13,746**	**117,228**	**-**	**3,824**	**86,513**	**6,731**	**1,092**	**20,383**	**96,179**	**13,795**	**73,773**	**539**	**433,803**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(b) Credit risk Exposure - continued

(iii) Credit concentration - Industry (continued)

Group *In millions of Nigerian Naira*	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2018													
Cash and bank balances:													
- Current balances with banks													
- Unrestricted balances with Central Banks	-	-	-	344,123	-	-	-	-	-	-	-	-	344,123
- Money market placements	-	-	-	202,714	-	-	-	-	-	-	-	-	202,714
- Restricted balances with central banks	-	-	-	8,467	-	-	-	-	-	-	-	-	8,467
Financial assets at FVTPL:	-	-	-	563,683	-	-	-	-	-	-	-	-	563,683
- Treasury bills													
- Promissory notes	-	-	-	-	-	-	18,743	-	-	-	-	-	18,743
- Government bonds	-	-	-	-	-	-	696	-	-	-	-	-	696
Derivative assets	-	-	-	34,784	-	-	-	-	-	-	-	-	34,784
Loans and advances to banks	-	-	-	15,797	-	-	-	-	-	-	-	-	15,797
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	15,668	-	-	-	-	-	-	-	15,668
- Term loans	-	-	-	-	81,905	-	-	-	-	-	-	-	81,905
Corporates													
- Overdrafts	46,756	10,199	2,630	4,985	8,197	60,672	48,830	5,030	76,824	61,866	5,099	1,417	332,505
- Term loans	36,872	40,680	14,292	103,179	31,403	162,620	108,387	68,465	209,297	321,132	182,938	1,625	1,280,890
- Others	96	-	-	-	-	2,380	-	-	1,842	-	-	-	4,317
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	321,131	-	-	-	-	-	321,131
- Bonds	-	-	-	-	9,164	-	270,335	-	159	-	-	-	279,658
At FVOCI				-	-	-	-	-	-	-	-	-	
- Treasury bills	-	-	-	-	-	-	790,292	-	-	-	-	-	790,292
- Bonds	-	-	-	-	-	-	143,608	-	-	-	-	-	143,608
Other assets	-	-	-	20,001	23,582	-	-	-	-	-	-	-	43,583
Total financial assets	**83,724**	**50,879**	**16,922**	**1,297,733**	**169,919**	**225,672**	**1,702,022**	**73,495**	**288,122**	**382,998**	**188,037**	**3,042**	**4,482,564**
Commitments and guarantees													
- Performance bonds and guarantees	876	245,868		19,104	442	75,850	-	1,153	27,227	27,642	29,790	91	428,043
- Letters of credits	1,339	19,123	-	-	44,883	983	-	9,682	114,591	26,050	922	191	217,764
- Loan Commitments	-	-	-	-	-	-	-	67,626	2,366	89,551	-	-	159,543
Total commitments and guarantees	**2,215**	**264,991**	**-**	**19,104**	**45,325**	**76,833**	**-**	**78,461**	**144,184**	**143,243**	**30,712**	**282**	**805,350**

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(b) Credit risk Exposure - continued

(iii) Credit concentration - Industry (continued)

Bank *In millions of Nigerian Naira*	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2018													
Cash and bank balances:													
- Current balances with banks	-	-	-	309,921	-	-	-	-	-	-	-	-	309,921
- Unrestricted balances with Central Banks	-	-	-	27,642	-	-	-	-	-	-	-	-	27,642
- Money market placements	-	-	-	51,089	-	-	-	-	-	-	-	-	51,089
- Restricted balances with central banks	-	-	-	551,568	-	-	-	-	-	-	-	-	551,568
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-		-	-	-	-	-	
- Promissory notes	-	-	-	-	-	-	18,743	-	-	-	-	-	18,743
- Government bonds	-	-	-	-	-	-	696	-	-	-	-	-	696
Derivative assets	-	-	-	34,784	-	-	-	-	-	-	-	-	34,784
Loans and advances to banks	-	-	-	15,516	-	-	-	-	-	-	-	-	15,516
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	7,525	-	-	-	-	-	-	-	7,525
- Term loans	-	-	-	-	15,508	-	-	-	-	-	-	-	15,508
Corporates													
- Overdrafts	31,383	8,716	1,919	795	8,077	35,681	34,683	267	35,752	19,771	2,046	156	179,246
- Term loans	17,468	39,529	13,629	87,969	30,168	139,116	60,161	56,368	177,908	231,736	152,913	239	1,007,204
- Others	96	-	-	-	-	2,380	-	-	1,842	-	-	-	4,318
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	-	9,164	-	75,186	-	159	-	-	-	84,509
At FVOCI													
- Treasury bills	-	-	-	-	-	-	705,152	-	-	-	-	-	705,152
- Bonds	-	-	-	-	-	-	118,498	-	-	-	-	-	118,498
Other assets	-	-	-	31,513	7,436	-	-		-	-	-	-	38,949
Total financial assets	**48,947**	**48,245**	**15,548**	**1,110,797**	**77,878**	**177,177**	**1,013,119**	**56,635**	**215,661**	**251,507**	**154,959**	**395**	**3,170,868**
Commitments and guarantees													
- Performance bonds and guarantees	683	184,397	-	19,041	440	43,439	-	814	13,151	26,164	19,478	73	307,680
- Letters of credits	360	4,016	-	-	32,950	96	-	9,682	552	23,883	101	156	71,796
- Loan Commitments	-	-	-	-	-	-	-	67,625	2,367	89,551	-	-	159,543
Total commitments and guarantees	**1,043**	**188,413**	**-**	**19,041**	**33,390**	**43,535**	**-**	**78,121**	**16,070**	**139,598**	**19,579**	**229**	**539,019**

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(c) Credit Quality

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

All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

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

Stage 1 Loans and Advances:
These are loans and advances that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (where the optional simplification is applied) at the reporting date.

Stage 2 Loans and Advances:
These are loans and advances that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event.

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

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

Loans with renegotiated terms
The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Group renegotiates loans to customers to maximise collection opportunities and minimise the risk of default. The revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. As at 31 December 2019, the carrying amount of loans with renegotiated terms was N77 billion (December 2018: N135 billion). There are no other financial assets with renegotiated terms as at 31 December 2019 (December 2018: nil).

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

The Group records an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The measurement of expected credit losses is based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(c) Credit Quality - continued

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(c) Credit Quality - continued

31 December 2018	Group				Bank			
In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Cash and bank balances:								
- Current balances with banks	344,123	-	-	344,123	309,921	-	-	309,921
- Unrestricted balances with Central Banks	202,714	-	-	202,714	27,642	-	-	27,642
- Money market placements	8,467	-	-	8,467	51,089	-	-	51,089
- Restricted balances with central banks	563,683	-	-	563,683	551,568	-	-	551,568
Financial assets at FVTPL:								
- Treasury bills	18,743	-	-	18,743	18,743	-	-	18,743
- Promissory notes	696	-	-	696	696	-	-	696
- Government bonds	34,784	-	-	34,784	34,784	-	-	34,784
Derivative assets	16,147	-	-	16,147	15,859	-	-	15,859
Loans and advances to banks								
Loans and advances to customers								
Individuals	8,318	2,874	13,386	24,578	6,203	82	7,020	13,305
- Overdrafts	80,158	1,759	2,431	84,348	15,499	-	997	16,496
- Term loans								
Corporates	263,588	46,302	73,525	383,414	167,171	20,929	20,144	208,244
- Overdrafts	1,131,083	152,318	27,318	1,310,720	874,473	131,431	25,831	1,031,734
- Term loans	4,333	-	-	4,333	4,333	-	-	4,333
- Others								
Investment securities:								
At Amortised Cost	321,131	-	-	321,131	-	-	-	-
- Treasury bills	279,658	-	-	279,658	84,509	-	-	84,509
- Bonds	-	-	-	-	-	-	-	-
At FVOCI								
- Treasury bills	790,292	-	-	790,292	705,152	-	-	705,152
- Bonds	143,608	-	-	143,608	118,498	-	-	118,498
Other assets	43,583	-	5,310	48,893	38,949	-	1,965	40,914
Gross financial assets	**4,255,109**	**203,253**	**121,970**	**4,580,332**	**3,025,089**	**152,442**	**55,956**	**3,233,487**
Allowance for impairment on financial assets is as follows:								
Allowance for credit losses								
Loans and advances to customers								
- Individuals	1,091	60	10,202	11,353	201	1	6,566	6,768
- Corporates	23,856	5,950	50,949	80,755	17,760	5,398	30,385	53,543
Loans and advances to banks	350	-	-	350	343	-	-	343
	25,297	**6,010**	**61,151**	**92,458**	**18,304**	**5,399**	**36,951**	**60,654**
Allowance for impairment								
Other assets	878	-	4,432	5,310	251	-	1,714	1,965
Total impairment allowance on financial assets	**26,175**	**6,010**	**65,583**	**97,768**	**18,555**	**5,399**	**38,665**	**62,619**
Net amount	**4,228,934**	**197,243**	**56,387**	**4,482,564**	**3,006,534**	**147,043**	**17,291**	**3,170,868**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(c) Credit Quality - continued

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

Group

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(c) Credit Quality - continued

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

Group

31 December 2018			Group				Bank	
In millions of Nigerian Naira	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Cash and bank balances:								
- Current balances with banks	-	344,123	-	-	-	344,123	-	344,123
- Unrestricted balances with Central Banks	202,714	-	-	-	-	202,714	-	202,714
- Money market placements	-	8,467	-	-	-	8,467	-	8,467
- Restricted balances with central banks	563,683	-	-	-	-	563,683	-	563,683
Financial assets at FVTPL:								-
- Treasury bills	18,743	-	-	-	-	18,743	-	18,743
- Government bonds	696	-	-	-	-	696	-	696
Derivative assets	34,784	-	-	-	-	34,784	-	34,784
Loans and advances to banks	-	16,147	-	-	-	16,147	(350)	15,797
Loans and advances to customers								-
Individuals								-
- Overdrafts	-	-	24,303	275	-	24,578	(8,910)	15,668
- Term loans	-	-	80,119	4,229		84,348	(2,443)	81,905
Corporates								-
- Overdrafts	973	27,048	346,247	9,147	-	383,414	(50,909)	332,505
- Term loans	58,571	276,358	975,102	690	-	1,310,720	(29,830)	1,280,890
- Others	-	-	4,333	-	-	4,333	(16)	4,317
Investment securities:								-
At Amortised Cost								-
- Treasury bills	321,131	-	-	-	-	321,131	-	321,131
- Bonds	257,959	20,398	1,301	-	-	279,658	-	279,658
At FVOCI						-		-
- Treasury bills	790,292	-	-	-	-	790,292	-	790,292
- Bonds	143,608	-	-	-	-	143,608	-	143,608
Other assets	-	-	-	-	43,583	43,583	-	43,583
	2,393,154	**692,541**	**1,431,405**	**14,341**	**43,583**	**4,575,022**	**(92,458)**	**4,482,564**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(c) Credit Quality - continued

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

Bank

31 December 2019			Group				Bank	
In millions of Nigerian Naira	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Cash and bank balances:								
- Current balances with banks	-	168,775	-	-	-	168,775	-	168,775
- Unrestricted balances with Central Banks	5,688	-	-	-	-	5,688	-	5,688
- Money market placements	-	117,646	-	-	-	117,646	-	117,646
- Restricted balances with central banks	815,978	-	-	-	-	815,978	-	815,978
Financial assets at FVTPL:								-
- Treasury bills	35,631	-	-	-	-	35,631	-	35,631
- Promissory notes	58,963	-	75		-	59,038	-	59,038
- Government bonds	7,719	-	-	-	-	7,719	-	7,719
Derivative assets	48,131	-	-	-	-	48,131	-	48,131
Loans and advances to banks	-	101,746	-	-	-	101,746	(1,897)	99,849
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	14,643	-	-	14,643	(5,776)	8,867
- Term loans	-	-	37,523	-	-	37,523	(1,455)	36,068
Corporates								-
- Overdrafts	204	593	296,453	-	-	297,251	(16,748)	280,503
- Term loans	57,326	73,743	1,073,921	-	-	1,204,990	(29,978)	1,175,012
- Others	-	-	2,951	-	-	2,951	(21)	2,930
Investment securities:								-
At Amortised Cost								-
- Treasury bills	-	-	-	-	-	-	-	-
- Bonds	52,819	19,969	1,229	-	-	74,017	(461)	73,556
At FVOCI								-
- Treasury bills	634,209	-	-	-	-	634,209	-	634,209
- Bonds	24,931	-	-	-	-	24,931	-	24,931
Other assets	-	-	-	-	98,197	98,197	-	98,197
	1,741,599	**482,472**	**1,426,796**	**-**	**98,197**	**3,749,064**	**(56,336)**	**3,692,728**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(c) Credit Quality - continued

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

Bank

31 December 2018			Group				Bank	
In millions of Nigerian Naira	**Very Low risk**	**Low risk**	**Acceptable risk**	**Moderately High risk**	**Unrated**	**Gross Amount**	**Allowance for credit losses**	**Carrying amount**
Cash and bank balances:								
- Current balances with banks	-	309,921	-	-	-	309,921	-	309,921
- Unrestricted balances with Central Banks	27,642	-	-	-	-	27,642	-	27,642
- Money market placements	-	51,089	-	-	-	51,089	-	51,089
- Restricted balances with central banks	551,568	-	-	-	-	551,568	-	551,568
Financial assets at FVTPL:								-
- Treasury bills	18,743	-	-	-	-	18,743	-	18,743
- Government bonds	696	-	-	-	-	696	-	696
Derivative assets	34,784	-	-	-	-	34,784	-	34,784
Loans and advances to banks	-	15,859	-	-	-	15,859	(343)	15,516
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	13,305	-	-	13,305	(5,780)	7,525
- Term loans	-	-	16,496	-	-	16,496	(988)	15,508
Corporates								-
- Overdrafts	973	24,298	182,974	-	-	208,244	(28,998)	179,246
- Term loans	58,571	273,304	699,859		-	1,031,734	(24,530)	1,007,204
- Others	-	-	4,333	-	-	4,333	(15)	4,318
Investment securities:								-
At Amortised Cost								-
- Treasury bills	-	-	-	-	-	-	-	-
- Bonds	62,810	20,398	1,301		-	84,509	-	84,509
At FVOCI								-
- Treasury bills	705,152	-	-	-	-	705,152	-	705,152
- Bonds	118,498	-	-	-	-	118,498	-	118,498
Other assets	-	-	-		38,949	38,949	-	38,949
	1,579,437	**694,869**	**918,267**	**-**	**38,949**	**3,231,522**	**(60,654)**	**3,170,868**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(d) Statement of Prudential Adjustments

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

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

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

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

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

As at 31 December 2019, the difference between the Prudential provision and IFRS impairment was ₦29.073 billion for the Group (December 2018: ₦21.455 billion) and ₦21.342 billion for the Bank (December 2018: ₦15.212 billion). This requires a transfer of ₦29.073 billion from retained earnings to regulatory credit risk reserve for the Group and ₦21.342 billion transfer from retained earnings to regulatory credit risk reserve for the Bank, as disclosed in the statement of changes in equity. These amounts represent the difference between provisions for credit and other known losses as determined under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and the Central Banks of foreign subsidiaries, and impairment reserve as determined in line with IFRS 9 as at year end.

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Total impairment based on IFRS	119,769	100,757	77,796	65,542
Total impairment based on Prudential Guidelines	148,842	122,212	99,138	80,754
Amount transferred to regulatory credit risk reserve from retained earnings	(29,073)	(21,455)	(21,342)	(15,212)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(e) Credit Collateral

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

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

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

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

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

1. Cash

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

2. Treasury bills/certificates

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

3. Stock and shares

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

4. Legal Mortgage

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

5. Debenture

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

6. Life Insurance Policies

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

7. Guarantees

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(e) Credit Collateral - continued

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

	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Loans to individuals				
Against Stage 3 loans				
Property	916	1,223	916	903
Others	14,966	14,243	9,666	6,800
	15,882	15,465	10,582	7,703
Against Stage 2 loans				
Property	-	284	-	-
Others	12,555	4,398	-	82
	12,555	4,682	-	82
Against Stage 1 loans				
Property	4,043	4,812	4,043	4,651
Others	64,196	85,892	36,919	19,257
	68,239	90,704	40,962	23,909
Total for loans to individuals	**96,676**	**110,851**	**51,544**	**31,694**
Loans to corporates				
Against Stage 3 loans				
Property	19,678	64,332	19,678	64,188
Others	54,431	63,232	15,289	8,522
	74,109	127,564	34,967	72,710
Against Stage 2 loans				
Property	59,728	43,633	59,728	40,097
Others	313,268	155,174	228,550	109,353
	372,996	198,808	288,278	149,450
Against Stage 1 loans				
Property	184,554	292,788	178,172	286,776
Others	1,118,506	1,062,567	864,961	713,749
	1,303,060	1,355,355	1,043,133	1,000,525
Total for loans to corporates	**1,750,165**	**1,681,727**	**1,366,378**	**1,222,685**
Total for loans and advances to customers	**1,846,841**	**1,792,578**	**1,417,922**	**1,254,379**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(e) Credit Collateral - continued

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

	Group		Bank	
31 December 2019 *In millions of Nigerian Naira*	**Total Exposure Dec. 2019**	**Value of Collateral Dec. 2018**	**Total Exposure Dec. 2019**	**Value of Collateral Dec. 2018**
Loans and advances to banks				
Unsecured	110,123	5,106	101,746	5,106
Loans and advances to customers				
Secured against real estate	289,977	268,919	281,073	262,537
Secured against cash	14,752	15,115	14,752	15,115
Secured against other collateral*	1,707,400	1,562,808	1,158,537	1,140,271
Unsecured	49,018	-	49,018	-
	2,061,147	**1,846,842**	**1,503,380**	**1,417,923**

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

	Group		Bank	
31 December 2019 *In millions of Nigerian Naira*	**Total Exposure Dec. 2019**	**Value of Collateral Dec. 2018**	**Total Exposure Dec. 2019**	**Value of Collateral Dec. 2018**
Off-balance sheet exposures				
Secured against real estate	116,796	69,992	75,315	69,992
Secured against cash	68,794	62,780	21,794	15,780
Secured against other collateral*	546,026	413,534	336,694	288,959
	731,616	**546,306**	**433,803**	**374,731**
31 December 2018				
Loans and advances to banks				
Unsecured	16,147	-	15,859	-
Loans and advances to customers				
Secured against real estate	325,238	407,072	319,222	396,616
Secured against cash	3,000	5,050	3,000	5,050
Secured against other collateral*	1,343,979	1,378,715	848,511	850,973
Unsecured	43,068	-	43,068	-
	1,715,285	**1,790,837**	**1,213,801**	**1,252,639**
Off-balance sheet exposures				
Secured against real estate	50,530	69,992	50,531	69,992
Secured against cash	68,794	62,780	21,794	15,780
Secured against other collateral*	686,026	413,534	466,694	288,959
	805,350	**546,306**	**539,019**	**374,731**

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(e) Credit Collateral - continued

Repossessed collateral

During the period, the Group took possession of property amounting to ₦1.759 billion (2018: ₦115 million) held as collateral against certain loans. These collaterals have been realised and used in offsetting the affected customers' outstanding obligations.

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

	Loans and advances to customers			
	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Property	1,759	115	1,740	115
Equities	-	2	-	2
	1,759	**117**	**1,740**	**117**

4.3 Liquidity risk

(a) Overview

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

(i) Liquidity Risk Management

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

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

(ii) Liquidity Risk Governance

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

4 Financial Risk Management- Continued

4.3 Liquidity risk - continued

(iii) Liquidity Risk Measurement

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

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

(b) Liquidity ratios

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

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

	Bank	**Bank**
	Dec. 2019	**Dec. 2018**
At period end	43.99%	55.84%
Average for the period	54.89%	50.28%
Maximum for the period	64.59%	57.03%
Minimum for the period	41.48%	43.37%

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.3 Liquidity risk - continued

Maturity analysis for financial liabilities

31 December 2019

Group *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative financial liabilities							
Deposits from banks	267,070	270,995	270,995	-	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	385,635	391,465	213,991	172,591	4,550	277	56
Current deposits	483,714	483,902	483,902	-	-	-	-
Savings deposits	855,079	857,217	857,217	-	-	-	-
Corporate Customers:							
Term deposits	630,358	702,363	383,941	309,661	8,164	497	100
Current deposits	1,478,098	1,478,673	1,478,673	-	-	-	-
Other financial liabilities	86,937	88,801	86,951	22	380	378	1,070
Borrowings	758,682	834,847	7,923	37,753	143,758	271,196	374,217
Subordinated liabilities	30,048	40,535			2,495	2,523	35,517
Total financial liabilities	**4,975,621**	**5,148,798**	**3,783,593**	**520,027**	**159,347**	**274,871**	**410,960**
Derivative liabilities:							
Cross Currency Swap	852	852	997	7	5	365	-
Contingents and loan commitments							
Performance bonds and guarantees	48,692	48,692	757	4,545	9,539	11,815	22,037
Letters of credit	595,896	595,896	87,153	275,389	12,321	-	221,032
Loan commitments	87,028	87,028	-	3,533	-	23,874	59,621
Assets used to manage liquidity							
Cash and bank balances	1,396,228	1,396,228	464,800	67,295	59,080	31,747	773,305
Financial assets at FVTPL							
Treasury bills	35,631	35,631	35,631	-	-	-	-
Promissory notes	59,038	63,686	-	-	-	63,686	-
Bonds	7,719	7,719	7,719	-	-	-	-
Loans and advances to banks	108,211	113,622	68,809	100	-	-	44,713
Loans and advances to customers							
Individual							
Term loans	88,960	92,431	3,524	9,219	8,321	14,151	57,216
Overdrafts	16,812	24,208	24,208	-	-	-	-
Corporates							
Term loans	1,526,409	1,602,765	64,899	294,416	115,302	237,835	890,313
Overdrafts	426,036	459,515	459,515	-	-	-	-
Others	2,930	2,951	-	32	2,919	-	-
Investment securities							
At FVOCI							
Treasury bills	678,243	777,231	66,694	68,405	229,821	412,311	-
Bonds	108,697	109,805	471	9,735	1,694	2,998	94,907
At amortised cost		-					
Treasury bills	461,353	543,268	46,618	47,814	160,640	288,197	-
Bonds	209,645	243,682	342	17,739	4,464	6,871	214,266
Other assets	111,912	111,956	111,956	-	-	-	-
Derivative assets	48,131	48,131	124	2,641	25,940	19,425	-
Total financial assets	**5,285,955**	**5,632,829**	**1,355,310**	**517,396**	**608,180**	**1,077,221**	**2,074,720**
Gap	**(422,134)**	**(248,437)**	**(2,517,190)**	**(286,106)**	**426,968**	**766,297**	**1,361,070**

4 Financial Risk Management- Continued

4.3 Liquidity risk - continued

Maturity analysis for financial liabilities - continued

31 December 2019 **Bank** *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative liabilities							
Deposits from banks	92,717	92,717	92,717	-	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	298,426	302,938	165,598	133,561	3,521	214	43
Current deposits	318,213	318,337	318,337	-	-	-	-
Savings deposits	711,516	713,888	713,888	-	-	-	-
Corporate Customers:							
Term deposits	529,830	590,352	322,711	260,277	6,862	418	84
Current deposits	906,403	906,755	906,755	-	-	-	-
Other financial liabilities	51,421	52,800	51,430	-	297	220	853
Borrowings	744,094	818,794	7,771	37,027	140,994	265,981	367,022
Subordinated liabilities	30,048	40,535	-	-	2,495	2,523	35,517
Total financial liabilities	**3,682,668**	**3,837,116**	**2,579,207**	**430,865**	**154,169**	**269,356**	**403,519**
Derivative liabilities							
Cross Currency Swap	852	852	852	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	47,019	47,019	730.74	4,389	9,211	11,409	21,280
Letters of credit	299,756	299,756	43,841	138,530	6,198	-	111,187
Loan commitments	87,028	87,028	-	3,533	-	23,874	59,621
Assets used to manage liquidity							
Cash and bank balances	1,182,554	1,182,554	283,808	36,147	31,735	17,053	813,811
Financial assets at FVTPL							
Treasury bills	35,631	35,631	35,631	-	-	-	-
Promissory notes	59,038	63,686	-	-	-	63,686	-
Bonds	7,719	7,722	7,722	-	-	-	-
Loans and advances to banks	99,849	101,846	61,678	90	-	-	40,079
Loans and advances to customers							
Individual:							
Term loans	36,068	44,724	3,032	4,017	3,843	6,409	27,424
Overdrafts	8,867	8,870	8,870	-	-	-	-
Corporates:							
Term loans	1,175,012	1,406,777	59,489	188,537	91,075	211,765	855,912
Overdrafts	280,503	280,612	280,612	-	-	-	-
Others	2,930	3,077	-	34	3,043	-	-
Investment securities							
At FVOCI							
Treasury bills	634,209	651,295	55,887	57,321	192,582	345,504	-
Bonds	24,931	45,192	194	4,007	697	1,234	39,061
At amortised cost							
Bonds	74,017	83,775	117	6,098	1,535	2,362	73,662
Other assets	98,197	98,235	98,235	-	-	-	-
Derivative asset	48,131	48,131	124	2,641	25,940	19,425	-
Total financial assets	**3,767,656**	**4,062,127**	**895,399**	**298,892**	**350,450**	**667,438**	**1,849,949**
Gap	**(349,667)**	**(209,644)**	**(1,729,232)**	**(278,425)**	**180,872**	**362,799**	**1,254,343**

4 Financial Risk Management- Continued

4.3 Liquidity risk - continued

Maturity analysis for financial liabilities - continued

31 December 2018

Group *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative financial liabilities							
Deposits from banks	174,836	176,747	150,341	26,406	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	353,247	357,559	204,202	146,507	5,518	738	594
Current deposits	663,514	663,772	663,772	-	-	-	-
Savings deposits	701,980	704,320	704,320	-	-	-	-
Corporate Customers:							
Term deposits	419,230	424,130	262,234	148,835	13,053	-	8
Current deposits	1,211,149	1,211,620	1,211,620	-	-	-	-
Other financial liabilities	101,864	101,864	101,864	-	-	-	-
Borrowings	683,532	802,505	-	36,587	81,058	226,892	457,969
Subordinated liabilities	29,859	45,552	-	-	2,509	2,509	40,535
Total financial liabilities	**4,339,211**	**4,488,069**	**3,298,353**	**358,335**	**102,138**	**230,139**	**499,106**
Derivative liabilities:							
Cross Currency Swap	99	99	99	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	428,043	428,043	27,233	41,988	140,900	153,710	64,212
Letters of credit	217,764	217,764	27,878	32,484	103,513	37,788	16,101
Loan commitments	159,543	159,543	-	6,477	-	43,767	109,299
Assets used to manage liquidity							
Cash and bank balances	1,220,596	1,248,096	681,632	-	9,230	5,664	551,571
Financial assets at FVTPL							
Treasury bills	18,743	18,743	18,743	-	-	-	-
Bonds	696	696	696	-	-	-	-
Loans and advances to banks	15,797	16,762	1,602	-	-	1,129	14,031
Loans and advances to customers							
Individual							
Term loans	81,905	94,727	39,323	1,328	1,352	1,135	51,589
Overdrafts	15,668	15,851	15,851	-	-	-	-
Corporates							
Term loans	1,280,890	1,439,920	611,956	20,575	20,840	17,283	769,266
Overdrafts	332,505	336,384	336,384	-	-	-	-
Others	4,317	4,852	2,062	69	70	58	2,593
Investment securities							
At FVOCI							
Treasury bills	790,292	846,855	56,725	218,289	213,210	358,631	-
Bonds	143,608	418,589	-	-	-	915	417,674
At amortised cost							
Treasury bills	321,131	344,115	23,050	88,701	86,637	145,728	-
Bonds	279,658	436,402	-	-	-	28,620	407,781
Other assets	43,583	43,600	43,600	-	-	-	-
Derivative assets	34,784	34,784	598	9,034	-	25,152	-
Total financial assets	**4,584,173**	**5,300,376**	**1,832,222**	**337,996**	**331,339**	**584,315**	**2,214,505**
Gap	**(560,487)**	**6,858**	**(1,521,341)**	**(101,288)**	**(15,212)**	**118,911**	**1,525,787**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.3 Liquidity risk - continued

Maturity analysis for financial liabilities - continued

31 December 2018

Bank

In millions of Nigerian Naira	Carrying amount	Gross nominal amount	Less than 1 month	1 - 3 Months	3 - 6 Months	6 - 12 Months	More than 1 year
Non-derivative liabilities							
Deposits from banks	30,502	31,005	26,229	4,776	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	270,968	274,276	156,639	112,382	4,233	566	456
Current deposits	512,468	512,667	512,667	-	-	-	-
Savings deposits	578,963	580,893	580,893	-	-	-	-
Corporate Customers:							
Term deposits	308,871	312,479	193,199	109,655	9,619	-	6
Current deposits	752,838	753,131	753,131	-	-	-	-
Other financial liabilities	76,949	76,949	76,949	-	-	-	-
Borrowings	657,134	773,799	-	36,587	81,058	198,185	457,969
Subordinated liabilities	29,859	45,552	-	-	2,509	2,509	40,535
Total financial liabilities	**3,218,552**	**3,360,751**	**2,299,707**	**263,400**	**97,419**	**201,260**	**498,966**
Derivative liabilities							
Cross Currency Swap	99	99	99	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	307,680	307,680	33,764	134,950	57,165	63,303	18,498
Letters of credit	71,796	71,797	30,273	26,947	13,160	197	1,220
Loan commitments	159,543	159,543	-	6,477	-	43,767	109,299
Assets used to manage liquidity							
Cash and bank balances	1,015,199	1,016,587	440,229	-	15,358	9,433	551,568
Financial assets at FVTPL							
Treasury bills	18,743	18,743	18,743	-	-	-	-
Bonds	696	696	696	-	-	-	-
Loans and advances to banks	15,516	16,498	1,561	-	-	1,157	13,780
Loans and advances to customers							
Individual:							
Term loans	15,508	18,459	5,505	316	344	304	11,990
Overdrafts	7,525	7,528	7,528	-	-	-	-
Corporates:							
Term loans	1,007,204	1,156,376	355,809	20,346	20,608	17,090	742,523
Overdrafts	179,246	179,316	179,316	-	-	-	-
Others	4,318	4,423	1,533	86	86	67	2,651
Investment securities							
At FVOCI							
Treasury bills	705,152	755,621	50,614	194,772	190,240	319,994	-
Bonds	118,498	345,398	-	-	-	755	344,643
At amortised cost							
Bonds	84,509	131,875	-	-	-	8,649	123,226
Other assets	38,949	38,964	38,964	-	-	-	-
Derivative asset	34,784	34,784	51	-	19,455	15,278	-
Total financial assets	**3,245,847**	**3,725,268**	**1,100,549**	**215,520**	**246,091**	**372,727**	**1,790,381**
Gap	**(511,823)**	**(174,602)**	**(1,263,294)**	**(216,254)**	**78,347**	**64,200**	**1,162,399**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.4 Market risk

(a) Overview

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

(i) Market Risk Management

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

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

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

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

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

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

(ii) Market Risk Governance

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

4 Financial Risk Management- Continued

4.4 Market risk - continued

(a) Overview - continued

(iii) Market Risk Measurement

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

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

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

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

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

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

Daily Valuation Of Market Risk Positions: Mark to Market (MTM) for relevant products/positions is done in line with International Financial Reporting Standard (IFRS). All market risk financial instruments are categorized into:

1) Fair value through profit or loss(FVTPL) – valued on fair value accounting methodology and MTM daily.
2) Fair value through other comprehensive income(FVOCI) – valued on fair value accounting methodology and MTM monthly.
3) Amortised cost – This portfolio is not MTM because positions are held until maturity.

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

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

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

4 Financial Risk Management- Continued

4.4 Market risk - continued

(a) Overview - continued

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

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

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

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

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

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

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

GALCO has oversight for compliance with these limits and execution of gapping strategy is carried out by Group Treasury.

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

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

(b) Interest rate risk

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.4 Market risk - continued

(b) Interest rate risk - continued

31 December 2019	Re-pricing period						
Group *In millions of Nigerian Naira*	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
Cash and bank balances	1,396,228	88,974	-	40,511	23,870	-	1,242,873
Financial assets at FVTPL							
Treasury bills	35,631	7,483	10,472	9,740	7,936	-	-
Promissory note	59,038	-	-	-	59,038	-	-
Bonds	7,719	-	-	-	-	7,719	-
Loans and advances to banks	108,211	59,799	38,734	9,678	-	-	-
Loans and advances to customers:							
Individual							
Term loans	88,960	3,391	8,873	8,009	13,620	55,067	-
Overdrafts	16,812	16,812	-	-	-	-	-
Corporates		-	-	-	-	-	
Term loans	1,526,409	63,261	286,987	76,478	231,834	867,849	-
Overdrafts	426,036	426,036	-	-	-	-	-
Others	2,930	-	32	2,898	-	-	-
Investment securities:							
At FVOCI:							
Treasury bills	678,243	56,756	54,939	226,043	340,505	-	-
Bonds	108,697	4,344				104,353	-
Equity	114,108	-	-	-	-	-	114,108
At amortised cost:							
Treasury bills	461,353	22,663	21,937	90,260	326,493	-	-
Bonds	209,645	10,411	-	-	-	199,234	-
Derivative assets	48,131	-	-	-	-	-	48,131
Other assets	111,912	-	-	-	-	-	111,912
	5,400,063	**759,930**	**421,974**	**463,617**	**1,003,296**	**1,234,222**	**1,517,024**
Derivative liability	852	-	-	-	-	-	852
Deposits from banks	267,070	267,070	-	-	-	-	-
Deposits from customers	3,832,884	1,580,552	549,746	14,494	883	177	1,687,032
Other liabilities	86,937	-	-	-	-	-	86,937
Subordinated liabilities	30,048	-	-	-	-	30,048	-
Borrowings	758,682	-	64,345	127,983	211,689	354,665	-
	4,976,473	**1,847,622**	**614,091**	**142,477**	**212,572**	**384,890**	**1,774,821**
Gaps	**423,590**	**(1,087,692)**	**(192,117)**	**321,140**	**790,724**	**849,332**	**(257,797)**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.4 Market risk - continued

(b) Interest rate risk - continued

31 December 2018		**Re-pricing period**					
Group *In millions of Nigerian Naira*	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
Cash and bank balances	1,220,596	4,530	-	2,374	1,563	-	1,212,129
Financial assets at FVTPL							
Treasury bills	18,743	18,743	-	-	-	-	-
Bonds	696	696	-	-	-	-	-
Loans and advances to banks	15,797	8,997	4,081	2,719	-	-	-
Loans and advances to customers:							
Individual							
Term loans	81,905	4,866	14,056	8,322	14,441	40,220	-
Overdrafts	15,668	15,668	-	-	-	-	-
Corporates							
Term loans	1,280,890	76,093	219,823	130,148	225,836	628,990	-
Overdrafts	332,505	332,505	-	-	-	-	-
Others	4,317	-	-	-	4,317	-	-
Investment securities:							
At FVOCI:							
Treasury bills	790,292	52,937	203,709	198,969	334,677	-	-
Bonds	143,608	-	-	-	314	143,294	-
Equity	102,753	-	-	-	-	-	102,753
At amortised cost:							
Treasury bills	321,131	90,483	22,908	43,283	164,457	-	
Bonds	279,658	6,973	10,968	5,366	14,437	241,914	
Derivative assets	34,784	-	-	-	-	-	34,784
Other assets	43,583	-	-	-	-	-	43,583
	4,686,926	**612,491**	**475,545**	**391,181**	**760,042**	**1,054,418**	**1,393,249**
Derivative liability	99	-	-	-	-	-	99
Deposits from banks	174,836	148,430	26,406	-	-	-	-
Deposits from customers	3,349,120	1,163,926	291,770	17,401	750	611	1,874,662
Other liabilities	101,864	-	-	-	-	-	101,864
Subordinated liabilities	29,859	-	-	2,009	2,043	25,807	-
Borrowings	683,532	691	73,001	79,443	214,710	315,687	-
	4,339,310	**1,313,047**	**391,177**	**98,853**	**217,503**	**342,105**	**1,976,625**
Gaps	**347,616**	**(700,556)**	**84,368**	**292,328**	**542,539**	**712,313**	**(583,376)**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.4 Market risk - continued

(b) Interest rate risk - continued

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.4 Market risk - continued

(b) Interest rate risk - continued

31 December 2018			**Re-pricing period**				
Bank							
In millions of Nigerian Naira	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
Cash and bank balances	1,015,199	27,335	-	14,322	9,433	-	964,110
Financial assets at FVTPL							
Treasury bills	18,743	18,743	-	-	-	-	-
Bonds	696	696	-	-	-	-	-
Loans and advances to banks	15,516	-	-	-	-	15,516	-
Loans and advances to customers:							
Individual							
Term loans	15,508	921	2,661	1,576	2,734	7,616	-
Overdrafts	7,525	7,525	-	-	-	-	-
Corporates							
Term loans	1,007,204	59,834	172,854	102,339	177,582	494,595	-
Overdrafts	179,246	179,246	-	-	-	-	-
Others	4,318	-	-	-	4,318		-
Investment securities:							
At FVOCI:							
Treasury bills	705,152	47,234	181,763	177,534	298,621	-	-
Bonds	118,498	-	-	-	259	118,239	-
Equity	102,242	-	-	-	-	-	102,242
At amortised cost:							
Bonds	84,509	-	-	-	5,542	78,967	
Derivative assets	34,784	-	-	-	-	-	34,784
Other assets	38,949	-	-	-	-	-	38,949
	3,348,089	**341,534**	**357,278**	**295,771**	**498,489**	**714,933**	**1,140,085**
Derivative liability	99	-	-	-	-	-	99
Deposits from banks	30,502	25,895	4,607	-	-	-	-
Deposits from customers	2,424,108	925,710	219,009	13,061	563	458	1,265,307
Other liabilities	76,949	-	-	-	-	-	76,949
Subordinated liabilities	29,859	-	-	2,009	2,043	25,807	-
Borrowings	657,134	664	70,129	76,317	206,263	303,761	-
	3,218,651	**952,269**	**293,745**	**91,387**	**208,869**	**330,026**	**1,342,355**
Gaps	**129,438**	**(610,735)**	**63,533**	**204,384**	**289,620**	**384,907**	**(202,270)**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.4 Market risk - continued

(b) Interest rate risk - continued

Interest rate sensitivity analysis of floating rate financial instruments

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

	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Borrowings				
- Sumitomo Mitsui Banking Corporation (note 37.3)	36,608	-	36,608	-
- European Investment Bank (EIB) (note 37.4)	23,356	23,539	23,356	23,539
- Africa Trade Finance Limited (note 37.5)	32,846	43,359	18,258	25,419
- African Development Bank (note 37.6)	46,385	54,842	46,385	54,842
- Credit Suisse (note 37.7)	110,509	108,065	110,509	108,065
- Eurobond debt security (note 37.8)	181,022	177,634	181,022	177,634
- JP Morgan Securities Limited (note 37.9)	73,185	72,062	73,185	72,062
- Societe Generale Bank (note 37.10)	63,879	35,967	63,879	35,967
- Mashreqbank psc (note 37.11)	18,277	17,969	18,277	17,969
- Rand Merchant Bank (note 37.12)	55,280	27,015	55,280	27,015
- ABSA Bank Limited (note 37.13)	27,380	21,534	27,380	21,534
- International Finance Corporation (IFC) (note 37.14)	-	8,458	-	-
	668,727	**590,444**	**654,139**	**564,046**
Impact on income statement:				
Favourable change @ 0.5% increase in rates	(3,344)	(2,952)	(3,271)	(2,820)
Unfavourable change @ 0.5% reduction in rates	3,344	2,952	3,271	2,820

(c) Price risk

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

Price sensitivity analysis for financial instruments measured at FVTPL.

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

	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Financial assets at FVTPL				
Treasury bills	35,631	18,743	35,631	18,743
Government bonds	7,719	696	7,719	696
	43,350	**19,439**	**43,350**	**19,439**
Impact on income statement:				
Favourable change @ 2% increase in prices	(867)	(389)	(867)	(389)
Unfavourable change @ 2% reduction in prices	867	389	867	389
Derivative assets	48,131	34,784	48,131	34,784
Impact on income statement:				
Favourable change @ 2% increase in rates	(963)	(696)	(963)	(696)
Unfavourable change @ 2% reduction in rates	963	696	963	696
Derivative liabilities	852	99	852	99
Impact on income statement:				
Favourable change @ 2% increase in rates	17	2	17	2
Unfavourable change @ 2% reduction in rates	(17)	(2)	(17)	(2)

4 Financial Risk Management- Continued

4.4 Market risk - continued

(c) Price risk - continued

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

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Debt securities				
Investment securities at FVOCI:				
Treasury bills	678,243	790,292	634,209	705,152
Government bonds	108,697	143,608	24,931	118,498
Total	**786,940**	**933,900**	**659,140**	**823,650**
Impact on other comprehensive income statement:				
Favourable change @ 2% increase in prices	15,739	18,678	13,183	16,473
Unfavourable change @ 2% reduction in prices	(15,739)	(18,678)	(13,183)	(16,473)

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

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

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Total Equity Positions				
Investment securities at FVOCI	111,496	102,753	110,906	102,242
Total	**111,496**	**102,753**	**110,906**	**102,242**
Impact on Other comprehensive income:				
Favourable change @ 5% increase in prices	12,025	6,621	12,025	2,210
Unfavourable change @ 5% reduction in prices	(9,871)	(5,789)	(9,871)	(1,874)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.4 Market risk - continued

(d) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

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

The tables below show foreign currencies to which the Group had exposure at the end of the reporting period and the sensitivity of the Group's profit before tax and equity to changes in exchange rates. The analysis calculates the effect of reasonably possible movement of the foreign exchange rates against the Nigerian Naira (all other variables being constant) on the income statement due to changes to the carrying amounts of the Group's foreign currency sensitive financial assets and liabilities. A negative amount in the table reflects a potential net reduction in the income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Nigerian Naira would have resulted in an equivalent but opposite impact.

For the purpose of disclosing the sensitivity analysis for foreign currency risk, the Group's foreign currency risk arising from the translation of its foreign operations are not taken into account even though they may have an impact on equity. This is because foreign currency risk can only arise on financial instruments denominated in a currency other than the functional currency in which they are measured and translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the group's presentation currency.

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

Group

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
31 December 2019						
Cash and bank balances	904,710	301,584	57,158	9,598	123,178	1,396,228
Financial assets at FVTPL	102,388	-	-	-	-	102,388
Derivative assets	2,462	45,545	124	-	-	48,131
Loans and advances to banks	3,240	86,858	18,113	-	-	108,211
Loans and advances to customers	882,046	607,415	63,333	142	508,211	2,061,147
Investment securities	865,813	48,052	-	-	657,685	1,571,550
Other assets	64,373	16,852	14	7	30,666	111,912
Total financial assets	**2,825,032**	**1,106,306**	**138,742**	**9,747**	**1,319,740**	**5,399,567**
Derivative liability	365	487	-	-	-	852
Deposits from banks	13,955	188,546	4,455	1	60,113	267,070
Deposits from customers	2,193,537	607,495	27,391	7,606	996,855	3,832,884
Other liabilities	14,723	27,124	1,003	68	44,019	86,937
Borrowings	87,033	671,649	-	-	-	758,682
Subordinated liabilities	30,048	-	-	-	-	30,048
Total financial liabilities	**2,339,661**	**1,495,301**	**32,849**	**7,675**	**1,100,987**	**4,976,473**
Swap and forward contracts	(419,405)	419,405	-	-	-	-
Net FCY Exposure		**30,410**	**105,893**	**2,072**	**218,753**	
Effect of naira depreciation by 15% on profit before tax		4,562	15,884	311	32,813	53,569
Effect of naira appreciation by 15% on profit before tax		(4,562)	(15,884)	(311)	(32,813)	(53,569)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.4 Market risk - continued

(d) Exchange rate exposure limits - continued

Group

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
31 December 2018						
Cash and bank balances	545,005	247,198	185,849	8,779	233,765	1,220,596
Financial assets at FVTPL	19,439	-	-	-	-	19,439
Derivative assets	-	34,784	-	-	-	34,784
Loans and advances to banks	-	12,960	2,769	68	-	15,797
Loans and advances to customers	625,496	637,905	4,026	82	447,776	1,715,285
Investment securities	1,051,567	65,702	-	-	519,863	1,637,132
Other assets	10,409	24,491	-	73	8,610	43,583
Total financial assets	**2,251,916**	**1,023,040**	**192,644**	**9,002**	**1,210,014**	**4,686,616**
Derivative liability		99	-	-	-	99
Deposits from banks	655	130,380	6,505	66	37,230	174,836
Deposits from customers	1,793,193	491,391	137,741	7,482	919,313	3,349,120
Other liabilities	25,449	29,917	6,401	397	39,700	101,864
Borrowings	93,088	590,444	-	-	-	683,532
Subordinated liabilities	29,859	-	-	-	-	29,859
Total financial liabilities	**1,942,244**	**1,242,231**	**150,647**	**7,945**	**996,243**	**4,339,310**
Swap and forward contracts	(287,032)	287,032	-	-	-	-
Net FCY Exposure		**67,841**	**41,997**	**1,057**	**213,771**	
Effect of naira depreciation by 15% on profit before tax		10,176	6,300	159	32,066	48,700
Effect of naira appreciation by 15% on profit before tax		(10,176)	(6,300)	(159)	(32,066)	(48,700)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

4 Financial Risk Management- Continued

4.4 Market risk - continued

(d) Exchange rate exposure limits - continued

Bank

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
31 December 2019						
Cash and bank balances	905,804	228,617	39,068	7,900	1,165	1,182,554
Financial assets at FVTPL	102,388	-	-	-	-	102,388
Derivative assets	2,462	45,545	124	-	-	48,131
Loans and advances to banks	-	81,736	18,113	-	-	99,849
Loans and advances to customers	880,941	559,002	63,296	141	-	1,503,380
Investment securities	834,135	12,079	-	-	-	846,214
Other assets	81,324	16,852	14	7	-	98,197
Total financial assets	**2,807,054**	**943,831**	**120,615**	**8,048**	**1,165**	**3,880,713**
Derivative liability	365	487	-	-	-	852
Deposits from banks	13,504	72,935	6,278	-	-	92,717
Deposits from customers	2,217,239	512,152	27,391	7,606	-	2,764,388
Other liabilities	10,587	39,326	1,003	68	437	51,421
Borrowings	87,033	657,061	-	-	-	744,094
Subordinated liabilities	30,048	-	-	-	-	30,048
Total financial liabilities	**2,358,776**	**1,281,961**	**34,672**	**7,674**	**437**	**3,683,520**
Swap and forward contracts	(419,405)	419,405	-	-	-	-
Net FCY Exposure		81,275	85,943	374	728	
Effect of naira depreciation by 15% on profit before tax		12,191	12,891	56	109	25,248
Effect of naira appreciation by 15% on profit before tax		(12,191)	(12,891)	(56)	(109)	(25,248)
31 December 2018						
Cash and bank balances	604,279	168,107	231,585	8,151	3,077	1,015,199
Financial assets held for trading	19,439	-	-	-	-	19,439
Derivative assets	-	34,784	-	-	-	34,784
Loans and advances to banks	-	10,274	5,242	-	-	15,516
Loans and advances to customers	628,609	575,606	9,494	92	-	1,213,801
Investment securities	995,680	14,477	-	-	-	1,010,157
Other assets	34,947	3,984	14	4	-	38,949
Total financial assets	**2,282,954**	**807,232**	**246,335**	**8,247**	**3,077**	**3,347,845**
Derivative liability	-	99	-	-	-	99
Deposits from banks	6,181	22,982	1,288	51	-	30,502
Deposits from customers	1,807,402	410,798	198,708	7,189	11	2,424,108
Other liabilities	47,921	24,077	3,058	226	1,667	76,949
Borrowings	92,209	564,925	-	-	-	657,134
Subordinated liabilities	29,859	-	-	-	-	29,859
Total financial liabilities	**1,983,572**	**1,022,881**	**203,054**	**7,466**	**1,678**	**3,218,651**
Swap and forward contracts	(287,032)	287,032	-	-	-	-
Net FCY Exposure		71,383	43,281	781	1,399	
Effect of naira depreciation by 15% on profit before tax		10,707	6,492	117	210	17,527
Effect of naira appreciation by 15% on profit before tax		(10,707)	(6,492)	(117)	(210)	(17,527)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

5 Capital

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

5.1 Capital management

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

The Group has a process of ensuring adequate capital is maintained and this process includes:

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

The objective of the capital management process is to:

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

5.2 Regulatory capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The group monitors regulatory capital using the capital adequacy ratio. This ratio is calculated as total regulatory capital divided by risk weighted assets. Total regulatory capital and risk weighted assets are calculated as shown in the table below.

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

5 Capital - continued

5.2 Regulatory capital - continued

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

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Tier 1 capital				
Ordinary share capital	17,100	17,100	17,100	17,100
Share premium	98,715	98,715	98,715	98,715
Retained earnings	184,685	168,073	90,090	89,217
Other reserves	102,248	90,783	86,068	74,603
Gross Tier 1 capital	402,748	374,671	291,973	279,635
Less:				
Deferred tax on accumulated losses	7,433	10,799	6,362	10,779
Intangible assets	17,671	18,168	7,070	6,911
Tier 1 Capital After Regulatory Deduction	**377,644**	**345,724**	**278,541**	**261,945**
Investment in subsidiaries	-	-	(51,638)	(51,889)
Eligible Tier 1 Capital	**377,644**	**345,724**	**226,903**	**210,056**
Tier 2 capital				
Fair value reserve for securities measured at FVOCI	117,408	69,099	117,995	69,751
Subordinated liabilities	30,048	29,859	30,048	29,859
Less: limit of tier 2 to tier 1 capital	(55,196)	(12,295)	(55,196)	(12,295)
Qualifying Tier 2 Capital Before Deductions	**92,260**	**86,663**	**92,847**	**87,315**
Less: Investment in subsidiaries	-	-	(51,638)	(51,889)
Net Tier 2 Capital	**92,260**	**86,663**	**41,209**	**35,426**
Qualifying capital				
Net Tier I regulatory capital	377,644	345,724	226,903	210,056
Net Tier II regulatory capital	92,260	86,663	41,209	35,426
Total qualifying capital	469,904	432,387	268,112	245,482
Composition of risk-weighted assets:				
Risk-weighted amount for credit risk	1,262,750	1,234,765	905,238	873,808
Risk-weighted amount for operational risk	704,752	569,966	369,284	348,242
Risk-weighted amount for market risk	38,148	26,921	40,361	26,460
Total Basel II Risk-weighted assets	**2,005,650**	**1,831,652**	**1,314,883**	**1,248,510**
Basel II Capital ratios				
Risk Weighted Capital Adequacy Ratio	23.43%	24%	20.39%	20%

5.3 Capital allocation

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

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

6 Fair value measurement

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

6.1 Valuation models

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

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

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

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

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

6 Fair value measurement - Continued

6.1 Valuation models - continued

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rate, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

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

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

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

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

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

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

6.2 Valuation framework

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

6 Fair value measurement - Continued

6.3 Financial instruments measured at fair value

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

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

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

Group					
31 December 2019					
In millions of Nigerian Naira	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Financial assets at FVTPL	23				
Government bonds		7,719	-	-	7,719
Promissory notes			59,038		59,038
Treasury bills		35,631	-	-	35,631
Derivative assets measured at fair value through profit and loss:	33(a)	-	48,131	-	48,131
Investment securities at FVOCI	26				
Treasury bills		678,243	-	-	678,243
Bonds		108,697	-	-	108,697
Equity investments		2,612	3,088	108,408	114,108
Total assets		**832,902**	**110,257**	**108,408**	**1,051,567**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	852	-	852

Bank					
31 December 2019					
In millions of Nigerian Naira	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Financial assets at FVTPL	23				
Government bonds		7,719	-	-	7,719
Promissory notes			59,038	-	59,038
Treasury bills		35,631	-	-	35,631
Derivative assets measured at fair value through profit and loss:	33(a)	-	48,131	-	48,131
					-
Investment securities at FVOCI	26				-
Treasury bills		634,209	-	-	634,209
Bonds		24,931	-	-	24,931
Equity investments		2,612	3,088	107,818	113,518
		705,102	**110,257**	**107,818**	**923,177**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	852	-	852

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value - continued

Group

31 December 2018

In millions of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Assets					
Financial assets held for trading	23				
Government bonds		696	-	-	696
Treasury bills		18,743	-	-	18,743
Derivative assets measured at fair value through profit and loss:	33(a)	-	34,784	-	34,784
Investment securities at FVOCI	26				
Treasury bills		790,292	-	-	790,292
Bonds		143,608	-	-	143,608
Equity investments		-	4,755	97,998	102,753
Total assets		**953,339**	**39,539**	**97,998**	**1,090,876**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**99**	**-**	**99**

Bank

31 December 2018

In millions of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Assets					
Financial assets held for trading	23				
Government bonds		696	-	-	696
Treasury bills		18,743	-	-	18,743
Derivative assets measured at fair value through profit and loss:	33(a)	-	34,784	-	34,784
Investment securities at FVOCI	26				
Treasury bills		705,152	-	-	705,152
Bonds		118,498	-	-	118,498
Equity investments		-	4,755	97,487	102,242
		843,089	**39,539**	**97,487**	**980,115**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**99**	**-**	**99**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value - continued

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

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Balance, beginning of year	97,998	90,530	97,487	89,870
Addition during the year	79	76	-	76
Gain recognised in other comprehensive income (under fair value gain on FVOCI)	9,223	6,412	9,223	6,412
Translation differences	1,108	980	1,108	1,129
Balance, end of year	108,408	97,998	107,818	97,487

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

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

(iii) Level 3 fair value measurements - Unobservable inputs used in measuring fair value
All valuation processes and techniques are subject to review and approval by the Finance and General Purpose Committee of the Board of Directors. There was no change in the Group's valuation technique during the period.

The table below sets out information about significant unobservable inputs used as at 31 December 2019 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	**Fair value as at 31 December 2019 N'million**	**Fair value as at 31 December 2018 N'million**	**Valuation technique**	**Unobservable input**	**Range of estimates for unobservable inputs (31 December 2019)**	**Range of estimates for unobservable inputs (31 December 2018)**	**Relationship of unobservable inputs to fair value**
Unquoted equity securities	101,216	90,706	Income Approach (Discounted cash flow method)	Cost of equity	8.00% - 23.40%	9.12% - 23.9%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	2.5%-2.6%	1.5%-4%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
		1,671	Income Approach (Dividend discount model)	Cost of equity	-	12.75% - 32.00%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	-	9.4% - 24.3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values.

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value - continued

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

Significant unobservable inputs are developed as follows:

Discounted cash flow

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

Dividend discount model

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

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

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

In millions of Nigerian Naira

Key Assumption	Effect on other comprehensive income (OCI)			
	Dec. 2019		Dec. 2018	
	5% Increase	5% Decrease	5% Increase	5% Decrease
Cost of Equity	(12,996)	14,949	(7,217)	7,953
Terminal Growth Rate	3,279	(3,078)	1,666	(1,570)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

6 Fair value measurement - continued

6.4 Financial instruments not measured at fair value

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

6 Fair value measurement - continued

6.4 Financial instruments not measured at fair value - continued

Group					
31 December 2018 *In millions of Nigerian Naira*	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
Assets					
Cash and bank balances	-	1,220,596	-	1,220,596	1,220,596
Loans and advances to banks	-	-	15,976	15,976	15,797
Loans and advances to customers					
- Individual					
Term loans	-	-	84,181	84,181	81,905
Overdrafts	-	-	17,470	17,470	15,668
- Corporate					
Term loans	-	-	1,293,107	1,293,107	1,280,890
Overdrafts	-	-	342,212	342,212	332,505
Others	-	-	4,364	4,364	4,317
Investment Securities - Amortised cost					
Treasury bills	321,131	-	-	321,131	321,131
Bonds	195,149	-	-	195,149	279,658
Other assets	-	43,583	-	43,583	43,583
Liabilities					
Deposits from banks	-		174,836	174,836	174,836
Deposits from customers	-	-	3,392,507	3,392,507	3,349,120
Subordinated liabilities	-	30,969	-	30,969	29,859
Other liabilities	-	101,864	-	101,864	101,864
Borrowings	-	-	802,505	802,505	683,532

6 Fair value measurement - continued

6.4 Financial instruments not measured at fair value - continued

Bank
31 December 2019

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Assets					
Cash and bank balances	-	1,182,554	-	1,182,554	1,182,554
Loans and advances to banks	-	-	100,979	100,979	99,849
Loans and advances to customers					-
- Individual					
Term loans	-	-	37,070	37,070	36,068
Overdrafts	-	-	9,887	9,887	8,867
- Corporate					
Term loans	-	-	1,186,219	1,186,219	1,175,012
Overdrafts	-	-	288,692	288,692	280,503
Others	-	-	2,962	2,962	2,930
Investment Securities - Amortised cost					
Treasury bills	-	-	-	-	-
Bonds	74,017	-	-	74,017	74,017
Other assets	-	98,197	-	98,197	98,197
Liabilities					
Deposits from banks	-	-	92,717	92,717	92,717
Deposits from customers	-	-	2,775,120	2,775,120	2,764,388
Subordinated liabilities	-	30,969	-	30,969	30,048
Other liabilities	-	51,421	-	51,421	51,421
Borrowings	-	-	818,794	818,794	744,094

31 December 2018

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Assets					
Cash and bank balances	-	1,015,199	-	1,015,199	1,015,199
Loans and advances to banks	-	-	15,692	15,692	15,516
Loans and advances to customers					-
-Individual					
Term loans	-	-	15,939	15,939	15,508
Overdrafts	-	-	8,390	8,390	7,525
-Corporate					
Term loans	-	-	1,016,811	1,016,811	1,007,204
Overdrafts	-	-	184,479	184,479	179,246
Others	-	-	4,365	4,365	4,318
Investment Securities - Amortised cost					
Treasury bills	-	-	-	-	-
Bonds	-	-	-	-	84,509
Other assets	-	38,949	-	38,949	38,949
Liabilities					
Deposits from banks	-	-	30,502	30,502	30,502
Deposits from customers	-	-	2,457,716	2,457,716	2,424,108
Subordinated liabilities	-	30,969	-	30,969	29,859
Other liabilities	-	76,949	-	76,949	76,949
Borrowings	-	-	773,799	773,799	657,134

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

6 Fair value measurement - continued

6.4 Financial instruments not measured at fair value - continued

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

i) Cash and bank balances

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

ii) Loans and advances

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

iii) Investment securities

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

iv) Other assets

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

v) Deposits from banks and customers

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

vi) Other liabilities

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

vii) Interest bearing loans and borrowings

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

viii) Subordinated liabilities

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

7 Offsetting of financial instruments

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

7 Offsetting of financial instruments - Continued

Group

31 December 2019		**Amounts offset**	
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27)	89,470	(57,602)	31,868
Financial liabilities			
- Creditors and payables (note 36) (a)	120,908	(57,602)	63,306
31 December 2018			
Financial assets			
- Electronic payments receivable (note 27)	86,060	(66,059)	20,001
Financial liabilities			
- Creditors and payables (note 36)	127,821	(66,059)	61,762

Bank

31 December 2019		**Amounts offset**	
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27)	86,697	(57,602)	29,095
Financial liabilities			
- Creditors (note 36) (a)	89,633	(57,602)	32,031
Bank			
31 December 2018			
Financial assets			
- Electronic payments receivable (note 27)	82,927	(66,059)	16,868
Financial liabilities			
- Creditors and payables (note 36)	107,794	(66,059)	41,735

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

8 Critical accounting estimates and judgments

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities.

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

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

(a) Key sources of estimation uncertainty

(i) Measurement of the expected credit loss allowance

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

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

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

(ii) Determining fair values

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

(iii) Deferred tax assets

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

(iv) Valuation of derivative contracts

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

The table below shows the fair value of the Group's derivatives if there is 5% a change in interest rates or a 15% change in foreign currency exchange rates.

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

8 Critical accounting estimates and judgments - Continued

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

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

(i) Fair value of equity instruments

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

(ii) Allowance for credit losses

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

In millions of Nigerian Naira	31 December 2019		31 December 2018	
	Probability of Default -PD	Loss Given Default-LGD	Probability of Default -PD	Loss Given Default-LGD
Increase/decrease				
1% increase	128	148	141	136
1% decrease	(125)	(148)	(140)	(136)

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

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

(iv) Determination of exchange rate used for translation

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

9 Operating segments

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

Geographical segments

The Group operates in the following geographical regions:

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

Business segments

The Group operates in the following business segments:

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

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

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

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

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

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

9 Operating segments - Continued

(a) Geographical segments

31 December 2019

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
External revenues	403,219	166,267	17,771	(27,452)	559,805
Derived from other geographic segments	4,327	-	-	(4,327)	-
Total revenue[1]	**407,546**	**166,267**	**17,771**	**(31,779)**	**559,805**
Interest expenses	(154,743)	(32,965)	(2,950)	7,703	(182,955)
Fee and commission expense	(22,555)	(8,058)	57	(1)	(30,557)
Impairment loss recognised in income statement	(15,686)	(2,309)	(683)	426	(18,252)
Operating expenses	(144,500)	(71,203)	(7,203)	6,152	(216,754)
Profit before tax	**70,062**	**51,732**	**6,992**	**(17,499)**	**111,287**
Income tax expenses	(8,720)	(10,867)	-	(2,611)	(22,198)
Profit for the year	**61,342**	**40,865**	**6,992**	**(20,110)**	**89,089**
31 December 2019					
Loans and advances	1,530,941	554,043	164,323	(79,949)	2,169,358
Deposits from customers and banks	2,897,071	1,275,536	153,982	(226,635)	4,099,954
Total segment assets[2]	4,176,500	1,580,319	180,895	(333,662)	5,604,052
Total segment liabilities	3,734,307	1,358,596	157,945	(244,774)	5,006,074
[1] Includes:					
Recognised at a point in time	50,429	49,604	1,228	-	101,261
Recognised over time	708	515	-	-	1,223
Total revenue within the scope of IFRS 15	**51,137**	**50,119**	**1,228**	**-**	**102,484**
[2] Includes:					
Investments in associate and accounted for by using the equity method	-	4,143	-	-	4,143
Expenditure for reportable segment:					
Depreciation	8,804	2,903	273	-	11,980
Amortisation	1,364	135	128	-	1,627

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

9 Operating segments - Continued

(a) Geographical segments - continued

31 December 2018

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
External revenues	335,033	151,977	14,170	(7,135)	494,045
Derived from other geographic segments	3,765	-	-	(3,765)	-
Total revenue[1]	**338,798**	**151,977**	**14,170**	**(10,900)**	**494,045**
Interest expenses	(128,829)	(32,036)	(2,391)	5,980	(157,276)
Fee and commission expense	(21,260)	(7,281)	(9)	(1)	(28,551)
Impairment loss recognised in income statement	(4,829)	(2,844)	540	2,604	(4,529)
Operating expenses	(128,785)	(66,022)	(6,294)	3,759	(197,342)
Share of loss in equity-accounted investee	-	419	-	-	419
Profit before tax	**55,095**	**44,213**	**6,016**	**1,442**	**106,766**
Income tax expenses	(15,685)	(12,477)	-	-	(28,159)
Profit for the year	**39,410**	**31,736**	**6,016**	**1,442**	**78,607**
31 December 2018					
Loans and advances	1,208,343	518,877	107,495	(103,633)	1,731,082
Deposits from customers and banks	2,509,506	1,246,031	105,616	(337,197)	3,523,956
Total segment assets[2]	3,651,853	1,528,634	130,699	(441,448)	4,869,738
Total segment liabilities	3,286,846	1,323,847	108,754	(352,317)	4,367,130
[1]Includes:					
Recognised at a point in time	45,157	40,893	1,451	-	87,501
Recognised over time	524	519	-	-	1,043
Total revenue within the scope of IFRS 15	**45,681**	**41,412**	**1,451**	**-**	**88,544**
[2]Includes:					
Investments in associate and accounted for by using the equity method	-	4,610	-	-	4,610
Expenditure for reportable segment:					
Depreciation	7,175	2,706	318	-	10,199
Amortisation	1,338	167	97	-	1,602

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

9 Operating segments - Continued

(b) Business reporting

31 December 2019

In millions of Nigerian Naira	Corporate	Retail and commercial	Treasury and financial markets	Total
Revenue:				
Derived from external customers	181,397	193,460	184,948	559,805
Derived from other business segments	(24,647)	109,701	(85,054)	-
Total revenue	**156,750**	**303,161**	**99,894**	**559,805**
Interest expenses	(39,703)	(85,019)	(58,233)	(182,955)
Fee and commission expense	(209)	(30,347)	(1)	(30,557)
Impairment loss recognised in income statement	(16,209)	(1,974)	(69)	(18,252)
Operating expenses	(42,616)	(136,791)	(22,270)	(201,677)
Depreciation and amortisation	(103)	(15,380)	(7)	(15,490)
Share of profit of equity-accounted investee	26	358	29	413
Profit before income tax	**57,937**	**34,007**	**19,343**	**111,287**
Taxation	(10,034)	(9,652)	(2,512)	(22,198)
Profit for the period	**47,903**	**24,355**	**16,831**	**89,089**
31 December 2019				
Loans and advances	1,449,662	467,087	252,609	2,169,358
Deposits from customers and banks	1,079,579	2,368,558	651,817	4,099,954
Total segment assets	3,725,046	1,229,902	649,104	5,604,052
Total segment liabilities	1,321,806	2,886,201	798,067	5,006,074
31 December 2018				
Revenue:				
Derived from external customers	171,526	167,451	155,068	494,045
Derived from other business segments	(48,575)	116,414	(67,839)	-
Total revenue	**122,951**	**283,865**	**87,229**	**494,045**
Interest expenses	(44,384)	(82,534)	(30,358)	(157,276)
Fee and commission expense	(69)	(28,479)	(3)	(28,551)
Impairment loss recognised in income statement	(4,022)	(490)	(17)	(4,529)
Operating expenses	(29,550)	(135,994)	(19,997)	(185,541)
Depreciation and amortisation	(116)	(11,682)	(3)	(11,801)
Share of profit of equity-accounted investee	372	45	2	419
Profit before income tax	**45,182**	**24,731**	**36,853**	**106,766**
Taxation	(10,809)	(8,218)	(9,132)	(28,159)
Profit for the period	**34,373**	**16,513**	**27,721**	**78,607**
31 December 2018				
Loans and advances	1,135,826	397,673	197,583	1,731,082
Deposits from customers and banks	842,308	2,258,976	422,672	3,523,956
Total segment assets	3,200,002	1,113,080	556,656	4,869,738
Total segment liabilities	1,049,803	2,790,533	526,794	4,367,130

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

10 Interest income

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Interest income				
Interest income on amortised cost and FVOCI securities				
Cash and bank balances	14,864	7,814	13,786	8,673
Loans and advances to banks	3,801	3,667	911	850
Loans and advances to customers				
- To individuals				
Term loans	6,714	8,436	3,717	3,507
Overdrafts	2,422	2,060	1,874	1,547
- To corporates				
Term loans	162,274	146,577	136,953	117,996
Overdrafts	36,049	37,551	26,076	30,576
Others	501	320	501	296
Investment securities				
- Treasury bills	123,470	107,137	89,335	70,582
- Bonds	40,209	47,021	19,754	29,332
	390,304	360,583	292,907	263,359
Interest income on financial assets at fair value through profit or loss				
- Promissory notes	14,353	-	14,353	-
- Bonds	173	2,339	173	2,339
Total interest income	**404,830**	**362,922**	**307,433**	**265,698**

Interest income includes accrued interest on impaired loans of N2,135 million for the Group (Bank: N1,819 million) for the year ended 31 December 2019 and N2,097 million for the Group (Bank: N1,747 million) for the year ended 31 December 2018.

11 Interest expense

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Deposits from banks	11,018	7,083	5,760	5,205
Deposits from customers	125,046	106,010	106,025	81,650
Borrowings	41,408	35,151	39,370	33,509
Subordinated liabilities	5,207	9,032	5,206	9,032
Lease liabilities	276	-	219	-
	182,955	**157,276**	**156,580**	**129,396**

12 Allowance for credit losses on financial and non-financial instruments

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Allowance for credit losses on loans and advances to customers:				
- allowance for credit losses (Note 25(c))	14,160	34,280	11,098	11,373
Allowance for credit losses on loans and advances to banks:				
- allowance for credit losses/(reversal) ((Note 24)	2,741	(213)	2,675	(213)
Allowance for credit losses/(reversal) on investment securities	254	(69)	217	(135)
Allowance for credit losses/(reversal) on off-balance sheet items	(2,076)	1,635	(1,617)	1,050
Write-off on loans and receivables	1,689	1,725	1,095	1,558
Recoveries in allowance for credit loss	(2,254)	(36,991)	(173)	(12,481)
Impairment charge on other assets (Note 27(a))	3,738	4,162	3,074	3,105
	18,252	**4,529**	**16,369**	**4,257**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

13 Fees and commission income

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Credit-related fees and commissions	10,887	7,045	7,100	3,229
Commission on turnover	1,564	1,102	-	-
Account maintenance fee	7,151	6,248	7,151	6,248
Electronic banking income	38,766	27,923	25,583	18,855
Funds transfer fee	8,582	8,289	437	575
Trade transactions income	14,127	19,492	6,081	12,112
Remittance fee	9,108	5,422	6,636	3,979
Commissions on transactional services	15,155	13,009	6,148	4,725
Pension funds custody fees	5,221	5,467	-	-
Internal transfer pricing charges	-	-	6,024	3,765
	110,561	**93,997**	**65,160**	**53,488**

14 Fees and commission expense

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
E-Banking expense	28,454	23,768	21,042	16,571
Trade related expenses	1,541	4,391	1,400	4,312
Funds transfer expense	562	392	114	81
	30,557	**28,551**	**22,556**	**20,964**

15 Net trading and foreign exchange income

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Fixed income securities(i)	10,641	6,705	10,297	6,360
Foreign exchange trading income(ii)	24,563	29,872	8,270	10,789
Foreign currency revaluation loss	(10,171)	(31,482)	(12,080)	(31,227)
Net fair value gain on derivatives (see note 33 (c))	12,594	26,580	12,594	26,896
	37,627	**31,675**	**19,081**	**12,818**

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

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

16 Other operating income

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Dividend income (i)	3,305	3,454	20,190	8,469
Rental income	421	390	415	378
Income on cash handling	2,810	1,592	329	638
Gain on disposal of property and equipment	251	15	16	15
	6,787	5,451	20,950	9,500

(i) Dividend income of N20.190 billion for the Bank includes a sum of N17.045 billion (December 2018: N5.09 billion) being total dividend received from the Bank's subsidiaries. This amount has been eliminated in arriving at the Group's dividend income from other equity investments of N3.31 billion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

17 Employee benefit expenses

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Wages and salaries (note 43)	72,490	68,487	42,532	40,278
Defined contribution plans	2,609	2,671	1,242	1,259
	75,099	**71,158**	**43,774**	**41,537**

18 Depreciation and amortisation

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Depreciation of right-of-use assets (note 30)	1,883	-	1,605	-
Depreciation of property and equipment (note 30)	11,980	10,199	8,842	7,368
Amortisation of intangible assets (note 31)	1,627	1,602	1,325	1,302
	15,490	**11,801**	**11,772**	**8,670**

19 Other operating expenses

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Directors' fees	51	34	51	34
Banking sector resolution cost	19,992	16,628	19,992	16,628
Deposit insurance premium	9,737	7,354	9,389	7,186
Non-deposit insurance costs	2,161	2,251	787	982
Auditors' remuneration	608	592	360	350
Occupancy and premises maintenance costs	14,018	14,075	3,417	4,132
Business travels	7,062	7,126	5,725	5,543
Advertising, promotions and branding	7,433	7,254	5,812	5,874
Contract services	12,066	12,786	8,530	8,412
Communication	5,821	4,968	2,923	2,034
IT support and related expenses	6,052	5,674	5,690	5,394
Printing, stationery and subscriptions	6,176	6,606	4,900	5,499
Security and cash handling expenses	3,979	3,275	2,713	1,865
Fuel, repairs and maintenance	23,057	22,053	14,786	14,085
Bank charges	2,814	937	2,100	754
Donations	753	1,048	650	1,033
Training and human capital development	3,735	1,318	3,437	1,123
Penalties	884	32	69	30
Loan recovery expenses	179	372	179	372
	126,578	**114,383**	**91,510**	**81,330**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended December 31, 2019

20 Taxation

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Recognised in the statement of comprehensive income				
(a) Current tax expense				
Current period	23,454	23,046	7,313	8,987
(b) Deferred tax expense/(credit)				
Origination and reversal of temporary differences (Note 32)	(1,256)	5,113	-	5,316
Total income tax expense/(credit)	**22,198**	**28,159**	**7,313**	**14,303**
(c) Current tax liabilities				
Balance, beginning of period	8,892	7,668	706	1,108
Tax paid	(23,182)	(21,822)	(7,297)	(9,389)
Income tax charge	23,454	23,046	7,313	8,987
Balance, end of period	**9,164**	**8,892**	**722**	**706**

(d) Reconciliation of effective tax rate

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

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Domestic corporation tax rate	30%	30%	30%	30%
Profit before income tax	111,287	106,766	70,063	55,350
Income tax using the domestic corporation tax rate	33,386	32,030	21,019	16,605
Tax effects of:				
Information Technology Levy	1,102	2,310	694	548
Nigerian Police Trust Fund Levy	4	-	4	-
Education tax	87	3,560	-	-
Minimum tax/excess dividend tax adjustment	2,407	2,248	2,210	2,248
Deferred tax written off	-	5,316	-	5,316
Prior Year under Provision of Current Tax	4,864	4,601	4,486	4,601
Effect of Permanent differences - Income not subject to tax	(45,741)	(32,637)	(45,698)	(25,746)
Effect of Permanent differences - Expenses not deductible	16,770	9	16,000	9
Effect of Temporary Difference not recognised in Deferred Tax	4,869	9,948	6,380	9,948
Losses/(Relief) not recognised in Deferred Tax	4,450	774	2,218	774
Total income tax expense in comprehensive income	**22,198**	**28,159**	**7,313**	**14,303**

20 Taxation - Continued

The Bank was assessed based on the minimum tax legislation for the period ended 30 June 2017 because of a tax exemption granted via Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 as contained in a gazette issued by the President of the Federal Republic of Nigeria, which took effect from 2 January 2012. The Order exempts all interests earned on Bonds (Federal, state, local and corporate bodies including supra-nationals) and other short-term securities such as Treasury Bills and Promissory Notes from being subjected to tax imposed under the Companies Income Tax Act. The Order is valid for a period of 10 years from the effective date of the Order, except for Bonds issued by the Federal Government, which will continue to enjoy the exemption.

A significant portion of the Bank's income derives from short-term securities and government bonds, and as a result, the Bank's current income tax assessment for 2012 to 2015 financial years yielded tax credit in its favour. Consequently, the Bank applied the provisions of the Companies Income Tax Act that mandate a minimum tax assessment, where a taxpayer does not have any tax liability arising from its tax assessment.

During the year, the Bank was liable to excess dividend tax of ₦4.124billion net of tax credits of ₦230million representing 30% of ₦14.5billion final dividend (40k) paid on 2015 accounts as the Nigerian tax laws require companies to pay tax calculated at 30% of the higher of taxable profit and dividend paid. However, in the 2015 financial statements, the Bank only recognised ₦3.903 billion (Dividend tax on 2015 Interim Dividend, Education tax, National Information Technology Levy, and Withholding tax on dividend received), as the 2015 final dividend was not yet approved as at the reporting date. The difference between the tax of ₦5.419billion charged in 2017 Financial Statement and tax of ₦4.124billion paid on 2015 final dividend represents minimum tax accrued for 2017 amounting to ₦1.295billion.

21 Earnings per share

The calculation of basic earnings per share as at 31 December 2019 was based on the profit attributable to ordinary shareholders of ₦86.220 billion (Bank: ₦62.750 billion) and the weighted average number of ordinary shares outstanding of 34.199 billion (Bank: 34.199 billion). The Bank had no dilutive instruments as at period end (December 2018 : nil). Hence the basic and diluted earnings per share are equal.

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Profit attributable to equity holders of the parent	86,220	75,359	62,750	41,047
Weighted average number of ordinary shares outstanding (in millions)	34,199	34,199	34,199	34,199
Basic and diluted earnings per share (Naira)	**2.52**	**2.20**	**1.83**	**1.20**

22 Cash and bank balances

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Cash	104,669	101,609	74,467	74,979
Current balances with banks	192,522	344,123	168,775	309,921
Unrestricted balances with central banks	113,574	202,714	5,688	27,642
Money market placements	153,355	8,467	117,646	51,089
Restricted balances with central banks (note (i) below)	832,108	563,683	815,978	551,568
	1,396,228	1,220,596	1,182,554	1,015,199
Current	1,396,228	1,220,596	1,182,554	1,015,199
Non current	-	-	-	-
	1,396,228	**1,220,596**	**1,182,554**	**1,015,199**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

22 Cash and bank balances - Continued

In millions of Nigerian Naira	Group Dec. 2019	Group Dec. 2018	Bank Dec. 2019	Bank Dec. 2018
(i) Restricted balances with central banks comprise:				
Mandatory reserve deposits with central banks (note (a) below)	777,390	508,965	761,260	496,850
Special Intervention Reserve (note (b) below)	54,718	54,718	54,718	54,718
	832,108	**563,683**	**815,978**	**551,568**

(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 channelled towards providing credit to priority sectors of the Nigerian economy. As stipulated by the CBN, the Bank's contribution is 5% of total naira deposits.

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

In millions of Nigerian Naira	Group Dec. 2019	Group Dec. 2018	Bank Dec. 2019	Bank Dec. 2018
Cash and current balances with banks	297,191	445,732	243,242	384,900
Unrestricted balances with central banks	113,574	202,714	5,688	27,642
Money market placements (less than 90 days)	130,633	8,467	94,924	32,189
Financial assets held for trading (less than 90 days)	18,073	5,332	18,073	5,332
Cash and cash equivalents	**559,471**	**662,245**	**361,927**	**450,063**

23 Financial assets at fair value through profit or loss

In millions of Nigerian Naira	Group Dec. 2019	Group Dec. 2018	Bank Dec. 2019	Bank Dec. 2018
Government bonds	7,719	696	7,719	696
Promissory notes	59,038	-	59,038	-
Treasury bills (less than 90 days maturity) (note (i) below)	18,073	5,332	18,073	5,332
Treasury bills (above 90 days maturity)	17,558	13,411	17,558	13,411
	102,388	19,439	102,388	19,439
Current	**102,388**	**19,439**	**102,388**	**19,439**

Fixed income trading activities are restricted to the parent alone.

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

24 Loans and advances to banks

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Gross amount	110,123	16,147	101,746	15,859
Less: Allowance for credit losses				
Stage 1 loans	(1,912)	(350)	(1,897)	(343)
Stage 2 loans	-	-	-	-
Stage 3 loans	-	-	-	-
	108,211	**15,797**	**99,849**	**15,516**
Current	108,211	15,797	99,849	15,516
	108,211	**15,797**	**99,849**	**15,516**

(a) **Allowance for credit losses on loans and advances to banks**
31 December 2019
Group
Allowance for credit loss

In millions of Nigerian Naira	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
Balance, beginning of period	350	-	-	350
Charge for the period	2,741	-	-	2,741
Exchange difference	(1,179)	-	-	(1,179)
Balance, end of period	**1,912**	**-**	**-**	**1,912**
Bank				
Allowance for credit loss				
Balance, beginning of period	343	-	-	343
Charge for the period	2,675	-	-	2,675
Exchange difference	(1,121)	-	-	(1,121)
Balance, end of period	**1,897**	**-**	**-**	**1,897**
31 December 2018				
Group				
Allowance for credit loss				
Balance, beginning of period	188	-	-	188
Charge for the period	(213)	-	-	(213)
Exchange difference	375	-	-	375
Balance, end of period	**350**	**-**	**-**	**350**
Bank				
Allowance for credit loss				
Balance, beginning of period	200	-	-	200
Charge for the period	(213)	-	-	(213)
Exchange difference	356	-	-	356
Balance, end of period	**343**	**-**	**-**	**343**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

25 Loans and advances to customers

	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Gross amount	2,147,283	1,807,393	1,557,358	1,274,112
Allowance for credit losses	(86,136)	(92,108)	(53,978)	(60,311)
	2,061,147	**1,715,285**	**1,503,380**	**1,213,801**
Current	1,113,617	970,376	746,696	580,011
Non-current	947,530	744,909	756,684	633,790
	2,061,147	**1,715,285**	**1,503,380**	**1,213,801**

(a) 31 December 2019
Loans and advances to customers

	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Gross amount	2,147,283	1,807,393	1,557,358	1,274,112
Allowance for credit losses:				
- Impairment loss on Stage 1 loans	(33,643)	(3,802)	(24,541)	3,374
- Impairment loss on Stage 2 loans	(16,200)	(871)	(8,222)	(139)
- Impairment loss on Stage 3 loans	(36,293)	(87,435)	(21,215)	(63,546)
Total provision for credit losses	(86,136)	(92,108)	(53,978)	(60,311)
Carrying amount	**2,061,147**	**1,715,285**	**1,503,380**	**1,213,801**
Loans and advances to individuals				
Gross amount	116,640	108,926	52,166	29,801
Provision for credit losses:				
- Impairment loss on Stage 1 loans	(1,535)	(532)	(824)	348
- Impairment loss on Stage 2 loans	(855)	2,855	-	2,934
- Impairment loss on Stage 3 loans	(8,478)	(13,676)	(6,407)	(10,050)
Total provision for credit losses	(10,868)	(11,353)	(7,231)	(6,768)
Carrying amount	**105,772**	**97,573**	**44,935**	**23,033**
Loans and advances to corporate entities and other organizations				
Gross amount	2,030,643	1,698,467	1,505,192	1,244,311
Provision for credit losses:				
- Impairment loss on Stage 1 loans	(32,108)	(3,270)	(23,717)	3,026
- Impairment loss on Stage 2 loans	(15,345)	(3,726)	(8,222)	(3,073)
- Impairment loss on Stage 3 loans	(27,815)	(73,759)	(14,808)	(53,496)
Total provision for credit losses	**(75,268)**	**(80,755)**	**(46,747)**	**(53,543)**
Carrying amount	**1,955,375**	**1,617,712**	**1,458,445**	**1,190,768**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

25 Loans and advances to customers - Continued

(b) 31 December 2019

Group

Loans and advances to individuals	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Life-time ECL	Stage 3 - Life-time ECL	Total allowances	Carrying amount
Overdrafts	24,208	(59)	(117)	(7,220)	(7,396)	16,812
Term loans	92,432	(1,476)	(738)	(1,258)	(3,472)	88,960
	116,640	**(1,535)**	**(855)**	**(8,478)**	**(10,868)**	**105,772**
Loans and advances to corporate entities and other organizations						
Overdrafts	459,515	(4,828)	(1,996)	(26,655)	(33,479)	426,036
Term loans	1,568,177	(27,259)	(13,349)	(1,160)	(41,768)	1,526,409
Others	2,951	(21)	-	-	(21)	2,930
	2,030,643	**(32,108)**	**(15,345)**	**(27,815)**	**(75,268)**	**1,955,375**
Bank						
Loans and advances to individuals						
Overdrafts	14,643	(35)	-	(5,741)	(5,776)	8,867
Term loans	37,523	(789)	-	(666)	(1,455)	36,068
	52,166	**(824)**	**-**	**(6,407)**	**(7,231)**	**44,935**
Loans and advances to corporate entities and other organizations						
Overdrafts	297,251	(3,150)	(154)	(13,444)	(16,748)	280,503
Term loans	1,204,990	(20,546)	(8,068)	(1,364)	(29,978)	1,175,012
Others	2,951	(21)	-	-	(21)	2,930
	1,505,192	**(23,717)**	**(8,222)**	**(14,808)**	**(46,747)**	**1,458,445**

31 December 2018

Group

Loans and advances to customers

Loans and advances to individuals	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Overdrafts	24,578	28	(38)	(8,806)	(8,816)	15,762
Term loans	84,348	(560)	2,893	(4,870)	(2,537)	81,811
	108,926	**(532)**	**2,855**	**(13,676)**	**(11,353)**	**97,573**
Loans and advances to corporate entities and other organizations						
Overdrafts	383,414	(3,220)	(457)	(47,232)	(50,909)	332,505
Term loans	1,310,720	-	(3,269)	(26,527)	(29,796)	1,280,924
Others	4,333	(50)	-	-	(50)	4,283
	1,698,467	**(3,270)**	**(3,726)**	**(73,759)**	**(80,755)**	**1,617,712**
Bank						
Loans and advances to individuals						
Overdrafts	13,305	(37)	(1)	(5,742)	(5,780)	7,525
Term loans	16,496	385	2,935	(4,308)	(988)	15,508
	29,801	**348**	**2,934**	**(10,050)**	**(6,768)**	**23,033**
Loans and advances to corporate entities and other organizations						
Overdrafts	208,244	(1,922)	(115)	(26,961)	(28,998)	179,246
Term loans	1,031,734	4,963	(2,958)	(26,535)	(24,530)	1,007,204
Others	4,333	(15)	-	-	(15)	4,318
	1,244,311	**3,026**	**(3,073)**	**(53,496)**	**(53,543)**	**1,190,768**

25 Loans and advances to customers - Continued

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

31 December 2019

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
(i) Group				
Balance, beginning of period	24,947	6,010	61,151	92,108
Impairment charge/(write back) in the period	7,276	10,595	(3,711)	14,160
Write offs	-	-	(20,132)	(20,132)
Transfer between stages	1,420	(405)	(1,015)	-
Balance, end of period	**33,643**	**16,200**	**36,293**	**86,136**
Loans and advances to individuals				
Balance, beginning of period	1,091	60	10,202	11,353
Impairment charge/(write back) in the period	664	795	(1,507)	(48)
Write offs	-	-	(437)	(437)
Transfer between stages	(220)	-	220	-
Balance, end of period	**1,535**	**855**	**8,478**	**10,868**
Loans and advances to corporate entities and other organizations				
Balance, beginning of period	23,856	5,950	50,949	80,755
Impairment charge/(write back) in the period	6,612	9,800	(2,204)	14,208
Write offs	-	-	(19,695)	(19,695)
Transfer between stages	1,640	(405)	(1,235)	-
Balance, end of period	**32,108**	**15,345**	**27,815**	**75,268**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

25 Loans and advances to customers - Continued

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

31 December 2019

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
(ii) Bank				
Balance, beginning of period	17,961	5,399	36,951	60,311
Impairment charge/(write back) in the period	4,658	3,228	3,212	11,098
Write offs	-	-	(17,431)	(17,431)
Transfer between stages	1,922	(405)	(1,517)	-
Balance, end of period	**24,541**	**8,222**	**21,215**	**53,978**
Loans and advances to individuals				
Balance, beginning of period	201	1	6,566	6,768
Impairment charge/(write back) in the period	642	(1)	259	900
Write offs	-	-	(437)	(437)
Transfer between stages	(19)	-	19	-
Balance, end of period	**824**	**-**	**6,407**	**7,231**
Loans and advances to corporate entities and other organizations				
Balance, beginning of period (IFRS 9)	17,760	5,398	30,385	53,543
Impairment charge/(write back) in the period	4,016	3,229	2,953	10,198
Reversal in allowance for credit loss				
Write offs		-	(16,994)	(16,994)
Transfer between stages	1,941	(405)	(1,536)	-
Balance, end of period	**23,717**	**8,222**	**14,808**	**46,747**

25 Loans and advances to customers - Continued

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

31 December 2018

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
(iii) Allowance for credit losses on loans and advances to customers				
Balance, beginning of period	31,416	7,087	66,004	104,507
Impairment charge in the period	9,781	284	24,215	34,280
Reversal in allowance for credit loss	(16,250)	(1,361)	(19,380)	(36,991)
Write offs	-	-	(9,688)	(9,688)
Transfer between stages	(21,145)	(5,139)	26,284	-
Balance, end of period	**3,802**	**871**	**87,435**	**92,108**
Loans and advances to individuals				
Balance, beginning of period	1,634	189	5,594	7,417
Impairment charge in the period	638	13	5,895	6,546
Reversal in allowance for credit loss	(1,181)	(142)	(1,286)	(2,609)
Write offs	-	-	(1)	(1)
Transfer between stages	(559)	(2,915)	3,474	-
Balance, end of period	**532**	**(2,855)**	**13,676**	**11,353**
Loans and advances to corporate entities and other organizations				
Balance, beginning of period	29,782	6,898	60,410	97,090
Impairment charge in the period	9,143	271	18,320	27,734
Reversal in allowance for credit loss	(15,069)	(1,219)	(18,094)	(34,382)
Write offs	-	-	(9,687)	(9,687)
Transfer between stages	(20,586)	(2,224)	22,810	-
Balance, end of period	**3,270**	**3,726**	**73,759**	**80,755**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

25 Loans and advances to customers - Continued

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

31 December 2018

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
(iv) Bank				
Balance, beginning of period	23,933	5,446	43,123	72,502
Impairment charge in the period	4,925	134	6,314	11,373
Reversal in allowance for credit loss	(10,897)	(181)	(1,403)	(12,481)
Write offs	-	-	(11,083)	(11,083)
Transfer between stages	(21,335)	(5,260)	26,595	-
Balance, end of period	**(3,374)**	**139**	**63,546**	**60,311**
Loans and advances to individuals				
Balance, beginning of period	201	1	3,724	3,926
Impairment charge in the period	140	-	2,844	2,984
Reversal in allowance for credit loss	(140)	-	-	(140)
Write offs	-	-	(2)	(2)
Transfer between stages	(549)	(2,935)	3,484	-
Balance, end of period	**(348)**	**(2,934)**	**10,050**	**6,768**
Loans and advances to corporate entities and other organizations				
Balance, beginning of period (IFRS 9)	23,732	5,445	39,399	68,576
Impairment charge in the period	4,785	134	3,470	8,389
Reversal in allowance for credit loss	(10,757)	(181)	(1,403)	(12,341)
Write offs	-	-	(11,081)	(11,081)
Transfer between stages	(20,786)	(2,325)	23,111	-
Balance, end of period	**(3,026)**	**3,073**	**53,496**	**53,543**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

26 Investment securities

	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Investment securities at FVOCI comprise (see note (i)):				
Treasury bills	678,243	790,292	634,209	705,152
Bonds	108,697	143,608	24,931	118,498
Equity investments	114,108	102,753	113,518	102,242
	901,048	**1,036,653**	**772,658**	**925,892**
Investment securities at amortised cost comprise (see note (i)):				
Treasury bills	461,353	321,131	-	-
Bonds	209,645	279,658	74,017	84,509
Gross amount	670,998	600,789	74,017	84,509
Allowance for credit losses	(496)	(310)	(461)	(244)
Net carrying amount	670,502	600,479	73,556	84,265
Carrying amount	**1,571,550**	**1,637,132**	**846,214**	**1,010,157**
Current	1,267,963	1,251,924	762,020	812,951
Non-current	303,587	385,208	84,194	197,206
	1,571,550	**1,637,132**	**846,214**	**1,010,157**

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

	Group		Bank	
In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Bonds (at FVOCI)	10,102	9,166	10,102	9,166
Treasury bills (at FVOCI)	400,625	353,994	400,625	353,994
Bonds (at amortised cost)	44,175	39,814	44,175	39,814
	454,902	402,974	454,902	402,974
(ii) Unquoted equity securities at FVOCI are analysed below:				
Africa Finance Corporation	92,592	87,113	92,592	87,113
SMEEIS Investment	6,588	4,640	6,588	4,640
Unified Payment Services Limited	5,147	3,593	5,147	3,593
MTN Nigeria	2,612	2,499	2,612	2,499
Central Securities Clearing System Limited	3,088	2,255	3,088	2,255
Nigeria Interbank Settlement System Plc	2,021	1,482	2,021	1,482
African Export-Import Bank	815	388	815	388
FMDQ OTC Plc	455	124	455	124
Credit Reference Company	150	98	150	98
NG Clearing Limited	50	50	50	50
Others[1]	590	511	-	-
	114,108	**102,753**	**113,518**	**102,242**

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

27 Other assets

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Financial assets				
Electronic payments receivables	31,868	20,001	29,095	16,868
Accounts receivable	96,635	28,148	53,298	9,401
Intercompany receivables	-	-	13,143	8,896
Dividends receivable	-	-	12,739	5,749
Pension custody fees receivable	693	744	-	-
Allowance for impairment on accounts receivable (a)	(8,642)	(5,310)	(5,039)	(1,965)
	120,554	**43,583**	**103,236**	**38,949**
Non-financial assets				
Prepayments	10,913	14,387	4,343	7,565
Recoverable taxes	2,796	1,565	718	128
Stock of consumables	5,622	3,477	3,310	3,000
	19,331	19,429	8,371	10,693
	139,885	**63,012**	**111,607**	**49,642**
(a) Movement in impairment for other assets				
At start of period	5,310	3,328	1,965	2,216
Charge for the period (Note 12)	3,738	4,162	3,074	3,105
Balances written off	-	(3,356)	-	(3,356)
Exchange difference	(406)	1,176	-	-
	8,642	5,310	5,039	1,965
(b) Current	136,041	59,441	108,622	47,268
Non-current	3,844	3,571	2,985	2,374
	139,885	**63,012**	**111,607**	**49,642**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

28 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 31 December 2019. The Associate Company (UBA Zambia Limited) with a financial reporting date of 31 December, has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of the Group's ownership interest is the same as the proportion of voting rights held.

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

(a) Movement in investment in equity-accounted investee

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Financial assets				
Balance, beginning of the period	4,610	2,860	2,715	1,770
Additional investment	-	945	-	945
Share of current period's result	413	419	-	-
Share of foreign currency translation differences	(881)	386	-	-
Balance, end of the period	4,143	4,610	2,715	2,715

(i) Reconciliation of summarised financial information

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

In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**
Opening net assets	5,063	3,420
Profit for the period	837	856
Foreign currency translation differences	(1,797)	787
Closing net assets	4,103	5,063
Group's interest in associate (49%)	2,010	2,477
Notional goodwill	2,133	2,133
Carrying amount	4,143	4,610

(b) Nature of investment in associates

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

28 Investment in equity-accounted investee - Continued

(c) Summarised financial information for associate

In millions of Nigerian Naira	Dec. 2019	Dec. 2018
(i) Summarised Statement of Financial Position		
Assets		
Cash and cash equivalents	4,815	6,314
Other current assets	29,408	22,550
Non-current assets	1,639	518
Total assets	**35,862**	**29,382**
Financial liabilities	24,383	21,168
Other current liabilities	7,376	3,151
Total liabiliities	**31,759**	**24,319**
Net assets	**4,103**	**5,063**
(ii) Summarised statement of comprehensive income		
Operating expense	4,664	5,129
Net impairment (loss)/reversal on financial assets	(3,902)	(4,345)
Profit/(Loss) before tax	**75**	**72**
Income tax expense	837	856
Profit/(Loss) for the period	**837**	**856**
Other comprehensive income	-	-
Total comprehensive income	837	856

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

29 Investment in subsidiaries

(a) Holding in subsidiaries

In millions of Nigerian Naira	Year of acquisition/ Commencement	Holding	Non- controlling interest	Country	Industry	Bank Dec. 2019	Bank Dec. 2018
Bank subsidiaries (see note (i) below):							
UBA Ghana Limited	2004	91%	9%	Ghana	Banking	8,048	8,048
UBA Cameroun (SA)	2007	100%	0%	Cameroun	Banking	1,845	1,845
UBA Cote d'Ivoire	2008	100%	0%	Cote d'Ivoire	Banking	12,295	12,295
UBA Liberia Limited	2008	100%	0%	Liberia	Banking	2,330	2,330
UBA (SL) Limited	2008	100%	0%	Sierra Leone	Banking	1,269	1,269
UBA Uganda Limited	2008	69%	31%	Uganda	Banking	3,705	3,705
UBA Burkina Faso	2008	64%	36%	Burkina Faso	Banking	5,352	5,352
UBA Benin	2008	84%	16%	Benin Republic	Banking	11,451	11,451
UBA Kenya Bank Limited	2009	81%	19%	Kenya	Banking	3,744	3,744
UBA Chad (SA)	2009	89%	11%	Chad	Banking	2,440	2,440
UBA Senegal (SA)	2009	86%	14%	Senegal	Banking	2,400	2,400
UBA Tanzania Limited	2010	82%	18%	Tanzania	Banking	4,332	4,332
UBA Gabon	2010	100%	0%	Gabon	Banking	2,760	2,760
UBA Guinea (SA)	2010	100%	0%	Guinea	Banking	1,475	1,475
UBA Congo DRC (SA)	2011	100%	0%	Congo DRC	Banking	10,375	10,375
UBA Congo Brazzaville (SA)	2011	100%	0%	Congo Brazzaville	Banking	3,024	3,024
UBA Mozambique (SA)	2011	96%	4%	Mozambique	Banking	8,156	8,156
UBA Mali	2017	100%	0%	Mali	Banking	6,300	6,300
UBA UK Limited (see (ii) below)	2012	100%	-	United Kingdom	Banking	9,974	9,974
Non-Bank Subsidiaries:							
UBA Pensions Custodian Limited (see (iii) below)	2004	100%	-	Nigeria	Pension custody	2,000	2,000
UBA FX Mart Limited (see (iv) below)	2008	100%	-	Nigeria	Banking	-	502
						103,275	103,777

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

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

In millions of Nigerian Naira	Bank Dec. 2019	Bank Dec. 2018
The movement in the investment in subsidiaries during the period is as follows:		
Balance, beginning of the period	103,777	103,777
Disposal of investments during the period	(502)	-
Balance, end of the period	**103,275**	**103,777**

29 Investment in subsidiaries - Continued

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

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

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

(iv) UBA FX Mart was incorporated on January 30, 2008 and commenced operations on May 22, 2008. It operated as a licensed bureau de change, dealing in foreign currency and traveller's cheques. In January 2015, Management made a decision to suspend the Company's operations. As at the reporting date, the Company has been liquidated and the analyses of the income arising from liquidation is provided below:

Profit for the year from the discontinued operation is analysed as follows:

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Net assets transferred to parent	677	-	677	-
Derecognition of Investment in subsidiaries	(501)	-	(501)	-
Profit from discontinued operation	**176**	**-**	**176**	**-**

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

(b) Non-controlling interests

(i) The total non-controlling interest at the end of the period is ₦19.41 billion (2018: ₦19.14 billion) is attributed to the following non-fully owned subsidiaries:

	Dec. 2019	**Dec. 2018**
UBA Ghana Limited	3,709	3,897
UBA Burkina Faso	6,038	6,439
UBA Benin	1,990	1,947
UBA Uganda Limited	1,401	1,235
UBA Kenya Bank Limited	1,633	1,444
UBA Senegal (SA)	2,769	2,360
UBA Mozambique (SA)	342	364
UBA Chad (SA)	1,046	1,018
UBA Tanzania Limited	477	435
	19,405	**19,139**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

29 Investment in subsidiaries - Continued

(ii) Set out below is summarised financial information for each subsidiary that has non-controlling interests as at 31 December 2019. The amounts disclosed for each subsidiary are before inter-company eliminations.

	UBA Ghana Limited		UBA Burkina Faso		UBA Benin	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Summarised statement of financial position						
Cash and bank balances	32,320	34,862	11,708	23,857	24,553	14,446
Other financial assets	214,027	191,759	175,519	180,760	88,707	105,825
Non-financial assets	2,579	1,917	2,970	3,191	2,016	2,619
Total assets	**248,926**	**228,538**	**190,197**	**207,808**	**115,276**	**122,890**
Financial liabilities	198,131	171,927	171,326	188,676	99,253	108,259
Non-financial liabilities	10,616	14,386	2,220	1,375	3,734	2,606
Total liabilities	**208,747**	**186,313**	**173,546**	**190,051**	**102,987**	**110,865**
Net assets	**40,179**	**42,225**	**16,651**	**17,757**	**12,289**	**12,025**

Summarized statement of comprehensive income	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Revenue	33,684	47,892	12,832	14,002	10,334	13,478
Profit for the period	11,093	11,356	1,796	2,706	1,097	2,390
Other comprehensive income	-	-	-	-		
Total comprehensive income	**11,093**	**11,356**	**1,796**	**2,706**	**1,097**	**2,390**
Total comprehensive income allocated to non-controlling interest	1,024	1,048	651	982	178	387
Dividends paid to non-controlling interests	-	-	-	-	-	-
Summarized cash flows						
Cash flows from operating activities	4,861	189	(72,938)	(33,934)	(9,810)	24
Cash flows from financing activities	1,956	77	(1,603)	(1,407)	2,343	1,013
Cash flows from investing activities	(3,777)	164	61,567	34,516	23,293	4,682
Net (decrease)/increase in cash and cash equivalents	**3,040**	**430**	**(12,974)**	**(825)**	**15,826**	**5,719**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

29 Investment in subsidiaries - Continued

	UBA Uganda Limited		UBA Kenya Bank Limited		UBA Senegal (SA)	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Summarised statement of financial position						
Cash and bank balances	18,290	10,639	13,489	12,071	14,653	64,492
Other financial assets	15,187	13,252	42,675	40,671	124,270	122,093
Non-financial assets	534	416	1,558	1,472	1,601	1,119
Total assets	**34,011**	**24,307**	**57,722**	**54,214**	**140,524**	**187,704**
Financial liabilities	29,471	20,307	33,762	27,901	113,860	164,781
Non-financial liabilities	-	-	15,364	18,714	6,172	5,460
Total liabilities	**29,471**	**20,307**	**49,126**	**46,615**	**120,032**	**170,241**
Net assets	**4,540**	**4,000**	**8,596**	**7,599**	**20,492**	**17,463**

Summarized statement of comprehensive income	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Revenue	4,326	3,961	6,233	5,032	11,526	11,467
Profit/(loss) for the period	651	575	812	174	2,799	3,268
Other comprehensive income	-	-	-	-		
Total comprehensive income	**651**	**575**	**812**	**174**	**2,799**	**3,268**
Total comprehensive income allocated to non-controlling interest	201	178	154	33	378	442
Summarized cash flows						
Cash flows from operating activities	13,028	5,863	17,658	12,976	(4,442)	51,775
Cash flows from financing activities	(404)	(864)	15,504	18,504	(323)	(3,820)
Cash flows from investing activities	(4,371)	(4,397)	(21,986)	(21,722)	(7,697)	(10,578)
Net increase/(decrease) in cash and cash equivalents	**8,253**	**602**	**11,176**	**9,758**	**(12,462)**	**37,377**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

29 Investment in subsidiaries - Continued

	UBA Mozambique (SA)		UBA Chad		UBA Tanzania	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Summarised statement of financial position						
Cash and bank balances	10,129	4,335	12,290	6,280	11,040	6,423
Other financial assets	8,515	15,190	38,343	34,399	17,789	10,224
Non-financial assets	218	233	629	1,199	206	160
Total assets	**18,862**	**19,758**	**51,262**	**41,878**	**29,035**	**16,807**
Financial liabilities	10,706	11,037	40,379	31,377	26,247	14,090
Non-financial assets	202	260	1,371	1,245	119	282
Total liabilities	**10,908**	**11,297**	**41,750**	**32,622**	**26,366**	**14,371**
Net assets	**7,954**	**8,461**	**9,512**	**9,256**	**2,669**	**2,436**

Summarized statement of comprehensive income	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Revenue	2,289	3,477	6,588	6,601	2,750	1,781
(Loss)/Profit for the period	(234)	88	2,229	2,063	266	(288)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(234)**	**88**	**2,229**	**2,063**	**266**	**(288)**
Total comprehensive income allocated to non-controlling interest	(10)	4	245	227	48	(52)
Summarized cash flows						
Cash flows from operating activities	630	1,331	14,126	(1,258)	12,165	391
Cash flows from financing activities	224	411	(2,509)	(2,599)	(1,131)	(810)
Cash flows from investing activities	5,326	(1,356)	(12,853)	(3,389)	(6,955)	(119)
Net increase/(decrease) in cash and cash equivalents	**6,180**	**386**	**(1,236)**	**(7,246)**	**4,079**	**(538)**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

30 Property and equipment

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Property and equipment	122,290	115,973	102,009	97,502
Right-of-use assets	6,209	-	5,439	-
Carrying amount	**128,499**	**115,973**	**107,448**	**97,502**

The Group previously classified leases as operating and finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership of the underlying asset to the Group. Under IFRS16, the Group recognises right-of-use assets and lease liabilities as part of 'property and equipment' and 'other liabilities' respectively.

(a) Property and equipment
As at December 31, 2019
Group

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2019	34,390	36,956	13,259	8,564	14,367	11,640	41,936	44,910	11,452	217,474
Additions	381	833	1,016	-	646	1,776	1,320	1,844	10,605	18,421
Reclassifications	(406)	466	532	-	41	108	1,231	3,476	(5,448)	-
Disposals	-	(0)	(9)	-	(240)	(101)	(191)	(242)	(213)	(996)
Transfers	-	-	41	-	-	27	239	28	(112)	223
Write-off	-	(8)	(169)	-	(107)	(54)	(139)	(107)	(6)	(590)
Exchange difference (note i)	-	(851)	926	-	252	(208)	(163)	(247)	(411)	(702)
Balance at 31 December 2019	**34,365**	**37,396**	**15,596**	**8,564**	**14,959**	**13,188**	**44,233**	**49,662**	**15,867**	**233,830**
Accumulated depreciation										
Balance at 1 January 2019	-	14,461	7,542	1,666	11,567	9,201	28,783	28,279	-	101,499
Charge for the period	-	934	515	668	850	1,191	3,048	4,774	-	11,980
Reclassifications	-	(13)	13	-	-	2	(44)	42	-	-
Disposals	-	(0)	(2)	-	(235)	(80)	(187)	(221)	-	(725)
Write-off	-	(1)	(160)	-	(66)	(55)	(131)	(103)	-	(516)
Exchange difference (note i)	-	(346)	(135)	-	(50)	(716)	326	218	-	(703)
Balance at 31 December 2019	**-**	**15,036**	**7,774**	**2,334**	**12,066**	**9,543**	**31,800**	**32,989**	**-**	**111,540**
Carrying amounts										
Balance at 31 December 2019	**34,365**	**22,360**	**7,822**	**6,230**	**2,893**	**3,645**	**12,433**	**16,673**	**15,867**	**122,290**
Balance at 31 December 2018	**34,390**	**22,495**	**5,717**	**6,898**	**2,800**	**2,439**	**13,153**	**16,629**	**11,452**	**115,973**

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

(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2018: nil).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

30 Property and equipment - Continued

(a) Property and equipment - continued
As at December 31, 2018
Group

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2018	34,380	36,533	13,305	8,564	14,071	11,049	33,389	38,430	12,702	202,423
Additions	63	580	574	-	779	728	1,832	5,779	8,709	19,044
Reclassifications	(22)	928	277	-	23	136	7,182	1,417	(9,942)	(1)
Disposals	(3)	(573)	(558)	-	(342)	(135)	(276)	(446)	(99)	(2,432)
Transfers	-	-	-	-	-	-	-	-	233	233
Write-off	-	(6)	-	-	(1)	-	-	-	-	(7)
Exchange difference (note i)	(28)	(506)	(339)	-	(163)	(138)	(191)	(270)	(151)	(1,786)
Balance at 31 December 2018	**34,390**	**36,956**	**13,259**	**8,564**	**14,367**	**11,640**	**41,936**	**44,910**	**11,452**	**217,474**
Accumulated depreciation										
Balance at 1 January 2018	-	14,595	7,319	1,258	11,035	8,268	27,400	24,910	-	94,785
Charge for the period	-	514	868	408	907	1,207	2,329	3,966	-	10,199
Reclassifications	-	(7)	7	-	-	(1)	(5)	6	-	-
Disposals	-	(399)	(382)	-	(219)	(97)	(707)	(346)	-	(2,150)
Write-off	-	-	-	-	(1)	-	-	-	-	(1)
Exchange difference (note i)	-	(242)	(270)	-	(155)	(176)	(234)	(255)	-	(1,332)
Balance at 31 December 2018	**-**	**14,461**	**7,542**	**1,666**	**11,567**	**9,201**	**28,783**	**28,281**	**-**	**101,501**
Carrying amounts										
Balance at 31 December 2018	**34,390**	**22,495**	**5,717**	**6,898**	**2,800**	**2,439**	**13,153**	**16,629**	**11,452**	**115,973**
Balance at 31 December 2017	**34,380**	**21,938**	**5,986**	**7,306**	**3,036**	**2,781**	**5,989**	**13,518**	**12,702**	**107,636**

(b) Right-of-use assets
December 31, 2019
Group

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

30 Property and equipment - Continued

(c) As at December 31, 2019
Bank

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

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

(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2018: nil).

(d) December 31, 2018
Bank

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2018	33,334	25,499	3,673	8,564	10,041	7,270	27,115	31,483	9,083	156,062
Additions	63	318	77	-	319	422	1,142	5,137	8,014	15,492
Reclassifications	(22)	512	277	-	23	136	7,182	1,417	(9,525)	-
Disposals	(3)	(7)	(20)	-	(158)	(27)	(150)	(275)	(99)	(739)
Transfers	-	-	-	-	-	-	-	-	233	233
Write-off	-	(6)	-	-	(1)	-	-	-	-	(7)
Exchange difference (note i)	-	-	27	-	3	14	47	14	-	105
Balance at 31 December 2018	**33,372**	**26,316**	**4,034**	**8,564**	**10,227**	**7,815**	**35,336**	**37,776**	**7,706**	**171,146**
Accumulated depreciation										
Balance at 1 January 2018	-	8,691	1,520	1,258	7,888	5,185	22,240	19,995	-	66,777
Charge for the period	-	400	93	408	603	561	1,985	3,318	-	7,368
Reclassifications	-	(7)	7	-	-	(1)	(5)	6	-	-
Disposals	-	(2)	(14)	-	(128)	(25)	(142)	(258)	-	(569)
Write-off	-	-	-	-	(1)	-	-	-	-	(1)
Exchange difference (note i)	-	-	20	-	2	13	18	16	-	69
Balance at 31 December 2018	**-**	**9,082**	**1,626**	**1,666**	**8,364**	**5,733**	**24,096**	**23,077**	**-**	**73,644**
Carrying amounts										
Balance at 31 December 2018	**33,372**	**17,234**	**2,408**	**6,898**	**1,863**	**2,082**	**11,240**	**14,699**	**7,706**	**97,502**
Balance at 31 December 2017	**33,334**	**16,808**	**2,153**	**7,306**	**2,153**	**2,085**	**4,875**	**11,488**	**9,083**	**89,285**

30 Property and equipment - Continued

(e) Right-of-use assets
December 31, 2019
Bank

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

31 Intangible assets

(a) (i) As at December 31, 2019
Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress[2]	Total
Cost				
Balance at 1 January 2019	9,735	20,092	3,710	33,537
Additions	-	177	1,669	1,846
Reclassifications	-	135	(135)	-
Disposal	-	-	(11)	(11)
Transfers1	-	(37)	(187)	(224)
Exchange difference	(177)	(345)	0	(522)
Balance at 31 December 2019	**9,558**	**20,022**	**5,046**	**34,626**
Amortization				
Balance at 1 January 2019	-	15,369	-	15,369
Amortisation for the period	-	1,627	-	1,627
Exchange difference	-	(40)	-	(40)
Balance at 31 December 2019	**-**	**16,956**	**-**	**16,956**
Carrying amounts				
Balance at 31 December 2019	**9,558**	**3,066**	**5,046**	**17,670**
Balance at 31 December 2018	**9,735**	**4,723**	**3,710**	**18,168**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

31 Intangible assets - continued

(ii) **December 31, 2018**
Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress[2]	Total
Cost				
Balance at 1 January 2018	9,792	18,506	2,533	30,831
Additions	-	994	2,370	3,364
Reclassifications	-	926	(926)	-
Disposal	-	-	(33)	(33)
Transfers1	-	-	(233)	(233)
Exchange difference	(57)	(334)	-	(391)
Balance at 31 December 2018	**9,735**	**20,092**	**3,710**	**33,537**
Amortization	-			
Balance at 1 January 2018	-	13,940	-	13,940
Amortisation for the period	-	1,602	-	1,602
Exchange difference	-	(172)	-	(172)
Balance at 31 December 2018	**-**	**15,369**	**-**	**15,369**
Carrying amounts				
Balance at 31 December 2018	**9,735**	**4,723**	**3,710**	**18,168**
Balance at 31 December 2017	**9,792**	**4,566**	**2,533**	**16,891**

(b) **(i) Bank**

In millions of Nigerian Naira	Purchased software	Work in progress[2]	Total
Cost			
Balance at 1 January 2019	14,886	3,697	18,583
Additions	14	1,669	1,683
Reclassifications	123	(123)	-
Disposal	-	(12)	(12)
Transfers1	-	(187)	(187)
Exchange difference	-	-	-
Balance at 31 December 2019	**15,023**	**5,044**	**20,067**
Amortization			
Balance at 1 January 2019	11,672	-	11,672
Amortisation for the period	1,325	-	1,325
Balance at 31 December 2019	**12,997**	**-**	**12,997**
Carrying amounts			
Balance at 31 December 2019	**2,026**	**5,044**	**7,070**
Balance at 31 December 2018	**3,214**	**3,697**	**6,911**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

31 Intangible assets - continued

(ii) Bank

Cost

In millions of Nigerian Naira	Purchased software	Work in progress[2]	Total
Balance at 1 January 2018	13,683	2,533	16,216
Additions	275	2,346	2,621
Reclassifications	926	(926)	-
Disposal	-	(33)	(33)
Transfers1	2	(233)	(231)
Exchange difference	-	11	11
Balance at 31 December 2018	**14,886**	**3,697**	**18,583**
Amortization			
Balance at 1 January 2018	10,370	-	10,370
Amortisation for the year	1,302	-	1,302
Balance at 31 December 2018	**11,672**	**-**	**11,672**
Carrying amounts			
Balance at 31 December 2018	**3,214**	**3,697**	**6,911**
Balance at 31 December 2017	**3,313**	**2,533**	**5,846**

There were no capitalised borrowing costs related to the internal development of software during the period (December 2018: nil). Computer software has a definite useful life of not more than five years while goodwill has an indefinite useful life and is annually assessed for impairment.

[1] Transfers represent reclassification of items from property and equipment (work in progress) to intangible assets - purchased software (work in progress) during the period as disclosed in Note 30.

[2] Work in progress represents capitalised development costs for software that are currently in their development phase.

Impairment testing for cash-generating units containing Goodwill

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash generating units (CGUs) as the goodwill is monitored at the level of the individual cash generating units. UBA Benin and UBA UK Limited have been identified as individual cash generating units. UBA Benin and UBA UK Limited operate under Rest of Africa and Rest of the World geographic segments respectively. The recoverable amounts of the CGUs have been determined based on value-in-use calculations; using cash flow projections based on financial forecasts covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated economic growth rates for the respective CGUs. These growth rates are consistent with forecasts included in industry reports specific to the economic environment in which each of the CGU's operates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

31 Intangible assets - continued

The following table sets out the key assumptions used in the value-in-use calculations:

	UBA Benin		UBA UK Limited	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Gross earnings (% annual growth rate)	13.2	11.0	9.0	11.0
Deposits (% annual growth rate)	15.0	15.0	5.0	5.0
Loans and advances (% annual growth rate)	15.0	15.0	10.0	10.0
Operating expenses (% annual growth rate)	10.0	10.0	5.0	5.0
Terminal growth rate (%)	1.5	1.5	1.0	2.0
Discount rate (pre-tax) (%)	18.9	18.5	5.4	6.6

The values assigned to each of the above key assumptions were determined as follows:

Assumption	Approach used in determining values
Gross earnings	This is the average annual growth rate over the five-year period. Based on past performance, expectations of market development and the expected positive impact of deposits and loan growth in the forecast period.
Deposits	This is the average annual growth rate over the five-year period. Deposits have been determined to be the key value driver for the CGUs. Projected deposits growth is based on past performance of the CGUs as well as management's plans to expand the businesses and deepen customer base.
Loans and advances	This is the average annual growth rate over the five year period. It is based partly on past performance but largely on the expected positive impact of the forecasted growth in deposits.
Operating expenses	This is the average annual growth rate over the five year period. It is based on the current structure of business of the respective CGUs, adjusting for expected inflationary increases but not reflecting any future restructurings or cost saving measures.
Terminal growth rate	This is the average growth rate used to extrapolate cash flows beyond the five-year period. Based on estimated economic growth rates for the respective CGUs.
Discount rate	The discount rate was a pre-tax measure based on the longest tenured government bond issued by the governments in Benin and United Kingdom respectively adjusted for a risk premium to reflect both the increased risk of investing in equities and generally and the systematic risk of the specific CGU.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

31 Intangible assets - continued

Below is the result of the impairment test:

	UBA Benin		UBA UK Limited	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Recoverable amount	58,534	33,788	59,886	48,818
Less: Carrying amount				
Goodwill	(5,537)	(5,779)	(4,021)	(3,956)
Net assets	(12,289)	(12,025)	(16,358)	(16,497)
Total carrying amount	(17,826)	(17,804)	(20,379)	(20,453)
Excess of recoverable amount over carrying amount	**40,708**	**15,984**	**39,507**	**28,365**

The key assumptions described above may change as economic and market conditions change. The results of the value-in-use calculations are most sensitive to changes in the deposit growth rates, terminal growth rates and discount rates applied. The recoverable amounts of the respective CGUs would equal their carrying amounts if these key assumptions were to change as follows:

	Dec. 2019		Dec.2018	
In millions of Nigerian Naira	**% From**	**% To**	**% From**	**% To**
UBA Benin				
Deposit growth rate	15.0	8.1	15.0	8.1
Discount rate	18.9	35.1	18.5	36.9
UBA UK Limited				
Deposit growth rate	5.0	1.2	5.0	1.1
Discount rate	5.4	16.0	6.6	16.0

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

32 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group			Bank		
In millions of Nigerian Naira	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
31 December 2019						
Property, equipment, and software	25,670	119	25,551	22,406	-	22,406
Allowances for loan losses	3,849	61	3,788	3,728	-	3,728
Account receivable	1,454	9	1,445	1,454	-	1,454
Financial assets at FVOCI	-	13,475	(13,475)	-	13,475	(13,475)
Tax losses carried forward	7,433	-	7,433	6,362	-	6,362
Other liabilities	882	-	882	882	-	882
Fair value gain on derivatives	-	3,179	(3,179)	-	3,179	(3,179)
Loss on revaluation of investment securities	59	-	59	59	-	59
Foreign currency revaluation Loss	3,624	-	3,624	3,624	-	3,624
Others	83	12	71	-	-	-
Net deferred tax assets/liabilities	**43,054**	**16,855**	**26,199**	**38,515**	**16,653**	**21,862**
31 December 2018						
Property, equipment, and software	17,734	28	17,706	14,626	-	14,626
Allowances for loan losses	7,111	-	7,111	7,111	-	7,111
Account receivable	695	-	695	695	-	695
Tax losses carried forward	10,779	-	10,779	10,779	-	10,779
Fair value gain on derivatives	-	11,642	(11,642)	-	11,642	(11,642)
Unused capital allowance	293	-	293	293	-	293
Net deferred tax assets/liabilities	**36,612**	**11,670**	**24,942**	**33,504**	**11,642**	**21,862**

32 Deferred tax assets and liabilities - Continued

(b) Movements in temporary differences during the period
31 December 2019
Group

In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	17,706	7,845	-	25,551
Allowances for loan losses	7,111	(3,323)	-	3,788
Account receivable	695	750	-	1,445
Financial assets at FVOCI	-	(13,475)	-	(13,475)
Tax losses carried forward	(3,601)	11,034	-	7,433
Other liabilities	-	882	-	882
Tax losses on fair value gain on derivatives	(8,069)	4,890	-	(3,179)
Foreign currency revaluation Loss	1,440	2,184	-	3,624
Loss on revaluation of investment securities	9,368	(9,309)	-	59
Others	293	(222)	-	71
	24,943	**1,256**	**-**	**26,199**

Bank				
Property, equipment, and software	22,406	-	-	22,406
Allowances for loan losses	3,728	-	-	3,728
Account receivable	1,454	-	-	1,454
Financial assets at FVOCI	(13,475)	-	-	(13,475)
Tax losses carried forward	6,362	-	-	6,362
Other liabilities	882	-	-	882
Tax losses on fair value gain on derivatives	(3,179)	-	-	(3,179)
Foreign currency revaluation Loss	3,625	-	-	3,624
Loss on revaluation of investment securities	59	-	-	59
Others	-	-	-	-
	21,862	**-**	**-**	**21,862**

32 Deferred tax assets and liabilities - Continued

(b) Movements in temporary differences during the period - continued
31 December 2018
Group

In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	15,203	2,528	(25)	17,706
Allowances for loan losses	3,783	3,328	-	7,111
Account receivable	672	23	-	695
Tax losses carried forward	8,643	(12,244)	-	(3,601)
Exchange difference on monetary items	436	(436)	-	-
Tax losses on fair value gain on derivatives	(63)	(8,006)	-	(8,069)
Foreign currency revaluation Loss	-	9,368	-	9,368
Loss on revaluation of investment securities	852	588	-	1,440
Others	-	293	-	293
	29,526	**(4,558)**	**(25)**	**24,943**

Bank				
Property, equipment, and software	12,855	9,551	-	22,406
Allowances for loan losses	3,783	(55)	-	3,728
Account receivable	672	782	-	1,454
Financial assets at FVOCI	-	(13,475)	-	(13,475)
Tax losses carried forward	8,643	(2,281)	-	6,362
Other liabilities	-	882	-	882
Tax losses on fair value gain on derivatives	(63)	(3,116)	-	(3,179)
Foreign currency revaluation Loss	-	3,625	-	3,625
Loss on revaluation of investment securities	1,288	(1,229)	-	59
Others	-	-	-	-
	27,178	**(5,316)**	**-**	**21,862**

Unrecognised deferred tax assets

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Unused tax losses for which no deferred tax asset has been recognized was N23.75 billion (2018: N31.81 billion).

Temporary difference relating to the Group's investment in subsidiaries is N152.775 billion (2018: N153.815billion). As the Group exercises control over the subsidiaries, it has the power to control the timing of the reversals of the temporary difference arising from its investments in them. The group has determined that the subsidiaries' profits and reserves will not be distributed in the foreseeable future and that the subsidiaries will not be disposed of. Hence, the deferred tax arising from the temporary differences above will not be recognized.

33 Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount which is recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are indicative of neither the market risk nor the credit risk.

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Derivative assets				
Carrying value	**48,131**	**34,784**	**48,131**	**34,784**
Notional amount	**438,130**	**318,172**	**438,130**	**318,172**
Derivative liabilities				
Carrying value	**852**	**34**	**852**	**34**
Notional amount	**129,236**	**18,815**	**129,236**	**18,815**
(a) Derivative assets				
Instrument type:				
Cross-currency swaps	40,779	34,776	40,779	34,776
Foreign exchange forward contracts	7,352	8	7,352	8
	48,131	**34,784**	**48,131**	**34,784**
The movement in derivative assets is as follows:				
Balance, beginning of period	34,784	8,227	34,784	7,911
Fair value of derivatives derecognised/remeasured in the period	(34,784)	(8,227)	(34,784)	(7,911)
Fair value of derivatives acquired/remeasured in the period	48,131	34,784	48,131	34,784
Balance, end of period	**48,131**	**34,784**	**48,131**	**34,784**
Derivative assets are current in nature				
(b) Derivative liabilities				
Instrument type:				
Cross-currency swap	599	34	599	34
Foreign exchange forward contracts	253	65	253	65
	852	**99**	**852**	**99**
The movement in derivative liability is as follows:				
Balance, beginning of period	99	123	99	123
Fair value of derivatives derecognised/remeasured in the period	(99)	(123)	(99)	(123)
Fair value of derivatives acquired/remeasured in the period	852	99	852	99
Balance, end of period	**852**	**99**	**852**	**99**

Derivative liabilities are current in nature

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

33 Derivative financial instruments - Continued

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
(c) Fair value gain on derivatives				
Derivative assets:				
Fair value gain on additions in the period	48,131	34,784	48,131	34,784
Fair value loss on maturities in the period	(34,784)	(8,227)	(34,784)	(7,911)
Net fair value gain on derivative assets	**13,347**	**26,557**	**13,347**	**26,873**
Derivative liabilities:				
Fair value loss on additions in the period	(852)	(99)	(852)	(99)
Fair value gain on maturities in the period	99	123	99	123
Net fair value loss on derivative liabilities	**(753)**	**24**	**(753)**	**24**
Net fair value gain/(loss) on derivative assets and liabilities (See note 15)	**12,594**	**26,581**	**12,594**	**26,897**

34 Deposits from banks

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Money market deposits	140,509	153,419	2,882	11,610
Due to other banks	126,561	21,417	89,835	18,892
	267,070	**174,836**	**92,717**	**30,502**
Current	**267,070**	**174,836**	**92,717**	**30,502**

35 Deposits from customers

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Retail customers:				
Term deposits	385,635	353,247	298,426	270,968
Current deposits	483,714	663,514	318,213	512,468
Savings deposits	855,079	701,980	711,516	578,963
Corporate customers:				
Term deposits	630,358	419,230	529,830	308,871
Current deposits	1,478,098	1,211,149	906,403	752,838
	3,832,884	**3,349,120**	**2,764,388**	**2,424,108**
Current	3,832,757	3,348,658	2,764,261	2,423,646
Non-current	127	462	127	462
	3,832,884	**3,349,120**	**2,764,388**	**2,424,108**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

36 Other liabilities

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Financial liabilities				
Creditors and payables	63,306	61,762	32,031	41,735
Managers cheques	5,942	5,233	4,300	3,728
Unclaimed dividends (note (i))	5,885	7,076	5,885	7,076
Customers' deposit for foreign trade (note (ii))	10,174	27,793	8,096	24,410
Lease liabilities (note (iii))	1,630	-	1,109	-
	86,937	101,864	51,421	76,949
Non-financial liabilities				
Provisions (note (iv))	252	252	147	147
Allowance for credit losses on off-balance sheet items (note (v))	1,157	3,264	1,062	2,679
Deferred income	262	319	262	319
Accrued expenses[1]	18,647	15,065	4,258	4,205
	20,318	18,900	5,729	7,350
Total other liabilities	**107,255**	**120,764**	**57,150**	**84,299**
Non-current	1,070	-	853	-
Current	106,185	120,764	56,297	84,299
	107,255	**120,764**	**57,150**	**84,299**

(i) The amount represents unclaimed dividends due to UBA Plc's shareholders which have been returned by the Bank's Registrar.

(ii) Customers' deposit for foreign trade represents the naira value of foreign currencies held to cover letter of credit transactions. The corresponding balance is included in current balances with banks in note 22.

(iii) Finance cost on the lease liabilities is included in'Interest expense' in note 11.

The movement in lease liabilities balance during the period is as follows:

	Group			Bank		
In millions of Nigerian Naira	**Land**	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Lease liabilities						
Balance - 1 January 2019	53	1,976	2,029	53	1,626	1,679
Additions (new lease contracts) during the year	23	401	424	23	272	295
Principal repayments/cashflows during the year	(2)	(998)	(1,000)	(2)	(986)	(988)
Interest repayments/cashflows during the year	(1)	(98)	(99)	(1)	(95)	(96)
Interest accrued (note 11)	10	266	276	10	209	219
Balance - 31 December 2019	**83**	**1,547**	**1,630**	**83**	**1,026**	**1,109**

Maturity analysis for Lease Liabilities

	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	More than 1 year	Gross nominal amount	Total
Group	14	22	380	378	1070	1,864	1,630
Bank	9	0	297	220	853	1,379	1,109

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

36 Other liabilities - Continued

(iv) The amount represents a provision for certain legal claims. The provision charge is recognised in income statement within 'other operating expenses'. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2019. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

The movement in provision during the period is as follows:

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
At 1 January	252	252	147	147
Additional provisions	-	-	-	-
At 31 December	**252**	**252**	**147**	**147**
Analysis of total provisions:				
Current	**252**	**252**	**147**	**147**

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

37 Borrowings

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
- Central Bank of Nigeria (note 37.1)	83,663	85,380	83,663	85,380
- Bank of Industry (BoI) (note 37.2)	6,292	7,708	6,292	7,708
- Sumitomo Mitsui Banking Corporation (note 37.3)	36,608	-	36,608	-
- European Investment Bank (EIB) (note 37.4)	23,356	23,539	23,356	23,539
- Africa Trade Finance Limited (note 37.5)	32,846	43,359	18,258	25,419
- African Development Bank (note 37.6)	46,385	54,842	46,385	54,842
- Credit Suisse (note 37.7)	110,509	108,065	110,509	108,065
- Eurobond debt security (note 37.8)	181,022	177,634	181,022	177,634
- JP Morgan Securities Limited (note 37.9)	73,185	72,062	73,185	72,062
- Societe Generale Bank (note 37.10)	63,879	35,967	63,879	35,967
- Mashreqbank psc (note 37.11)	18,277	17,969	18,277	17,969
- Rand Merchant Bank (note 37.12)	55,280	27,015	55,280	27,015
- ABSA Bank Limited (note 37.13)	27,380	21,534	27,380	21,534
- International Finance Corporation (IFC) (note 37.14)	-	8,458	-	-
	758,682	**683,532**	**744,094**	**657,134**
Current	384,465	225,563	377,072	199,165
Non-current	374,217	457,969	367,022	457,969
	758,682	**683,532**	**744,094**	**657,134**
Movement in borrowings during the period:				
Opening balance	683,532	502,209	657,134	502,209
Additions	140,708	235,128	126,120	235,128
Interest expense	41,408	35,151	39,370	33,509
Interest paid	(50,103)	(37,167)	(49,778)	(36,842)
Repayments (principal)	(64,062)	(116,117)	(37,664)	(116,117)
Exchange difference	7,199	64,328	8,912	39,247
	758,682	**683,532**	**744,094**	**657,134**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

37 Borrowings - Continued

37.1 This represents on-lending facilities provided by the Central Bank of Nigeria (CBN):

(a) ₦19.443 billion of this facility represents the outstanding balance on the Commercial Agriculture Credit Scheme granted to the Bank for the sole purpose of granting loans, at subsidised rates, to the agricultural sector. Interest on the facility cannot exceed 9% per annum inclusive of all charges and is to be shared between the Bank and CBN at 7% and 2% respectively. The facility will terminate on 30 September 2025. The Bank is the primary obligor to CBN and assumes the risk of default.

(b) ₦35.131 billion of this facility represents the outstanding balance on the concessionary loans granted by the Central Bank of Nigeria to some State Governments. The facility attracts an interest rate of 2% and the Bank is under obligation to lend to participating states at a maximum rate of 9% per annum (inclusive of all charges). The principal is repayable monthly and the tenor of the facility is 20 years.

(c) ₦29.089 billion of this facility represents the outstanding balance on the loan granted by the Central Bank of Nigeria with respect to Real Sector Support Facility (RSSF) initiative to support the Federal Government's Special Fertilizer Intervention programme. The Central Bank shall lend to the Bank at 1.5% while the Bank shall on-lend to the customer at a maximum interest rate of 3.5% per annum, all charges inclusive. The 1.5% interest shall be remitted to CBN on a quarterly basis. The principal is repayable quarterly (after a one-year moratorium) and the tenor of the facility is 6 years.

37.2 This represents an intervention credit granted to the Bank by the Bank of Industry (BOI) for the purpose of refinancing/restructuring existing loans to Small and Medium Scale Enterprises (SMEs), manufacturing companies and companies in the power and aviation industries. The maximum tenor of term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum, deductible at source in the first year and quarterly in arrears thereafter, is paid by the Bank under the intervention programme and the Bank is under obligation to on-lend to customers at an all-interest rate of 7% per annum. The Bank is the primary obligor to CBN/BOI and assumes the risk of default.

37.3 This represents the amount granted under a $100 million trade loan facility granted by Sumitomo Mitsui Banking Corporation in May 2019. The facility is for a tenor of one (1) year and Interest rate is three (3) months USD LIBOR plus 260 basis points. The interest repayments were on a quarterly basis while the principal repayment was due upon maturity in May 2020.

37.4 This represents the outstanding balance on $16.296 million and $62.634million (€60million) term loan facilities granted by European Investment Bank in October 2013 and January 2017 respectively. The purpose of the $16.296 million term loan facility is to support lending to small and medium sized enterprises in Nigeria and through its regional subsidiaries. The facility is for a tenor of 7 years. Of the initial amount granted, $8.079 million was liquidated in June 2014. Interest rate on the facility is six (6) months USD LIBOR plus 351 basis points. Interest on the loan is payable semi-annually while principal repayment commenced in April 2017. The facility will expire in October 2020.

The $62.634million (€60million) term loan facility was granted under the Nigeria Private Enterprise Finance Facility extended by the European Investment Bank to a group of financial institutions located in Nigeria. The purpose of the facility is to finance capital expenditure for development of intermediation capacities and support small and medium sized enterprises in Nigeria. The facility is for a tenor of 9 years. The interest rate on the facility is six months USD LIBOR plus 337 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 36 months. Facility matures December 2025.

37.5 This represents facilities provided by Africa Trade Finance Limited (ATF):

(a) This represents the outstanding balance on the $50million term loan facility arranged by Africa Trade Finance Limited, United Kingdom in December 2019. The facility is a trade-related term loan with a tenor of six (6) months and interest rate of six months USD LIBOR plus 220 basis points. Interest on the loan is payable semi-annually with principal repayment at maturity in June 2020.

(b) ATF also granted $40million line of credit to UBA Kenya in October 2019. The facility is for a six month period and matures in April 2020. Interest rate on the facility is 90 days USD LIBOR plus 250 basis points and is payable quarterly.

37.6 This represents the amount granted under a $150million line of credit by African Development Bank, Cote d'Ivoire in November 2017. The first tranche of $120million was disbursed to the Bank in December 2016 while the second tranche of $30 million was disbursed to the Bank in November 2017. The facility is for a tenor of 8 years and is to be used for medium term financing and on-lending to infrastructure projects, small and medium sized enterprises and women-owned enterprises in the Federal Republic of Nigeria. The interest rate on the facility is six months USD LIBOR plus 440 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 2 years. The facility matures December 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

37 Borrowings - Continued

37.7 This represents the amount granted under a $300million term loan facility by Credit Suisse International, United Kingdom and disbursed in three tranches of $100million each. Tranche 1 of this facility was disbursed in August 2018, while Tranche 2 and 3 were disbursed in September 2018. Under a renewed agreement with Credit Suisse, the $300million was extended in August and September 2019; all the facilities have a tenor of one (1) year with interest rate of 3 months USD LIBOR plus 250 basis points. Interest payments are on a quarterly basis while the principal repayments are due at maturity in August 2020 and September 2020 respectively.

37.8 This represents the amortised cost of the Eurobond issued by the Bank on June 8, 2017. The $500million Notes have a tenor of 5 years with a maturity date of June 8, 2022 and a yield of 7.875%. The rate of interest (coupon) is 7.75% payable semi-annually with bullet repayment of the Principal sum at maturity.

37.9 This represents the outstanding balance on $100million and $100million trade finance loan facilities granted by JP Morgan in August and December 2019. The facilities are for a tenor of one year and interest rate is three (3) months USD LIBOR plus 222 basis points and 240 basis points respectively. The interest payments are on a quarterly basis while principal repayments are due upon maturity in August and December 2020 respectively.

37.10 This represents the amounts granted under a $100 million and $75 million trade finance loan facilities granted by Societe Generale Bank in September 2019 and December 2019. The facilities are for one year and Interest rate is three (3) months USD LIBOR plus 210 basis points and 12 month USD LIBOR plus 210 basis points respectively. The interest and principal repayments are due upon maturity in October 2020 and December 2020.

37.11 This represents the amount granted under a $50 million trade finance loan facility granted by Mashreqbank psc in December 2019. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 275 basis points. The interest and principal repayments are due upon maturity in June 2020.

37.12 This represents the amount granted under a $75 million and $75 million trade finance loan facilities granted by Rand Merchant Bank in August and December 2019. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 285 basis points and 275 basis points respectively. The interest and principal repayments are due upon maturity in February and June 2020.

37.13 This represents the amount granted under a $75 million trade finance loan facility granted by ABSA Bank Ltd in December 2019. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 285 basis points. The interest and principal repayments are due upon maturity in June 2020.

37.14 This represents facilities provided by International Finance Corporation (IFC):

(a) This represents the amount granted to UBA Ghana under a $25 million term loan facility granted by International Finance Corporation (IFC) in February 2018. The facility is for a tenor of five (5) years and Interest rate is six (6) months USD LIBOR plus 525 basis points paid quarterly. The principal repayment will be on a semi-annual basis after a two-year moratorium period. UBA Ghana pre-paid this facility in May 2019.

(b) This represents the amount granted to UBA Liberia under a $2 million term loan facility granted by International FInance Corporation (IFC). The facility is for a tenor of two (2) years and Interest rate is 8.25% paid semi-annually while the principal repayment is due upon maturity. UBA Liberia pre-paid this facility from in June 2019

38 Subordinated liabilities

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Medium term notes - series 3	30,048	29,859	30,048	29,859
	30,048	**29,859**	**30,048**	**29,859**
Current	5,017	5,017	5,017	5,017
Non-current	25,031	24,842	25,031	24,842
	30,048	**29,859**	**30,048**	**29,859**

Subordinated liabilities represent medium-term bonds issued by the Bank. In September 2011, the Bank offered N30.5 billion fixed rate unsecured notes maturing in 2021 with a coupon of 16.45%. Coupon on the notes are payable semi-annually while principal is payable on maturity.

Movement in subordinated liabilities:

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Opening balance	29,859	65,741	29,859	65,741
Interest accrued	5,206	9,032	5,206	9,032
Interest paid	(5,017)	(9,897)	(5,017)	(9,897)
Repayments	-	(35,017)	-	(35,017)
	30,048	**29,859**	**30,048**	**29,859**

39 Capital and reserves

(a) Share capital

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Share capital comprises:				
(i) Authorised -				
45,000,000,000 Ordinary shares of 50k each	22,500	22,500	22,500	22,500
(ii) Issued and fully paid -				
34,199,421,366 Ordinary shares of 50k each	**17,100**	**17,100**	**17,100**	**17,100**
The movement in the share capital account during the period is as follows:				
Number of shares in issue at start of the period	34,200	34,200	34,200	34,200
Number of shares in issue at end of the period	**34,200**	**34,200**	**34,200**	**34,200**

39 Capital and reserves - Continued

(b) Share premium

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

(c) Retained earnings

Retained earnings is the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

(d) Other Reserves

Other reserves include the following:

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Translation reserve (note (i))	7,823	18,178	-	-
Statutory reserve (note (ii))	102,248	90,783	86,068	74,603
Fair value reserve (note (iii))	117,408	69,099	117,995	69,751
Regulatory (Credit) risk reserve (note (iv))	50,594	21,521	36,554	15,212
	278,073	**199,581**	**240,617**	**159,566**

(i) Translation reserve

Translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

(ii) Statutory reserve

Statutory reserve includes:

- Statutory reserve: this represents the cumulative appropriation from earnings in accordance with existing legislation that require the Bank to make an annual appropriation, In the current period, the Bank transferred ₦9.188 billion representing 15% (2018: 15%) of its profit after taxation to statutory reserves.

- Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves of ₦2.635 billion as at 31 December 2019 (December 2018: ₦2.635 billion). The Bank has since suspended further appropriation to SMEEIS reserve in line with the directives of the Central Bank of Nigeria.

- Agriculture/Small and Medium Enterprises Equity Investment Scheme (AGSMEEIS) reserves of ₦6.551 billion as at 31 December 2019 (December 2018: ₦4.499). The reserve was set aside in compliance with Central Bank of Nigeria's directive of April 2017.

(iii) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of investments at fair value through other comprehensive income. The net cumulative fair value change on equity instruments is transferred to retained earnings when the investment is derecognised while the net cummulative fair value change on debt instruments is recycled to the income statement.

(iv) Regulatory (Credit) risk reserve

The regulatory (credit) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the various Central Banks of the various operating jurisdictions compared with the expected credit loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the expected credit loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

40 Dividends

The Board of Directors has proposed a final dividend of N0.80 per share which in addition to the N0.20 per share paid as interim dividend, amounts to a total dividend of N1.00 per share (2018: N0.85 per share) from the retained earnings account as at 31 December 2019.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2019 and 31 December 2018 respectively.

Payment of dividend to shareholders is subject to withholding tax at a rate of 10%.

41 Contingencies

(i) Litigation and claims

The Group, in the ordinary course of business is currently involved in 644 legal cases (2018: 714). The total amount claimed in the cases against the Group is estimated at N472.04 billion (2018: N745.45 billion). The directors having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

(ii) Contingent liabilities

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk. There are no guarantees, commitments or other contingent liabilities arising from related party transactions.

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Performance bonds and guarantees	48,692	428,043	47,019	307,680
Allowance for credit losses	(118)	(604)	(118)	(604)
Net carrying amount	**48,574**	**427,439**	**46,901**	**307,076**
Letters of credits	595,896	217,764	299,756	71,796
Allowance for credit losses	(944)	(2,075)	(944)	(2,075)
Net carrying amount	594,952	215,689	298,812	69,721
Gross amount	644,588	645,807	346,775	379,476
Total allowance for credit losses	(1,062)	(2,679)	(1,062)	(2,679)
Total carrying amount for performance bonds and guarantees	**643,526**	**643,128**	**345,713**	**376,797**

(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 N87 billion (December 2018: N159 billion) in respect of various loan contracts.

(iii) Capital commitments

Capital commitments are irrevocable contractual commitments for the acquisition of items of property and equipment or intangible assets. At the balance sheet date, the Group had capital commitments amounting to N4.204 billion (December 2018: N8.130 billion) in respect of authorised and contracted capital projects.

	Group	
In millions of Nigerian naira	**Dec. 2019**	**Dec. 2018**
Property and equipment	1,664	6,118
Intangible assets	2,540	2,012
	4,204	**8,130**

42 Related parties and insider related credits

United Bank for Africa Plc (UBA Plc) is the ultimate parent/controlling party of the Group. The shares of UBA Plc are listed on the Nigerian Stock Exchange and held by widely varied investors.

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures as well as key management personnel.

(a) Subsidiaries

Transactions between United Bank for Africa Plc and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements but are disclosed in the books of the Bank. The Bank's transactions and balances with its subsidiaries during the period and at period end are as follows:

(i) Cash and cash equivalents with the following subsidiaries are:

Name of Subsidiary	Nature of Balance	Dec. 2019	Dec. 2018
In millions of Nigerian naira			
UBA Senegal	Money market placement	-	206
UBA Tanzania	Money market placement	376	436
UBA Kenya	Money market placement	3,663	1,977
UBA Cameroun	Money market placement	-	-
UBA Ghana	Money market placement	26,631	9,712
UBA UK Limited	Money market placement	39,969	32,595
		70,639	**44,926**

(ii) Loan and advances

Name of Subsidiary	Type of Loan	Dec. 2019	Dec. 2018
In millions of Nigerian naira			
UBA Tanzania	Term Loans	547	1,652
UBA Cameroun	Overdraft	18,055	255
UBA Senegal	Overdraft	1	54
UBA Chad	Overdraft	3,383	-
UBA Gabon	Overdraft	1,719	251
UBA Cote D'Ivoire	Overdraft	120	120
UBA Congo Brazzaville	Overdraft	1,512	1,512
UBA Benin	Overdraft	1,968	1,968
UBA Burkina Faso	Overdraft	3,324	3,324
		30,629	**9,136**

Term loans to subsidiaries are unsecured.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

42 Related parties and insider related credits - Continued

(a) Subsidiaries - continued

(iii) Deposits

Name of Subsidiary	Type of Deposit	Dec. 2019	Dec. 2018
In millions of Nigerian naira			
UBA Benin	Current	46	-
UBA Burkina Faso	Current	18	-
UBA Chad	Current	-	2
UBA Congo DRC	Current	2	-
UBA Cote D'Ivoire	Current	16	25
UBA Congo Brazzaville	Current	9	17
UBA Ghana	Current	22	14
UBA Mozambique	Current	11	3
UBA Pension Custodian	Current	12	6
UBA Kenya	Current	135	1,117
UBA Guinea	Current	5	3
UBA Senegal	Current	9	3
UBA Tanzania	Current	47	18
UBA Uganda	Current	637	167
UBA Gabon	Current	8	6
UBA Liberia	Current	18	22
UBA Sierra Leone	Current	-	47
UBA Cameroon	Current	93	9
UBA Mali	Current	17	-
UBA Burkina Faso	Domicilliary	207	-
UBA Cote D'Ivoire	Domicilliary	39	90,252
UBA Gabon	Domicilliary	2	127
UBA Cameroon	Domicilliary	336	40
UBA Benin	Domiciliary	19	7
UBA Ghana	Domicilliary	357	703
UBA Senegal	Domicilliary	75	44
UBA Guinea	Domicilliary	114	45
UBA Sierra Leone	Domicilliary	-	6
UBA Tanzania	Domicilliary	91	34
UBA Uganda	Domicilliary	84	103
UBA Kenya	Domicilliary	73	39
UBA Liberia	Domicilliary	4,671	4,261
UBA Congo DRC	Domicilliary	526	1,554
UBA Congo Brazzaville	Domicilliary	222	38
UBA Mozambique	Domicilliary	9	21
UBA Chad	Domicilliary	-	23
UBA Mali	Domicilliary	308	-
UBA UK Limited	Term deposit	-	26,428
UBA Burkina Faso	Money market deposit	1,638	-
UBA Ghana	Money market deposit	-	915
UBA Tanzania	Money market deposit	730	-
UBA Uganda	Money market deposit	-	915
UBA Burkina Faso	Money market deposit	-	1,643
UBA Sierra Leone	Money market deposit	730	-
UBA Pension Custodian	Money market deposit	3,241	451
UBA UK Limited	Money market deposit	35,383	3,598
		49,960	**132,706**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

42 Related parties and insider related credits - Continued

(a) Subsidiaries - continued

(iv) Accounts receivable from the following subsidiaries are:

Name of Subsidiary	Type of Deposit	Dec. 2019	Dec. 2018
In millions of Nigerian naira			
UBA Ghana	Accounts receivable	3,065	2,578
UBA Congo Brazzaville	Accounts receivable	650	1,078
UBA Gabon	Accounts receivable	825	340
UBA Guinea	Accounts receivable	587	380
UBA Senegal	Accounts receivable	627	1,209
UBA Chad	Accounts receivable	346	134
UBA Retail Financial Services	Accounts receivable	-	131
UBA Sierra Leone	Accounts receivable	182	55
UBA Liberia	Accounts receivable	206	119
UBA Benin	Accounts receivable	838	558
UBA Cameroon	Accounts receivable	387	281
UBA Burkina Faso	Accounts receivable	1,652	957
UBA Pension Custodian	Accounts receivable	172	-
UBA Uganda	Accounts receivable	348	217
UBA Tanzania	Accounts receivable	154	102
UBA Mali	Accounts receivable	67	-
UBA Mozambique	Accounts receivable	23	11
UBA Cote D'lvoire	Accounts receivable	1,206	710
UBA DRC Congo	Accounts receivable	160	145
UBA Kenya	Accounts receivable	148	24
		11,643	**9,029**

(v) Dividend receivable from the following subsidiaries are:

	Dec. 2019	Dec. 2018
In millions of Nigerian naira		
UBA Ghana	7,265	1,005
UBA Liberia	394	335
UBA Sierra Leone	774	762
UBA Senegal	410	642
UBA Gabon	973	-
UBA Chad	799	-
UBA Pension Custodian	3,240	3,006
	13,855	**5,750**

(vi) Interest income from the following subsidiaries are:

	Dec. 2019	Dec. 2018
UBA UK Limited	1,845	1,955
UBA Guinea	-	97
UBA Congo DRC	-	14
UBA Congo Brazzaville	2	3
UBA Kenya	288	17
UBA Tanzania	102	182
UBA Gabon	1	-
UBA Liberia	-	6
UBA Guinea	11	17
UBA Cote D'Ivoire	44	-
UBA Senegal	23	12
UBA Ghana	251	181
	2,567	**2,484**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

42 Related parties and insider related credits - Continued

(a) Subsidiaries - continued

(vii) Interest expense to the following subsidiaries are:

Name of Subsidiary	Dec. 2019	Dec. 2018
In millions of Nigerian naira		
UBA Burkina Faso	3	-
UBA Chad	11	16
UBA Congo DRC	16	26
UBA Ghana	14	-
UBA Mozambique	-	11
UBA Congo Brazzaville	-	34
UBA Gabon	-	4
UBA Ghana	-	151
UBA Tanzania	-	67
UBA Uganda	39	34
UBA Sierra Leone	-	27
UBA UK Limited	1,905	1,893
UBA Pension Custodian	63	68
UBA Kenya	19	-
UBA New York	310	1,153
	2,380	**3,484**

(viii) Dividend income from the following subsidiaries are:

UBA Cameroon	1,352	339
UBA Sierra Leone	-	762
UBA Ghana	6,236	-
UBA Chad	800	-
UBA Gabon	973	-
UBA Liberia	394	335
UBA Senegal	4,048	642
UBA Pension Custodian	3,240	3,006
	17,043	**5,084**

(ix) Internal transfer pricing charges from the following subsidiaries are:

UBA Ghana	914	372
UBA Burkina Faso	582	596
UBA Congo Brazaville	182	59
UBA Senegal	339	492
UBA Chad	295	88
UBA Benin	496	276
UBA Cameroun	844	254
UBA Cote d' Ivoire	529	387
UBA Gabon	384	210
UBA Liberia	209	154
UBA Guinea Conakry	130	127
UBA Sierra Leone	175	155
UBA Tanzania	82	56
UBA Congo DRC	157	145
UBA Kenya	144	24
UBA Mozambique	61	11
UBA Pension	152	257
UBA Uganda	152	161
UBA Mali	46	-
UBA Zambia	150	161
	6,023	**3,985**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

42 Related parties and insider related credits - Continued

(b) Investment in equity accounted investee

Transactions between United Bank for Africa Plc and UBA Zambia meet the definition of related party transactions. The following transactions and balances are held with respect to the associate.

In millions of Nigerian naira	Dec. 2019	Dec. 2018
Money market deposit	-	720
	-	**720**

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of UBA Plc, directly or indirectly, including any director (whether executive or otherwise) of the Bank, and their close family members. Close family members are those family who may be expected to influence, or be influenced by that individual in their dealings with UBA Plc and its subsidiaries.

Key management personnel and their close family members engaged in the following transactions with the Bank during the period:

In millions of Nigerian naira	Dec. 2019	Dec. 2018
Loans and advances to key management personnel		
Loans and advances as at period end	297	310
Interest income earned during the period	42	44

Loans to key management personnel are granted on the same terms and conditions as loans to other employees. Related party loans are secured over real estate, equity and other assets of the respective borrowers. No impairment losses (2018: Nil) have been recorded against related party loans.

Loans and advances to key management personnel's related persons and entities as at 31 December 2019.

In millions of Nigerian naira

Name of company/ individual	Name of Director	Facility Type	Security	Status	Rate	Currency	Dec. 2019	Dec. 2018
Bridge House College	Mrs. Foluke Abdulrazaq	Term loan (Under CBN MSMEDF)	Real Estate	Performing	9.0%	NGN	2	15
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	14.0%	NGN	752	6,324
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	16.0%	NGN	18,930	18,637
Aneke Angela Nkiruka	Aneke Angela Nkiruka	Overdraft	Real Estate	Performing	19.0%	NGN	-	39
Abdulqadir J. Bello	Abdulqadir J. Bello	Term Loan	Real Estate	Performing	18.0%	NGN	-	15
							19,684	25,030

42 Related parties and insider related credits - Continued

(c) Key management personnel - continued

	Dec. 2019	Dec. 2018
Interest income earned during the period	**2,837**	**1,995**

Deposit liabilities

Deposit liabilities relating to key management personnel and their related persons and entities as at end of the period is as follows:

In millions of Nigerian naira	Dec. 2019	Dec. 2018
Deposits as at period end	1,340	2,535
Interest expense during the period	**27**	**93**

Compensation

Aggregate remuneration to key management staff during the period is as follows:

In millions of Nigerian naira	Dec. 2019	Dec. 2018
Executive compensation	814	814
Defined contribution plan	23	23
Total benefits cost	**837**	**837**

43 Compensation to Employees and Directors

(i) The number of persons in the employment of the Group and the Bank as at period end is as follows:

	Group		Bank	
(In absolute units)	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Group executive directors	9	9	9	9
Management	99	90	90	68
Non-management	13,129	12,790	9,697	9,505
	13,237	12,889	9,796	9,582

Compensation for the above personnel (including executive directors):

In millions of Nigerian Naira	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2018
Salaries and wages	72,490	68,487	42,532	40,278
Retirement benefit costs:				
Defined contribution plans	2,609	2,671	1,242	1,259
	75,099	**71,158**	**43,774**	**41,537**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

43 Compensation to Employees and Directors - Continued

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

	Group		Bank	
(In absolute units)	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
N300,001 - N2,000,000	7,426	6,496	5,150	4,988
N2,000,001 - N2,800,000	2,168	2,310	1,821	1,910
N2,800,001 - N3,500,000	294	257	1	-
N3,500,001 - N4,000,000	730	882	667	716
N4,000,001 - N5,500,000	565	625	331	304
N5,500,001 - N6,500,000	60	190	-	-
N6,500,001 - N7,800,000	628	642	554	500
N7,800,001 - N9,000,000	410	454	380	359
N9,000,001 - above	956	1,024	883	796
	13,237	**12,880**	**9,787**	**9,573**

(iii) Directors

In millions of Nigerian naira	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	51	34	51	34
Executive compensation	814	814	814	814
Defined contribution plan	23	23	23	23
	888	**871**	**888**	**871**
Fees and other emoluments disclosed above includes amounts paid to:				
The Chairman	3	3	3	3
The highest paid Director	143	139	143	139
The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:				
(In absolute units)				
N1,000,001 - N5,000,000	10	10	10	10
N5,500,001 and above	9	9	9	9
	19	**19**	**19**	**19**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

44 Non-audit services

During the period, the Bank's external auditors (PricewaterhouseCoopers) rendered the following non-audit service to the Bank:

(i) Training of selected UBA Plc employees on Fundamentals of Bank Financial Analysis. The total amount paid by UBA Plc for this service was N500,000. This amount is included as part of training and human capital development expense in "other operating expenses" in note 19.

45 Compliance with banking regulations

The Bank paid the sum of N69 million to the CBN for various contraventions and/or infractions during the period under consideration:

In millions of Nigerian Naira	**Amount**
Description	
1 Penalty on late resolution of customer complaints/citing of offside ATM	6
2 Penalty on incomplete documentation/BVN on certain accounts	23
3 Penalty on late repatriation of funds	4
4 Penalty for customer accounts that contravened CBN regulations	36
Total	**69**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

46 Condensed result of consolidated subsidiaries

For the year ended 31 December 2019

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	33,637	4,166	13,364	11,397	6,226	3,447	7,238	9,970
Total operating expenses	(16,849)	(3,206)	(8,081)	(7,698)	(5,212)	(3,512)	(4,323)	(10,817)
Net impairment (loss)/gain on financial assets	(238)	(159)	(286)	(259)	(198)	(54)	(99)	1,944
Profit/(loss) before income tax	**16,550**	**801**	**4,997**	**3,440**	**816**	**(119)**	**2,816**	**1,097**
Income tax expense	(5,457)	-	-	(642)	-	-	-	-
Profit for the year	**11,093**	**801**	**4,997**	**2,798**	**816**	**(119)**	**2,816**	**1,097**
Condensed statements of financial position								
Assets								
Cash and bank balances	32,320	18,208	29,945	14,653	13,489	4,158	9,272	24,553
Loans and advances to customers	52,542	8,690	92,098	80,305	13,158	13,272	16,540	35,798
Investment securities	159,872	5,593	50,371	44,574	28,363	23,547	24,154	51,452
Other assets	1,613	3,084	4,643	(609)	1,154	(9)	2,829	1,457
Property and Equipment	2,447	644	478	1,574	281	1,259	2,496	2,478
Intangible assets	11	16	16	27	17	26	47	(462)
Deferred tax asset	121	-	-	-	1,260	-	-	-
Total assets	**248,926**	**36,235**	**177,551**	**140,524**	**57,722**	**42,253**	**55,338**	**115,276**
Financed by:								
Deposits from banks	68,590	333	1,309	3,501	9,251	-	397	15,230
Deposits from customers	129,541	28,991	150,387	110,359	24,511	36,570	37,477	84,023
Other liabilities	10,532	1,624	9,769	6,172	776	2,038	7,214	3,734
Borrowings	-	-	-	-	14,588	-	-	-
Deferred tax liability	84	-	-	-	-	-	-	-
Total Equity	40,179	5,287	16,086	20,492	8,596	3,645	10,250	12,289
Total liabilities and equity	**248,926**	**36,235**	**177,551**	**140,524**	**57,722**	**42,253**	**55,338**	**115,276**
Condensed cash flows								
Net cash from operating activities	71,862	837	40,486	(4,442)	17,658	4,245	7,387	(9,810)
Net cash from financing activities	(11,170)	(818)	1,123	(323)	15,504	(943)	(1,629)	2,343
Net cash from investing activities	(67,873)	(1,827)	(21,800)	(7,697)	(21,986)	(8,389)	(9,951)	23,293
Increase/(decrease) in cash and cash equivalents	**(7,181)**	**(1,808)**	**19,809**	**(12,462)**	**11,176**	**(5,087)**	**(4,193)**	**15,826**
Effects of exchange rate	1	(748)	-	-	-	-	-	-
Cash and cash equivalents at beginning of the year	39,500	20,764	10,136	27,115	2,313	9,245	13,465	8,727
Cash and cash equivalents at end of the year	**32,320**	**18,208**	**29,945**	**14,653**	**13,489**	**4,158**	**9,272**	**24,553**

46 Condensed result of consolidated subsidiaries - Continued

For the year ended 31 December 2019

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazzaville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	5,466	12,594	6,089	4,299	16,306	2,271	22,482	6,916	1,362
Total operating expenses	(2,448)	(10,391)	(3,718)	(3,560)	(10,165)	(2,148)	(12,204)	(1,382)	(2,277)
Net impairment gain/(loss) on financial assets	(3)	(326)	(142)	-	(655)	(12)	(1,591)	-	3
Profit before income tax	**3,015**	**1,877**	**2,229**	**739**	**5,486**	**111**	**8,687**	**5,534**	**(912)**
Income tax expense	(762)	(81)	-	(85)	-	(345)	(3,495)	(1,407)	-
Profit for the year	**2,253**	**1,796**	**2,229**	**654**	**5,486**	**(234)**	**5,192**	**4,127**	**(912)**
Condensed statements of financial position									
Assets									
Cash and bank balances	9,156	11,708	12,290	18,290	17,328	10,129	22,367	3,262	3,422
Financial assets at FVTPL	-	-	-	-	-	-	-	-	-
Loans and advances to customers	3,163	97,292	16,682	3,395	29,540	279	62,040	-	5,918
Investment securities	15,934	76,683	20,202	9,754	40,429	7,523	112,864	6,493	6,099
Other assets	382	1,544	1,459	2,038	3,604	713	21,766	1,164	1,657
Property and Equipment	524	2,880	620	504	483	159	1,114	148	756
Intangible assets	-	90	9	30	27	59	18	120	-
Deferred tax asset	2	-	-	-	-	-	-	55	-
Total assets	**29,161**	**190,197**	**51,262**	**34,011**	**91,411**	**18,862**	**227,342**	**11,242**	**17,852**
Financed by:									
Deposits from banks	1,489	25,649	1	3,305	-	2,942	36,105	-	4
Deposits from customers	18,139	145,677	40,378	26,166	58,330	7,764	152,460	(2)	11,596
Other liabilities	2,735	2,220	1,371	-	3,369	202	10,302	4,371	1,102
Current tax liability	9	-	-	-	-	-	3,527	1,407	-
Deferred tax liability	-	-	-	-	-	-	-	1	-
Total Equity	6,789	16,651	9,512	4,540	29,712	7,954	24,948	5,465	5,150
Total liabilities and equity	**29,161**	**190,197**	**51,262**	**34,011**	**91,411**	**18,862**	**227,342**	**11,242**	**17,852**
Condensed cash flows									
Net cash from operating activities	4,861	(72,938)	14,126	13,028	24,610	630	20,740	4,541	(1,953)
Net cash from financing activities	1,956	(1,603)	(2,509)	(404)	7,749	224	3,217	(3,171)	(519)
Net cash from investing activities	(3,777)	61,567	(12,853)	(4,371)	(25,813)	5,326	(41,497)	1,800	(754)
(Decrease)/Increase in cash and cash equivalents	**3,040**	**(12,974)**	**(1,236)**	**8,253**	**6,546**	**6,180**	**(17,540)**	**3,170**	**(3,226)**
Effects of exchange rate	(4)	-	-	-	-	-	-	-	-
Cash and cash equivalents at beginning of the year	6,120	24,682	13,526	10,037	10,782	3,949	39,907	92	6,648
Cash and cash equivalents at end of the year	**9,156**	**11,708**	**12,290**	**18,290**	**17,328**	**10,129**	**22,367**	**3,262**	**3,422**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

46 Condensed result of consolidated subsidiaries - Continued

For the year ended 31 December 2019

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA UK Limited	SSIT	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income									
Operating income	2,739	3,214	-	5,773	-	-	233,488	(65,738)	346,706
Total operating expenses	(2,413)	(3,204)	-	(5,558)	-	-	(147,056)	49,055	(217,167)
Net impairment gain/(loss) on financial assets	(60)	(174)	-	-	-	-	(16,369)	426	(18,252)
(Loss)/Profit before income tax	266	(164)	-	215	-	-	70,063	(16,257)	111,287
Income tax expense	-	-	-	-	-	-	(7,313)	(23,202)	(22,198)
(Loss)/Profit for the year	**266**	**(164)**	**-**	**215**	**-**	**-**	**62,750**	**(39,459)**	**89,089**
Condensed statements of financial position									
Assets									
Cash and bank balances	11,040	11,934	-	8,450	-	455	1,182,554	(72,755)	1,396,228
Financial assets at FVTPL	-	-	-	-	-	-	102,388	-	102,388
Derivative assets	-	-	-	-	-	-	48,131	(7,173)	48,131
Loans and Advances to Banks	-	-	-	36,727	-	-	99,849	(35,538)	108,211
Loans and advances to customers	5,345	16,731	-	4,340	-	2	1,503,380	(1,119,834)	2,061,147
Investment securities	12,033	2,879	-	29,071	-	-	846,214	(2,554)	1,571,550
Other assets	411	6,094	-	122	-	114	111,607	(26,952)	139,885
Investments in equity-accounted investee	-	-	-	-	-	-	2,715	1,428	4,143
Investments in Subsidiaries	-	-	-	-	-	-	103,275	(103,275)	-
Property and Equipment	202	649	-	1,151	-	203	107,448	1	128,499
Intangible assets	4	42	-	947	-	-	7,070	9,557	17,671
Deferred tax asset	-	-	-	-	-	-	21,862	2,899	26,199
Total assets	**29,035**	**38,329**	**-**	**80,808**	**-**	**774**	**4,136,493**	**(1,354,196)**	**5,604,052**
Financed by:									
Derivative liabilities	-	-	-	-	-	-	852	-	852
Deposits from banks	9,595	-	-	57,008	-	-	92,717	(60,356)	267,070
Deposits from customers	16,652	22,945	-	3,812	-	70	2,764,388	(37,350)	3,832,884
Other liabilities	119	5,526	-	3,630	-	36	57,150	(26,737)	107,255
Current tax liability	-	2	-	-	-	-	722	3,497	9,164
Subordinated liabilities	-	-	-	-	-	-	30,048	-	30,048
Borrowings	-	-	-	-	-	-	744,094	-	758,682
Deferred tax liability	-	45	-	-	-	-	-	(11)	119
Total Equity	2,669	9,811	-	16,358	-	668	446,522	(105,595)	597,978
Total liabilities and equity	**29,035**	**38,329**	**-**	**80,808**	**-**	**774**	**4,136,493**	**(226,552)**	**5,604,052**
Condensed cash flows									
Net cash from operating activities	12,165	(4,642)	-	14,868	-	-	(317,453)	(37,399)	(196,593)
Net cash from financing activities	(1,131)	6,279	-	490	-	-	3,507	(26,815)	(8,643)
Net cash from investing activities	(6,955)	194	-	(18,900)	-	-	215,429	55,201	108,367
Increase/(decrease) in cash and cash equivalents	**4,079**	**1,831**	**-**	**(3,542)**	**-**	**-**	**(98,517)**	**(9,013)**	**(96,869)**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	-	10,381	(15,535)	(5,905)
Cash and cash equivalents at beginning of the year	6,961	10,103	-	11,992	-	455	450,063	(64,334)	662,245
Cash and cash equivalents at end of the year	**11,040**	**11,934**	**-**	**8,450**	**-**	**455**	**361,927**	**(88,882)**	**559,471**

46 Condensed result of consolidated subsidiaries - Continued

For the year ended 31 December 2018

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	40,287	2,773	10,684	11,378	5,031	2,516	6,740	9,981
Total operating expenses	(19,682)	(2,292)	(7,970)	(6,563)	(4,795)	(3,107)	(3,726)	(9,940)
Net impairment (loss)/gain on financial assets	(5,112)	(83)	(155)	(432)	(84)	(71)	220	2,122
Profit/(loss) before income tax	**15,493**	**398**	**2,559**	**4,383**	**152**	**(662)**	**3,234**	**2,163**
Income tax expense	(4,141)	66	(17)	(1,117)	19	968	(974)	227
Profit for the year	**11,352**	**464**	**2,542**	**3,266**	**171**	**306**	**2,260**	**2,390**
Condensed statements of financial position								
Assets								
Cash and bank balances	34,862	20,764	88,024	64,492	12,071	9,991	13,465	14,446
Financial assets at FVTPL	-	-	-	-	-	-	-	-
Loans and advances to customers	41,368	9,695	79,059	72,293	12,040	14,796	22,974	35,268
Investment securities	144,787	3,680	30,174	47,937	28,031	17,972	14,395	69,755
Other assets	5,604	1,189	48	1,863	600	2,220	206	802
Property and Equipment	1,808	720	547	1,104	331	547	2,345	2,305
Intangible assets	82	26	10	15	35	-	6	19
Deferred tax asset	27	162	-	-	1,106	968	-	295
	228,538	**36,236**	**197,862**	**187,704**	**54,214**	**46,494**	**53,391**	**122,890**
Financed by:								
Deposits from banks	37,082	377	1,559	35,329	6,719	9,532	-	29,528
Deposits from customers	134,845	28,668	179,655	129,452	21,182	29,293	38,352	78,731
Other liabilities	6,676	1,043	4,876	5,228	774	2,756	5,002	2,539
Current tax liability	-	96	17	232	-	-	974	67
Borrowings	7,710	748	-	-	17,940	-	-	-
Total Equity	42,225	5,304	11,755	17,463	7,599	4,913	9,063	12,025
	228,538	**36,236**	**197,862**	**187,704**	**54,214**	**46,494**	**53,391**	**122,890**
Condensed cash flows								
Net cash from operating activities	49,254	7,041	80,307	51,775	12,976	1,954	12,822	24
Net cash from financing activities	(1,673)	(554)	(753)	(3,820)	18,504	868	(2,338)	1,013
Net cash from investing activities	(52,220)	(839)	(1,666)	(10,578)	(21,722)	(2,076)	(8,071)	4,682
Increase/(decrease) in cash and cash equivalents	**(4,639)**	**5,648**	**77,888**	**37,377**	**9,758**	**746**	**2,413**	**5,719**
Effects of exchange rate	1	748	-	-	-	-	-	-
Cash and cash equivalents at beginning of the year	39,500	14,368	10,136	27,115	2,313	9,245	11,052	8,727
Cash and cash equivalents at end of the year	**34,862**	**20,764**	**88,024**	**64,492**	**12,071**	**9,991**	**13,465**	**14,446**

46 Condensed result of consolidated subsidiaries - Continued

For the year ended 31 December 2018

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazzaville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	3,828	13,826	5,349	3,762	13,563	3,466	21,398	6,691	523
Total operating expenses	(2,018)	(11,136)	(3,448)	(3,275)	(7,745)	(3,119)	(10,949)	(1,350)	(761)
Net impairment gain/(loss) on financial assets	-	92	609	87	(6)	(19)	(369)	(32)	-
Profit before income tax	**1,810**	**2,782**	**2,510**	**574**	**5,812**	**328**	**10,080**	**5,309**	**(238)**
Income tax expense	(581)	(76)	(447)	-	(1,771)	(242)	(4,259)	(1,382)	(5)
Profit for the year	**1,229**	**2,706**	**2,063**	**574**	**4,041**	**86**	**5,821**	**3,927**	**(243)**
Condensed statements of financial position									
Assets									
Cash and bank balances	6,546	23,857	6,280	10,639	15,898	4,335	26,470	469	3,861
Financial assets at FVTPL	-	-	-	-	-	-	-	-	-
Loans and advances to customers	2,645	74,573	22,861	2,607	39,918	269	64,101	-	-
Investment securities	11,957	103,535	10,595	9,898	11,500	14,190	72,331	8,818	2,688
Other assets	286	2,652	943	747	856	731	3,613	1,332	97
Property and Equipment	560	3,112	761	387	662	171	1,066	204	550
Intangible assets	-	57	11	29	56	62	10	41	32
Deferred tax asset	(6)	22	427	-	-	-	-	78	-
	21,988	**207,808**	**41,878**	**24,307**	**68,890**	**19,758**	**177,791**	**10,942**	**7,228**
Financed by:									
Deposits from banks	790	42,331	4,160	625	4,104	1,605	13,272	-	-
Deposits from customers	15,627	146,345	27,217	19,682	40,554	9,432	134,111	-	17
Other liabilities	601	1,375	610	-	4,649	236	6,765	4,471	1,513
Current tax liability	53	-	635	-	1,771	24	4,142	1,357	-
Deferred tax liability	7	-	-	-	-	-	-	21	-
Total Equity	4,910	17,757	9,256	4,000	17,812	8,461	19,501	5,093	5,698
	21,988	**207,808**	**41,878**	**24,307**	**68,890**	**19,758**	**177,791**	**10,942**	**7,228**
Condensed cash flows									
Net cash from operating activities	189	(33,934)	(1,258)	5,863	4,914	1,331	(9,669)	4,222	(1,567)
Net cash from financing activities	77	(1,407)	(2,599)	(864)	(2,706)	411	(2,859)	(3,343)	(640)
Net cash from investing activities	164	34,516	(3,389)	(4,397)	2,908	(1,356)	(909)	(502)	(580)
(Decrease)/Increase in cash and cash equivalents	**430**	**(825)**	**(7,246)**	**602**	**5,116**	**386**	**(13,437)**	**377**	**(2,787)**
Effects of exchange rate	(4)	-	-	-	-	-	-	-	
Cash and cash equivalents at beginning of the year	6,120	24,682	13,526	10,037	10,782	3,949	39,907	92	6,648
Cash and cash equivalents at end of the year	**6,546**	**23,857**	**6,280**	**10,639**	**15,898**	**4,335**	**26,470**	**469**	**3,861**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2019

46 Condensed result of consolidated subsidiaries - Continued

For the year ended 31 December 2018

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA UK Limited	SSIT	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income									
Operating income	1,688	2,869	-	3,620	-	-	191,144	(52,480)	308,637
Total operating expenses	(2,143)	(2,670)	-	(4,321)	-	-	(131,537)	45,205	(197,342)
Net impairment gain/(loss) on financial assets	173	184	-	-	-	-	(4,257)	2,604	(4,529)
(Loss)/Profit before income tax	**(282)**	**383**	**-**	**(701)**	**-**	**-**	**55,350**	**(4,258)**	**106,766**
Income tax expense	(7)	(120)	-	-	-	-	(14,303)	(20,201)	(28,159)
(Loss)/Profit for the year	**(289)**	**263**	**-**	**(701)**	**-**	**-**	**41,047**	**(24,459)**	**78,607**
Condensed statements of financial position									
Assets									
Cash and bank balances	6,423	8,728	672	9,077	-	455	1,015,199	(176,428)	1,220,596
Financial assets at FVTPL	-	-	-	-	-	-	19,439	-	19,439
Derivative assets	-	-	-	-	-	-	34,784	(10,199)	34,784
Loans and Advances to Banks	-	-	-	26,708	-	-	15,516	(36,626)	15,797
Loans and advances to customers	4,597	9,614	-	10	-	2	1,213,801	(1,127,677)	1,715,285
Investment securities	5,243	3,500	99	22,254	-	-	1,010,157	(6,364)	1,637,132
Other assets	384	5,720	-	677	-	114	49,642	(17,312)	63,012
Investments in equity-accounted investee	-	-	-	-	-	-	2,715	1,895	4,610
Investments in Subsidiaries	-	-	-	-	-	-	103,777	(103,777)	-
Property and Equipment	153	659	2	274	-	203	97,502	(1)	115,973
Intangible assets	7	20	-	1,007	-	-	6,911	9,732	18,168
Deferred tax asset	-	-	-	-	-	-	21,862	1	24,942
Total assets	**16,807**	**28,241**	**773**	**60,007**	**-**	**774**	**3,591,305**	**(1,466,756)**	**4,869,738**
Financed by:									
Derivative liabilities	-	-	-	-	-	-	99	-	99
Deposits from banks	7,162	-	-	38,315	-	-	30,502	(88,156)	174,836
Deposits from customers	6,928	12,821	-	3,375	-	70	2,424,108	(131,345)	3,349,120
Other liabilities	275	4,985	677	1,820	-	36	84,299	(20,443)	120,764
Current tax liability	7	130	-	-	-	-	706	(1,319)	8,892
Subordinated liabilities	-	-	-	-	-	-	29,859	-	29,859
Borrowings	-	-	-	-	-	-	657,134	-	683,532
Deferred tax liability	-	-	-	-	-	-	-	-	28
Total Equity	2,435	10,305	96	16,497	-	668	364,598	(94,826)	502,608
Total liabilities and equity	**16,807**	**28,241**	**773**	**60,007**	**-**	**774**	**3,591,305**	**(336,089)**	**4,869,738**
Condensed cash flows									
Net cash from operating activities	391	(7,306)	-	6,806	-	-	488,626	(68,914)	605,847
Net cash from financing activities	(810)	6,346	-	1,545	-	-	8,185	(4,725)	7,858
Net cash from investing activities	(119)	(415)	-	(11,266)	-	-	(366,035)	7,004	(436,866)
Increase/(decrease) in cash and cash equivalents	**(538)**	**(1,375)**	**-**	**(2,915)**	**-**	**-**	**130,776**	**(66,635)**	**176,839**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	-	46,162	10,071	56,978
Cash and cash equivalents at beginning of the year	6,961	10,103	672	11,992	-	455	273,125	(113,079)	428,428
Cash and cash equivalents at end of the year	**6,423**	**8,728**	**672**	**9,077**	**-**	**455**	**450,063**	**(169,643)**	**662,245**

ADDITIONAL DISCLOSURES

Statement of Value Added

For the year ended December 31, 2019

Statement of Value Added

For the year ended 31 December

Group	2019 N'million	%	2018 N'million	%
Gross revenue	559,805		494,045	
Interest paid	(182,955)		(157,276)	
	376,850		336,769	
Administrative overheads:				
- local	(153,641)		(139,824)	
- foreign	(3,081)		(2,691)	
Value added	**220,128**	**100**	**194,254**	**100**
Distribution				
Employees				
- Salaries and benefits	75,099	34	71,158	37
Government				
- Taxation	22,198	10	28,159	14
The future				
- Asset replacement (depreciation and amortization)	15,490	7	11,801	6
- Asset replacement (provision for losses)	18,252	8	4,529	2
- Expansion (transfer to reserves and non-controlling interest)	89,089	40	78,607	40
	220,128	**100**	**194,254**	**100**
Bank				
Gross revenue	412,624		341,504	
Interest paid	(156,580)		(129,396)	
	256,044		212,108	
Administrative overheads:				
- local	(113,902)		(102,119)	
- foreign	(164)		(175)	
Value added	**141,978**	**100**	**109,814**	**100**
Distribution				
Employees				
- Salaries and benefits	43,774	31	41,537	38
Government				
- Taxation	7,313	5	14,303	13
The future				
- Asset replacement (depreciation and amortization)	11,772	8	8,670	8
- Asset replacement (provision for losses)	16,369	12	4,257	4
- Expansion (transfer to reserves and non-controlling interest)	62,750	44	41,047	37
	141,978	**100**	**109,814**	**100**

ADDITIONAL DISCLOSURES (Continued)

Group Five-Year Financial Summary

For the year ended December 31, 2019

Statement of financial position

In millions of Nigerian Naira	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
ASSETS					
Cash and bank balances	1,396,228	1,220,596	898,083	760,930	655,371
Financial assets at fair value through profit or loss	102,388	19,439	31,898	52,295	11,249
Derivative assets	48,131	34,784	8,227	10,642	1,809
Loans and advances to banks	108,211	15,797	20,640	22,765	14,600
Loans and advances to customers	2,061,147	1,715,285	1,650,891	1,505,319	1,036,637
Investment securities					
- At fair value through other comprehensive income	901,048	1,036,653	-	-	-
- Available-for-sale	-	-	593,299	276,758	275,496
- At amortised cost	670,502	600,479	-	-	-
- Held to maturity	-	-	622,754	693,634	581,374
Other assets	139,885	63,012	86,729	37,849	40,488
Investments in equity-accounted investee	4,143	4,610	2,860	2,925	2,236
Property and equipment	128,499	115,973	107,636	93,932	88,825
Intangible assets	17,671	18,168	16,891	14,361	11,369
Deferred tax assets	26,199	24,942	29,566	33,060	33,168
TOTAL ASSETS	**5,604,052**	**4,869,738**	**4,069,474**	**3,504,470**	**2,752,622**
LIABILITIES					
Derivative liabilities	852	99	123	14	327
Deposits from banks	267,070	174,836	134,289	109,080	61,066
Deposits from customers	3,832,884	3,349,120	2,733,348	2,485,610	2,081,704
Other liabilities	107,255	120,764	98,277	110,596	54,885
Current tax liabilities	9,164	8,892	7,668	5,134	6,488
Borrowings	758,682	683,532	502,209	259,927	129,896
Subordinated liabilities	30,048	29,859	65,741	85,978	85,620
Deferred tax liabilities	119	28	40	62	15
TOTAL LIABILITIES	**5,006,074**	**4,367,130**	**3,541,695**	**3,056,401**	**2,420,001**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	135,514	135,514
Reserves	462,758	367,654	393,733	299,337	190,313
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	578,573	483,469	509,548	434,851	325,827
Non-controlling interest	19,405	19,139	18,231	13,218	6,794
TOTAL EQUITY	**597,978**	**502,608**	**527,779**	**448,069**	**332,621**
TOTAL LIABILITIES AND EQUITY	**5,604,052**	**4,869,738**	**4,069,474**	**3,504,470**	**2,752,622**

Summarized Statement of Comprehensive Income

	2019	2018	2017	2016	2015
Net operating income	346,293	308,218	326,565	270,889	210,257
Operating expenses	(217,167)	(197,342)	(189,652)	(152,501)	(136,640)
Net impairment loss on loans and receivables	(18,252)	(4,529)	(32,895)	(27,683)	(5,053)
Share of profit/(loss) of equity-accounted investee	413	419	204	(63)	(110)
Profit before taxation	**111,287**	**106,766**	**104,222**	**90,642**	**68,454**
Taxation	(22,198)	(28,159)	(26,674)	(18,378)	(8,800)
Profit after taxation	89,089	78,607	77,548	72,264	59,654
Profit for the period	**89,089**	**78,607**	**77,548**	**72,264**	**59,654**
- Non-controlling interest	2,869	3,248	2,544	2,860	1,050
- Equity holders of the parent	86,220	75,359	75,004	69,404	58,604
Other comprehensive income for the period	35,350	(33,273)	27,769	65,886	6,168
Total comprehensive income for the period	**124,439**	**45,334**	**105,317**	**138,150**	**65,822**

ADDITIONAL DISCLOSURES (Continued)

Bank Five - Year Financial Summary

For the year ended December 31, 2019

Statement of financial position

In millions of Nigerian Naira	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
ASSETS					
Cash and bank balances	1,182,554	1,015,199	727,546	610,910	590,774
Financial assets at fair value through profit or loss	102,388	19,439	31,898	52,295	11,249
Derivative assets	48,131	34,784	7,911	10,642	1,809
Loans and advances to banks	99,849	15,516	19,974	23,850	14,591
Loans and advances to customers	1,503,380	1,213,801	1,173,214	1,090,355	822,694
Investment securities					
- At fair value through other comprehensive income	772,658	925,892	-	-	-
- Available for sale	-	-	423,293	244,424	270,409
- At amortised cost	73,556	84,265	-	-	-
- Held to maturity	-	-	242,185	288,592	297,794
Other assets	111,607	49,642	77,949	31,192	22,528
Investments in subsidiaries	103,275	103,777	103,777	70,702	65,767
Investments in equity-accounted investee	2,715	2,715	1,770	1,770	1,770
Property and equipment	107,448	97,502	89,285	80,252	80,145
Intangible assets	7,070	6,911	5,846	4,905	4,954
Deferred tax assets	21,862	21,862	27,178	29,696	31,853
TOTAL ASSETS	**4,136,493**	**3,591,305**	**2,931,826**	**2,539,585**	**2,216,337**
LIABILITIES					
Derivative liabilities	852	99	123	14	327
Deposits from banks	92,717	30,502	15,290	30,484	350
Deposits from customers	2,764,388	2,424,108	1,877,736	1,698,859	1,627,060
Current tax liabilities	722	706	1,108	522	634
Subordinated liabilities	30,048	29,859	65,741	85,978	85,620
Borrowings	744,094	657,134	502,209	259,927	129,896
Other liabilities	57,150	84,299	68,759	72,901	34,219
TOTAL LIABILITIES	**3,689,971**	**3,226,707**	**2,530,966**	**2,148,685**	**1,878,106**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	135,514	135,514
Reserves	330,707	248,783	285,045	255,386	202,717
TOTAL EQUITY	**446,522**	**364,598**	**400,860**	**390,900**	**338,231**
TOTAL LIABILITIES AND EQUITY	**4,136,493**	**3,591,305**	**2,931,826**	**2,539,585**	**2,216,337**
Summarized statement of comprehensive income					
Net operating income	233,488	191,144	209,279	190,231	157,477
Operating expenses	(147,056)	(131,537)	(126,051)	(107,061)	(103,251)
Net impairment loss on loans and receivables	(16,369)	(4,257)	(30,433)	(25,521)	(3,491)
Profit before taxation	**70,063**	**55,350**	**52,795**	**57,649**	**50,735**
Taxation	(7,313)	(14,303)	(11,399)	(10,108)	(3,093)
Profit for the period	**62,750**	**41,047**	**41,396**	**47,541**	**47,642**
Other comprehensive income for the period	48,244	(12,009)	15,668	26,896	8,119
Total comprehensive income for the period	**110,994**	**29,038**	**57,064**	**74,437**	**55,761**

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Independent Auditor's Report

TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of United Bank for Africa Plc ("the Bank") and its subsidiaries (together "the Group") and the Bank set out on pages 84 to 226, which comprise the consolidated and separate statements of financial position as at December 31, 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

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

Key Audit Matter	How the matter was addressed in the audit
Expected Credit Loss (ECL) assessment on financial assets and off-balance sheet exposures Financial assets and off-balance sheet exposures are subject to impairment assessment using the expected credit loss model (ECL) under the International Financial Reporting Standards (IFRS) 9 – Financial Instruments. The ECL involves the application of judgement and estimation in determining inputs for ECL calculation such as: • Determining criteria for significant increase in credit risk (SICR) for staging purpose. • Determining the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables. • Incorporating forward looking information in the model building process • Factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD). • Factors considered in cash flow estimation including timing and amount. • Factors considered in collateral valuation. This is considered a key audit matter in the consolidated and separate financial statements given the significance of the amount, and the complexity and judgement involved in the process, which required considerable audit time and expertise. See notes 3.28, 4.2, 12 and 25 to the consolidated and separate financial statements for further information.	Our audit approach was a combination of both control and substantive procedures. • We reviewed the IFRS 9 model prepared by the management for computation of impairment of financial assets and off-balance sheet exposures in line with the requirements of IFRS 9. • We gained an understanding of how the Probability of Default (PD) and Loss Given Default (LGDs) and Exposure at Default (EAD) were derived by the system by performing a walkthrough using live data. • For loans classified under stages 1 and 2, we selected material loans and reviewed the repayment history for possible repayment default. We challenged the various factors considered in classifying the loans within stages 1 and 2 and in the measurement of ECL. • For stage 3 loans, we reviewed all assumptions considered in the estimation of recovery cash flow, the discount factor, and the timing of realization. In instances where we were not satisfied with the assumption used by the management in its cash flow estimation and discounting, we reviewed management assumptions by re-computing the cash flows to determine the recoverable amounts. • We tested the historical accuracy of the data and performed detailed procedures on the completeness and accuracy of the information used. • Other areas of complexities which include incorporating forward looking information such as macro-economic indicators like inflation, monetary policy rate (MPR), exchange rate, etc. were equally challenged for reasonableness taking into consideration available information in the public domain. • For off-balance sheet exposure, we assessed the assumptions and inputs in determining the credit conversion factor by reviewing historical trends.

Other Matter

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the pages 56 to 75 and 224 to 226 document titled "United Bank for Africa Plc Consolidated and Separate Financial Statements for the year ended December 31, 2020", which includes the Directors' Report, the Report of the Statutory Audit Committee, Complaints and Feedback, Corporate Governance Report, Statement of Directors' Responsibilities, Value Added Statement and Five-Year Financial Summary, which we obtained prior to the date of this report, and the Annual Report and the Corporate Governance Report as required by the Central Bank of Nigeria, which is expected to be made available to us after that date. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and consent of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

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

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

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

Anthony Oputa

Anthony Oputa
FRC/2013/ICAN/00000000980
For: Ernst & Young
Lagos, Nigeria
12 February 2021

United Bank for Africa
Consolidated and Separate Statements of Comprehensive Income
For the year ended December 31, 2020

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

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

United Bank for Africa Consolidated and Separate Statements of Financial Position

As at December 31, 2020

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

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

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

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

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

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

United Bank for Africa
Consolidated and Separate Statements of Changes in Equity

For the year ended December 31, 2020

(i) Group

In millions of Nigerian naira	Attributable to equity holders of the parent									
	Share capital	Share premium	Foreign operations translation reserve	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2019	**17,100**	**98,715**	**18,178**	**21,521**	**69,099**	**90,783**	**168,073**	**483,469**	**19,139**	**502,608**
Profit for the year	-	-	-	-	-	-	86,220	86,220	2,869	89,089
Exchange differences on translation of foreign operations	-	-	(10,355)	-	-	-	-	(10,355)	(2,603)	(12,958)
Fair value change in debt instruments classified as FVOCI	-	-	-	-	44,942	-	-	44,942	-	44,942
Fair value change in equity instruments classified as FVOCI	-	-	-	-	9,259	-	-	9,259	-	9,259
Net amount transferred to profit or loss	-	-	-	-	(5,893)	-	-	(5,893)	-	(5,893)
Total comprehensive income for the year	**-**	**-**	**(10,355)**	**-**	**48,309**	**-**	**86,220**	**124,173**	**266**	**124,440**
Transfer between reserves	-	-	-	29,073	-	11,465	(40,538)	-	-	-
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(29,070)	(29,070)	-	(29,070)
Balance at December 31, 2019	**17,100**	**98,715**	**7,823**	**50,594**	**117,408**	**102,248**	**184,685**	**578,573**	**19,405**	**597,978**
At 1 January 2020	17,100	98,715	7,823	50,594	117,408	102,248	184,685	578,573	19,405	597,978
Profit for the year	-	-	-	-	-	-	109,327	109,327	4,438	113,765
Exchange differences on translation of foreign operations	-	-	32,689	-	-	-	-	32,689	5,237	37,926
Fair value change in debt instruments classified as FVOCI	-	-	-	-	5,102	-	-	5,102	-	5,102
Fair value change in equity instruments classified as FVOCI	-	-	-	-	10,875	-	2,254	13,128	-	13,128
Net amount transferred to profit or loss	-	-	-	-	(10,577)	-	-	(10,577)	-	(10,577)
Total comprehensive income for the year	-	-	32,689	-	5,399	-	111,581	149,669	9,675	159,344
Transfer between reserves	-	-	-	(5,098)	-	13,131	(8,033)	-	-	-
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(33,174)	(33,174)	-	(33,174)
Balance at December 31, 2020	17,100	98,715	40,512	45,496	122,807	115,379	255,059	695,068	29,080	724,148

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

United Bank for Africa
Consolidated and Separate Statements of Changes in Equity

For the year ended December 31, 2020

(ii) Bank

In millions of Nigerian naira	Share Capital	Share premium	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
At 1 January 2019	**17,100**	**98,715**	**15,212**	**69,751**	**74,603**	**89,217**	**364,598**
Profit for the year	-	-	-	-	-	62,750	**62,750**
Fair value change in debt instruments classified as FVOCI	-	-	-	44,914	-	-	**44,914**
Fair value change in equity instruments classified as FVOCI	-	-	-	9,223	-	-	**9,223**
Net amount transferred to profit or loss	-	-	-	(5,893)	-	-	**(5,893)**
Total comprehensive income for the year	-	-	-	48,244	-	62,750	**110,994**
Transfer between reserves	-	-	21,342	-	11,465	(32,807)	**-**
Transactions with owners							
Dividends paid	-	-	-	-	-	(29,070)	**(29,070)**
Balance at December 31, 2019	**17,100**	**98,715**	**36,554**	**117,995**	**86,068**	**90,090**	**446,522**
At 1 January 2020	**17,100**	**98,715**	**36,554**	**117,995**	**86,068**	**90,090**	**446,522**
Profit for the year	-	-	-	-	-	56,911	**56,911**
Exchange differences on translation of foreign operations	-	-	-	-	-	-	**-**
Fair value change in debt instruments classified as FVOCI	-	-	-	5,044	-	-	**5,044**
Fair value change in equity instruments classified as FVOCI	-	-	-	10,875	-	2,254	**13,128**
Net amount transferred to profit or loss	-	-	-	(10,492)	-	-	**(10,492)**
Total comprehensive income for the period	-	-	-	5,427	-	59,165	**64,591**
Transfer between reserves	-	-	9,219	-	11,383	(20,602)	**-**
Transactions with owners							
Dividends paid	-	-	-	-	-	(33,173)	**(33,173)**
Balance at December 31, 2020	**17,100**	**98,715**	**45,773**	**123,421**	**97,451**	**95,480**	**477,940**

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

United Bank for Africa Plc
Consolidated and Separate Statements of Cash Flows

For the year ended December 31, 2020

In millions of Nigerian Naira	Notes	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash flows from operating activities					
Profit before income tax		**131,860**	**111,287**	**58,360**	**70,063**
Adjustments for:					
Depreciation of property and equipment	18	14,970	11,980	10,755	8,842
Amortisation of intangible assets	18	2,972	1,627	2,634	1,325
Depreciation of right-of-use assets	18	2,063	1,883	1,647	1,605
Impairment charge on loans to customers	12	19,366	14,160	8,250	11,098
Impairment charge/(reversal) on investment securities	12	385	254	385	217
Impairment charge /(reversal) on off-balance sheet items	12	1,598	(2,076)	1,301	(1,617)
Impairment charge on loans to banks	12	49	2,741	61	2,675
Write-off of loans and advances	12	6,152	1,689	5,966	1,095
Impairment reversal on other assets	12	2,583	3,738	6,081	3,074
Net fair value gain on derivative financial instruments	15	(5,361)	(12,594)	(5,361)	(12,594)
Foreign currency revaluation (gain)/loss	15	(6,174)	10,171	(5,654)	12,080
Dividend income	16	(2,943)	(3,305)	(6,410)	(20,190)
Net gain/loss on disposal of property and equipment	16	163	(251)	168	(16)
Write-off of property and equipment	30	37	74	36	13
Net amount transferred to the profit or loss		(10,577)	(5,893)	(10,492)	(5,893)
Net interest income		(259,467)	(221,875)	(158,227)	(150,853)
Share of profit of equity-accounted investee	28	(1,071)	(413)	-	-
		(103,395)	**(86,803)**	**(90,500)**	**(79,076)**
Changes in operating assets and liabilities					
Change in financial assets at FVTPL		(54,984)	(70,209)	(11,642)	(70,208)
Change in cash reserve balance with CBN		(271,780)	(268,425)	(256,116)	(264,410)
Change in loans and advances to banks		30,729	(95,155)	34,726	(87,008)
Change in loans and advances to customers		(519,039)	(361,711)	(317,500)	(301,772)
Change in other assets		67,121	(102,377)	14,656	(77,119)
Change in deposits from banks		151,087	92,234	29,098	62,215
Change in deposits from customers		1,843,127	483,764	1,059,755	340,280
Change in placement with banks		37,538	(22,722)	37,538	(3,822)
Change in other liabilities and provisions	36	49,127	(10,864)	35,297	(24,884)
Interest received		427,862	404,830	274,975	307,433
Interest paid on deposit from banks and customers		(119,868)	(138,064)	(74,408)	(111,785)
Income tax paid	20(c)	(14,688)	(23,182)	(693)	(7,297)
Net cash generated from/ (used in) operating activities		**1,522,837**	**(198,684)**	**735,114**	**(317,453)**
Cash flows from investing activities					
Proceeds from sale/redemption of investment securities		3,543,327	3,089,704	3,651,112	3,155,680
Purchase of investment securities		(4,598,133)	(2,956,816)	(4,100,967)	(2,939,081)
Purchase of property and equipment	30	(33,426)	(23,271)	(26,588)	(17,692)
Addition to right of use assets	30	(7,759)	(3,242)	(2,011)	(2,769)
Purchase of intangible assets	31	(14,933)	(1,846)	(12,093)	(1,683)
Proceeds from disposal of property and equipment		1,040	522	247	270
Proceeds from disposal of intangible assets		379	11	293	12
Proceeds from disposal of investement in subsidiaries		-	-	-	502
Dividend received		2,943	3,305	6,410	20,190
Net cash (used in)/generated from investing activities		**(1,106,177)**	**108,367**	**(483,597)**	**215,429**
Cash flows from financing activities					
Interest paid on borrowings and subordinated liabilities		(58,580)	(55,120)	(58,255)	(54,795)
Proceeds from borrowings	37	487,475	140,708	472,887	126,120
Repayment of borrowings	37	(582,713)	(64,062)	(556,315)	(37,664)
Payments of principal on leases		(495)	(1,000)	(191)	(988)
Payments of interest on leases		(227)	(99)	(217)	(96)
Repayment of subordinated liabilities		(30,058)	-	(30,058)	-
Dividend paid to owners of the parent		(33,174)	(29,070)	(33,173)	(29,070)
Net cash (used in)/generated from financing activities		**(217,772)**	**(8,643)**	**(205,322)**	**3,507**
Increase/ decrease in cash and cash equivalents		198,888	(96,869)	46,195	(98,517)
Effects of exchange rate changes on cash and cash equivalents		102,288	(5,905)	46,523	10,381
Cash and cash equivalents at beginning of year	22	559,471	662,245	361,927	450,063
Effect of exchange rate fluctuations on cash held					
Cash and cash equivalents at end of year	22	**860,647**	**559,471**	**454,645**	**361,927**

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

United Bank for Africa Plc
Notes to Financial Statements
For the year ended December 31, 2020

1 GENERAL INFORMATION

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

The consolidated and separate financial statements of the Group for the year ended December 31, 2020 comprise the Bank (Parent) and its subsidiaries (together referred to as the ""Group"" and individually referred to as ""Group entities""). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

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

2 BASIS OF PREPARATION

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF MEASUREMENT

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

3.2 FUNCTIONAL AND PRESENTATION CURRENCY

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

3.3 USE OF ESTIMATES AND JUDGEMENTS

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

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

3.4 BASIS OF CONSOLIDATION

(a) Subsidiaries

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

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

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

(b) Business combinations

Business combinations are accounted for using the acquisition method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 BASIS OF CONSOLIDATION (CONTINUED)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 BASIS OF CONSOLIDATION (CONTINUED)

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

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

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

3.5 FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

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

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

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

3.6 INTEREST INCOME AND INTEREST EXPENSE

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

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

3.7 FEES AND COMMISSIONS INCOME AND EXPENSES

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

3.8 NET TRADING AND FOREIGN EXCHANGE INCOME

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

3.9 DIVIDEND INCOME

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

3.10 INCOME TAX

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

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

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

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

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

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

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

3.11 CASH AND BANK BALANCES

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

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

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

3.12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

3.13 DERIVATIVE FINANCIAL INSTRUMENTS

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

3.14 PROPERTY AND EQUIPMENT

(a) Recognition and measurement

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

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

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

(d) De-recognition

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

3.15 INTANGIBLE ASSETS

(a) Goodwill

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill (continued)

Subsequent measurement

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

(b) Software

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

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

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

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

3.16 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

3.17 REPOSSESSED COLLATERAL

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 SHARE CAPITAL AND RESERVES (CONTINUED)

(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.

3.26 SEGMENT REPORTING

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

3.27 IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Revenue under IFRS 15 is recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.
Adoption of this standard does not have any significant impact on the Group.

3.28 IFRS 9: FINANCIAL INSTRUMENTS

a. Initial recognition, classification and measurement of financial assets

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 IFRS 9: FINANCIAL INSTRUMENTS (CONTINUED)

a. Initial recognition, classification and measurement of financial assets (continued)

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.

c. SPPI assessment

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

d. Investment securities

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 IFRS 9: FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 IFRS 9: FINANCIAL INSTRUMENTS (CONTINUED)

g. Allowance for credit losses (Continued)

ACL on debt securities measured at FVOCI is presented in profit or loss with the corresponding entry to other comprehensive income. ACL on other financial assets is calculated using the 'general approach' and presented in 'Allowance for impairment on account receivable.

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

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

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

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

3) Impaired financial assets
• Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. The Stage 3 expected credit loss impairment model is based on changes in credit quality since initial recognition. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

h. Measurement of expected credit losses

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

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 IFRS 9: FINANCIAL INSTRUMENTS (CONTINUED)

g. Allowance for credit losses (Continued)

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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 IFRS 9: FINANCIAL INSTRUMENTS (CONTINUED)

k. Use of forward-looking information (Continued)

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.
- 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 IFRS 9: FINANCIAL INSTRUMENTS (CONTINUED)

m. Credit-impaired financial assets (Stage 3) (Continued)

A loan is considered for transfer from stage 2 to stage 1 where there is significant improvement in credit risk and from stage 3 to stage 2 (declassified) where the facility is no longer in default. Factors that are considered in such backward transitioning include the following:

i) Declassification of the exposure by all the licensed private credit bureaux or the credit risk management system;
ii) Improvement of relevant credit risk drivers for an individual obligor (or pool of obligors);
iii) Evidence of full repayment of principal or interest.

Generally, the above are to represent an improvement in credit risk to warrant consideration for a backward transition of loans. Where there is evidence of significant reduction in credit risk, the following probationary periods should apply before a loan may be moved to a lower stage (indicating lower risk):

- Transfer from Stage 2 to 1:- 90 days
- Transfer from Stage 3 to 2:- 90 days
- Transfer from Stage 3 to Stage 1:- 180 days

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

n. Write-off of loans

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

o. Modifications

The credit risk of a financial asset will not necessarily decrease merely as a result of a modification of the contractual cash flows. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, the Bank assesses whether there has been a significant increase in the credit risk of the financial by comparing:
(1) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
(2) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A modification will however lead to derecognition of existing loan and recognition of a new loan i.e. substantial modification if:
- the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 IFRS 9: FINANCIAL INSTRUMENTS (CONTINUED)

p. Classification and measurement of financial liabilities

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

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

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

Gains or losses from financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the Group's own credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the Group's credit risk are also presented in profit or loss;

ii. Financial guarantee contracts and commitments.
Financial liabilities that are not classified at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers, borrowings, and subordinated liabilities.

q. De-recognition of financial instruments

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

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group may enter into transactions whereby it transfers assets , but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

3.29 IFRS 16 LEASES

At contract inception the Group assesses 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 IFRS 16 LEASES (CONTINUED)

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.

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

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

b) **Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

c) **Amendments to IAS 1 and IAS 8: Definition of Material**
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements, nor is there expected to be any future impact to the Group.

d) **The Conceptual Framework for Financial Reporting**
The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) which was issued in 2018 sets out fundamental concepts for financial reporting that guides the Board in developing IFRS standards. The framework will also help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework sets out the following:

The objective of general purpose financial reporting, the qualitative characteristics of useful financial information; a description of the reporting entity ; element of financial statements, recognition & derecognition, measurement, presentation and disclosure, concept of capital and capital maintenance.

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

3.30 STANDARDS AND INTERPRETATIONS ISSUED/AMENDED BUT NOT YET EFFECTIVE

The standards listed below have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2020. The Group has not applied the following new or amended standards in preparing

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.30 STANDARDS AND INTERPRETATIONS ISSUED/ AMENDED BUT NOT YET EFFECTIVE (CONTINUED)

these consolidated and separate financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on these new standards/amendments are provided below.

a) IFRS 17 - Insurance Contracts

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

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

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

(b) Amendment to IAS 1

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

The amendment only affect the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendment will

- clarify that classification of liabilities as current or non-current should be based on rights that are in existence at the end of the balance sheet date,
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.31 ROUNDING OFF AMOUNTS

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

4 FINANCIAL RISK MANAGEMENT

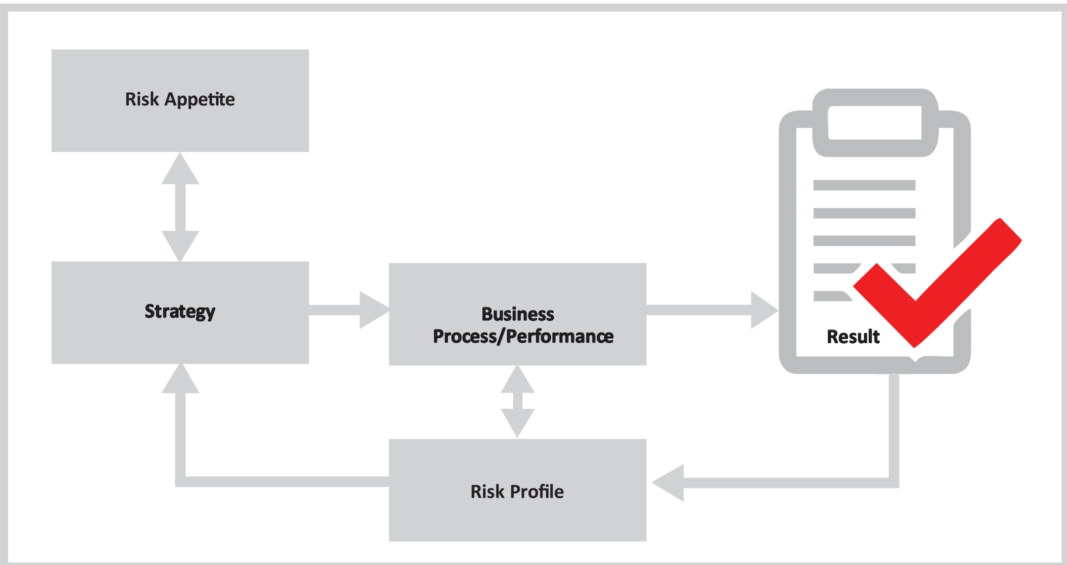
4.1 INTRODUCTION AND OVERVIEW

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

(a) Risk Management Strategy

UBA's risk management strategy is based on an embedded risk management process from the strategy formulation level to the business unit decision making. The strategic risk management objectives include:

- Evaluation of the strategic risks faced by the Group in the continuously evolving environment;
- Allocate resources in line with strategic objectives and risks;
- Determine the tolerable risk profile and formulate the acceptable risk appetite for the Group;
- Establish adequate risk management and internal control systems to support the business and the risk appetite; and
- Establish proper feedback mechanism as input into the strategic risk management process.



(b) Risk Management Culture

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 INTRODUCTION AND OVERVIEW (CONTINUED)

(b) Risk Management Culture -(Continued)

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

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

(c) Role and responsibilities

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

Board of Directors

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

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

Board Committees

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

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

Management Committees

Key Management Committees include:

(i) Executive Management Committee (EMC)

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

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

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

(ii) Executive Credit Committee (ECC)

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

Its principal activities and functions are:

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 INTRODUCTION AND OVERVIEW (CONTINUED)

(c) Role and responsibilities - (Continued)

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

(iii) *Group Asset and Liability Committee*

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

In playing this role, GALCO does the following:-

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

(iv) *Criticized Assets Committee*

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

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

(v) *Group Risk Management Committee*

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 INTRODUCTION AND OVERVIEW (CONTINUED)

(c) Role and responsibilities -(continued)

(i) Review IT Risk Management and make recommendations in accordance with the risk appetite of the Group.
(j) Monitor the Basel II Accord Capital Framework implementation and compliance program in the Group.
(k) Periodic review of the Risk Assets Portfolio and Limits in line with internal and regulatory benchmarks.

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

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

(d) Central Risk Management Functions

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

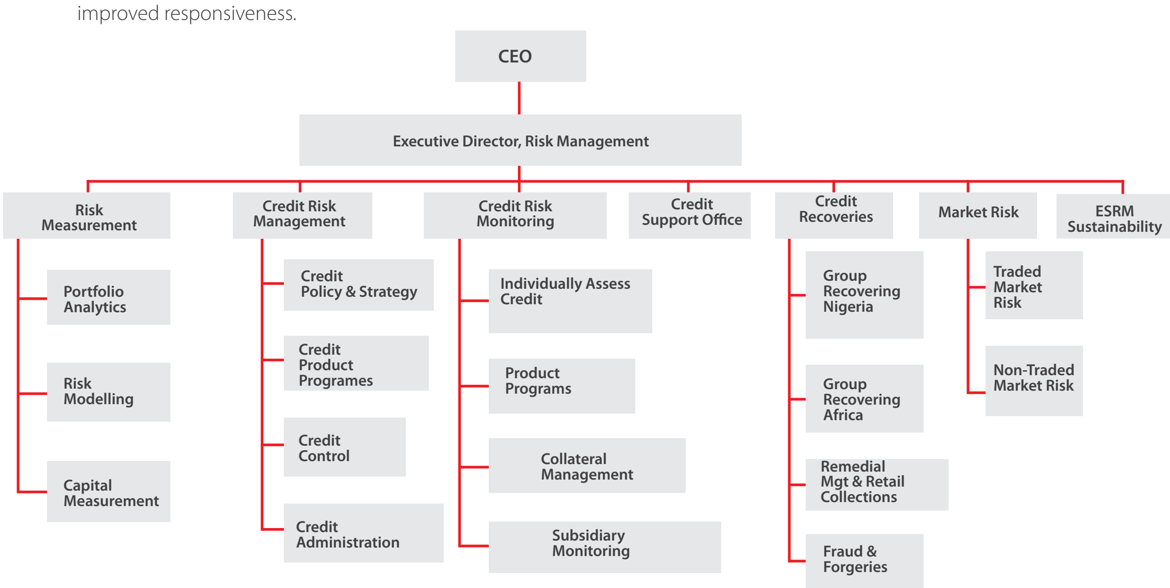
- Develop and maintain policies, frameworks and risk management methodologies
- Provide guidance on the management of risks and ensure implementation of risk policies and strategies
- Provide recommendations for improvement of risk management
- Provide consolidated risk reports to the various Board and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

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

(e) Risk Management Structure

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

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



4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 INTRODUCTION AND OVERVIEW (CONTINUED)

(f) Risk Management Policies

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

(i) Risk Appetite

A key responsibility of the Board is the determination of the organization's risk appetite. This is codified in a Risk Appetite framework which considers the level of risk that the Group is willing to take in pursuit of its business objectives. This is expressed as the Group's appetite for earnings volatility across all businesses from a credit, marketing and liquidity risk perspective.
Risk appetite is institutionalized by establishing scale of activities through clearly defined target market criteria, product risk acceptance criteria, portfolio limits as well as risk-return requirements.

(ii) Approval Authority

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

(iii) Risk concentration

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

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

4.2 CREDIT RISK

(a) Overview

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

(i) Credit Risk Management (CRM)

The Credit Risk Management division acts as the custodian of Group credit policies and recommends reviews based on regulatory changes and other developments in the operating environment. It develops and implements the Group credit risk management framework, as well as a portfolio management strategy towards achieving a diversified, high quality asset mix to minimize delinquencies. In addition, CRM ensures appropriate control measures are taken in the documentation and administration of approved loans.

(ii) Credit Risk Governance

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(a) Overview (Continued)

(iii) Credit Monitoring

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

(iv) Credit Concentration Management

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

The Group ensures that:

- It manages its portfolio by ensuring adequate diversification across industries, segments and jurisdictions to maintain high portfolio quality and liquidity
- Provides risk based concentration limits to ensure that exposures to single obligors, sectors and countries are contained within acceptable risk appetite.

(v) Credit Risk Measurement

In measuring credit risk of loans and advances to various counterparties, the Group considers the credit worthiness and financial capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. Our credit exposure comprises wholesale and retail loans and advances and debt securities.

The Group's policy is to lend principally on the basis of our customers' repayment capacity through quantitative and qualitative evaluation. However we strive to ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility. In the estimation of credit risk, the Group estimates the following parameters:

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

Probability of Default

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

Loss Given Default

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

Exposure at default

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

(vi) General Risk Rating Process

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(a) Overview (Continued)

(vi) General Risk Rating Process (Continued)

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

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

Deterioration in credit risk are identified based on factors such as

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

(vii) Credit Rating of Counterparty/Obligor

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

UBA Risk Buckets and Definition

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

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

(viii) Remedial Management Process

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

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

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

The process calls for full information gathering, together with financial and risk analysis leading up to the approval decision.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(a) Overview (Continued)

Analysis and standards vary according to business product, market, transaction characteristics and environmental issues. In all cases, we strive to achieve good judgment, in ensuring that all relevant issues have been addressed in each situation.

(ix) Work out and recovery

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

Level 1 is an oversight and supervisory function performed by the Divisional Head through the Regional Heads;
Level 2 is a supervisory and management function performed by the Regional Heads through the Zonal Heads; and
Level 3 is an operational function performed by the Zonal Head in conjunction with the Recovery/Remedial officers from the regional bank offices.

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

Risk Management and Credit Recovery Division methodology

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(b) Credit risk Exposure

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

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

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

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

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2020**	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Performance bonds and guarantees	170,988	48,692	163,793	47,019
Letters of credits	687,841	595,896	194,880	299,756
	858,829	**644,588**	**358,673**	**346,775**
Bonds and guarantee exposure to total exposure	20%	8%	46%	14%
Letters of credit exposure to total off-balance sheet exposure	80%	92%	54%	86%
Credit risk exposures relating to loan commitment are as follows:				
Loan commitment to corporate entities and others				
Term Loan	95,030	87,028	95,030	87,028
	95,030	**87,028**	**95,030**	**87,028**

There are no loan commitments to individuals.
The credit risk exposure as at period end is representative of the average exposure in the period.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(b) Credit risk Exposure - (continued)

(ii) Credit concentration - location

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

December 31, 2020

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(b) Credit risk Exposure (continued)

(ii) Credit concentration - location (continued)

December 31, 2019

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(iii) Credit concentration - Industry

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(iii) Credit concentration - Industry (Continued)

T

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(iii) Credit concentration - Industry (Continued)

Group *In millions of Nigerian Naira*	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Govern-ments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
December 31, 2019													
Cash and bank balances:													
- Current balances with banks	-	-	-	191,845	-	-	-	-	-	-	-	-	191,845
- Unrestricted balances with Central Banks	-	-	-	97,063	-	-	-	-	-	-	-	-	97,063
- Money market placements	-	-	-	189,997	-	-	-	-	-	-	-	-	189,997
- Restricted balances with central banks	-	-	-	851,132	-	-	-	-	-	-	-	-	851,132
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	43,737	-	-	-	-	-	43,737
- Promissory notes	-	-	-	-	-	-	58,963	-	-	75	-	-	59,038
- Government bonds	-	-	-	-	-	-	42,923	-	-	-	-	-	42,923
Derivative assets	-	-	-	48,131	-	-	-	-	-	-	-	-	48,131
Loans and advances to banks	-	-	-	108,211	-	-	-	-	-	-	-	-	108,211
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	16,812	-	-	-	-	-	-	-	16,812
- Term loans	-	-	-	-	88,960	-	-	-	-	-	-	-	88,960
Corporates	-	-	-	-	-	-	-	-	-	-	-	-	
- Overdrafts	12,835	7,406	2,395	4,195	5,408	92,126	59,046	3,589	97,851	128,618	8,885	3,682	426,036
- Term loans	46,771	77,496	14,264	100,747	19,141	193,240	274,374	129,527	208,524	242,387	202,994	16,945	1,526,409
- Others	-	-	-	-	-	-	-	-	2,930	-	-	-	2,930
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	461,353	-	-	-	-	-	461,353
- Bonds	-	-	-	10,577	-	-	198,572	-	-	-	-	-	209,149
At FVOCI													
- Treasury bills	-	-	-	-	-	-	659,989	-	-	-	-	-	659,989
- Bonds	-	-	-	-	-	-	86,524	-	-	-	-	-	86,524
Other assets	-	-	-	32,613	84,152	-	-	-	-	-	-	-	116,765
Total financial assets	**59,606**	**84,902**	**16,659**	**1,634,511**	**214,473**	**285,366**	**1,885,481**	**133,116**	**309,305**	**371,080**	**211,879**	**20,627**	**5,227,004**
Commitments and guarantees													
- Performance bonds and guarantees	1,813	13,667	-	3,824	7,359	2,838	1,092	50	6,587	5,850	4,943	669	48,692
- Letters of credits	11,933	103,561	-	-	79,154	26,231	-	2,135	282,129	85,629	5,124	-	595,896
- Loan commitments	-	-	-	-	-	-	-	18,198	-	-	68,830	-	87,028
Total commitments and guarantees	**13,746**	**117,228**	**-**	**3,824**	**86,513**	**29,069**	**1,092**	**20,383**	**288,716**	**91,479**	**78,897**	**669**	**731,616**

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(iii) Credit concentration - Industry (Continued)

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

Bank *In millions of Nigerian Naira*	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Govern-ments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
December 31, 2019													
Financial assets													
Cash and bank balances:													
- Current balances with banks	-	-	-	168,775	-	-	-	-	-	-	-	-	168,775
- Unrestricted balances with Central Banks	-	-	-	5,688	-	-	-	-	-	-	-	-	5,688
- Money market placements	-	-	-	117,646	-	-	-	-	-	-	-	-	117,646
- Restricted balances with central banks	-	-	-	815,978	-	-	-	-	-	-	-	-	815,978
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	35,631	-	-	-	-	-	35,631
- Promissory notes	-	-	-	-	-	-	58,963	-	-	75	-	-	59,038
- Government bonds	-	-	-	-	-	-	7,719	-	-	-	-	-	7,719
Derivative assets	-	-	-	48,131	-	-	-	-	-	-	-	-	48,131
Loans and advances to banks	-	-	-	99,849	-	-	-	-	-	-	-	-	99,849
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	8,867	-	-	-	-	-	-	-	8,867
- Term loans	-	1,379	-	-	34,689	-	-	-	-	-	-	-	36,068
Corporates													
- Overdrafts	7,408	4,880	1,886	422	5,408	61,425	38,126	583	70,442	78,702	6,907	4,315	280,503
- Term loans	28,930	47,902	12,189	93,436	19,141	171,265	133,086	105,075	187,657	189,627	173,762	12,942	1,175,012
- Others	-	-	-	-	-	-	-	-	2,930	-	-	-	2,930
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
At FVOCI													
- Treasury bills	-	-	-	-	-	-	634,209	-	-	-	-	-	634,209
- Bonds	-	-	-	-	-	-	24,931	-	-	-	-	-	24,931
Other assets	-	-	-	54,977	43,220	-	-	-	-	-	-	-	98,197
Total financial assets	**36,338**	**54,161**	**14,075**	**1,415,479**	**111,325**	**232,690**	**995,644**	**105,658**	**261,029**	**268,404**	**180,669**	**17,256**	**3,692,728**
Commitments and guarantees													
- Performance bonds and guarantees	1,813	13,667	-	3,824	7,359	2,838	1,092	50	5,044	5,850	4,943	539	47,019
- Letters of credits	11,933	103,561	-	-	79,154	3,893	-	2,135	91,135	7,945	-	-	299,756
- Loan commitments	-	-	-	-	-	-	-	18,198	-	-	68,830	-	87,028
Total commitments and guarantees	**13,746**	**117,228**	**-**	**3,824**	**86,513**	**6,731**	**1,092**	**20,383**	**96,179**	**13,795**	**73,773**	**539**	**433,803**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(c) Credit Quality

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

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

Stage 1 Loans and Advances:
These are loans and advances that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (where the optional simplification is applied) at the reporting date.

Stage 2 Loans and Advances:
These are loans and advances that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event.

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

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

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(c) Credit Quality (Continued)

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

December 31, 2020	**Group**				**Bank**			
In millions of Nigerian Naira	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
Cash and bank balances:								
- Current balances with banks	291,225	-	-	291,225	176,665	-	-	176,665
- Unrestricted balances with Central Banks	231,533	-	-	231,533	65,930	-	-	65,930
- Money market placements	126,832	-	-	126,832	51,237	-	-	51,237
- Restricted balances with central banks	1,103,888	-	-	1,103,888	1,072,094	-	-	1,072,094
Financial assets at FVTPL:								
- Treasury bills	176,172	-	-	176,172	168,035	-	-	168,035
- Promissory notes	75	-		75	75	-	-	75
- Government bonds	38,153	-	-	38,153	2,948	-	-	2,948
Derivative assets	53,148	-	-	53,148	53,148	-	-	53,148
Loans and advances to banks	79,394	-	-	79,394	67,020	-	-	67,020
Loans and advances to customers								
Individuals								
- Overdrafts	3,740	3,527	25,942	33,209	1,617	247	17,859	19,723
- Term loans	159,941	4,602	2,641	167,184	56,127	2,488	1,142	59,757
Corporates							-	
- Overdrafts	488,976	26,708	85,075	600,759	352,925	5,897	24,206	383,028
- Term loans	1,613,532	234,976	15,143	1,863,651	1,197,491	213,218	122	1,410,831
- Others	1,519	-	-	1,519	1,519	-	0	1,519
Investment securities:								
At Amortised Cost								
- Treasury bills	716,448	-	-	716,448	-	-	-	-
- Bonds	443,708	-	-	443,708	72,276	-	-	72,276
At FVOCI								
- Treasury bills	1,142,908	-	-	1,142,908	1,101,232	-	-	1,101,232
- Bonds	150,822	-	-	150,822	5,592	-	-	5,592
Other assets	75,758	-	11,672	87,430	74,574	-	11,120	85,694
Gross financial assets	**6,897,772**	**269,813**	**140,473**	**7,308,058**	**4,520,505**	**221,851**	**54,448**	**4,796,804**
Allowance for impairment on financial assets is as follows:								
Allowance for credit losses								
Loans and advances to customers								
- Individuals	4,762	353	14,204	19,319	3,427	202	10,255	13,884
- Corporates	43,823	10,853	37,352	92,028	26,906	7,420	14,112	48,438
Loans and advances to banks	1,975	-	-	1,975	1,962	-	-	1,962
	50,560	**11,206**	**51,556**	**113,322**	**32,295**	**7,622**	**24,367**	**64,284**
Allowance for impairment								
Other assets	322	-	11,350	11,672	322	-	10,798	11,120
Bonds at amortised cost	892	-	-	892	797	-	-	797
	1,214	**-**	**11,350**	**12,564**	**1,119**	**-**	**10,798**	**11,917**
Total impairment allowance on financial assets	**51,774**	**11,206**	**62,906**	**125,886**	**33,414**	**7,622**	**35,165**	**76,201**
Net amount	**6,845,998**	**258,607**	**77,567**	**7,182,172**	**4,487,091**	**214,229**	**19,283**	**4,720,603**

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(c) Credit Quality (Continued)

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(c) Credit Quality (Continued)

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

Group

December 31, 2020

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(c) Credit Quality (Continued)

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

Group

December 31, 2020

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(c) Credit Quality (Continued)

Bank

December 31, 2020

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(c) Credit Quality (Continued)

Bank

December 31, 2020

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(d) Statement of Prudential Adjustments

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(e) Credit Collateral

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and updated periodically. Collateral generally is not held over loans and advances to banks except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is usually also not held against investment securities. Irrespective of how well a credit proposal is structured, a second way out in form of adequate collateral coverage for all loans is a major requirement in order to protect the bank from incurring loan losses due to unforeseen events resulting from deterioration of the quality of a loan.

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

All items pledged as security for loan facilities are insured with the Bank noted as the first loss payee.
Some of the collaterals acceptable to the Bank under appropriate documentations are briefly described as follows:

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

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

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

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(e) Credit Collateral (Continued)

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

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2020**	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Loans to individuals				
Against Stage 3 loans				
Property	1,703	916	1,703	916
Others	26,833	14,966	17,328	9,666
	28,537	15,882	19,031	10,582
Against Stage 2 loans				
Property	2,336	-	1,112	-
Others	7,724	12,555	2,330	-
	10,060	12,555	3,442	-
Against Stage 1 loans				
Property	2,654	4,043	2,484	4,043
Others	129,953	64,196	50,893	36,919
	132,607	68,239	53,377	40,962
Total for loans to individuals	**171,204**	**96,676**	**75,850**	**51,544**
Loans to corporates				
Against Stage 3 loans				
Property	32,408	19,678	16,405	19,678
Others	72,080	54,431	10,327	15,289
	104,488	74,109	26,731	34,967
Against Stage 2 loans				
Property	87,925	59,728	73,232	59,728
Others	158,859	313,268	125,810	228,550
	246,784	372,996	199,042	288,278
Against Stage 1 loans				
Property	434,662	184,554	388,410	178,172
Others	1,423,353	1,118,506	882,817	864,961
	1,858,015	1,303,060	1,271,227	1,043,133
Total for loans to corporates	**2,209,287**	**1,750,165**	**1,497,000**	**1,366,378**
Total for loans and advances to customers	**2,380,491**	**1,846,841**	**1,572,850**	**1,417,922**

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(e) Credit Collateral (Continued)

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

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

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

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

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

Repossessed collateral

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 CREDIT RISK (CONTINUED)

(e) Credit Collateral (Continued)

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

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

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

4.3 LIQUIDITY RISK

(a) Overview

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

(i) Liquidity Risk Management

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

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

(ii) Liquidity Risk Governance

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 LIQUIDITY RISK

(a) Overview (Continued)

(iii) Liquidity Risk Measurement

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

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

(b) Liquidity ratios

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

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 LIQUIDITY RISK (CONTINUED)

Maturity analysis for financial liabilities

Group

December 31, 2020

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 LIQUIDITY RISK (CONTINUED)

Maturity analysis for financial liabilities (Continued)

Bank

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 LIQUIDITY RISK (CONTINUED)

Maturity analysis for financial liabilities (Continued)

Group

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 LIQUIDITY RISK (CONTINUED)

Maturity analysis for financial liabilities (Continued)

Bank

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK

(a) Overview

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

(i) Market Risk Management

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

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

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

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

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

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

(ii) Market Risk Governance

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

(a) Overview (Continued)

(iii) Market Risk Measurement

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

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

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

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

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

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

Daily Valuation Of Market Risk Positions: Mark to Market (MTM) for relevant products/positions is done in line with International Financial Reporting Standard (IFRS). All market risk financial instruments are categorized into:

1) Fair value through profit or loss(FVTPL) – valued on fair value accounting methodology and MTM daily.
2) Fair value through other comprehensive income(FVOCI) – valued on fair value accounting methodology and MTM monthly.
3) Amortised cost – This portfolio is not MTM because positions are held until maturity.

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

(a) Overview (Continued)

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

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

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

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

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

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

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

(b) Interest rate risk

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

(b) Interest rate risk (Continued)

December 31, 2020

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

(b) Interest rate risk (Continued)

December 31, 2019

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

(b) Interest rate risk (Continued)

December 31, 2020

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

(b) Interest rate risk (Continued)

December 31, 2019

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

Interest rate sensitivity analysis of floating rate financial instruments

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

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

(c) Price risk

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

Price sensitivity analysis for financial instruments measured at FVTPL

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

Price sensitivity analysis for financial instruments measured at FVOCI:

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

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

Equity price risk

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

(d) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

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

The tables below show foreign currencies to which the Group had exposure at the end of the reporting period and the sensitivity of the Group's profit before tax and equity to changes in exchange rates. The analysis calculates the effect of reasonably possible movement of the foreign exchange rates against the Nigerian Naira (all other variables being constant) on the income statement due to changes to the carrying amounts of the Group's foreign currency sensitive financial assets and liabilities. A negative amount in the table reflects a potential net reduction in the income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Nigerian Naira would have resulted in an equivalent but opposite impact.

For the purpose of disclosing the sensitivity analysis for foreign currency risk, the Group's foreign currency risk arising from the translation of its foreign operations are not taken into account even though they may have an impact on equity. This is because foreign currency risk can only arise on financial instruments denominated in a currency other than the functional currency in which they are measured and translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the group's presentation currency.

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

Group *In millions of Nigerian Naira*	**Naira**	**US Dollar**	**Euro**	**Pound**	**Others**	**Total**
December 31, 2020						
Cash and bank balances	1,176,105	233,876	62,453	11,221	390,964	1,874,618
Financial assets at FVTPL	171,058	-	-	-	43,342	214,400
Derivative assets	53,148	-	-	-	-	53,148
Loans and advances to banks	-	64,190	13,217	12	-	77,419
Loans and advances to customers	955,518	824,304	38,503	37	736,613	2,554,975
Investment securities	1,521,656	12,850	1,477	-	1,044,808	2,580,791
Other assets	32,051	50,322	4,551	33	12,145	99,102
Total financial assets	**3,909,536**	**1,185,541**	**120,202**	**11,303**	**2,227,872**	**7,454,453**
Derivative liability	508	-	-	-	-	508
Deposits from banks	142,261	7,984	7,983	16	259,913	418,157
Deposits from customers	3,508,339	608,438	46,649	12,007	1,500,578	5,676,011
Other liabilities	30,668	52,821	14,805	317	48,552	147,162
Borrowings	74,996	619,359	-	-	-	694,355
Total financial liabilities	**3,756,772**	**1,288,601**	**69,436**	**12,340**	**1,809,043**	**6,936,193**
Swap and forward contracts	(500,413)	500,413	-	-	-	-
Net FCY Exposure		**397,353**	**50,766**	**(1,037)**	**418,829**	
Effect of naira depreciation by 10% on profit before tax		39,735	5,077	(104)	41,883	86,591
Effect of naira appreciation by 10% on profit before tax		(39,735)	(5,077)	104	(41,883)	(86,591)

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

(d) Exchange rate exposure limits (Continued)

FCY sensitivity analysis on foreign exchange rate .

Group

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 MARKET RISK (CONTINUED)

(d) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

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

5 CAPITAL

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

5.1 CAPITAL MANAGEMENT

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

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

The objective of the capital management process is to:

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

5.2 REGULATORY CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The group monitors regulatory capital using the capital adequacy ratio. This ratio is calculated as total regulatory capital divided by risk weighted assets. Total regulatory capital and risk weighted assets are calculated as shown in the table below.

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

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

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

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

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

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

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

5 CAPITAL (CONTINUED)

5.2 REGULATORY CAPITAL (CONTINUED)

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

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

		Group		Bank	
In millions of Nigeria naira		**Dec. 2020**	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Tier 1 capital					
Ordinary share capital		17,100	17,100	17,100	17,100
Share premium		98,715	98,715	98,715	98,715
Retained earnings		255,059	198,037	95,480	103,442
Other reserves	39	115,379	102,248	97,451	86,068
Gross Tier 1 capital		486,253	416,100	308,746	305,325
Less:					
Deferred tax on accumulated losses	39	7,522	7,433	7,816	6,362
Intangible assets		28,900	17,671	16,237	7,070
Tier 1 Capital After Regulatory Deduction		**449,831**	**390,996**	**284,693**	**291,893**
Investment in subsidiaries	29, 28	-	-	(51,638)	(51,638)
Eligible Tier 1 Capital		**449,831**	**390,996**	**233,055**	**240,255**
Tier 2 capital					
Fair value reserve for securities measured at FVOCI	39	122,807	117,408	123,421	117,995
Subordinated liabilities	38	-	30,048	-	30,048
Less: limit of tier 2 to tier 1 capital		(28,523)	(50,745)	(28,523)	(50,745)
Qualifying Tier 2 Capital Before Deductions		**94,284**	**96,711**	**94,898**	**97,298**
Less: Investment in subsidiaries		-	-	(51,638)	(51,889)
Net Tier 2 Capital		**94,284**	**96,711**	**43,260**	**45,409**
Qualifying capital					
Net Tier I regulatory capital		449,831	390,996	233,055	240,255
Net Tier II regulatory capital		94,284	96,711	43,260	45,409
Total qualifying capital		**544,115**	**487,707**	**276,315**	**285,664**
Composition of risk-weighted assets:					
Risk-weighted amount for credit risk		1,685,209	1,276,098	991,245	918,586
Risk-weighted amount for operational risk		732,958	704,752	396,319	369,284
Risk-weighted amount for market risk		16,160	38,148	15,390	40,361
Total Basel II Risk-weighted assets		**2,434,326**	**2,018,998**	**1,402,955**	**1,328,231**
Basel II Capital ratios					
Risk Weighted Capital Adequacy Ratio		22.4%	24.2%	19.7%	21.5%

5.3 CAPITAL ALLOCATION

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

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

6 FAIR VALUE MEASUREMENT

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

6.1 VALUATION MODELS

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

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

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

Specific valuation techniques used to value financial instruments include:

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

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

  Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rate, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.1 VALUATION MODELS (CONTINUED)

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

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

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

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

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

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

6.2 VALUATION FRAMEWORK

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

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

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

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

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

Group:
December 31, 2020

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

Bank:
December 31, 2020

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

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

Group:
December 31, 2019

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

Bank:
December 31, 2019

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

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

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

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

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

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

(iii) Level 3 fair value measurements - Unobservable inputs used in measuring fair value
All valuation processes and techniques are subject to review and approval by the Finance and General Purpose Committee of the Board of Directors. There was no change in the Group's valuation technique during the period.

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

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

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

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

Significant unobservable inputs are developed as follows:

Discounted cash flow

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

Dividend discount model

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

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

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

In millions of Nigerian Naira

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

Group *In millions of Nigerian Naira*	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
December 31, 2020					
Assets					
Cash and bank balances	-	-	1,874,618	1,874,618	1,874,618
Loans and advances to banks	-	-	78,295	78,295	77,419
Loans and advances to customers					
-Individual					
Term loans	-	-	165,663	165,663	161,184
Overdrafts	-	-	22,177	22,177	19,890
-Corporate					
Term loans	-	-	1,830,951	1,830,951	1,813,652
Overdrafts	-	-	575,072	575,072	558,760
Others		-	1,505	1,505	1,489
Investment Securities - Amortised cost					
Treasury bills	-	716,448	-	716,448	716,448
Bonds	-	371,432	-	371,432	443,708
Other assets	-	75,758	-	75,758	75,758
Liabilities					
Deposits from banks	-		418,157	418,157	418,157
Deposits from customers	-	-	5,676,011	5,676,011	5,676,011
Other liabilities	-	-	147,162	147,162	147,162
Borrowings	-	-	727,824	727,824	694,355
December 31, 2019					
Assets					
Cash and bank balances	-	.	1,396,228	1,396,228	1,396,228
Loans and advances to banks	-	-	109,435	109,435	108,211
Loans and advances to customers					
-Individual					
Term loans	-	-	91,432	91,432	88,960
Overdrafts	-	-	18,745	18,745	16,812
-Corporate					
Term loans	-	-	1,540,968	1,540,968	1,526,409
Overdrafts	-	-	438,473	438,473	426,036
Others		-	2,962	2,962	2,930
Investment Securities - Amortised cost					
Treasury bills	-	-	461,353	461,353	461,353
Bonds	-	-	209,645	209,645	209,645
Other assets	-	-	111,912	111,912	111,912
Liabilities					
Deposits from banks	-		267,070	267,070	267,070
Deposits from customers	-	-	3,845,782	3,845,782	3,832,884
Subordinated liabilities	-	30,969	-	30,969	30,048
Other liabilities	-	86,937	-	86,937	86,937
Borrowings	-	-	834,847	834,847	758,682

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (CONTINUED)

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

Bank
December 31, 2020

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Assets					
Cash and bank balances	-	-	1,436,822	1,436,822	1,436,822
Loans and advances to banks	-	-	65,794	65,794	65,058
Loans and advances to customers					-
-Individual					
Term loans	-	-	56,884	56,884	55,346
Overdrafts	-	-	11,429	11,429	10,250
-Corporate					
Term loans	-	-	1,390,946	1,390,946	1,377,804
Overdrafts	-	-	378,378	378,378	367,645
Others	-	-	1,507	1,507	1,491
Investment Securities - Amortised cost					
Treasury bills	-	-	-	-	-
Bonds	-	72,276	-	72,276	72,276
Other assets	-	74,574	-	74,574	74,574
Liabilities					
Deposits from banks	-	-	121,815	121,815	121,815
Deposits from customers	-	-	3,842,187	3,842,187	3,824,143
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	88,456	-	88,456	88,456
Borrowings	-	-	741,767	741,767	688,280

December 31, 2019	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Assets					
Cash and bank balances	-	-	1,182,554	1,182,554	1,182,554
Loans and advances to banks	-	-	100,979	100,979	99,849
Loans and advances to customers					-
-Individual					
Term loans	-	-	37,070	37,070	36,068
Overdrafts	-	-	9,887	9,887	8,867
-Corporate					
Term loans	-	-	1,186,219	1,186,219	1,175,012
Overdrafts	-	-	288,692	288,692	280,503
Others	-	-	2,962	2,962	2,930
Investment Securities - Amortised cost					
Treasury bills	-	-	-	-	-
Bonds	-	74,017	-	74,017	74,017
Other assets	-	98,197	-	98,197	98,197
Liabilities					
Deposits from banks	-	-	92,717	92,717	92,717
Deposits from customers	-	-	2,775,120	2,775,120	2,764,388
Subordinated liabilities	-	30,969	-	30,969	30,048
Other liabilities	-	51,421	-	51,421	51,421
Borrowings	-	-	818,794	818,794	744,094

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (CONTINUED)

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

i) Cash and bank balances

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

ii) Loans and advances

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

iii) Investment securities

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

iv) Other assets

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

v) Deposits from banks and customers

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

vi) Other liabilities

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

vii) Interest bearing loans and borrowings

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

viii) Subordinated liabilities

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

7 OFFSETTING OF FINANCIAL INSTRUMENTS

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

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

7 OFFSETTING OF FINANCIAL INSTRUMENTS (CONTINUED)

Group

December 31, 2020	**Amounts offset**		
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	201,823	(169,526)	32,297
Financial liabilities			
- Creditors and payables (note 36) (a)	255,269	(169,526)	85,743

Group

December 31, 2019	**Amounts offset**		
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	89,470	(57,602)	31,868
Financial liabilities			
- Creditors (note 36) (a)	120,908	(57,602)	63,306

Bank

December 31, 2020	**Amounts offset**		
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	85,716	(68,632)	17,084
Financial liabilities			
- Creditors (note 36) (a)	111,530	(68,632)	42,898

Bank

December 31, 2019	**Amounts offset**		
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	86,697	(57,602)	29,095
Financial liabilities			
- Creditors (note 36) (a)	89,633	(57,602)	32,031

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities.

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

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

(a) Key sources of estimation uncertainty

(i) Measurement of the expected credit loss allowance

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

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of financial assets for the purposes of measuring ECL.

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

(ii) Determining fair values

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

(iii) Deferred tax assets

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

(iv) Valuation of derivative contracts

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

The table below shows the fair value of the Group's derivatives if there is 5% change in interest rates or a 15% change in foreign currency exchange rates.

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

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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

(i) Fair value of equity instruments

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

(ii) Allowance for credit losses

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

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

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

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

(iv) Determination of exchange rate used for translation

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

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

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

9 OPERATING SEGMENTS

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

Geographical segments
The Group operates in the following geographical regions:

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

Business segments
The Group operates in the following business segments:

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

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

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

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

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

9 OPERATING SEGMENTS (CONTINUED)

(a) Geographical segments

(i) December 31, 2020

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
Total revenue[1]	372,223	232,055	19,750	(3,653)	620,375
Interest expenses	(115,623)	(49,144)	(3,628)	-	(168,395)
Fee and commission expense	(28,660)	(15,527)	(86)	(62)	(44,335)
Impairment loss recognised in income statement	(21,388)	(5,145)	(476)	-	(27,009)
Operating expenses	(153,358)	(88,187)	(8,301)	(1)	(249,847)
Share of gains in equity-accounted investee	-	1,071	-	-	1,071
Profit before tax	53,194	75,123	7,259	(3,716)	131,860
Income tax expenses	(2,366)	(15,848)	-	119	(18,095)
Profit for the year	**50,828**	**59,275**	**7,259**	**(3,597)**	**113,765**
December 31, 2020					
Loans and advances	1,799,404	770,289	199,252	(136,551)	2,632,394
Deposits from customers and banks	3,965,731	2,170,132	209,548	(251,243)	6,094,168
Total segment assets2	5,232,415	2,654,320	244,824	(433,579)	7,697,980
Total segment liabilities	4,763,277	2,316,525	219,457	(325,427)	6,973,832
[1] Includes:					
Recognised at a point in time	49,828	62,320	1,692	-	113,840
Recognised over time	708	515	-	-	1,223
Total revenue within the scope of IFRS 15	**50,536**	**62,835**	**1,692**	**-**	**115,063**
[2] Includes:					
Investments in associate and accounted for by using the equity method	-	4,504	-	-	**4,504**
Expenditure for reportable segment:					
Depreciation	10,573	4,006	391	-	**14,970**
Amortisation	2,665	172	135	-	**2,972**

9 OPERATING SEGMENTS (CONTINUED)

(a) Geographical segments (Continued)

December 31, 2019

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

9 OPERATING SEGMENTS (CONTINUED)

(b) Business reporting

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

December 31, 2020

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

December 31, 2019

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

10 INTEREST INCOME

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

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

11 INTEREST EXPENSE

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

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

12 IMPAIRMENT CHARGE FOR CREDIT LOSSES

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

13 FEES AND COMMISSION INCOME

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

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

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

14 FEES AND COMMISSION EXPENSE

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

15 NET TRADING AND FOREIGN EXCHANGE INCOME

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

(i) This comprises gains and losses arising from trading and fair value changes.
(ii) Foreign exchange income comprises trading income on foreign currencies and gains and losses from revaluation of trading position.

16 OTHER OPERATING INCOME

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

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

17 EMPLOYEE BENEFIT EXPENSES

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

18 DEPRECIATION AND AMORTISATION

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

19 OTHER OPERATING EXPENSES

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

20 TAXATION

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Recognised in the statement of comprehensive income				
(a) Current tax expense				
Current period	15,506	23,454	1,449	7,313
(b) Deferred tax expense/(credit)				
Origination and reversal of temporary differences (Note 32)	2,589	(1,256)	-	-
Total income tax expense/(credit)	**18,095**	**22,198**	**1,449**	**7,313**
(c) Current income tax payable				
Balance, beginning of period	9,164	8,892	722	706
Tax paid	(14,688)	(23,182)	(693)	(7,297)
Income tax charge	15,506	23,454	1,449	7,313
Balance, end of period	**9,982**	**9,164**	**1,478**	**722**

(d) Reconciliation of effective tax rate

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

21 EARNINGS PER SHARE

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

22 CASH AND BANK BALANCES

In millions of Nigerian Naira	Group Dec. 2020	Group Dec. 2019	Bank Dec. 2020	Bank Dec. 2019
Cash	121,140	104,669	70,896	74,467
Current balances with banks	291,225	192,522	176,665	168,775
Unrestricted balances with central banks	231,533	113,574	65,930	5,688
Money market placements	126,832	153,355	51,237	117,646
Restricted balances with central banks (note (i) below)	1,103,888	832,108	1,072,094	815,978
	1,874,618	**1,396,228**	**1,436,822**	**1,182,554**
Current	1,874,618	1,396,228	1,436,822	1,182,554
	1,874,618	**1,396,228**	**1,436,822**	**1,182,554**
(i) Restricted balances with central banks comprise:				
In millions of Nigerian Naira				
Mandatory reserve deposits with central banks (note (a) below)	1,049,170	777,390	1,017,376	761,260
Special Intervention Reserve (note (b) below)	54,718	54,718	54,718	54,718
Total	**1,103,888**	**832,108**	**1,072,094**	**815,978**

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

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

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

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

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

24 LOANS AND ADVANCES TO BANKS

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

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

December 31, 2020

Group

Allowance for credit loss

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

Bank

Allowance for credit loss

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

24 LOANS AND ADVANCES TO BANKS (CONTINUED)

December 31, 2019
Group
Allowance for credit loss

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

Bank

Allowance for credit loss

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

25 LOANS AND ADVANCES TO CUSTOMERS

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

(a) **December 31, 2020**

Loans and advances to customers	Group		Bank	
In millions of Nigerian Naira	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019
Gross amount	2,666,322	2,147,283	1,874,858	1,557,358
Allowance for credit losses:				
- Impairment loss on Stage 1 loans	(48,585)	(33,863)	(32,521)	(24,541)
- Impairment loss on Stage 2 loans	(11,680)	(16,200)	(7,868)	(8,222)
- Impairment loss on Stage 3 loans	(51,082)	(36,073)	(21,933)	(21,215)
Total provision for credit losses	(111,347)	(86,136)	(62,322)	(53,978)
Carrying amount	**2,554,975**	**2,061,147**	**1,812,536**	**1,503,380**
Loans and advances to individuals				
In millions of Nigerian Naira				
Gross amount	200,392	116,640	79,480	52,166
Provision for credit losses:				
- Impairment loss on Stage 1 loans	(4,762)	(1,535)	(3,335)	(824)
- Impairment loss on Stage 2 loans	(413)	(855)	(589)	-
- Impairment loss on Stage 3 loans	(14,144)	(8,478)	(9,960)	(6,407)
Total provision for credit losses	**(19,319)**	**(10,868)**	**(13,884)**	**(7,231)**
Carrying amount	**181,073**	**105,772**	**65,596**	**44,935**

Loans and advances to corporate entities and other organizations

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

(b) December 31, 2020

Group

Loans and advances to individuals	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Overdrafts	33,209	(100)	(99)	(13,120)	(13,319)	19,890
Term loans	167,184	(4,662)	(314)	(1,024)	(6,000)	161,184
	200,392	**(4,762)**	**(413)**	**(14,144)**	**(19,319)**	**181,074**
Loans and advances to corporate entities and other organizations						
Overdrafts	600,759	(7,886)	(2,692)	(31,421)	(41,999)	558,760
Term loans	1,863,651	(35,907)	(8,575)	(5,518)	(49,999)	1,813,652
Others	1,519	(30)	-	-	(30)	1,489
	2,465,930	**(43,823)**	**(11,267)**	**(36,938)**	**(92,028)**	**2,373,901**
Bank						
Loans and advances to individuals						
Overdrafts	19,723	(60)	(8)	(9,405)	(9,473)	10,250
Term loans	59,757	(3,275)	(581)	(555)	(4,411)	55,346
	79,480	**(3,335)**	**(589)**	**(9,960)**	**(13,884)**	**65,596**
Loans and advances to corporate entities and other organizations						
Overdrafts	383,028	(3,378)	(141)	(11,864)	(15,383)	367,645
Term loans	1,410,831	(25,780)	(7,138)	(109)	(33,027)	1,377,804
Others	1,519	(28)	-	-	(28)	1,491
	1,795,378	**(29,186)**	**(7,279)**	**(11,973)**	**(48,438)**	**1,746,940**

December 31, 2019

Group

Loans and advances to individuals	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Life-time ECL	Stage 3 - Life-time ECL	Total allowances	Carrying amount
Overdrafts	24,208	(59)	(117)	(7,220)	(7,396)	16,812
Term loans	92,432	(1,476)	(738)	(1,258)	(3,472)	88,960
	116,640	**(1,535)**	**(855)**	**(8,478)**	**(10,868)**	**105,772**
Loans and advances to corporate entities and other organizations						
Overdrafts	459,515	(4,828)	(1,996)	(26,655)	(33,479)	426,036
Term loans	1,568,177	(27,259)	(13,349)	(1,160)	(41,768)	1,526,409
Others	2,951	(21)	-	-	(21)	2,930
	2,030,643	**(32,108)**	**(15,345)**	**(27,815)**	**(75,268)**	**1,955,375**
Bank						
Loans and advances to individuals						
Overdrafts	14,643	(35)	-	(5,741)	(5,776)	8,867
Term loans	37,523	(789)	-	(666)	(1,455)	36,068
	52,166	**(824)**	**-**	**(6,407)**	**(7,231)**	**44,935**
Loans and advances to corporate entities and other organizations						
Overdrafts	297,251	(3,150)	(154)	(13,444)	(16,748)	280,503
Term loans	1,204,990	(20,546)	(8,068)	(1,364)	(29,978)	1,175,012
Others	2,951	(21)	-	-	(21)	2,930
	1,505,192	**(23,717)**	**(8,222)**	**(14,808)**	**(46,747)**	**1,458,445**

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

December 31, 2020

(i) Group

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

Loans and advances to individuals

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

Loans and advances to corporate entities and other organizations

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

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

(ii) Bank

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

Loans and advances to individuals

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

Loans and advances to corporate entities and other organizations

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

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

December 31, 2019

Group

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

Loans and advances to individuals

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

Loans and advances to corporate entities and other organizations

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

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Life-time ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of year	201	1	6,566	6,566
Impairment charge in the year	642	(1)	259	259
Write offs	-	-	(437)	(437)
Transfer between stages	(19)	-	19	0
Balance, end of year	**824**	**-**	**6,407**	**6,407**

Loans and advances to corporate entities and other organizations

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

26 INVESTMENT SECURITIES

	Group		Bank	
In millions of Nigerian Naira	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Investment securities at FVOCI comprise (see note (i)):				
Treasury bills	1,142,908	678,243	1,101,232	634,209
Bonds	150,822	108,697	5,592	24,931
Equity investments	127,797	114,108	126,860	113,518
	1,421,527	**901,048**	**1,233,684**	**772,658**
Investment securities at amortised cost comprise (see note (i)):				
Treasury bills	716,448	461,353	-	-
Bonds	443,708	209,645	72,276	74,017
Gross amount	1,160,156	670,998	72,276	74,017
Allowance for credit losses on FOCI and amortised cost securities	(892)	(496)	(797)	(461)
Net carrying amount	1,159,264	670,502	71,479	73,556
Carrying amount	**2,580,791**	**1,571,550**	**1,305,163**	**846,214**
(a) Movement in allowance for credit losses				
Balance, beginning of year	496	909	461	244
Charge for the year	385	254	336	217
Exchange difference	11	(667)	-	-
Balance, end of year	**892**	**496**	**797**	**461**

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

	Group		Bank	
In millions of Nigerian Naira	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019
Treasury bills (at FVTPL)	121,459	-	121,459	-
Bonds (at FVOCI)	-	10,102	-	10,102
Treasury bills (at FVOCI)	155,435	400,625	155,435	400,625
Bonds (at amortised cost)	35,378	44,175	35,378	44,175
Total Pledged assets	312,272	454,902	312,272	454,902
(ii) Unquoted equity securities at FVOCI are analysed below:				
Africa Finance Corporation	102,014	92,592	102,014	92,592
SMEEIS investment	9,728	6,588	9,728	6,588
Unified Payment Services Limited	6,061	5,147	6,061	5,147
MTN Nigeria	-	2,612	-	2,612
Central Securities Clearing System limited	4,041	3,088	4,041	3,088
Nigeria Interbank Settlement System Plc.	2,330	2,021	2,330	2,021
African Export-Import Bank	1,733	815	1,733	815
FMDQ OTC Plc	641	455	641	455
Credit Reference Company	210	150	210	150
NG Clearing Limited	101	50	101	50
Others[1]	937	590	-	-
	127,797	**114,108**	**126,860**	**113,518**

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

27 OTHER ASSETS

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Financial assets				
Electronic payments receivables	32,297	31,868	17,084	29,095
Accounts receivable	65,545	96,635	55,432	53,298
Intercompany receivables	-	-	16,718	13,143
Dividends receivable	347	-	7,580	12,739
Pension custody fees receivable	913	693	-	-
Allowance for impairment on accounts receivable (a)	(11,672)	(8,642)	(11,120)	(5,039)
	87,430	**120,554**	**85,694**	**103,236**
Non-financial assets				
Prepayments	14,218	10,913	4,026	4,343
Repossessed collaterals (4.2(f))	2,755	-	2,755	-
Recoverable taxes	5,898	2,796	1,364	718
Stock of consumables	5,131	5,622	2,685	3,310
	28,002	19,331	10,830	8,371
	115,432	**139,885**	**96,524**	**111,607**
(a) Movement in impairment for other assets				
At start of year	8,642	8,642	5,039	5,039
Charge for the year (Note 12)	2,583	3,738	6,081	3,074
Balances written off	-	(3,074)	-	(3,074)
Exchange difference	447	(664)	-	-
	11,672	**8,642**	**11,120**	**5,039**
(b) Current	**110,159**	**136,041**	**93,778**	**108,622**
Non-current	**5,273**	**3,844**	**2,746**	**2,985**
	115,432	**139,885**	**96,524**	**111,607**

28 INVESTMENT IN EQUITY-ACCOUNTED INVESTEE

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

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

(a) Movement in investment in equity-accounted investee

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

(i) Reconciliation of summarised financial information

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

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

(b) Nature of investment in associates

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

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

28 INVESTMENT IN EQUITY-ACCOUNTED INVESTEE (CONTINUED)

(c) Summarised financial information for associate

In millions of Nigerian Naira	Dec 2020	Dec 2019
(i) Summarised Statement of Financial Position		
Assets		
Cash and cash equivalents	18,555	4,815
Other current assets	33,021	29,408
Non-current assets	3,267	1,639
Total assets	**54,843**	**35,862**
Financial liabilities	46,535	24,383
Other current liabilities	3,470	7,376
Total liabiliities	**50,006**	**31,759**
Net assets	4,837	4,103
(ii) Summarised statement of comprehensive income		
Operating income	5,950	4,664
Operating expense	(3,764)	(3,902)
Net impairment (loss)/reversal on financial assets	0.3	75
Profit for the year	**2,186**	**837**
Total comprehensive income	**2,186**	**837**

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

29 INVESTMENT IN SUBSIDIARIES

(a) Holding in subsidiaries

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

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

29 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Holding in subsidiaries

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

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

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

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

(b) Non-controlling interests

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

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

29 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

29 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information for each subsidiary that has non-controlling interests - (Continued)

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

29 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information for each subsidiary that has non-controlling interests - (Continued)

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

30 PROPERTY AND EQUIPMENT

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

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

Group

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

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

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

30 PROPERTY AND EQUIPMENT (CONTINUED)

(a) Property and equipment (Continued)
As at December 31, 2019

Group

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

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

Group

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

30 PROPERTY AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets (Continued)
December 31, 2019

Group

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

(c) As at December 31, 2020
Bank

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

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

30 PROPERTY AND EQUIPMENT (CONTINUED)

(d) December 31, 2019

Bank

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

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

30 PROPERTY AND EQUIPMENT (CONTINUED)

(e) Right-of-use assets (Continued)
December 31, 2020

Bank

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

December 31, 2019
Bank

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

31 INTANGIBLE ASSETS

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

Group

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

31 INTANGIBLE ASSETS (CONTINUED)

(ii) December 31, 2019

Group

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

(b) (i) Bank

In millions of Nigerian Naira	Purchased software	Work in progress[2]	Total
Cost			
Balance at 1 January 2020	15,023	5,044	20,067
Additions	10,605	1,488	12,093
Reclassifications	2,723	(2,723)	-
Disposal	-	(293)	(293)
Transfers[1]	86	(86)	-
Exchange difference	5	-	5
Balance at December 31, 2020	**28,442**	**3,430**	**31,872**
Amortization			
Balance at 1 January 2020	12,997	-	12,997
Amortisation for the year	2,634	-	2,634
Exchange difference	4	-	4
Balance at December 31, 2020	**15,635**	**-**	**15,635**
Carrying amounts			
Balance as at December 31, 2020	**12,807**	**3,430**	**16,237**
Balance as at December 31, 2019	**2,026**	**5,044**	**7,070**

31 INTANGIBLE ASSETS (CONTINUED)

(ii) Bank

In millions of Nigerian Naira	Purchased software	Work in progress [2]	Total
Cost			
Balance at 1 January 2019	14,886	3,697	18,583
Additions	14	1,669	1,683
Reclassifications	123	(123)	-
Disposal	-	(12)	(12)
Transfers[1]	-	(187)	(187)
Balance at December 31, 2019	**15,023**	**5,044**	**20,067**
Amortization			
Balance at 1 January 2019	11,672	-	11,672
Amortisation for the year	1,325	-	1,325
Balance at December 31, 2019	**12,997**	**-**	**12,997**
Carrying amounts			
Balance at December 31, 2019	**2,026**	**5,044**	**7,070**
Balance at December 31, 2018	**3,214**	**3,697**	**6,911**

There were no capitalised borrowing costs related to the internal development of software during the period (December 2019: nil). Computer software has a definite useful life of not more than five years while goodwill has an indefinite useful life and is annually assessed for impairment.

[1] Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets - purchased software (work in progress) during the period as disclosed in Note 30.

[2] Work in progress represents software implementation projects that were currently in their development phase as at reporting date.

(c) Impairment testing for cash-generating units containing Goodwill

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash generating units (CGUs) as the goodwill is monitored at the level of the individual cash generating units. UBA Benin and UBA UK Limited have been identified as individual cash generating units. UBA Benin and UBA UK Limited operate under Rest of Africa and Rest of the World geographic segments respectively. The recoverable amounts of the CGUs have been determined based on value-in-use calculations; using cash flow projections based on financial forecasts covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated economic growth rates for the respective CGUs. These growth rates are consistent with forecasts included in industry reports specific to the economic environment in which each of the CGU's operates.

31 INTANGIBLE ASSETS (CONTINUED)

The following table sets out the key assumptions used in the value-in-use calculations:

	UBA Benin		UBA UK Limited	
In millions of Nigerian Naira	**Dec. 2020**	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
Gross earnings (% annual growth rate)	12.4	13.2	8	9
Deposits (% annual growth rate)	6	15	10	5
Loans and advances (% annual growth rate)	12	15	11	10
Operating expenses (% annual growth rate)	3	10	3	5
Terminal growth rate (%)	1.2	1.5	3.6	1
Discount rate (pre-tax) (%)	13.9	18.9	4.6	5.4

The values assigned to each of the above key assumptions were determined as follows:

Assumption	Approach used in determining values
Gross earnings	This is the average annual growth rate over the five-year period. Based on past performance, expectations of market development and the expected positive impact of deposits and loan growth in the forecast period.
Deposits	This is the average annual growth rate over the five-year period. Deposits have been determined to be the key value driver for the CGUs. Projected deposits growth is based on past performance of the CGUs as well as management's plans to expand the businesses and deepen customer base.
Loans and advances	This is the average annual growth rate over the five year period. It is based partly on past performance but largely on the expected positive impact of the forecasted growth in deposits.
Operating expenses	This is the average annual growth rate over the five year period. It is based on the current structure of business of the respective CGUs, adjusting for expected inflationary increases but not reflecting any future restructurings or cost saving measures.
Terminal growth rate	This is the average growth rate used to extrapolate cash flows beyond the five-year period. Based on estimated economic growth rates for the respective CGUs.
Discount rate	The discount rate was a pre-tax measure based on the longest tenured government bond issued by the governments of Benin and United Kingdom respectively adjusted for a risk premium to reflect both the increased risk of investing in equities and generally and the systematic risk of the specific CGU.

31 INTANGIBLE ASSETS (CONTINUED)

Below is the result of the impairment test:

In millions of Nigerian Naira	UBA Benin Dec. 2020	UBA Benin Dec. 2019	UBA UK Limited Dec. 2020	UBA UK Limited Dec. 2019
Recoverable amount	40,136	58,534	46,732	59,886
Less: Carrying amount				
Goodwill	(6,553)	(5,537)	(4,343)	(4,021)
Net assets	(21,493)	(12,289)	(16,513)	(16,358)
Total carrying amount	(28,046)	(17,826)	(20,856)	(20,379)
Excess of recoverable amount over carrying amount	**12,090**	**40,708**	**25,876**	**39,507**

The key assumptions described above may change as economic and market conditions change. The results of the value-in-use calculations are most sensitive to changes in the deposit growth rates, terminal growth rates and discount rates applied. The recoverable amounts of the respective CGUs would equal their carrying amounts if these key assumptions were to change as follows:

In millions of Nigerian Naira	Dec. 2020 % From	Dec. 2020 % To	Dec.2019 % From	Dec.2019 % To
UBA Benin				
Deposit growth rate	6.0	15.0	15.0	15.0
Discount rate	13.9	18.9	5.3	18.5
UBA UK Limited				
Deposit growth rate	10.0	5.0	5.0	5.0
Discount rate	4.6	5.4	6.6	6.6

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

32 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group			Bank		
In millions of Nigerian Naira	Assets	Liabilities	Net	Assets	Liabili-ties	Net
December 31, 2020						
Property, equipment, and software	23,273	125	23,148	22,406	-	22,406
Allowances for loan losses	3,890	-	3,890	3,728	-	3,728
Financial assets at FVOCI	1,151	13,475	(12,323)	-	13,475	(13,475)
Tax losses carried forward	7,816	294	7,522	7,816	-	7,816
Other liabilities	882	-	882	882	-	882
Prior year DTL written-off in FY2020	-	(119)	119	-	-	-
Fair value gain on derivatives	-	3,218	(3,218)	-	3,179	(3,179)
Loss on revaluation of investment securities	59	-	59	59	-	59
Foreign currency revaluation gain	-	-	-	3,624	-	3,624
Others	3,532	-	3,532	-	-	-
Net deferred tax assets /liabilities	**40,602**	**16,992**	**23,610**	**38,515**	**16,653**	**21,862**

32 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

In millions of Nigerian Naira	Group			Bank		
	Assets	Liabilities	Net	Assets	Liabilities	Net
December 31, 2019						
Property, equipment, and software	25,670	119	25,551	22,406	-	22,406
Allowances for loan losses	3,849	61	3,788	3,728	-	3,728
Impairment on account receivable	1,454	9	1,445	1,454	-	1,454
Financial assets at FVOCI	-	13,475	(13,475)	-	13,475	(13,475)
Tax losses carried forward	7,433	-	7,433	6,362	-	6,362
Other liabilities	882	-	882	882	-	882
Fair value gain on derivatives	-	3,179	(3,179)	-	3,179	(3,179)
Loss on revaluation of investment securities	59	-	59	59	-	59
Foreign currency revaluation Loss	3,624	-	3,624	3,624	-	3,624
Others	83	131	(48)	-	-	-
Net deferred tax assets /liabilities	**43,054**	**16,974**	**26,080**	**38,515**	**16,653**	**21,862**

(b) Movements in temporary differences during the period
December 31, 2020
Group

In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	25,551	(2,403)	-	23,148
Allowances for loan losses	3,788	102	-	3,890
Impairment on account receivable	1,445	(1,445)	-	-
Financial assets at FVOCI	(13,475)	1,152	-	(12,323)
Tax losses carried forward	7,433	89	-	7,522
Prior year DTL written-off in FY2020	882	(763)	-	119
Tax losses on fair value gain on derivatives	(3,179)	(39)	-	(3,218)
Foreign currency revaluation Loss	3,624	(3,624)	-	-
Loss on revaluation of investment securities	59	0	-	59
Others	71	3,461	-	3,532
	26,199	**(2,589)**	**-**	**23,610**

Bank

In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	22,406	-	-	22,406
Allowances for loan losses	3,728	-	-	3,728
Impairment on account receivable	1,454	-	-	-
Financial assets at FVOCI	(13,475)	-	-	(13,475)
Tax losses carried forward	6,362	-	-	7,816
Prior year DTL written-off in FY2020	882	-	-	882
Tax losses on fair value gain on derivatives	(3,179)	-	-	(3,179)
Foreign currency revaluation Loss	3,624	-	-	3,624
Loss on revaluation of investment securities	59	-	-	59
	21,862	**-**	**-**	**21,861**

32 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Movements in temporary differences during the period (Continued)
December 31, 2020
Group

In millions of Nigerian Naira	Opening	Recognised in profit or loss balance	Recognised in equity	Closing balance
Property, equipment, and software	17,706	7,845	-	25,551
Allowances for loan losses	7,111	(3,323)	-	3,788
Account receivable	695	750	-	1,445
Financial assets at FVOCI	-	(13,475)	-	(13,475)
Tax losses carried forward	(3,601)	11,034	-	7,433
Other liabilities	-	882	-	882
Tax losses on fair value gain on derivatives	(8,069)	4,890	-	(3,179)
Foreign currency revaluation Loss	1,440	2,184	-	3,624
Loss on revaluation of investment securities	9,368	(9,309)	-	59
Others	293	(222)	-	71
	24,943	**1,256**	**-**	**26,199**

Bank

In millions of Nigerian Naira	Opening	Recognised in profit or loss balance	Recognised in equity	Closing balance
Property, equipment, and software	22,406	-	-	22,406
Allowances for loan losses	3,728	-	-	3,728
Account receivable	1,454	-	-	1,454
Financial assets at FVOCI	(13,475)	-	-	(13,475)
Tax losses carried forward	6,362	-	-	6,362
Other liabilities	882	-	-	882
Tax losses on fair value gain on derivatives	(3,179)	-	-	(3,179)
Foreign currency revaluation Loss	3,625	-	-	3,624
Loss on revaluation of investment securities	59	-	-	59
	21,862	**-**	**-**	**21,862**

Unrecognised deferred tax assets

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Unused tax losses of the Bank for which no deferred tax asset has been recognized was N135 billion (2019: N23.75 billion)

Deferred tax assets relating to the group's deductible temporary differences is N58 billion (2019: N152.8billion). The deferred tax arising from the temporary differences above will not be recognized due to uncertainties relating to the periods we expect the assets to be realized.

33 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount which is recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are indicative of neither the market risk nor the credit risk.

	Group		Bank	
In millions of Nigerian Naira	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
Derivative assets				
Carrying value	**53,148**	**48,131**	**53,148**	**48,131**
Notional amount	529,782	438,130	529,782	438,130
Derivative liabilities				
Carrying value	**508**	**852**	**508**	**852**
Notional amount	**77,923**	**129,236**	**77,923**	**129,236**
(a) Derivative assets				
Instrument type:	53,148	40,779	53,148	40,779
Cross-currency swaps	-	7,352	-	7,352
Foreign exchange forward contracts	53,148	48,131	53,148	48,131
The movement in derivative assets is as follows:				
Balance, beginning of year	48,131	34,784	48,131	34,784
Derivatives derecognised	(48,131)	(34,784)	(48,131)	(34,784)
Derivatives acquired	53,148	48,131	53,148	48,131
Balance, end of year	**53,148**	**48,131**	**53,148**	**48,131**
Derivative assets are current in nature				
(b) Derivative liabilities				
Instrument type:				
Cross-currency swap	393	599	255	599
Foreign exchange forward contracts	115	253	253	253
	508	**852**	**508**	**852**
The movement in derivative liability is as follows:				
Balance, beginning of year	852	99	852	99
Derivatives derecognised	(852)	(99)	(852)	(99)
Derivatives acquired	**508**	**852**	**508**	**852**
Balance, end of year	**508**	**852**	**508**	**852**

33 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Group		Bank	
In millions of Nigerian Naira	Dec 2020	Dec 2019	Dec 2020	Dec 2019
(c) Fair value gain on derivatives				
Derivative assets :				
Fair value gain on additions in the year	53,148	48,131	53,148	48,131
Fair value loss on maturities in the year	(48,131)	(34,784)	(48,131)	(34,784)
Net fair value gain on derivative assets	**5,017**	**13,347**	**5,017**	**13,347**
Derivative liabilities:				
Fair value loss on additions in the year	(508)	(852)	(508)	(852)
Fair value gain on maturities in the year	852	99	852	99
Net fair value gain/(loss) on derivative liabilities	**344**	**(753)**	**344**	**(753)**
Net fair value gain/(loss) on derivative assets and liabilities (See note 15)	**5,361**	**12,594**	**5,361**	**12,594**

34 DEPOSITS FROM BANKS

	Group		Bank	
In millions of Nigerian Naira	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Money market deposits	334,146	140,509	103,705	2,882
Due to other banks	84,011	126,561	18,110	89,835
	418,157	**267,070**	**121,815**	**92,717**
Current	418,157	267,070	121,815	92,717

35 DEPOSITS FROM CUSTOMERS

	Group		Bank	
In millions of Nigerian Naira	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Retail customers:				
Term deposits	144,720	385,635	65,422	298,426
Current deposits	815,250	483,714	569,288	318,213
Savings deposits	1,447,514	855,079	1,199,738	711,516
Corporate customers:				
Term deposits	890,012	630,358	603,361	529,830
Current deposits	2,378,515	1,478,098	1,386,334	906,403
	5,676,011	**3,832,884**	**3,824,143**	**2,764,388**
Current	5,669,628	3,832,757	3,823,985	2,764,261
Non-current	6,383	127	158	127
	5,676,011	**3,832,884**	**3,824,143**	**2,764,388**

36 OTHER LIABILITIES

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Financial liabilities				
Creditors and payables	85,743	63,306	42,898	32,031
Managers cheques	4,475	5,942	4,465	4,300
Unclaimed dividends (note (i))	7,678	5,885	7,678	5,885
Customers' deposit for foreign trade (note (ii))	23,950	10,174	23,678	8,096
Accrued expenses[1]	25,316	18,447	9,737	4,258
	147,162	**103,754**	**88,456**	**54,570**
Provisions (note (iv))	252	252	147	147
Lease liabilities (note (iii))	6,929	1,630	2,462	1,109
Allowance for credit losses on off-balance sheet items (note (v))	2,807	1,157	2,363	1,062
Deferred income	677	462	241	262
	10,665	3,501	5,213	2,580
Total other liabilities	**157,827**	**107,255**	**93,669**	**57,150**
Non-current	3,423	1,070	1,050	853
Current	154,404	106,185	92,619	56,297
	157,827	**107,255**	**93,669**	**57,150**

(i) The amount represents unclaimed dividends due to UBA Plc's shareholders which have been returned by the Bank's Registrar.

(ii) Customers' deposit for foreign trade represents the naira value of foreign currencies held to cover letter of credit transactions. The corresponding balance is included in current balances with banks in note 22.

(iii) Finance cost on the lease liabilities is included in'Interest expense' in note 11.

The movement in lease liabilities balance during the year is as follows:

Balance - December 31, 2020	Group			Bank		
In millions of Nigerian Naira	**Land**	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Lease liabilities						
Balance - 1 January 2020	83	1,547	1,630	83	1,026	1,109
Additions (new lease contracts) during the year	163	5,341	5,504	6	1,426	1,432
Principal repayments/cashflows during the year	(2)	(493)	(495)	-	(191)	(191)
Interest repayments/cashflows during the year	(11)	(215)	(227)	(4)	(212)	(217)
Interest accrued (note 11)	**38**	**478**	**516**	**14**	**314**	**328**
Balance - December 31, 2020	**271**	**6,658**	**6,929**	**99**	**2,363**	**2,462**

Maturity analysis for Lease Liabilities

	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	More than 1 year	Gross nominal amount	Total
Group	1,021	590	1,604	4,836	3,423	11,474	6,929
Bank	602	221	481	326	1,050	2,680	2,462

36 OTHER LIABILITIES (CONTINUED)

In millions of Nigerian Naira	Group Land	Group Buildings	Group Total	Bank Land	Bank Buildings	Bank Total
Lease liabilities						
Balance - 1 January 2019	53	1,976	2,029	53	1,626	1,679
Additions (new lease contracts) during the year	23	401	424	23	272	295
Principal repayments/cashflows during the year	(2)	(998)	(1,000)	(2)	(986)	(988)
Interest repayments/cashflows during the year	(1)	(98)	(99)	(1)	(95)	(96)
Interest accrued (note 11)	10	266	276	10	209	219
Balance - December 31, 2019	**83**	**1,547**	**1,630**	**83**	**1,026**	**1,109**

Maturity analysis for Lease Liabilities

	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	More than 1 year	Gross nominal amount	Total
Group	14	22	380	378	1070	1,864	1,630
Bank	9	-	297	220	853	1,379	1,109

(iv) The amount represents a provision for certain legal claims. The provision charge is recognised in profit or loss within other operating expenses'. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at December 31, 2020. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

The movement in provision during the year is as follows:

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
At 1 January	252	252	147	147
Additional provisions	-	-	-	-
Used during the period	-	-	-	-
At December 31,	252	252	147	147
Analysis of total provisions:				
Current	**252**	**252**	**147**	**147**

(v) This represents allowance for credit loss for off-balance sheet loan commitments and financial guarantees recognised upon adoption of IFRS 9.

The movement in allowance for credit lossess on off-balance sheet items during the year is as follows:

In millions of Nigerian Naira	Group Dec 2020	Group Dec 2019	Bank Dec 2020	Bank Dec 2019
Balance, beginning of the year	1,157	3,264	1,062	2,679
Charge to profit or loss	1,598	(2,076)	1,301	(1,617)
Exchange difference	52	(31)	-	-
Balance, end of the year	**2,807**	**1,157**	**2,363**	**1,062**

37 BORROWINGS

	Group		Bank	
In millions of Nigerian Naira	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
Long Term Borrowings				
- Central Bank of Nigeria (note 37.1)	70,117	83,663	70,117	83,663
- Bank of Industry (BoI) (note 37.2)	4,879	6,292	4,879	6,292
- European Investment Bank (EIB) (note 37.3)	20,811	23,356	20,811	23,356
- Africa Trade Finance Limited (note 37.4)	32,004	32,846	32,004	18,258
- Eurobond debt security (note 37.5)	199,256	181,022	199,256	181,022
- African Development Bank (note 37.6)	40,422	46,385	40,422	46,385
- Agence Francaise de Development (AFD) (note 37.7)	7,971	-	7,971	-
- Proparco (note 37.8)	34,048	-	34,048	-
	409,508	**373,564**	**409,508**	**358,976**
Short Term Borrowings				
- Sumitomo Mitsui Banking Corporation (note 37.9)	44,056	36,608	44,056	36,608
-Mashreqbank psc (note 37.13)	16,192	18,277	16,192	18,277
-Rand Merchant Bank (note 37.14)	40,438	55,280	40,438	55,280
-ABSA Bank Limited (note 37.15)	30,264	27,380	30,264	27,380
- Credit Suisse	-	110,509	-	110,509
- CitiBank (note 37.10)	20,241	-	20,241	-
- African Export-Import Bank (note 37.11)	119,566	-	119,566	-
-Abu Dhabi Commercial Bank (ADCB)(note 37.12)	8,014	-	8,014	-
- JP Morgan Securities Limited	-	73,185	-	73,185
-Societe Generale Bank	-	63,879	-	63,879
-Others (note 37.16)	6,075	-	-	-
	284,847	**385,118**	**278,772**	**385,118**
	694,355	**758,682**	**688,280**	**744,094**
Current	284,847	385,118	278,772	385,118
Non-current	409,508	373,564	409,508	358,976
	694,355	**758,682**	**688,280**	**744,094**
Movement in borrowings during the period:				
Opening balance	758,682	758,682	744,094	744,094
Additions	487,475	140,708	472,887	126,120
Interest expense	45,506	41,408	39,435	39,370
Interest paid	(56,085)	(50,103)	(55,760)	(49,778)
Repayments (principal)	(582,713)	(64,062)	(556,315)	(37,664)
Exchange difference	41,490	(67,951)	43,939	(78,048)
	694,355	**758,682**	**688,280**	**744,094**

37 BORROWINGS (CONTINUED)

37.1 This represents on-lending facilities provided by the Central Bank of Nigeria (CBN):

(a) N18.859 billion of this facility represents the outstanding balance on the Commercial Agriculture Credit Scheme granted to the Bank for the sole purpose of granting loans, at subsidised rates, to the agricultural sector. Interest on the facility cannot exceed 5% per annum inclusive of all charges and is to be shared between the Bank and CBN at 4% and 1% respectively. The facility will terminate on 30 September 2025. The Bank is the primary obligor to CBN and assumes the risk of default.

(b) N34.980 billion of this facility represents the outstanding balance on the concessionary loans granted by the Central Bank of Nigeria to some State Governments. The facility attracts an interest rate of 1% and the Bank is under obligation to lend to participating states at a maximum rate of 5% per annum (inclusive of all charges). The principal is repayable monthly and the tenor of the facility is 20 years.

(c) N16.279billion of this facility represents the outstanding balance on the loan granted by the Central Bank of Nigeria with respect to Real Sector Support Facility (RSSF) initiative to support the Federal Government's Special Fertilizer Intervention programme. The Central Bank shall lend to the Bank at 1% while the Bank shall on-lend to the customer at a maximum interest rate of 3.5% per annum, all charges inclusive. The 1% interest shall be remitted to CBN on a quarterly basis. The principal is repayable quarterly (after a one year moratorium) and the tenor of the facility is 7 years.

(d) N1.46billion of this facility represents the outstanding balance on loan granted by the Central Bank of Nigeria with respect to the Anchor Borrower's Programme (ABP) for smallholder farmers to boost agricultural production and non-oil exports. The interest rate is guided by the rate on the Micro, Small and Medium Enterprise Development Fund (MSMEDF) which is currently at 9% per annum, all charges inclusive. The Central Bank shall lend to the Bank at 2% while the Bank shall on-lend to the customer at a maximum interest rate of 9% per annum, all charges inclusive. The tenor of the loan is 6 months at which time the principal is repayable.

37.2 This represents an intervention credit granted to the Bank by the Bank of Industry (BOI) for the purpose of refinancing/restructuring existing loans to Small and Medium Scale Enterprises (SMEs), manufacturing companies and companies in the power and aviation industries. The maximum tenor of term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum, deductible at source in the first year and quarterly in arrears thereafter, is paid by the Bank under the intervention programme and the Bank is under obligation to on-lend to customers at an all-interest rate of 5% per annum. The Bank is the primary obligor to CBN/BOI and assumes the risk of default.

37.3 The $52.195million outstanding loan facility was granted under the Nigeria Private Enterprise Finance Facility extended by the European Investment Bank to a group of financial institutions located in Nigeria. The purpose of the facility is to finance capital expenditure for development of intermediation capacities and support small and medium sized enterprises in Nigeria. The facility is for a tenor of 9 years. The interest rate on the facility is six months USD LIBOR plus 343 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 36 months. Facility matures December 2025.

37.4 This represents facilities provided by Africa Trade Finance Limited (ATF):

(a) 'This represents the outstanding balance on the $55million term loan facility arranged by Africa Trade Finance Limited, United Kingdom in June 2020. The facility is a trade-related term loan with a tenor of six (6) months and interest rate of six months USD LIBOR plus 545 basis points. The interest and principal repayments are due upon maturity in December 2020.

(b) 'The second tranche outstanding balance on the $25million term loan facility arranged by Africa Trade Finance Limited, United Kingdom in July 2020. The facility is a trade-related term loan with a tenor of six (6) months and interest rate of six months USD LIBOR plus 530 basis points. The interest and principal repayments are due upon maturity in January 2021.

37.5 This represents the amortised cost of the Eurobond issued by the Bank on June 8, 2017. The $500million Notes have a tenor of 5 years with a maturity date of June 8, 2022 and a yield of 7.875%. The rate of interest (coupon) is 7.75% payable semi-annually with bullet repayment of the Principal sum at maturity.

37.6 This represents the amount granted under a $150million line of credit by African Development Bank in December 2016. The first tranche of $120million was disbursed to the Bank in December 2016 while the second tranche of $30 million was disbursed to the Bank in November 2017. The facility oustanding balance is $100million for a tenor of 8 years and is to be used for medium term financing and on-lending to infrastructure projects, small and medium sized enterprises and women-owned enterprises in the Federal Republic of Nigeria. The interest rate on the facility is six months USD LIBOR plus 471basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 2 years. Facility matures December 2024.

37 BORROWINGS (CONTINUED)

37.7 This represents the amount granted under a $20 million trade loan facility granted by Agence Francaise de Development (AFD) in May 2020. The facility is for a tenor of ten (10) years and Interest rate is six (6) months USD LIBOR plus 327 basis points. The interest repayments are payable semi-annually while the principal repayment will commence on a semi-annual basis following the 3 year grace period, final maturity is in May 2029.

37.8 This represents the amount granted under a $85 million trade loan facility granted by Proparco in April 2020. The facility is for a tenor of seven (7) years and Interest rate is six (6) months USD LIBOR plus 331 basis points. The interest repayments are payable semi-annually while the principal repayment will commence on a semi-annual basis following the 2 year grace period, final maturity is in April 2027.

37.9 This represents the amount granted under a $60 million and $50 million trade loan facilities granted by Sumitomo Mitsui Banking Corporation in March 2020 and December 2020 respectively. The tranche 1 facility is for a tenor of one (1) year and Interest rate is three (3) months USD LIBOR plus 275 basis points while second tranch is for a a tenor of Six (6) months and Interest rate is three (3) months USD LIBOR plus 404 basis points whose the principal repayment is due upon maturity in June 2021.

37.10 This represents the amount granted under a $50 million trade finance loan facility granted by Citi Bank in September 2020. The facility is for a tenor of six (6) months and Interest rate is three (3) months USD LIBOR plus 350 basis points. The interest and principal repayments are due upon maturity in January 2021.

37.11 This represents facilities provided by African Export-Import Bank (Afrexim):

a This represents the amount granted under a $100 million trade loan facility granted by African Export-Import Bank in May 2020. The facility is for a tenor of one (1) year and Interest rate is three (3) months USD LIBOR plus 450 basis points. The interest repayments were on a quarterly basis while the principal repayment is due upon maturity in May 2021.

b The second tranche from this lender represents the amount granted under a $150 million and $50 million loan facilities granted by African Export-Import Bank in November 2020 with two (2) and three (3) years tenor respectively. The facilities' Interest rate is three (3) months USD LIBOR plus 350 basis points and 349 basis points respectively. The interest repayments were on a quarterly basis while the principal repayment is due upon maturity in November 2022 and November 2023 respectively.

37.12 This represents the amount granted under a $20 million trade finance loan facility granted by Abu Dhabi Commercial Bank (ADCB) in December 2020. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 375 basis points. The interest and principal repayments are due upon maturity in June 2021.

37.13 'This represents the amount granted under a $40 million trade finance loan facilities granted by Mashreq Bank in September 2020. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 350 basis points . The interest and principal repayments are due upon maturity in March 2021.

37.14 This represents the amount granted under a $50 million trade finance loan facility granted by Rand Merchant Bank in September 2020. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 375 basis points. The interest and principal repayments are due upon maturity in March 2021.

37.15 This represents the amount granted under a $75 million trade finance loan facility granted by ABSA Bank Ltd in September 2020. The facility is for a tenor of Six (6) months and Interest rate is Six (6) months USD LIBOR plus 365 basis points. The interest and principal repayments are due upon maturity in March 2021.

37.16 This represents the outstanding borrowings in Cameroon and Guinea subsidiary books as at December 31, 2020.These borrowings are short term of not more than one(1) year and whose rates hover between 2%- 11.5%. Significant of these subsidiaries funding was the one from Guinea which totalled $10.01million which would mature by 7th January, 2021.

38 SUBORDINATED LIABILITIES

In millions of Nigerian Naira	Group		Bank	
	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Subordinated liabilities				
Medium term notes - series 3	-	30,048	-	30,048
	-	**30,048**	**-**	**30,048**
Current	-	5,017	-	5,017
Non-current	-	25,031	-	25,031
	-	**30,048**	**-**	**30,048**

Subordinated liabilities represent medium-term bonds issued by the Bank in December 2014 at coupon rate of 16.45% and was extinguished during 2020FY.

Movement in subordinated liabilities:

In millions of Nigerian Naira	Group		Bank	
	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Opening balance	30,048	29,859	30,048	29,859
Interest accrued	2,505	5,206	2,505	5,206
Interest paid	(2,495)	(5,017)	(2,495)	(5,017)
Repayments	(30,058)	-	(30,058)	-
	-	**30,048**	**-**	**30,048**

39 CAPITAL AND RESERVES

(a) Share capital

In millions of Nigerian Naira	Group		Bank	
	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Share capital comprises:				
(i) Authorised - 45,000,000,000 Ordinary shares of 50k each	22,500	22,500	22,500	22,500
(ii) Issued and fully paid - 34,199,421,366 Ordinary shares of 50k each	**17,100**	**17,100**	**17,100**	**17,100**
The movement in the share capital account during the period is as follows:				
Number of shares in issue at end of the period	**34,200**	**34,200**	**34,200**	**34,200**

(b) Share premium

39 CAPITAL AND RESERVES (CONTINUED)

Share premium is the excess paid by shareholders over the nominal value for their shares.

(c) Retained earnings

Retained earnings is the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

(d) Other Reserves

Other reserves include the following:

	Group		Bank	
In millions of Nigerian Naira	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
Translation reserve (note (i))	40,512	7,823	-	-
Statutory reserve (note (ii))	115,379	102,248	97,451	86,068
Fair value reserve (note (iii))	122,807	117,408	123,421	117,995
Regulatory (Credit) risk reserve (note (iv))	45,496	50,594	45,773	36,554
	324,194	**278,073**	**266,645**	**240,617**

(i) Translation reserve

Translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

(ii) Statutory reserve

Statutory reserve includes:

- Statutory reserve: this represents the cumulative appropriation from earnings in accordance with existing legislation that require the Bank to make an annual appropriation, In the current period, the Bank transferred N8.537billion representing 15% (2019: 15%) of its profit after taxation to statutory reserves.

- Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves of 2.635 billion as at December 31, 2020 (December 2019: N2.635 billion) . The Bank has since suspended further appropriation to SMEEIS reserve in line with the directives of the Central Bank of Nigeria.
- Agriculture/Small and Medium Enterprises Equity Investment Scheme (AGSMEEIS) reserves of N9.397 billion as at December 31, 2020 (December 2019: N6.551). The reserve was set aside in compliance with Central Bank of Nigeria's directive of April 2017.

(iii) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of investments at fair value through other comprehensive income. The net cumulative fair value change on equity instruments is transferred to retained earnings when the investment is derecognised while the net cummulative fair value change on debt instruments is recycled to the income statement.

(iv) Regulatory (Credit) risk reserve

The regulatory (credit) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the various Central Banks of the various operating jurisdictions compared with the expected credit loss model used in determining the impairment loss under IFRSs. Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the expected credit loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

40 DIVIDENDS

The Board of Directors have proposed a final dividend of N0.35 per share which in addition to the N0.17 per share paid as interim dividend, amounts to a total dividend of N0.52 per share (2019: N1.00 per share) from the retained earnings account as at 31 December 2020.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at December 31, 2020 and December 31, 2019 respectively.

Payment of dividend to shareholders is subject to withholding tax at a rate of 10%.

41 CONTINGENCIES

(i) Litigation and claims

The Group, in the ordinary course of business is currently involved in 1000 legal cases (2019: 644). The total amount claimed in the cases against the Group is estimated at N385.07billion (2019: N472.04 billion). The directors having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

(ii) Contingent liabilities

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments
An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given to third parties as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.
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.

	Group		Bank	
In millions of Nigerian naira	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
Performance bonds and guarantees	170,988	48,692	163,793	47,019
Allowance for credit losses	(941)	(118)	(756)	(118)
Net carrying amount	**170,047**	**48,574**	**163,037**	**46,901**
Letters of credits	687,841	595,896	194,880	299,756
Allowance for credit losses	(1,866)	(944)	(1,607)	(944)
Net carrying amount	**685,975**	**594,952**	**193,273**	**298,812**
Gross amount	858,829	644,588	358,673	346,775
Total allowance for credit losses	(2,807)	(1,062)	(2,363)	(1,062)
Total carrying amount for performance bonds and guarantees	**856,022**	**643,526**	**356,310**	**345,713**

41 CONTINGENCIES (CONTINUED)

(iii) Loan commitments

Loan commitments are irrevocable commitments to provide credits under pre-specified terms and conditions. The Group's loan commitments are usually conditioned on the maintenance of a satisfactory financial standing by the customer and absence of defaults on other covenants. At the reporting date, the Group had loan commitments amounting to N95 billion (December 2019: N87 billion) in respect of various loan contracts.

(iv) Capital commitments

Capital commitments are irrevocable contractual commitments for the acquisition of items of property and equipment or intangible assets. At the balance sheet date, the Group had capital commitments amounting to N5.247 billion (December 2019: N4.204 billion) in respect of authorised and contracted capital projects.

	Group	Group
In millions of Nigerian naira	**Dec 2020**	**Dec 2019**
Property and equipment	3,458	1,664
Intangible assets	1,789	2,540
	5,247	**4,204**

42 RELATED PARTIES AND INSIDER RELATED CREDITS

United Bank for Africa Plc (UBA Plc) is the ultimate parent/controlling party of the Group. The shares of UBA Plc are listed on the Nigerian Stock Exchange and held by widely varied investors.

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures as well as key management personnel.

(a) Subsidiaries

Transactions between United Bank for Africa Plc and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements but are disclosed in the books of the Bank. The Bank's transactions and balances with its subsidiaries during the period and at period end are as follows:

(i) Interest income:

(i) Cash and cash equivalents with the following subsidiaries are:

Name of Subsidiary	Nature of Balance	Dec 2020	Dec 2019
In millions of Nigerian naira			
UBA UK Limited	Money market placement	35,989	39,969
UBA UK	Nostro Balances	25,620	-
UBA Kenya	Money market placement	4,003	3,663
UBA Ghana	Money market placement	-	26,631
		65,612	**70,639**

(ii) Loan and advances

Name of Subsidiary	Type of Loan	Dec 2020	Dec 2019
In millions of Nigerian naira			
UBA Cameroun	Overdraft	15,978	18,055
UBA Burkina Faso	Overdraft	2,994	3,324
UBA Congo Brazzaville	Overdraft	2,888	1,512
UBA Chad	Overdraft	2,307	3,383
UBA Benin	Overdraft	1,970	1,968
UBA Senegal	Overdraft	183	1
UBA Gabon	Overdraft	73	1,719
UBA Tanzania	Term Loans	-	547
Related parties and insider related credits - continued			
UBA Cote D'Ivoire	Overdraft	-	120
		26,392	**30,629**

Term loans to subsidiaries are unsecured.

42 RELATED PARTIES AND INSIDER RELATED CREDITS (CONTINUED)

(a) Subsidiaries (Continued)

(iii) Deposits

Name of Subsidiary	Type of Deposit	Dec 2020	Dec 2019
In millions of Nigerian naira			
UBA Mali	Current	6,104	17
UBA Congo DRC	Current	1,709	2
UBA Uganda	Current	887	637
UBA Congo Brazzaville	Current	125	9
UBA Sierra Leone	Current	71	-
UBA Kenya	Current	60	135
UBA Ghana	Current	55	22
UBA Mozambique	Current	55	11
UBA Senegal	Current	29	9
UBA Guinea	Current	20	5
UBA Liberia	Current	20	18
UBA Burkina Faso	Current	16	18
UBA Benin	Current	12	46
UBA Cameroun	Current	8	-
UBA Cote D'Ivoire	Current	4	16
UBA Pension Custodian	Current	8	12
UBA Tanzania	Current	-	47
UBA Gabon	Current	-	8
UBA Cameroon	Current	-	93
UBA Liberia	Domicilliary	13,760	4,671
UBA Ghana	Domicilliary	6,663	357
UBA Guinea	Domicilliary	1,279	114
UBA Senegal	Domicilliary	798	75
UBA Sierra Leone	Domicilliary	406	-
UBA Benin	Domiciliary	339	19
UBA Burkina Faso	Domicilliary	299	207
UBA Uganda	Domicilliary	248	84
UBA Kenya	Domicilliary	100	73
UBA Cote D'Ivoire	Domicilliary	66	39
UBA Chad	Domicilliary	64	91
UBA Gabon	Domicilliary	78	2
UBA Tanzania	Domicilliary	35	91
UBA Cameroon	Domicilliary	-	336
UBA Congo DRC	Domicilliary	-	526
UBA Congo Brazzaville	Domicilliary	-	222
UBA Mozambique	Domicilliary	-	9
UBA Mali	Domicilliary	-	308
UBA Burkina Faso	Money market deposit	-	1,638
UBA Ghana	Money market deposit	14	-
UBA Tanzania	Money market deposit	-	730
UBA Sierra Leone	Money market deposit	-	730
UBA Pension Custodian	Money market deposit	-	3,241
UBA UK Limited	Money market deposit	22,315	35,383
		55,649	**50,051**

42 RELATED PARTIES AND INSIDER RELATED CREDITS (CONTINUED)

(a) Subsidiaries (Continued)

(iv) Accounts receivable from the following subsidiaries are:

In millions of Nigerian naira	**Type of Deposit**	**Dec 2020**	**Dec 2019**
UBA Ghana	Accounts receivable	4,796	3,065
UBA Cote D'Ivoire	Accounts receivable	2,148	1,206
UBA Cameroon	Accounts receivable	1,449	387
UBA Burkina Faso	Accounts receivable	805	1,652
UBA Benin	Accounts receivable	971	838
UBA DRC Congo	Accounts receivable	630	160
UBA Zambia	Accounts receivable	596	-
UBA Gabon	Accounts receivable	591	825
UBA Congo Brazzaville	Accounts receivable	585	650
UBA Senegal	Accounts receivable	539	627
UBA Guinea	Accounts receivable	822	587
UBA Uganda	Accounts receivable	583	348
UBA Chad	Accounts receivable	751	346
UBA Liberia	Accounts receivable	134	206
UBA Sierra Leone	Accounts receivable	159	182
UBA Pension Custodian	Accounts receivable	69	172
UBA Tanzania	Accounts receivable	280	154
UBA Kenya	Accounts receivable	418	148
UBA Mali	Accounts receivable	184	67
UBA Mozambique	Accounts receivable	298	23
UBA Angola	Accounts receivable	14	-
		16,821	**11,643**

(v) Dividend receivable from the following subsidiaries are:

In millions of Nigerian naira	**Type of Deposit**	**Dec 2020**	**Dec 2019**
UBA Pension Custodian		2,500	3,240
UBA Ghana		1,129	7,265
UBA Gabon		1,069	973
UBA Chad		878	799
UBA Sierra Leone		851	774
UBA Liberia		807	394
UBA Senegal		-	410
		7,233	**13,855**

(vi) Interest income from the following subsidiaries are:

	Dec 2020	**Dec 2019**
UBA UK Limited	1,746	1,845
UBA Ghana	246	251
UBA Kenya	187	288
UBA Guinea	10	11
UBA Tanzania	7	102
UBA Gabon	-	1
UBA Congo Brazzaville	-	2
UBA Cote D'Ivoire	-	44
UBA Senegal	-	23
	2,196	**2,567**

42 RELATED PARTIES AND INSIDER RELATED CREDITS (CONTINUED)

(a) Subsidiaries (Continued)

(vii) Interest expense to the following subsidiaries are:

In millions of Nigerian naira	Dec 2020	Dec 2019
UBA New York	5,145	310
UBA UK Limited	2,021	1,905
UBA Congo DRC	356	16
UBA Ghana	232	14
UBA Uganda	77	39
UBA Sierra Leone	72	-
UBA Mozambique	51	-
UBA Congo Brazzaville	26	-
UBA Liberia	61	-
UBA Guinea	38	-
UBA Tanzania	54	-
UBA Pension Custodian	50	63
UBA Kenya	15	19
UBA Burkina Faso	-	3
UBA Chad	-	11
	8,200	**2,380**

(viii) Dividend income from the following subsidiaries are:

	Dec 2020	Dec 2019
UBA Pension Custodian	2,500	3,240
UBA Burkina Faso	1,179	1,352
UBA Ghana	-	6,236
UBA Chad	-	800
UBA Gabon	-	973
UBA Liberia	-	394
UBA Senegal	-	4,048
	1,179	**13,803**

(ix) Internal transfer pricing charges from the following subsidiaries are:

	Dec 2020	Dec 2019
UBA Ghana	1,010	914
UBA Burkina Faso	735	582
UBA Cote d' Ivoire	712	529
UBA Benin	531	496
UBA Cameroun	501	844
UBA Senegal	383	339
UBA Congo DRC	302	157
UBA Liberia	280	209
UBA Sierra Leone	271	175
UBA Zambia	239	150
UBA Chad	265	295
UBA Kenya	228	144
UBA Congo Brazaville	192	182
UBA Gabon	192	384
UBA Guinea Conakry	171	130
UBA Tanzania	74	82
UBA Mozambique	68	61
UBA Pension	129	152
UBA Uganda	164	152
UBA Mali	156	46
	6,604	**6,023**

42 RELATED PARTIES AND INSIDER RELATED CREDITS (CONTINUED)

(b) Investment in equity accounted investee

Transactions between United Bank for Africa Plc and UBA Zambia meet the definition of related party transactions. The following transactions and balances are held with respect to the associate.

	Dec 2020	Dec 2019
Money market deposit	-	-
	-	-

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of UBA Plc, directly or indirectly, including any director (whether executive or otherwise) of the Bank, and their close family members. Close family members are those family who may be expected to influence, or be influenced by that individual in their dealings with UBA Plc and its subsidiaries.
Key management personnel and their close family members engaged in the following transactions with the Bank during the period:

In millions of Nigerian Naira	Dec 2020	Dec 2019
Loans and advances to key management personnel		
Loans and advances as at year end	206	297
Interest income earned during the year	68	84

Loans to key management personnel are granted on the same terms and conditions as loans to other employees. Related party loans are secured over real estate, equity and other assets of the respective borrowers. No impairment losses (2019: Nil) have been recorded against related party loans.

Loans and advances to key management personnel's related persons and entities as at December 31, 2020

In millions of Nigerian naira								
Name of company/ individual	**Name of Director**	**Facility Type**	**Security**	**Status**	**Rate**	**Currency**	**Dec 2020**	**Dec 2019**
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	10.0%	NGN	17,196	19,682
Bridge House College	Mrs. Foluke Abdulrazaq	Term loan (Under CBN MSMEDF)	Real Estate	Performing	9.0%	NGN	-	2
							17,196	39,366
							Dec 2020	**Dec 2019**
Interest income earned during the year							1,772	2,837

Deposit liabilities
Deposit liabilities relating to key management personnel and their related persons and entities as at end of the period is as follows:

In millions of Nigerian Naira	Dec 2020	Dec 2019
Deposits as at year end	815	1,340
Interest expense during the year	**15**	**27**

Compensation
Aggregate remuneration to key management staff during the period is as follows:

In millions of Nigerian Naira	Dec 2020	Dec 2019
Executive compensation	698	814
Defined contribution plan	20	23
	718	**837**

43 COMPENSATION TO EMPLOYEES AND DIRECTORS

(i) The number of persons in the employment of the Group and the Bank as at period end is as follows:

	Group		Bank	
(In absolute units)	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Group executive directors	7	9	7	9
Management	88	99	68	90
Non-management	10,729	13,129	7,241	9,697
	10,824	**13,237**	**7,316**	**9,796**

Compensation for the above personnel (including executive directors):

In millions of Nigerian Naira	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Salaries and wages	84,483	72,490	45,853	42,532
Defined contribution plans	**3,062**	**2,609**	**1,325**	**1,242**
	87,545	**75,099**	**47,178**	**43,774**

(ii) The number of employees of the Group and the Bank, other than Directors, who received emoluments in the following ranges (excluding pension contributions) were:
(In absolute units)

	Group		Bank	
	Dec 2020	Dec 2019	Dec 2020	Dec 2019
N300,001 - N2,000,000	4,200	7,426	2,198	5,150
N2,000,001 - N2,800,000	628	2,168	222	1,821
N2,800,001 - N3,500,000	1,516	294	1,257	1
N3,500,001 - N4,000,000	1,439	730	1,311	667
N4,000,001 - N5,500,000	740	565	537	331
N5,500,001 - N6,500,000	394	60	221	-
N6,500,001 - N7,800,000	564	628	452	554
N7,800,001 - N9,000,000	409	410	334	380
N9,000,001 - above	927	956	777	883
	10,817	**13,237**	**7,309**	**9,787**

(iii) Directors

In millions of Nigerian naira	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	64	51	64	51
Executive compensation	698	814	698	814
Defined contribution plan	20	23	20	23
	782	888	782	888
Fees and other emoluments disclosed above includes amounts paid to:				
The Chairman	3	3	3	3
The highest paid Director	143	143	143	143
The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:				
(In absolute units)				
N1,000,001 - N5,000,000	10	10	10	10
N5,500,001 and above	9	9	9	9
	19	19	19	19

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

44 NON-AUDIT SERVICES

During the year, the Bank's external auditors (Ernst & Young) rendered the following non-audit service to the Bank:

(i) Consultancy service on the validation of UBA's 2020 Recovery and Resolution Plan (RRP). The total amount paid by UBA Plc for this service was N4,500,000. This amount is included as part of contract services expense in "other operating expenses" in note 19.

(ii) Ernst & Young was also engaged to conduct the assessment of UBA's risk management practices and whistleblowing compliance level. The total amount agreed for this service is N17,000,000. No payment has been made yet.

Note: These non-audit services are being undertaken by different E&Y teams which were contracted ealier before the audit engagement was signed in Q1-2020.

45 COMPLIANCE WITH BANKING REGULATIONS

During the year, the bank incurred the following penalties from Central Bank of Nigeria for various contraventions:

In millions of Nigerian Naira

Description		Amount
1	Late refund to customer	2
2	Incomplete documentation on customer account opening	3
3	Penalty related to corporate social responsibility donations	8
4	In respect of operation of customers' domiciliary accounts	623

46 EVALUATION OF THE IMPACT OF COVID-19

The COVID-19 pandemic has caused disruptions to global economic and social activities during the period ended December 31, 2020. The direct impact in our markets was experienced in the second quarter of the interim reporting period, by way of reduction in social interactions and disruptions in economic activities. The Group has reviewed the current uncertainty as a result of this pandemic and nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

The Group responded as appropriate by activating its Business Continuity Plans across the different entities to ensure continuous service to its stakeholders. The Group has also assessed on a line-by-line basis the impact of COVID-19 on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statement. Whilst the Group continues to monitor the situation as more new information becomes available and necessary adjustment will be reflected in the appropriate period.

47 EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that could have material effect on the financial condition of the Group and the Bank as at December 31, 2020 and the profit and other comprehensive income for the year ended which have not been adjusted or disclosed.

48 SECURITIES TRADING POLICY

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule)United Bank for Africa Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's shares. The Policy undergoes periodic reviews by the Board and is updated accordingly. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the period.

49 FREE FLOAT DECLARATION

United Bank for Africa Plc with a free float percentage of 80.66% (and a free float value of N238,605,016,032) as at December 31, 2020, is compliant with free float requirements for companies listed on the Premium Board of The Nigerian Stock Exchange.

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

50 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES

For the year ended December 31, 2020

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	43,658	4,661	21,206	14,762	7,181	7,277	9,741	14,484
Total operating expenses	(24,148)	(3,218)	(12,524)	(8,764)	(5,812)	(4,406)	(7,389)	(11,915)
Net impairment gain/(reversal) on financial assets	(4,183)	(134)	(1,935)	(572)	(821)	(231)	1,386	606
Profit before income tax	**15,327**	**1,309**	**6,747**	**5,426**	**548**	**2,640**	**3,738**	**3,175**
Income tax expense	(4,902)	(326)	(369)	(326)	(137)	(812)	(1,326)	(157)
Profit for the year from continuing operations	**10,425**	**983**	**6,378**	**5,100**	**411**	**1,828**	**2,412**	**3,018**
Profit for the year	**10,425**	**983**	**6,378**	**5,100**	**411**	**1,828**	**2,412**	**3,018**
Condensed statements of financial position								
Assets								
Cash and bank balances	66,099	26,858	46,179	4,455	14,694	20,701	9,869	38,656
Loans and Advances to Banks	-	-	9,402	7,381	-	-	-	-
Loans and advances to customers	77,037	11,146	140,862	60,598	9,897	12,642	31,549	60,705
Investment securities	119,678	12,888	178,662	111,647	38,809	40,574	56,195	143,899
Other assets	5,908	12,331	6,881	11,550	4,201	95	7,774	1,692
Property and equipment	4,679	327	408	896	225	454	4,028	2,830
Intangible assets	49	1	47	126	10	16	62	11
Deferred tax assets	26	44	829	-	1,151	-	-	-
Total assets	**273,476**	**63,595**	**383,270**	**196,653**	**68,987**	**74,482**	**109,477**	**247,793**
Financed by:								
Deposits from banks	5,035	-	62,987	4,145	29,816	346	400	46,932
Deposits from customers	193,679	49,304	270,744	126,724	28,494	61,936	79,543	175,369
Other liabilities	6,525	6,413	19,172	37,847	2,058	1,757	17,411	3,372
Current income tax liabilities	-	680	-	360	134	-	-	627
Borrowings	-	-	-	-	-	4,007	-	-
Deferred tax liability	-	41	395	-	-	-	-	-
Total Equity	68,237	7,157	29,972	27,577	8,485	6,436	12,123	21,493
Total liabilities and equity	**273,476**	**63,595**	**383,270**	**196,653**	**68,987**	**74,482**	**109,477**	**247,793**
Condensed cash flows								
Net cash from/(used in)operating activities	38,991	14,685	172,072	41,611	43,540	32,961	36,050	90,439
Net cash from /(used in)financing activities	17,557	928	14,023	9,920	1,210	3,096	(1,865)	9,469
Net cash from/(used in) investing activities	(29,949)	(6,963)	(150,052)	(74,191)	(32,369)	(24,601)	(33,588)	(69,979)
Increase/(decrease) in cash and cash equivalents	**26,599**	**8,650**	**36,043**	**(22,660)**	**12,381**	**11,456**	**597**	**29,929**
Cash and cash equivalents at beginning of the year	39,500	18,208	10,136	27,115	2,313	9,245	9,272	8,727
Cash and cash equivalents at end of the year	**66,099**	**26,858**	**46,179**	**4,455**	**14,694**	**20,701**	**9,869**	**38,656**

Notes to Financial Statements (Continued)

For the year ended December 31, 2020

50 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (CONTINUED)

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	8,069	19,095	8,494	7,518	21,026	1,724	31,495	6,211	4,565
Total operating expenses	(3,221)	(15,058)	(5,761)	(5,166)	(11,721)	(1,793)	(19,872)	(2,690)	(5,175)
Net impairment gain/(reversal) on financial assets	8	(78)	(965)	7	(613)	(55)	1,611	-	-
Profit before income tax	**4,856**	**3,959**	**1,768**	**2,359**	**8,692**	**(124)**	**13,234**	**3,521**	**(610)**
Income tax expense	(1,235)	(125)	-	(335)	-	(219)	(5,521)	(917)	(44)
Profit for the year	**3,621**	**3,834**	**1,768**	**2,024**	**8,692**	**(343)**	**7,713**	**2,604**	**(654)**
Condensed statements of financial position									
Assets									
Cash and bank balances	15,465	36,969	9,443	26,195	53,863	18,418	56,499	18	16,055
Financial assets at FVTPL	-	-	-	-	43,310	-	-	-	-
Loans and advances to customers	2,361	114,798	36,296	5,011	60,587	1,597	99,179	-	12,736
Investment securities	32,922	197,823	68,644	16,421	2	2,423	187,780	7,678	11,930
Other assets	163	2,659	957	5,995	9,814	76	10,737	1,309	2,776
Property and equipment	741	3,824	1,415	1,097	1,148	189	1,658	98	-
Intangible assets	-	136	21	24	7	47	184	92	-
Deferred tax assets	-	-	-	-	-	-	-	38	-
Total assets	**51,652**	**356,209**	**116,776**	**54,743**	**168,731**	**22,750**	**359,033**	**9,233**	**43,497**
Financed by:									
Deposits from banks	2,960	72,462	66	5,564	35,686	3,603	11,471	-	80
Deposits from customers	31,257	253,893	92,159	38,432	86,905	12,365	282,049	-	33,641
Other liabilities	6,966	3,690	10,589	2,673	7,851	301	14,726	2,915	1,889
Current income tax liabilities	-	-	-	-	-	-	6,174	953	13
Borrowings	-	-	-	-	-	-	2,068	-	-
Deferred tax liability	10	-	-	-	-	-	-	13	-
Total Equity	10,459	26,164	13,962	8,074	38,289	6,481	42,545	5,352	7,874
Total liabilities and equity	**51,652**	**356,209**	**116,776**	**54,743**	**168,731**	**22,750**	**359,033**	**9,233**	**43,497**
Condensed cash flows									
Net cash from/(used in)operating activities	24,701	66,978	55,617	26,023	15,992	5,201	113,354	994	7,458
Net cash from /(used in)financing activities	5,626	5,872	2,402	1,760	13,120	(1,140)	18,293	(1,761)	1,947
Net cash from/(used in) investing activities	(20,982)	(60,563)	(62,102)	(11,625)	13,969	10,408	(115,055)	693	2
Increase/(decrease) in cash and cash equivalents	**9,345**	**12,287**	**(4,083)**	**16,158**	**43,081**	**14,469**	**16,592**	**(74)**	**9,407**
Cash and cash equivalents at beginning of the year	6,120	24,682	13,526	10,037	10,782	3,949	39,907	92	6,648
Cash and cash equivalents at end of the year	**15,465**	**36,969**	**9,443**	**26,195**	**53,863**	**18,418**	**56,499**	**18**	**16,055**

50 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (CONTINUED)

For the year ended December 31, 2020

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA UK Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income						
Operating income	3,766	3,351	4,455	236,068	12,517	491,324
Total operating expenses	(3,148)	(2,920)	(5,866)	(155,844)	66,564	(249,847)
Net impairment gain/(reversal) on financial assets	(27)	-	-	(21,864)	851	(27,009)
Share of loss of equity-accounted investee	-	-	-	-	1,071	1,071
(Loss)/Profit before income tax	**591**	**431**	**(1,411)**	**58,360**	**79,932**	**131,860**
Income tax expense	(12)	-	-	(1,449)	(29,142)	(18,095)
Profit/(loss) for the year from continuing operations	579	431	(1,411)	56,911	50,790	113,765
(Loss)/Profit for the year	**579**	**431**	**(1,411)**	**56,911**	**50,790**	**113,765**
Condensed statements of financial position						
Assets						
Cash and bank balances	14,519	41,710	16,762	1,436,822	(95,631)	1,874,618
Financial assets at FVTPL	-	-	-	171,058	32	214,400
Derivative assets	-	-	-	53,148	(2,996)	53,148
Loans and Advances to Banks	-	-	31,023	65,058	(38,441)	77,419
Loans and advances to customers	9,661	16,590	920	1,812,536	(1,142,204)	2,554,975
Investment securities	4,145	-	46,931	1,305,163	(3,423)	2,580,791
Other assets	686	20,606	415	96,524	(87,717)	115,432
Investments in equity-accounted investee	-	-	-	2,715	1,789	4,504
Investments in Subsidiaries	-	-	-	103,275	(103,275)	-
Property and equipment	341	835	1,131	123,435	3,432	153,191
Intangible assets	1	-	932	16,237	10,897	28,900
Deferred tax assets	-	-	-	21,862	16,652	40,602
Total assets	**29,353**	**79,741**	**98,114**	**5,207,833**	**(1,440,885)**	**7,697,980**
Financed by:						
Derivative liabilities	-	-	-	508	-	508
Deposits from banks	4,122	629	69,470	121,815	(59,432)	418,157
Deposits from customers	19,807	51,359	6,678	3,824,143	(42,470)	5,676,011
Other liabilities	1,372	20,862	5,453	93,669	(109,684)	157,827
Current tax liability	-	-	-	1,478	(437)	9,982
Subordinated liabilities	-	-	-	-	(2,068)	-
Borrowings	-	-	-	688,280	-	694,355
Deferred tax liability	-	-	-	-	16,533	16,992
Total Equity	4,052	6,891	16,513	477,940	(121,928)	724,148
Total liabilities and equity	**29,353**	**79,741**	**98,114**	**5,207,833**	**(319,486)**	**7,697,980**
Condensed cash flows						
Net cash from/(used in)operating activities	6,822	25,914	39,224	735,114	(71,289)	1,522,452
Net cash from /(used in)financing activities	(61)	2,764	2,271	(205,322)	(117,881)	(217,772)
Net cash from/(used in) investing activities	797	2,929	(36,725)	(483,597)	77,751	(1,105,792)
Increase/(decrease) in cash and cash equivalents	**7,558**	**31,607**	**4,770**	**46,195**	**(111,419)**	**198,888**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	46,522	55,766	102,288
Cash and cash equivalents at beginning of the year	6,961	10,103	11,992	361,927	(71,771)	559,471
Cash and cash equivalents at end of the year	**14,519**	**41,710**	**16,762**	**454,644**	**(127,424)**	**860,647**

* This represents capital injection by institutional and other investors which are still awaiting regulatory approval.

50 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (CONTINUED)

For the year ended December 31, 2019

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	33,637	4,166	13,364	11,397	6,226	3,447	7,238	9,970
Total operating expenses	(16,849)	(3,206)	(8,081)	(7,698)	(5,212)	(3,512)	(4,323)	(10,817)
Net impairment (loss)/gain on financial assets	(238)	(159)	(286)	(259)	(198)	(54)	(99)	1,944
Profit/(loss) before income tax	**16,550**	**801**	**4,997**	**3,440**	**816**	**(119)**	**2,816**	**1,097**
Income tax expense	(5,457)	-	-	(642)	-	-	-	-
Profit for the year	**11,093**	**801**	**4,997**	**2,798**	**816**	**(119)**	**2,816**	**1,097**
Condensed statements of financial position								
Assets								
Cash and bank balances	32,320	18,208	29,945	14,653	13,489	4,158	9,272	24,553
Financial assets at FVTPL	-	-	-	-	-	-	-	-
Loans and advances to customers	52,542	8,690	92,098	80,305	13,158	13,272	16,540	35,798
Investment securities	159,872	5,593	50,371	44,574	28,363	23,547	24,154	51,452
Other assets	1,613	3,084	4,643	(609)	1,154	(9)	2,829	1,457
Property and Equipment	2,447	644	478	1,574	281	1,259	2,496	2,478
Intangible assets	11	16	16	27	17	26	47	(462)
Deferred tax asset	121	-	-	-	1,260	-	-	-
	248,926	**36,235**	**177,551**	**140,524**	**57,722**	**42,253**	**55,338**	**115,276**
Financed by:								
Deposits from banks	68,590	333	1,309	3,501	9,251	-	397	15,230
Deposits from customers	129,541	28,991	150,387	110,359	24,511	36,570	37,477	84,023
Other liabilities	10,532	1,624	9,769	6,172	776	2,038	7,214	3,734
Borrowings	-	-	-	-	14,588	-	-	-
Total Equity	40,179	5,287	16,086	20,492	8,596	3,645	10,250	12,289
	248,926	**36,235**	**177,551**	**140,524**	**57,722**	**42,253**	**55,338**	**115,276**
Condensed cash flows								
Net cash from operating activities	71,862	837	40,486	(4,442)	17,658	4,245	7,387	(9,810)
Net cash from financing activities	(11,170)	(818)	1,123	(323)	15,504	(943)	(1,629)	2,343
Net cash from investing activities	(67,873)	(1,827)	(21,800)	(7,697)	(21,986)	(8,389)	(9,951)	23,293
Increase/(decrease) in cash and cash equivalents	**(7,181)**	**(1,808)**	**19,809**	**(12,462)**	**11,176**	**(5,087)**	**(4,193)**	**15,826**
Effects of exchange rate	1	(748)	-	-	-	-	-	-
Cash and cash equivalents at beginning of the year	39,500	20,764	10,136	27,115	2,313	9,245	13,465	8,727
Cash and cash equivalents at end of the year	**32,320**	**18,208**	**29,945**	**14,653**	**13,489**	**4,158**	**9,272**	**24,553**

50 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (CONTINUED)

For the year ended December 31, 2019

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	5,466	12,594	6,089	4,299	16,306	2,271	22,482	6,916	1,362
Total operating expenses	(2,448)	(10,391)	(3,718)	(3,560)	(10,165)	(2,148)	(12,204)	(1,382)	(2,277)
Net impairment gain/(loss) on financial assets	(3)	(326)	(142)	-	(655)	(12)	(1,591)	-	3
Profit before income tax	**3,015**	**1,877**	**2,229**	**739**	**5,486**	**111**	**8,687**	**5,534**	**(912)**
Income tax expense	(762)	(81)	-	(85)	-	(345)	(3,495)	(1,407)	-
Profit for the year	**2,253**	**1,796**	**2,229**	**654**	**5,486**	**(234)**	**5,192**	**4,127**	**(912)**
Condensed statements of financial position									
Assets									
Cash and bank balances	9,156	11,708	12,290	18,290	17,328	10,129	22,367	3,262	3,422
Loans and advances to customers	3,163	97,292	16,682	3,395	29,540	279	62,040	-	5,918
Investment securities	15,934	76,683	20,202	9,754	40,429	7,523	112,864	6,493	6,099
Other assets	382	1,544	1,459	2,038	3,604	713	21,766	1,164	1,657
Property and Equipment	524	2,880	620	504	483	159	1,114	148	756
Intangible assets	-	90	9	30	27	59	18	120	-
Deferred tax asset	2	-	-	-	-	-	-	55	-
	29,161	**190,197**	**51,262**	**34,011**	**91,411**	**18,862**	**227,342**	**11,242**	**17,852**
Financed by:									
Deposits from banks	1,489	25,649	1	3,305	-	2,942	36,105	-	4
Deposits from customers	18,139	145,677	40,378	26,166	58,330	7,764	152,460	(2)	11,596
Other liabilities	2,735	2,220	1,371	-	3,369	202	10,302	4,371	1,102
Current tax liability	9	-	-	-	-	-	3,527	1,408	-
Total Equity	6,789	16,651	9,512	4,540	29,712	7,954	24,948	5,465	5,150
	29,161	**190,197**	**51,262**	**34,011**	**91,411**	**18,862**	**227,342**	**11,242**	**17,852**
Condensed cash flows									
Net cash from operating activities									
Net cash from financing activities	4,861	(72,938)	14,126	13,028	24,610	630	20,740	4,541	(1,953)
Net cash from investing activities	1,952	(1,603)	(2,509)	(404)	7,749	224	3,217	(3,171)	(519)
	(3,777)	61,567	(12,853)	(4,371)	(25,813)	5,326	(41,497)	1,800	(754)
(Decrease)/Increase in cash and cash equivalents	**3,036**	**(12,974)**	**(1,236)**	**8,253**	**6,546**	**6,180**	**(17,540)**	**3,170**	**(3,226)**
Cash and cash equivalents at beginning of the year	6,120	24,682	13,526	10,037	10,782	3,949	39,907	92	6,648
Cash and cash equivalents at end of the year	**9,156**	**11,708**	**12,290**	**18,290**	**17,328**	**10,129**	**22,367**	**3,262**	**3,422**

50 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (CONTINUED)

For the year ended December 31, 2019

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA UK Limited	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income								
Operating income	2,739	3,214	-	5,773	-	233,488	(65,738)	426,710
Total operating expenses	(2,413)	(3,204)	-	(5,558)	-	(147,056)	49,055	(197,342)
Net impairment gain/(loss) on financial assets	(60)	(174)	-	-	-	(16,369)	426	(4,529)
Share of loss of equity-accounted investee	**-**	**-**	-	**-**	**-**	**-**	**1,071**	**1,071**
(Loss)/Profit before income tax	266	(164)	-	215	-	70,063	(15,186)	111,287
Income tax expense	-	-	-	-	-	(7,313)	(23,202)	(22,198)
(Loss)/Profit for the year	**266**	**(164)**	**-**	**215**	**-**	**62,750**	**(18,868)**	**89,089**
Condensed statements of financial position								
Assets								
Cash and bank balances	11,040	11,934	-	8,450	455	1,182,554	(72,755)	1,396,228
Financial assets at FVTPL	-	-	-	-	-	102,388	-	102,388
Derivative assets	-	-	-	-	-	48,131	(7,173)	48,131
Loans and Advances to Banks	-	-	-	36,727	-	99,849	(35,538)	108,211
Loans and advances to customers	5,345	16,731	-	4,340	2	1,503,380	(1,119,834)	2,061,147
Investment securities	12,033	2,879	-	29,071	-	846,214	(2,554)	1,571,550
Other assets	411	6,094	-	122	114	111,607	(26,952)	139,885
Investments in equity-accounted investee	-	-	-	-	-	2,715	1,428	4,143
Investments in Subsidiaries	-	-	-	-	-	103,275	(103,275)	-
Property and Equipment	202	649	-	1,151	203	107,448	1	128,499
Intangible assets	4	42	-	947	-	7,070	9,557	17,671
Deferred tax asset	-	-	-	-	-	21,862	2,899	26,199
	29,035	**38,329**	**-**	**80,808**	**774**	**4,136,493**	**(1,354,196)**	**5,604,052**
Financed by:								
Derivative liabilities	-	-	-	-	-	852	-	852
Deposits from banks	9,595	-	-	57,008	-	92,717	(60,356)	267,070
Deposits from customers	16,652	22,945	-	3,812	70	2,764,388	(37,350)	3,832,884
Other liabilities	119	5,526	-	3,630	36	57,150	(26,737)	107,255
Current tax liability	-	2	-	-	-	722	3,497	9,164
Subordinated liabilities	-	-	-	-	-	30,048	-	30,048
Borrowings	-	-	-	-	-	744,094	-	758,682
Deferred tax liability	-	45	-	-	-	-	(11)	119
Total Equity	2,669	9,811	-	16,358	668	446,522	(105,595)	597,978
	29,035	**38,329**	**-**	**80,808**	**774**	**4,136,493**	**(226,552)**	**5,604,052**
Condensed cash flows								
Net cash from operating activities	12,165	(4,642)	-	14,868	-	(317,453)	(37,399)	(196,593)
Net cash from financing activities	(1,131)	6,279	-	490	-	3,507	(26,815)	(8,643)
Net cash from investing activities	(6,955)	194	-	(18,900)	-	215,429	55,201	108,367
Increase/(decrease) in cash and cash equivalents	**4,079**	**1,831**	**-**	**(3,542)**	**-**	**(98,517)**	**(9,013)**	**(96,869)**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	10,381	(15,535)	(5,905)
Cash and cash equivalents at beginning of the year	6,961	10,103	-	11,992	455	450,063	(64,334)	662,245
Cash and cash equivalents at end of the year	**11,040**	**11,934**	-	**8,450**	**455**	**361,927**	**(88,882)**	**559,471**

OTHER ADDITIONAL DISCLOSURES

Statement of Value Added

For the year ended December 31, 2020

STATEMENT OF VALUE ADDED

For the year ended December 31,

	2020 N'million	%	2019 N'million	%
Group				
Gross revenue	620,375		559,805	
Interest paid	(168,395)		(182,955)	
	451,980		376,850	
Administrative overheads:				
- local	(187,625)		(153,641)	
- foreign	(2,502)		(3,081)	
Value added	**261,853**	**100**	**220,128**	**100**
Distribution				
Employees				
- Salaries and benefits	87,545	33	75,099	34
Government				
- Current Income tax	18,095	7	22,198	10
The future				
- Asset replacement (depreciation and amortization)	20,005	8	15,490	7
- Asset replacement (provision for losses)	22,443	9	18,252	8
- Expansion (transfer to reserves and non-controlling interests)	113,765	43	89,089	40
	261,853	**100**	**220,128**	**100**

	2020 N'million	%	2019 N'million	%
Bank				
Gross revenue	-		412,624	
Interest paid	(116,748)		(156,580)	
	(116,748)		256,044	
Administrative overheads:				
- local	252,441		(113,902)	
- foreign	(973)		(164)	
Value added	**134,720**	**100**	**141,978**	**100**
Distribution				
Employees				
- Salaries and benefits	47,178	35	43,774	31
Government				
- Taxation	1,449	1	7,313	5
The future				
- Asset replacement (depreciation and amortization)	15,036	11	11,772	8
- Asset replacement (provision for losses)	14,146	11	16,369	12
- Expansion (transfer to reserves and non-controlling interests)	56,911	42	62,750	44
	134,720	**100**	**141,978**	**100**

Value added represents the additional wealth which the Group has been able to create by its own and employees efforts.

OTHER ADDITIONAL DISCLOSURES (CONTINUED)

Five - Year Financial Summary-Group

For the year ended December 31, 2020

STATEMENT OF FINANCIAL POSITION

In millions of Nigerian Naira	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
ASSETS					
Cash and bank balances	1,874,618	1,396,228	1,220,596	898,083	760,930
Financial assets at fair value through profit or loss	214,400	102,388	19,439	31,898	52,295
Derivative assets	53,148	48,131	34,784	8,227	10,642
Loans and advances to banks	77,419	108,211	15,797	20,640	22,765
Loans and advances to customers	2,554,975	2,061,147	1,715,285	1,650,891	1,505,319
Investment securities					
- At fair value through other comprehensive income	1,421,527	901,048	1,036,653	-	-
- Available-for-sale	-	-	-	593,299	276,758
- At amortised cost	1,159,264	670,502	600,479	-	-
- Held to maturity	-	-	-	622,754	693,634
Other assets	115,432	139,885	63,012	86,729	37,849
Investments in equity-accounted investee	4,504	4,143	4,610	2,860	2,925
Property and equipment	153,191	128,499	115,973	107,636	93,932
Intangible assets	28,900	17,671	18,168	16,891	14,361
Deferred tax assets	40,602	43,054	24,942	29,566	33,060
TOTAL ASSETS	**7,697,980**	**5,620,907**	**4,869,738**	**4,069,474**	**3,504,470**
LIABILITIES					
Derivative liabilities	508	852	99	123	14
Deposits from banks	418,157	267,070	174,836	134,289	109,080
Deposits from customers	5,676,011	3,832,884	3,349,120	2,733,348	2,485,610
Other liabilities	157,827	107,255	120,764	98,277	110,596
Current income tax liabilities	9,982	9,164	8,892	7,668	5,134
Borrowings	694,355	758,682	683,532	502,209	259,927
Subordinated liabilities	-	30,048	29,859	65,741	85,978
Deferred tax liabilities	16,992	16,974	28	40	62
TOTAL LIABILITIES	**6,973,832**	**5,022,929**	**4,367,130**	**3,541,695**	**3,056,401**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	115,815	135,514
Reserves	579,253	462,758	367,654	393,733	299,337
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	**695,068**	**578,573**	**483,469**	**509,548**	**434,851**
Non-controlling interests	29,080	19,405	19,139	18,231	13,218
TOTAL EQUITY	**724,148**	**597,978**	**502,608**	**527,779**	**448,069**
TOTAL LIABILITIES AND EQUITY	**7,697,980**	**5,620,907**	**4,869,738**	**4,069,474**	**3,504,470**

Summarized Statement of Comprehensive Income *In millions of Nigerian Naira*	**2020**	**2019**	**2018**	**2017**	**2016**
Net operating income	407,645	346,293	308,218	326,565	270,889
Operating expenses	(249,847)	(217,167)	(197,342)	(189,652)	(152,501)
Net impairment loss on loans and receivables	(27,009)	(18,252)	(4,529)	(32,895)	(27,683)
Share of profit/(loss) of equity-accounted investee	1,071	413	419	204	(63)
Profit before income tax expense	**131,860**	**111,287**	**106,766**	**104,222**	**90,642**
Income tax expense	(18,095)	(22,198)	(28,159)	(26,674)	(18,378)
Profit after taxation	**113,765**	**89,089**	**78,607**	**77,548**	**72,264**
Profit for the year	**113,765**	**89,089**	**78,607**	**77,548**	**72,264**
- Non-controlling interests	4,438	2,869	3,248	2,544	2,860
- Equity holders of the parent	109,327	86,220	75,359	75,004	69,404
Other comprehensive income for the year	43,326	35,350	(33,273)	27,769	65,886
Total comprehensive income for the year	**157,091**	**124,439**	**45,334**	**105,317**	**138,150**

OTHER ADDITIONAL DISCLOSURES (CONTINUED)

Five - Year Financial Summary-Bank

For the year ended December 31, 2020

STATEMENT OF FINANCIAL POSITION

In millions of Nigerian Naira	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
ASSETS					
Cash and bank balances	1,436,822	1,182,554	1,015,199	727,546	610,910
Financial assets at fair value through profit or loss	171,058	102,388	19,439	31,898	52,295
Derivative assets	53,148	48,131	34,784	7,911	10,642
Loans and advances to banks	65,058	99,849	15,516	19,974	23,850
Loans and advances to customers	1,812,536	1,503,380	1,213,801	1,173,214	1,090,355
Investment securities					
- At fair value through other comprehensive income	1,233,684	772,658	925,892	-	-
- Available for sale	-	-	-	423,293	244,424
- At amortised cost	71,479	73,556	84,265	-	-
- Held to maturity	-	-	-	242,185	288,592
Other assets	96,524	111,607	49,642	77,949	31,192
Investments in subsidiaries	103,275	103,275	103,777	103,777	70,702
Investments in equity-accounted investee	2,715	2,715	2,715	1,770	1,770
Property and equipment	123,435	107,448	97,502	89,285	80,252
Intangible assets	16,237	7,070	6,911	5,846	4,905
Deferred tax assets	21,862	21,862	21,862	27,178	29,696
TOTAL ASSETS	**5,207,833**	**4,136,493**	**3,591,305**	**2,931,826**	**2,539,585**
LIABILITIES					
Derivative liabilities	508	852	99	123	14
Deposits from banks	121,815	92,717	30,502	15,290	30,484
Deposits from customers	3,824,143	2,764,388	2,424,108	1,877,736	1,698,859
Current income tax liabilities	1,478	722	706	1,108	522
Subordinated liabilities	-	30,048	29,859	65,741	85,978
Borrowings	688,280	744,094	657,134	502,209	259,927
Other liabilities	93,669	57,150	84,299	68,759	72,901
TOTAL LIABILITIES	**4,729,893**	**3,689,971**	**3,226,707**	**2,530,966**	**2,148,685**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	115,815	135,514
Reserves	362,125	330,707	248,783	285,045	255,386
TOTAL EQUITY	**477,940**	**446,522**	**364,598**	**400,860**	**390,900**
TOTAL LIABILITIES AND EQUITY	**5,207,833**	**4,136,493**	**3,591,305**	**2,931,826**	**2,539,585**

Summarized statement of comprehensive income *In millions of Nigerian Naira*	2020	2019	2018	2017	2016
Net operating income	236,068	227,464	191,144	209,279	190,231
Operating expenses	(155,844)	(141,032)	(131,537)	(126,051)	(107,061)
Net impairment loss on loans and receivables	(21,864)	(16,369)	(4,257)	(30,433)	(25,521)
Profit before income tax expense	**58,360**	**70,063**	**55,350**	**52,795**	**57,649**
Income tax expense	(1,449)	(7,313)	(14,303)	(11,399)	(10,108)
Profit for the period	**56,911**	**62,750**	**41,047**	**41,396**	**47,541**
Other comprehensive income for the period	5,427	48,244	(12,009)	15,668	26,896
Total comprehensive income for the period	**62,338**	**110,994**	**29,038**	**57,064**	**74,437**

UNITED BANK FOR AFRICA PLC

Interim Consolidated and Separate Financial Statements for the period ended 30 June 2021

Africa's Global Bank

Tax Identification Number : 01126011-0001

Contents

Directors' Report

The Directors present their report together with the audited financial statements of UBA Plc ("the Bank") and its Subsidiaries (together "the Group") for the period ended 30 June 2021.

1 Results at a Glance

	Group		Bank	
	2021 (N'Million)	2020 (N'Million)	2021 (N'Million)	2020 (N'Million)
Profit before tax	76,186	57,129	24,907	20,630
Income tax expense	(15,605)	(12,698)	(770)	(1,079)
Profit after tax	60,581	44,431	24,137	19,551
Other comprehensive income / (loss)	(20,249)	19,684	(26,069)	10,968
Total comprehensive income / (loss)	40,332	64,115	(1,932)	30,519
Total comprehensive income / (Loss) attributable to:				
− Equity holders of the Bank	38,085	58,631	(1,932)	30,519
− Non-controlling interests	2,247	5,484	-	-
Total comprehensive income	40,332	64,115	(1,932)	30,519

2 Dividend

The Directors, pursuant to the powers vested in it by the provisions of Section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, propose interim dividend of N0.20 per share (30 June 2020: N0.17 per share) from the retained earnings account as at 30 June 2021. Payment of Dividend is subject to applicable withholding tax.

3 Legal form

United Bank for Africa Plc was incorporated in Nigeria as a limited liability company on 23 February 1961, under the Companies Ordinance [Cap 37] 1922. It took over the assets and liabilities of the British and French Bank Limited, which had carried on banking business in Nigeria since 1949. UBA merged with Standard Trust Bank Plc on 01 August, 2005 and acquired Continental Trust Bank Limited on 31 December, 2005.

4 Major activities & business review

UBA Plc is engaged in the business of banking and caters for the banking needs of Institutions, Corporate, Commercial and Consumer customer segments, providing trade services, remittance, treasury management, custody/investor services, digital and general banking services. Pension custody services are offered through its subsidiary. A comprehensive review of the business for the period and the prospects for the ensuing year is contained in the CEO's report section of UBA's most recent annual report.

5 Directors

NAME	DESIGNATION
Mr. Tony Elumelu, CON	Chairman
Amb. Joe Keshi, OON	Vice-Chairman
Mrs. Owanari Duke	Independent Non-Executive Director
High Chief Samuel Oni, FCA	Independent Non-Executive Director
Ms. Angela Aneke	Non-Executive Director
Erelu Angela Adebayo	Non-Executive Director
Dr. Kayode Fasola	Non-Executive Director
Mr. Abdulqadir J. Bello	Non-Executive Director
Ms. Aisha Hassan Baba, OON	Independent Non-Executive Director
Mrs. Caroline Anyanwu [1]	Non-Executive Director
Mr. Kennedy Uzoka	Group Managing Director/CEO
Mr. Oliver Alawuba	Deputy Managing Director (Africa)
Mr. Ayoku Liadi	Deputy Managing Director (Nigeria)
Mr. Uche Ike	Executive Director, Risk Management, Governance & Compliance
Mr. Chukwuma Nweke	Executive Director, Group Chief Operating Officer
Mr. Ibrahim Puri	Executive Director, North Bank
Mr. Chiugo Ndubisi	Executive Director, Treasury & International Banking

[1] Appointed to the Board on May 18, 2021

Directors' Report - Continued

6 Directors' interests

The interest of directors in the Issued share capital of the Bank as recorded in the register of directors' shareholding and/or as notified by the directors for the purpose of Sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange is as follows:

	30-Jun-21		31-Dec-20	
Name	**Direct holding**	**Indirect holding**	**Direct holding**	**Indirect holding**
Mr. Tony Elumelu, CON	195,007,572	2,185,934,184	194,669,555	2,185,934,184
Amb. Joe Keshi, OON	433,499	-	433,499	-
Mrs. Owanari Duke	86,062	-	86,062	-
High Chief Samuel Oni, FCA	2,065	-	2,065	-
Ms. Angela Aneke	-	-	-	-
Erelu Angela Adebayo	163,803	-	163,803	-
Dr. Kayode Fasola	100,000	-	-	-
Mr. Abdulqadir J. Bello	130,000	-	130,000	-
Mrs. Aisha Hassan Baba, OON	-	-	-	-
Mrs. Caroline Anyanwu	-	-	-	-
Mr. Kennedy Uzoka	37,173,909	-	37,173,909	-
Mr. Uche Ike	13,012,497	-	13,012,497	-
Mr. Chukwuma Nweke	1,059,860	-	1,059,860	-
Mr. Oliver Alawuba	1,593,248	-	593,248	-
Mr. Ayoku Liadi	7,300,000	-	4,080,000	-
Mr. Ibrahim Puri	4,580,254	-	4,580,254	-
Mr. Chiugo Ndubisi	-	-	-	-

Details of indirect holdings

Name of Director	Company(ies)	Indirect Holding
Mr. Tony O. Elumelu, CON	HH Capital Limited	140,843,816
	Heirs Holdings Limited	1,814,003,900
	Heirs Alliance Limited	231,086,468
		2,185,934,184

Directors' Report - Continued

7 Analysis of shareholding

The details of shareholding of the Bank as at June 30, 2021 is as stated below;

Headline	Shareholders			Holdings		
Range	Count	Cumulative Count	Count (%)	Aggregate Holdings	Cumulative Holdings	Aggregate Holdings (%)
1 – 1,000	32,109	32,109	11.72	14,727,539	14,727,539	0.04
1,001 – 5,000	120,263	152,372	43.89	300,521,110	315,248,649	0.88
5,001 – 10,000	44,861	197,233	16.37	307,165,213	622,413,862	0.90
10,001 – 50,000	54,232	251,465	19.79	1,130,893,278	1,753,307,140	3.31
50,001 – 100,000	10,794	262,259	3.94	731,782,287	2,485,089,427	2.14
100,001 – 500,000	8,870	271,129	3.24	1,814,130,426	4,299,219,853	5.30
500,001 – 1,000,000	1,323	272,452	0.48	929,283,820	5,228,503,673	2.72
1,000,001 – 5,000,000	1,183	273,635	0.43	2,363,876,025	7,592,379,698	6.91
5,000,001 – 10,000,000	147	273,782	0.05	1,010,002,892	8,602,382,590	2.95
10,000,001 – 50,000,000	135	273,917	0.05	2,905,860,047	11,508,242,637	8.50
50,000,001 – 100,000,000	23	273,940	0.01	1,474,140,696	12,982,383,333	4.31
100,000,001 – 500,000,000	38	273,978	0.01	10,888,472,877	23,870,856,210	31.84
500,000,001 – 1,000,000,000	9	273,987	0.00	5,915,623,315	29,786,479,525	17.30
1,000,000,001 and Above	3	273,990	0.00	4,412,941,841	34,199,421,366	12.90
TOTAL	**273,990**		**100.00**	**34,199,421,366**		**100.00**

8 Substantial interest in shares: shareholding of 5% and above

According to the Register of Shareholders as at June 30, 2021, no shareholder held more than 5% of the share capital of the Bank except the following;

Shareholders	Holding	Holding (%)
Stanbic IBTC Nominees Nigeria Limited	1,987,692,431	5.81%
Heirs Holdings Limited	1,814,003,900	5.30%

9 Trading in the shares of UBA

A total of 1.8 billon units of UBA shares were traded on the Nigerian Stock Exchange in 2021H1, representing 5.3% of the shares outstanding. The share price waned 15.6% in the period, closing at N7.30 (from N8.65 as at 31 December 2020), reflecting the bearish performance of the Nigerian equity market, as signified by the 5.9% and 7.1% loss in the Nigerian Stock Exchange All Share Index (NSE ASI) and the Banking Sector Index (NSE Bank 10) during the period ended June 30, 2021.

10 Acquisition of own shares

The Bank did not purchase its own shares during the period. Also, the Group has a Board approved Global Personal Investment Policy, which covers directors, staff, and related parties. The policy prohibits employees, directors and related individuals/companies from insider dealings on the shares of UBA Plc and related parties. The essence of the policy is to prevent the abuse of confidential non-public information that may be gained during the execution of UBA's business. In addition, the policy serves to ensure compliance with the local laws and/or regulatory requirements. In accordance with the NSE Rule Book and Amendments to the Listing Rules, UBA observes closed periods, within which affected persons/corporates are restricted from trading on the shares of the Bank. There was no case of violation within the period under review.

11 Donations

As a part of our commitment to the development of host communities, the environment and broader economy within which we operate, across the Group, a total of N287,287,883 (Two Hundred and Eighty Seven Million, Two Hundred and Eighty-Seven Thousand, Eight Hundred and Eighty Three Naira Only) was given out as donations and charitable contributions during the period, through UBA Foundation.

12 Employment and employees

Employment of Physically Challenged Persons

The Bank operates a non-discriminatory policy in the consideration of applicants for employment, including those received from physically challenged persons. The Bank's policy is that the most qualified persons are recruited for the appropriate job levels, irrespective of an applicant's state of origin, ethnicity, religion or physical condition.

Health, Safety at Work and Welfare of Employees

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy working conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. The Bank has a comprehensive health insurance scheme for staff, through which medical needs of staff and their immediate family members are met. In addition, the Bank provides first aid in all business offices and has a medical facility at the Head Office. As a part of the investment in the welfare of staff, the Bank maintains an ultra-modern gym facility at the head-office and organizes a quarterly fitness session (tagged "jogging to bond"), held at different stadia across all its country of operations, thereby providing access to various sporting facilities and professional instructors.

Fire prevention and firefighting equipment are installed in strategic locations at all business offices, in addition to hosting a full fire service operation at the Head Office.

The Bank operates a contributory pension plan in accordance with the Pension Reform Act, wherein the Bank contributes 10% of employees' basic salary, housing and transport allowance to the designated pension fund administration chosen by each employee. As a part of the scheme, the Bank also remits employees' contribution of 8% of the relevant compensation to the same account, as provided by the Pension Reform Act , as amended.

Employee Involvement and Training

The Bank encourages participation of its employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Bank provides formal and informal opportunities where employees deliberate on issues affecting the Bank and employees' interest, with a view to making inputs to decision thereon. The Bank places premium on the development of its manpower. In addition to the routine online Executive Chat, wherein employees interact with the Management to discuss issues of customer and employee satisfaction, the GMD/CEO operates an open-door policy and encourages employees to channel suggestions and complaints to him as may be required. The Human Capital Management Division also holds monthly "HR Clinic", a personalized avenue to address relevant employee welfare and career satisfaction issues.

Research and Development

As a part of its daily business, the Bank carries out research into new banking products and services to anticipate and meet customers' need and to ensure excellent service is delivered at all time.

Demographics of our workforce

During the period under review, the Group employed staff across the different businesses and geographies where it operates. Below is the details of the employee demographics;

(a) Staff distribution by gender during the period 30 June 2021

Description	Gender	Head Count	% of Total
Group	Male	5,858	56%
	Female	4,673	44%
	Total	**10,531**	**100%**
Bank	Male	3,964	56%
	Female	3,083	44%
	Total	**7,047**	**100%**

Average gender analysis of the Bank's Board of Directors and Top Management Staff during the period:

Description	Gender	Head Count	% of Total
Board of Directors	Male	12	71%
	Female	5	29%
	Total	**17**	**100%**
Top Management	Male	60	74%
	Female	21	26%
	Total	**81**	**100%**

12 Employment and employees - continued

(a) Staff distribution by gender during the period 30 June 2021 - continued

Detailed average gender analysis of Board of Directors and Top Management Staff during the period:

Description	Head Count		Head Count		Total
	Male	% of Total	Female	% of Total	
Non-Executive Directors	5	50%	5	50%	10
Executive Directors	7	100%	0	0%	7
General Managers	20	69%	9	31%	29
Deputy General Managers	13	62%	8	38%	21
Assistant General Managers	20	83%	4	17%	24
Total	**65**	**71%**	**26**	**29%**	**91**

(b) Group Staff distribution by nationality and location during the period 30 June 2021

Nationality	Location	Head Count
Nigerian	Nigeria	**7024**
	Other 19 African Countries	**50**
	USA	**13**
	United Kingdom	**9**
UBA Central Africa:	Nigeria	
Cameroon, Congo DRC, Congo Brazzaville, Gabon, Chad.	Other 19 Africa Countries	**850**
UBA West Africa	Nigeria	**3**
Ghana, Sierra Leone, Liberia,CDI, Senegal, Burkina Faso, Benin, Guinea and Mali	Other 19 Africa Countries	**1890**
UBA East & Sounthern Africa	Nigeria	
Kenya, Tanzania, Zambia, Uganda and Mozambique	Other 19 Africa Countries	**625**
Indians	Nigeria	**2**
American	New York	**35**
United Kingdom	United Kingdom	**29**
French	France	**1**
Total		**10531**

13 Property and Equipment

Movements in property and equipment during the period are shown in note 30 of the consolidated interim and separate financial statements. In the opinion of the Directors, the market value of the Bank's property and equipment is not less than the value shown in the financial statements.

14 Events After the Reporting Date

There are no events after the reporting date, which could have had material effect on the financial position of the Group as at June 30, 2021 and the profit and other comprehensive income for the period ended at that date.

15 Audit Committee

Pursuant to Section 404(3) of the Companies and Allied Matters Act, the Bank has an Audit Committee comprising three Shareholders and two Non-Executive Directors and as follows:

Mr. Feyi Ogoji	Chairman/Shareholder
Mr. Matthew Esonanjor	Member/Shareholder
Mr. Alex Adio	Member/Shareholder
Mrs. Owanari Duke	Member/Non-Executive Director
Ms. Angela Aneke	Membe/Non-Executive Director

The functions of the Audit Committee are as laid down in Section 404(7) of the Companies and Allied Matters Act.

Directors' Report (Continued)

16 Auditors

In accordance with Section 401(2) of the Companies and Allied Matters Act 2020 and Section 20.2 of the NCCG 2018, Messrs. Ernst & Young have indicated their willingness to continue in office as External Auditors of UBA Plc.

17 Disclosure of Customer Complaints in the Financial Statements for the Period Ended 30 June 2021

	Number		Amount Claimed (N'Million)		Amount Refunded (N'Million)		Amount Refunded (USD)
DESCRIPTION	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Pending Complaints B/F	179	911	3193	349			
Received Complaints	312,421	7,698	5,193	39,052			
Resolved Complaints	312,512	7,563	5,193	6,839	334	3,725	3,860
Unresolved Complaints Escalated to CBN for Intervention	30	49	703	1,062			
Unresolved Complaints Pending with the bank C/F	88	179	0.434	3,193			
% Of Complaint/Transaction Volume	0.00%	0.00%					

By the order of the Board

Bili A. Odum
Group Company Secretary,
57 Marina, Lagos
August 13, 2021
FRC/2013/NBA/00000001954

COMPLAINTS AND FEEDBACK

Introduction

United Bank for Africa Plc is a customer-focused Pan-African financial services Group. Our aim is to deliver excellent customer service and provide high quality financial solutions to our over eighteen million customers in the 23 countries where we operate. At each of our multiple contact points with customers, we aim to proactively exceed their expectations. Customer feedback is thus an effective tool in our relentless effort to delight our customers at all points of interaction with the Bank.

To achieve excellent customer service delivery in line with the Bank's focus, UBA Staff worldwide are continuously trained to have a strong customer service orientation and be customer-centric in every aspect of the Bank's operations, thereby fulfilling the Bank's promise to Customers, as contained in its customer service charter. The Bank's customer service charter requires all staff to;

- Be respectful - We know the 'The Customer is King' and is the purpose of our business;
- Be courteous and friendly in all our interactions with the customer;
- Process transactions without delay and attend to enquiries promptly;
- Investigate and resolve complaints promptly;
- Listen attentively;
- Communicate honestly and proactively;
- Leverage our technical knowledge to fully support the customer's needs;
- Show appreciation at all times.

Complaints Channels

To ensure an effective feedback process, UBA has established different channels through which customers can reach the Bank on all issues – be it an enquiry/complaint/request or a feedback. The channels include;

Customer Fulfillment Center (CFC)

A 24/7 Multi-Lingual Customer Contact Centre, where customers can call in to lodge complaints, make requests or enquiries about our products and services.

Dedicated Email Address

A dedicated e-mail address cfc@ubagroup.com is available to customers 24/7 to send in their complaints/requests. This e-mail channel is manned by our highly skilled and effective correspondents that accurately deliver high quality service to UBA customers and prospects alike.

Hotlines in the Branches

Branded toll-free phones called 'UBA Hotline' have been placed in designated Business Offices to enable customers call the Customer Fulfillment Centre to relay their complaints, requests and enquiries. Calls received through this channel are handled by designated inbound call agents. The calls are given priority so as to reassure the customers of the Bank's total commitment to serve them.

Suggestion/Complaint Box

Customers' Complaint boxes are maintained in all our Business Offices to facilitate the tracking, resolution, reporting and dissemination of customer complaints and feedback.

Web

On the UBA website www.ubagroup.com, customers have the option of chatting online real time with our highly skilled Customer Experience Experts through the 'Live Chat' channel and the "How can we help you?" link which is in addition to our social media handles on Face book | Twitter | Instagram

Post

A dedicated Post Office Box number 5551 is also available exclusively for receiving customer complaints by post.

Resolution Structure

In order to ensure that Customers' complaints, enquiries and requests are promptly resolved, the Bank has put in place a dedicated Complaints' Management Team supervised by a Senior Officer of the Bank, who is responsible for prompt investigation and resolution of customers' complaints within the approved timelines. The unit is manned by highly skilled personnel with rich and diverse banking experience to promptly resolve customer

The Bank maintains a robust Customer Complaints Management system, which is managed by well trained staff of the Customer Service Division and reports generated are periodically reviewed by Executive Management to see where processes can be improved to enhance customer service.
The complaints management system ensures that customers' issues are promptly treated as specified within the established framework and turnaround time.

The process flow of Customer complaints and resolution is as follows:
(i) The Bank's touch points (Business offices, Inbound Calls, Telemarketing , E-mail, Live Chat, Social Media; Twitter, Facebook,Leo-Our artificially Intelligent BOT,the first of its type in Africa & Instagram) that receive the customers' grievance acknowledge and register the complaints on any of the bank's Complaint Management Portals depending on the type of issue that the customers may have.

(ii) The complaint is reviewed and it is determined if the complaint could be resolved at first level.
(iii) Where the complaint can be resolved at the first level, a resolution is provided to the customer.
iv) If such a complaint cannot be resolved at the first level, the touch point forwards the complaint to the CFC Follow-Up and Closed Loop Team to follow through till qualitative and satisfactory resolution is achieved
(v) Upon resolution, the customer is contacted and the required feedback provided to the customer.
(vi) The complaint is then closed in the system.
(vii) Where customer is not satisfied with the resolution outcome and a rejoinder is sent, more attention is given to it by the Unit Head to further analyze and resolve the issues raised and final outcome communicated to the customer.

Feedback on Customers' Complaints to the Bank – Monthly Complaints Dash Board

A Monthly Performance Feedback dash board on customers' complaints is provided to Management and relevant Departments within the Bank to address the root causes of complaints and issues raised by customers.
The feedback dash board ensures that:
(i) Improvement opportunities are quickly identified and brought to bear
(ii) The quality of customer service is improved and standardized across all the customer touch points of the Bank
(iii) Customer retention is improved through increased customer satisfaction
(iv) Training and re-training is also done on a regular basis to keep abreast the development in the industry.

Investor Complaint Channels

UBA Plc has a Complaint Framework for Investors and the Investing Public. This policy is published on the Bank's website; *www.ubagroup.com/ir/shareholders* , together with the Complaint Help Channels, which are stated below.

Email: *investorrelations@ubagroup.com*
Telephone: +234-1-2808349
Mailing Address: Head, Investor Relations, UBA House, 57, Marina, Lagos.
Shareholders who have any complaint are enjoined to kindly contact the investor relations unit of the Bank for prompt resolution. Shareholders can also request copies (electronic or hard copies) of the complaint framework, which can also be downloaded on our website in the address stated above.

CORPORATE GOVERNANCE

Introduction

United Bank for Africa Plc (UBA Plc) holds good corporate governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in its business operations. The Board of Directors of UBA Plc endorses the principles of best practice Corporate Governance as stated in the Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014 issued by the Central Bank of Nigeria (CBN), the Securities and Exchange Commission's (SEC) Code of Corporate Governance, and the Nigerian Code of Corporate Governance 2018 issued by the Financial Reporting Council (FRC), effective January 1, 2020.

The Board of Directors of UBA Plc has the overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. In order to promote effective governance of the UBA Group, the following structures have been put in place for the execution of UBA Plc's Corporate Governance strategy:

1. Board of Directors
2. Board Committees
3. Executive Management Committees
4. Governance Charters

A. The Board

The Board is adequately comprised with the appropriate mix of knowledge, skills, experience, and expertise. As at June 30, 2021, the Board consisted of seventeen (17) members which include a Non-Executive Chairman, a Non-Executive Vice Chairman, eight (8) other Non-Executive Directors (which include three (3) Independent Non-Executive Directors), and seven (7) Executive Directors (which include the GMD/CEO).

Diversity

The Board promotes diversity in its membership for better decision-making, independent judgment and effective governance. There is an appropriate balance of skills and diversity (age, culture and gender) without compromising competence, independence, and integrity. There are currently five (5) female Directors on the Board, constituting 30% of the Board. This demonstrates commitment by the Board towards gender diversity.

Responsibility

The Board of Directors carries out its responsibility through its standing Committees. These are the Board Audit Committee, the Board Credit Committee, the Board Governance Committee, the Board Risk Management Committee, and the Finance and General Purpose Committee. Through the workings of these committees, the Board sets broad policy guidelines and ensures the proper oversight and direction of the Bank.

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman is primarily responsible for coordinating the affairs of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and comprises all Executive Directors and other critical functional heads.

The Board's primary responsibility is to increase shareholder wealth. The Board is accountable to shareholders and is responsible for the management of the relationships with its various stakeholders. Executive Management is accountable to the Board for the development and implementation of strategy and policies.

The Board regularly reviews group performance, matters of strategic concern and any other matters it regards as material. The Board meets quarterly and additional meetings are convened as the need arises. In the first half of 2021, the Board met 3 times. The record of attendance for Board Meetings for the half-year ended June 30, 2021 is presented below:

Corporate Governance (Continued)

Director	Number of Meetings Held	Number of Meetings Attended
Mr. Tony Elumelu, CON	3	3
Amb. Joe Keshi, OON	3	3
Mrs. Owanari Duke	3	3
High Chief Samuel Oni, FCA	3	3
Ms. Angela Aneke	3	3
Erelu Angela Adebayo	3	3
Dr. Kayode Fasola	3	3
Mr. Abdulqadir J. Bello	3	3
Ms. Aisha Hassan Baba, OON	3	3
Mrs. Caroline Anyanwu[1]	3	2
Mr. Kennedy Uzoka	3	3
Mr. Uche Ike	3	3
Mr. Chukwuma Nweke	3	3
Mr. Oliver Alawuba	3	3
Mr. Ayoku Liadi	3	3
Mr. Ibrahim Puri	3	3
Mr. Chiugo Ndubisi	3	3

[1] Appointed to the Board on May 18, 2021.

The Board is responsible for Strategic Direction, Policy Making, Decision Making and Oversight. The Board is also responsible for ensuring that there is an effective system of internal control and risk management across the Bank. The Board also adopts effective systems for the appointment of new Directors.

In accordance with extant Codes of Corporate Governance and the Bank's governance charters, the Board has, through the Board Governance Committee, provided suitable induction programs for new members of the Board, and for existing members, continuous/ongoing training as determined by the Board Governance Committee. The training for Board members is included in the annual training plan for UBA Group which is approved by the Board at the beginning of the year with the annual budget.

As stipulated in the Board Governance & Board Committees Governance Charter, the Board has the authority to delegate matters to Directors, Board Committees and the Executive Management Committee. All Directors are aware that they may take independent professional advice at the expense of the Bank, in the furtherance of their duties. They all have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that all governance matters are complied with and assists with professional development as required.

Appointments & Retirements

During the half-year ending June 30, 2021 financial year, the following Director was appointed to the Board:

1. Mrs. Caroline Anyanwu   Non-Executive Director

Corporate Governance (Continued)

B. Accountability and Audit

Financial Reporting

The Board has presented a balanced assessment of the Company's position and prospects. The Board is mindful of its responsibilities and is satisfied that in the preparation of the Directors' Report, the Directors have complied with the requirements of the Companies & Allied Matters Act 2020. The Board has also ensured the integrity of the annual reports and accounts and all material information provided to all relevant stakeholders.

The Directors make themselves accountable to the shareholders through regular publication of the Group's financial performance and Annual Reports, and at the Annual General Meeting. The Board has ensured that the Group's reporting procedure is conveyed on the most efficient platforms in order to ensure accuracy. This procedure involves the monitoring of performance throughout the financial year, in addition to monthly reporting of key performance indicators.

Ernst & Young (EY) acted as external auditors to the Group during the half-year ended June 30, 2021. The Report of the External Auditors is as contained in this Half - Year Report.

C. Risk Management & Control Environment

The Group has consistently improved its internal control environment to ensure financial integrity and effective management of risks. The Board has ensured that the Group has in place, robust risk management policies and mechanisms to ensure identification of risk and effective control. The Directors review the effectiveness of the Bank's Internal control environment through regular reports and reviews at Board and Board Audit Committee meetings.

The Board approves the annual budget for the Group and ensures that a robust budgetary process is operated with adequate authorization levels put in place to regulate capital and operating expenses.

D. Shareholder Rights

The Board of UBA Plc has always placed considerable emphasis on effective communication with its shareholders. It ensures that the rights of shareholders are always protected. Notice of meetings and all other statutory notices and information are communicated to the shareholders regularly. The Bank ensures the protection of statutory and general rights of shareholders at all times, particularly their right to vote at General Meetings. All shareholders are treated equally regardless of their equity interest or social status.

The General Meeting of Shareholders is the highest decision-making body of the Bank and meetings are conducted in a fair and transparent manner that gives shareholders the opportunity to express their opinion. The Group publishes quarterly, half-yearly and annual reports on its website as well as national newspapers. The Group also provides investor presentations and other relevant communications that provide requisite information to shareholders and the general public, especially as regards the performance, strategy and developments in the Group.

Besides, the Group maintains an Investor Relations Unit which routinely attends to shareholders' enquiries and ensures that shareholders' views are appropriately escalated to the Management and Board on a continuous basis. In addition, shareholders are encouraged to continuously communicate their opinions and recommendations whenever they see the need to do so, to either the Head of Investor Relations or the Company Secretary. Their contact details are available on the Bank's website and on the back cover of this Annual Report.

E. Board Committees

The Board of UBA Plc has the following Committees, namely:

1. Board Audit Committee
2. Board Credit Committee
3. Board Governance Committee
4. Board Risk Management Committee
5. Finance & General Purpose Committee

Corporate Governance (Continued)

1 Board Audit Committee

The Board Audit Committee was set up to further strengthen internal controls in the Group. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that effective systems of Financial and Internal controls are in place within the Group.

As at June 30, 2021, the Board Audit Committee comprises the following Non-Executive Directors:

a. Mrs. Owanari Duke – Chairman
b. High Chief Samuel Oni, FCA – Member
c. Erelu Angela Adebayo – Member
d. Mrs. Aisha Hassan Baba – Member
e. Mrs. Caroline Anyanwu - Member

The record of attendance for Board Audit Committee Meetings for half-year 2021 is presented below:

Board Audit Committee Meetings		
Members	**Number of Meetings Held**	**Number of Meetings Attended by Members**
Mrs. Owanari Duke	3	3
High Chief Samuel Oni, FCA	3	3
Erelu Angela Adebayo	3	3
Mrs. Aisha Hassan Baba, OON	3	3
Mrs. Caroline Anyanwu [2]	3	1
[2] Appointed to the Board Audit Committee on May 31, 2021.		

2 Board Credit Committee

The Board Credit Committee is responsible for approval of credit facilities in the Bank. It reviews all credits granted by the Bank and meetings are held at least once a quarter. The Board Credit Committee was set up to assist the Board of Directors to discharge its responsibility to exercise due care, diligence and skill to oversee, direct and review the management of the credit portfolio of the Group. Its terms of reference include determining and setting the parameters for credit risk and asset concentration and reviewing compliance within such limits; determining and setting the lending limits, reviewing and approving the Group's credit strategy and the credit risk tolerance. The Committee reviews the Loan portfolio of the Bank and reviews and approves country risks exposure limits.

As at June 30, 2021, the current composition of the Board Credit Committee is as follows:

a. Mr. Abdulqadir J. Bello – Chairman
b. Mrs. Owanari Duke – Member
c. Ms. Angela Aneke – Member
d. Mr. Kayode Fasola – Member
e. Mrs. Caroline Anyanwu - Member

The record of attendance for Board Credit Committee Meetings for half-year 2021 is presented below:

Corporate Governance (Continued)

Board Credit Committee Meetings		
Members	Number of Meetings Held	Number of Meetings Attended by Members
Mr. Abdulqadir J. Bello, FCA	3	3
Mrs. Owanari Duke	3	3
Ms. Angela Aneke	3	3
Mr. Kayode Fasola	3	3
Mrs. Caroline Anyanwu[3]	3	1
[3] Appointed to the Board Credit Committee on May 31, 2021.		

3 **Board Governance Committee**

The Board Governance Committee has oversight over the governance structures and practices of the Bank. The Committee has responsibility for the nomination of Directors, Board composition, nomination of Directors for appointment to the Boards of Subsidiaries, recruitment, promotion, redeployment and disengagement of senior level staff, Board & Board Committee performance evaluation, Subsidiary Governance oversight, compensation & remuneration of Directors (including Subsidiary Directors), and Board/Board Committees Inductions and Trainings. The Committee also approves the Human Resources and Governance Policies for the Group, recommends the organisation structure to the Board for approval, resolves work related issues and disputes, and evaluates the overall system of Corporate Governance for the Group.

As at June 30, 2021, the Board Governance Committee comprised the following members:
a. Ms. Angela Aneke – Chairman
b. Mrs. Owanari Duke – Member
c. Erelu Angela Adebayo – Member
d. Mrs. Aisha Hassan Baba – Member

The record of attendance for Board Governance Committee Meetings for half-year 2021 is presented below:

Board Governance Committee Meetings		
Members	Number of meetings held	Number of meetings attended by members
Ms. Angela Aneke	3	3
Mrs. Owanari Duke	3	3
Erelu Angela Adebayo	3	3
Mrs. Aisha Hassan Baba, OON	3	3

Corporate Governance (Continued)

4 **Board Risk Management Committee**

As at June 30, 2021, the Board Risk Management Committee comprised the following Directors:

a. High Chief Samuel Oni, FCA – Chairman
b. Erelu Angela Adebayo – Member
c. Mr. Kayode Fasola – Member
d. Mr. Abdulqadir Bello – Member
e. Mr. Kennedy Uzoka – Member
f. Mr. Chukwuma Nweke – Member
g. Mr. Uche Ike – Member
h. Mrs. Caroline Anyanwu - Member

Meetings are held at least once a quarter and the responsibilities of the Committee include to review and recommend risk management strategies, policies and risk tolerance for the Board's approval; to review management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and to consider and examine such other matters as the Board requires, the Committee considers appropriate, or which are brought to its attention, and make recommendations or reports to the Board accordingly.

The record of attendance for Board Risk Management Committee Meetings for half-year 2021 is presented below:

Board Risk Management Committee Meetings		
Members	Number of Meetings Held	Number of Meetings Attended by Members
High Chief Samuel Oni, FCA	2	2
Erelu Angela Adebayo	2	2
Mr. Kayode Fasola	2	2
Mr. Abdulqadir J. Bello	2	2
Mr. Kennedy Uzoka	2	2
Mr. Uche Ike	2	2
Mr. Chukwuma Nweke	2	2
Mrs. Caroline Anyanwu [4]	2	1

[4] Appointed to the Board Risk Management Committee on May 31, 2021.

5 Finance & General Purpose Committee

The purpose of the Finance & General Purpose Committee is to, amongst other things; discharge the Board's responsibilities with regard to strategic direction and budgeting and to provide oversight on financial matters and the performance of the Group.

As at June 30, 2021, the Finance & General Purpose Committee comprised of the following members:

a. Mr. Kayode Fasola – Chairman
b. Ms. Angela Aneke – Member
c. Mr. Abdulqadir J. Bello – Member
d. Mrs. Aisha Hassan Baba – Member
e. Mr. Kennedy Uzoka – Member
f. Mr. Chukwuma Nweke – Member
g. Mr. Chiugo Ndubisi – Member

The record of attendance for Finance & General Purpose Governance Committee Meetings for half-year 2021 is presented below:

Finance & General Purpose Committee Meetings		
Members	Number of Meetings Held	Number of Meetings Attended by Members
Mr. Kayode Fasola	4	4
Ms. Angela Aneke	4	4
Mr. Abdulqadir J. Bello, FCA	4	4
Mrs. Aisha Hassan Baba, OON [1]	4	4
Mr. Kennedy Uzoka	4	4
Mr. Chukwuma Nweke	4	4
Mr. Chiugo Ndubisi	4	4

Corporate Governance (Continued)

F Executive Management Committees

In addition to the Board Committees, there are Management Committees which ensure effective and good corporate governance at the managerial level. These are Committees comprising of senior management of the Bank. The Committees are also risk-driven, as they are basically set up to identify, analyse, synthesize and make recommendations on risks arising from day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as issues occur to immediately take actions and decisions within the confines of their delegated authorities. Some of these Executive Management Committees include the Assets and Liabilities Committee (ALCO), the Executive Credit Committee (ECC), the IT Risk Committee (ITRC), the Risk Management Committee (RMC), the Procurement Committee (PC), the Criticized Assets Committee (CAC), and the Executive Management Committee (EMC).

G Statutory Audit Committee

The Statutory Audit Committee was set up in accordance with the provisions of the Companies and Allied Matters Act 2020. It comprises of a mixture of Non-Executive Directors and ordinary shareholders elected at the Annual General Meeting.

Its Terms of Reference include the monitoring of processes designed to ensure compliance by the Group in all respects with legal and regulatory requirements, including disclosure, controls and procedures and the impact (or potential impact) of developments related thereto. It evaluates annually, the independence and performance of the External Auditors. The Committee also reviews with Management and the External Auditors the annual audited financial statement before its submission to the Board.
The Members of the Statutory Audit Committee in 2021 are as follows:

a. Mr. Feyi Ogoji – Chairman/Shareholder
b. Mr. Matthew Esonanjor – Shareholder
c.Mr. Alex Adio – Shareholder
d. Mrs. Owanari Duke – Non-Executive Director
e. Ms. Angela Aneke – Non-Executive Director

The record of attendance for the Statutory Audit Committee for half-year 2021 is presented below:

Statutory Audit Committee Meetings		
Members	Number of Meetings Held	Number of Meetings Attended by Members
Mr. Feyi Ogoji	2	2
Mr. Matthew Esonanjor	2	2
Alhaji Alkassim Umar[5]	2	1
Mrs. Owanari Duke	2	2
Ms. Angela Aneke	2	2
Dr. Kayode Fasola[5]	2	1
Mr. Alex Adio[6]	2	1

[5] Stepped down from the SAC on April 1, 2021
[6] Appointed to the SAC on April 1, 2021

H Meetings Management

In view of current business realities, particularly the advancement of digital technology and the global impact of the COVID-19 pandemic, the Board approved for all Board, Board Committee and Executive Management meetings in 2021 to hold virtually via either Microsoft Teams or Zoom. Towards this purpose, the Board also approved a Virtual Meeting & Communication Technology Framework to promote effective virtual meetings, provide broad guidelines for implementation of processes involving technology aided communication, and ensure compliance with all relevant COVID-19 Related Directives and Safety Protocols & Guidelines.

The Board has also complied strictly with the requirements of the Federal & State Governments and the CAC Guidelines for the convening and conduct of the Bank's Annual General Meetings.

Corporate Governance (Continued)

(f) Directors' Compensation

Package	Type	Description	Timing
Basic salary	Fixed	This is part of gross salary package for Executive Directors only It reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year	Paid in a month during the financial year
13th month salary	Fixed	This is part of gross salary package for Executive Directors only It reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year	Paid in a month during the financial year
Directors fees	Fixed	This is paid quarterly to Non-Executive Directors only	Paid quarterly
Sitting allowances	Fixed	Sitting allowances are paid to the Non-Executive Directors only for attending Board and Board Committee meetings	Paid after each meeting

(g) Details of Training Attended by Directors

Training Programme	Training Objective	Date
Board Effectiveness Training (Euromoney)	This is aimed at broadening the knowledge of Board Members on available methods and techniques for effectiveness of the Board. Creating the right opportunity for Board Members to update their knowledge and skills for playing their roles successfully	2nd March 2021 3rd March 2021 4th March 2021 5th March 2021
Executive Induction Programme (EIP)	EIP is a UBA Executive Leadership Programme aimed at strengthening the bank's current and future leadership capabilities for consistent performance with a view to achieving industry leadership and dominance.	29th Jan – 26th Feb 2021
Global Account Management (GAM) Conference	The training gives an in-depth understanding of the GAM model aimed at updating the understanding of: The GAM Initiative and operational framework The process of acquisition, management and expansion of identified relationships Its application in multiple jurisdictions across the 'UBA Universe' and non-presence locations	2nd June 2021
Coaching for Peak Performance - Train-The-Leaders	The programme helps in instituting a coaching culture across the Group, The course aimed at expanding the capacity of leaders and senior execs to forge more collaborative relationships and motivate the Tribe through coaching.	3rd – 4th June 2021

REPORT OF THE STATUTORY AUDIT COMMITTEE

To members of United Bank for Africa Plc

In accordance with the provision of Section 404[7] of the Companies and Allied Matters Act of the Federation of Nigeria 2020 , we the members of the Audit Committee hereby report as follows:

(i) We confirm that we have seen the Audit Plan & Scope, and the Management Letter on the Audit of the UBA Group Interim Consolidated & Separate Financial Statements for the period ended June 30, 2021, and the responses to the said letter.

(ii) In our opinion, the Plan & Scope of the Audit for the period ended June 30, 2021 were adequate. We have reviewed the Auditors' findings and we are satisfied with the Management responses thereon.

(iii) We also confirm that the accounting and reporting policies of the Bank are in accordance with legal requirements and ethical practices.

(iv) As required by the provisions of the Central Bank of Nigeria circular BSD/1//2004 dated February 18, 2004 on "Disclosure of Insider-Related Credits in Financial Statements", we reviewed the insider-related credits of the Bank and found them to be as analysed in the Interim Consolidated & Separate Financial Statements for the period ended June 30, 2021.

MR FEYI OGOJI (FCA)
FRC/2016/ICAN/00000015438
Chairman, Statutory Audit Committee

Members of the audit committee are:
a. Mr. Feyi Ogoji – Chairman/Shareholder
b. Mr. Matthew Esonanjor – Shareholder
c. Mr. Alex Adio – Shareholder
d. Ms. Angela Aneke – Non-Executive Director
e.Mrs. Owanari Duke – Independent Non-Executive Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act and Sections 24 and 28 of the Banks and Other Financial Institutions Act, the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank and of the profit or loss and other comprehensive income for the period ended June 30, 2021 and in so doing they ensure that:

(i) Proper accounting records are maintained;

(ii) Applicable accounting standards are followed;

(iii) Suitable accounting policies are adopted and consistently applied;

(iv) Judgments and estimates made are reasonable and prudent;

(v) The going concern basis is used, unless it is inappropriate to presume that the Bank will continue in business; and

(vi) Internal control procedures are instituted which as far as reasonably possible, safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting standards (IFRS) as issued by the International Accounting Standards Board and in the manner required by the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act 2011, the Banks and Other Financial Institutions Act, the Central Bank of Nigeria Prudential guidelines and other relevant regulations issued by the Central Bank of Nigeria.

The Directors accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements as well as adequate systems of financial control.

Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

SIGNED ON BEHALF OF THE DIRECTORS:

Kennedy Uzoka

Kennedy Uzoka
FRC/2013/IODN/00000015087

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UBA House
57, Marina
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Independent Auditor's Report

To the Shareholders of United Bank for Africa Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of United Bank for Africa Plc ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 30 June 2021, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the six months period then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Bank as at 30 June 2021, and their consolidated and separate financial performance and consolidated and separate cash flows for the six months period then ended in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011 and the Central Bank of Nigeria circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Building a better working world

Independent Auditor's Report

To the Shareholders of United Bank for Africa Plc - Continued

Key Audit Matters - Continued

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matters applies equally to the audit of the consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
Expected Credit Loss (ECL) assessment on loans and advances to customers This is considered a key audit matter in the consolidated and separate financial statements given the significance of the amounts (Gross loans :Group ₦2.7trillion, Bank ₦1.9trillion and Allowance for credit losses: Group ₦91.8billion, Bank ₦62.4billion), and the complexity and judgement involved in the process, which required considerable audit time and expertise. Loans and advances to customers are subject to impairment assessment using the expected credit loss model (ECL) under the International Financial Reporting Standards (IFRS) 9 - Financial Instruments. The ECL involves the application of judgement and estimation in determining inputs for ECL calculation such as: • determining criteria for significant increase in credit risk (SICR) for staging purpose. • determining the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables.	Our audit procedures included the following: ▸ We checked the reasonableness of IFRS 9 model prepared by management for computation of impairment of loans and advances exposures in line with the requirements of IFRS 9. ▸ We gained an understanding of how the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) were derived by reviewing the Bank's methodology for PD, LGD and EAD and recomputing the parameters. ▸ For loans classified under stages 1 and 2, we selected material loans and reviewed the repayment history for possible repayment default. We tested the various factors considered in classifying the loans within stages 1 and 2 and in the measurement of ECL.

Independent Auditor's Report

To the Shareholders of United Bank for Africa Plc - Continued

Key Audit Matters - Continued

Key Audit Matter	How the matter was addressed in the audit
Expected Credit Loss (ECL) assessment on loans and advances to customers • incorporating forward looking information (FLI) in the model building process. • reasonability and accuracy of macroeconomic historical data and forecasts for unemployment rate, brent crude oil price, interbank rate and credit to private sector which were used by management for FLI analysis. • factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), and the Exposure at Default (EAD). • factors considered in determining the EAD for each time period including the payment frequency, maturity dates, outstanding amount and repayment schedules • factors considered in estimating collateral recoveries including the haircuts applied to the different collateral types See notes 3.27, 4.2, 12 and 25 to the consolidated and separate financial statements for further information.	Our audit procedures included the following: ‣ For stage 3 loans, we checked all assumptions considered in the estimation of recovery cash flows, the discount factor, collateral valuation and the timing of realisation. ‣ We tested the historical accuracy of the data and performed detailed procedures to check the completeness and accuracy of the information used. ‣ Other areas of complexities which include incorporating forward looking information such as macro-economic indicators that were used namely Unemployment Rate, Brent Crude Oil price, Interbank rate and Credit to Private Sector were equally tested for reasonableness taking into consideration available information in the public domain. We reviewed the qualitative and quantitative disclosures for reasonableness to ensure conformity with IFRS 7 Financial Instruments: Disclosures.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled United Bank for Africa Plc Interim Consolidated and Separate Financial Statements for the period ended 30 June 2021", which includes the Directors' Report, Complaints and Feedback, Corporate Governance Report, Report of the Statutory Audit Committee, Statement of Directors' Responsibilities and Other National Disclosures – Statement of value added and Five year financial summary. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Independent Auditor's Report

To the Shareholders of United Bank for Africa Plc - Continued

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011, and the Central Bank of Nigeria circulars, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

Independent Auditor's Report

To the Shareholders of United Bank for Africa Plc - Continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

EY
Building a better working world

Independent Auditor's Report

To the Shareholders of United Bank for Africa Plc - Continued

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Group and Bank, in so far as it appears from our examination of those books;
- The consolidated and separate statements of financial position and the consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account; and
- In our opinion, the consolidated and separate financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, 2020 so as to give a true and fair view of the state of affairs and financial performance of the Bank and its subsidiaries.

In compliance with the Banks and Other Financial Institutions Act, 2020 and circulars issued by the Central Bank of Nigeria:

i) The information required by the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 41 to the consolidated and separate financial statements.

ii) As disclosed in Note 44 to the consolidated and separate financial statements, the Bank contravened certain circulars of the Central Bank of Nigeria.

Anthony Oputa

Anthony Oputa
FRC/2013/ICAN/00000000980
For: Ernst & Young
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
1078317

09 September 2021

Interim Consolidated and Separate Statements of Comprehensive Income
For the period ended 30 June 2021

In millions of Nigerian Naira	*Notes*	Group 2021	Group 2020	Bank 2021	Bank 2020
Interest income	10	222,631	205,586	132,976	135,983
Interest income on amortised cost and FVOCI securities		220,322	204,737	132,821	135,134
Interest income on FVTPL securities		2,309	849	155	849
Interest expense	11	(74,563)	(86,262)	(47,237)	(63,068)
Net interest income		**148,068**	**119,324**	**85,739**	**72,915**
Impairment charge for credit losses on financial assets	12	(4,137)	(7,807)	(2,145)	(7,069)
Net interest income after impairment on financial assets		**143,931**	**111,517**	**83,594**	**65,846**
Fees and commission income	13	74,085	55,868	34,657	26,307
Fees and commission expense	14	(28,317)	(17,286)	(19,969)	(11,844)
Net fee and commission income		**45,768**	**38,582**	**14,688**	**14,463**
Net trading and foreign exchange income	15	9,102	35,208	(1,234)	24,647
Other operating income	16	9,508	3,595	9,007	4,036
Employee benefit expenses	17	(42,623)	(44,565)	(20,303)	(24,973)
Depreciation and amortisation	18	(11,457)	(9,590)	(8,153)	(7,111)
Other operating expenses	19	(78,753)	(77,971)	(52,692)	(56,278)
Share of gain of equity-accounted investee	28(a)	710	353	-	-
Profit before income tax		**76,186**	**57,129**	**24,907**	**20,630**
Income tax expense	20	(15,605)	(12,698)	(770)	(1,079)
Profit for the period		**60,581**	**44,431**	**24,137**	**19,551**
Other comprehensive income / (loss)					
Items that may be reclassified to Profit or Loss					
Exchange differences on translation of foreign operations		5,708	8,504	-	-
Fair value changes on investments in debt securities at fair value through other comprehensive income (FVOCI):					
Net change in fair value during the period		(23,806)	12,746	(23,918)	12,647
Net amount transferred to Profit or Loss		(1,247)	(11,501)	(1,247)	(11,346)
		(19,345)	**9,749**	**(25,165)**	**1,301**
Items that will not be reclassified to Profit or Loss:					
Fair value changes on equity investments at FVOCI		(904)	9,935	(904)	9,667
		(904)	**9,935**	**(904)**	**9,667**
Other comprehensive income / (loss) for the period, net of tax		**(20,249)**	**19,684**	**(26,069)**	**10,968**
Total comprehensive income for the period		**40,332**	**64,115**	**(1,932)**	**30,519**
Profit for the period attributable to:					
Owners of Parent		57,767	42,530	24,137	19,551
Non-controlling interests		2,814	1,901	-	-
Profit for the period		**60,581**	**44,431**	**24,137**	**19,551**
Total comprehensive income attributable to:					
Owners of Parent		38,085	58,631	(1,932)	30,519
Non-controlling interests		2,247	5,484	-	-
Total comprehensive income for the period		**40,332**	**64,115**	**(1,932)**	**30,519**
Earnings per share attributable to owners of the parent					
Basic and diluted earnings per share (Naira)	21	**1.69**	**1.24**	**0.71**	**0.57**

The accompanying notes are an integral part of these interim consolidated and separate financial statements.

Interim Consolidated and Separate Statements of Financial Position

As at 30 June 2021	***Notes***	**Group**		**Bank**	
		Jun. 2021	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
In millions of Nigerian Naira					
ASSETS					
Cash and bank balances	22	2,065,021	1,874,618	1,650,541	1,436,822
Financial assets at fair value through profit or loss	23	147,867	214,400	14,255	171,058
Derivative Financial Assets	33(a)	47,594	53,148	47,594	53,148
Loans and advances to banks	24	151,965	77,419	103,139	65,058
Loans and advances to customers	25	2,634,556	2,554,975	1,838,967	1,812,536
Investment securities:					
- At fair value through other comprehensive income	26	807,553	1,421,527	672,924	1,233,684
- At amortised cost	26	2,022,940	1,159,264	741,171	71,479
Other assets	27	196,495	115,432	115,892	96,524
Investment in equity-accounted investee	28	5,299	4,504	2,715	2,715
Investment in subsidiaries	29	-	-	103,275	103,275
Property and equipment	30	166,735	153,191	133,368	123,435
Intangible assets	31	28,304	28,900	15,902	16,237
Deferred tax assets	32	40,981	40,602	21,862	21,862
TOTAL ASSETS		**8,315,310**	**7,697,980**	**5,461,605**	**5,207,833**
LIABILITIES					
Derivative Financial Liabilities	33(b)	220	508	79	508
Deposits from banks	34	561,545	418,157	290,742	121,815
Deposits from customers	35	6,095,574	5,676,011	3,924,651	3,824,143
Other liabilities	36	315,879	157,827	215,330	93,669
Current income tax liabilities	20	7,319	9,982	1,670	1,478
Borrowings	37	565,095	694,355	565,095	688,280
Deferred tax liabilities	32	17,157	16,992	-	-
TOTAL LIABILITIES		**7,562,789**	**6,973,832**	**4,997,567**	**4,729,893**
EQUITY					
Share capital	38	17,100	17,100	17,100	17,100
Share premium	38	98,715	98,715	98,715	98,715
Retained earnings	38	271,406	255,059	102,549	95,480
Other reserves	38	333,962	324,194	245,674	266,645
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		721,183	695,068	464,038	477,940
Non-controlling interests		31,338	29,080	-	-
TOTAL EQUITY		**752,521**	**724,148**	**464,038**	**477,940**
TOTAL LIABILITIES AND EQUITY		**8,315,310**	**7,697,980**	**5,461,605**	**5,207,833**

The accompanying notes are an integral part of these interim consolidated and separate financial statements.

The financial statements were approved and authorized for issue by the directors on 12 August 2021.

Kennedy Uzoka

Ugo A. Nwaghodoh
Group Chief Finance Officer
FRC/2012/ICAN/00000000272

Kennedy Uzoka
Group Managing Director/CEO
FRC/2013/IODN/00000015087

Tony O. Elumelu , CON
Chairman, Board of Directors
FRC/2013/CIBN/00000002590

Interim Consolidated and Separate Statements of Changes in Equity

For the period ended

(a) ***30 June 2021***

(i) Group

In millions of Nigerian naira	Share capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the parent									
Balance at 1 January 2020	**17,100**	**98,715**	**7,823**	**50,594**	**117,408**	**102,248**	**184,685**	**578,573**	**19,405**	**597,978**
Profit for the period	-	-	-	-	-	-	42,530	**42,530**	1,901	**44,431**
Exchange differences on translation of foreign operations	-	-	4,921	-	-	-	-	**4,921**	3,583	**8,504**
Fair value change in debt instruments classified as FVOCI	-	-	-	-	12,746	-	-	**12,746**	-	**12,746**
Fair value change in equity instruments classified as FVOCI					9,935		-	**9,935**		**9,935**
Net amount transferred to Profit or Loss	-	-	-	-	(11,501)	-	-	**(11,501)**	-	**(11,501)**
Total comprehensive income for the period	-	-	4,921	-	11,180	-	42,530	**58,631**	5,484	**64,115**
Transfer between reserves	-	-	-	(12,635)	-	3,138	9,497	-	-	**-**
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(27,360)	**(27,360)**	-	**(27,360)**
Balance at 30 June 2020	**17,100**	**98,715**	**12,744**	**37,959**	**128,588**	**105,386**	**209,352**	**609,844**	**24,889**	**634,733**
At 31 December 2020	**17,100**	**98,715**	**40,512**	**45,496**	**122,807**	**115,379**	**255,059**	**695,068**	**29,080**	**724,148**
At 1 January 2021	**17,100**	**98,715**	**40,512**	**45,496**	**122,807**	**115,379**	**255,059**	**695,068**	**29,080**	**724,148**
Profit for the period	-	-	-	-	-	-	57,767	**57,767**	2,814	**60,581**
Exchange differences on translation of foreign operations	-	-	6,275	-	-	-	-	**6,275**	(567)	**5,708**
Fair value change in debt instruments classified as FVOCI	-	-	-	-	(23,806)	-	-	**(23,806)**	11	**(23,795)**
Fair value change in equity instruments classified as FVOCI					(904)		-	**(904)**		**(904)**
Net amount transferred to Profit or Loss	-	-	-	-	(1,247)	-	-	**(1,247)**	-	**(1,247)**
Total comprehensive income for the period	-	-	6,275	-	(25,957)	-	57,767	**38,085**	2,258	**40,343**
Transfer between reserves	-	-	-	24,313	-	5,137	(29,450)	**-**	-	**-**
Transactions with owners										
Dividends paid	-	-	-	-	-	-	(11,970)	**(11,970)**	-	**(11,970)**
Balance at 30 June 2021	**17,100**	**98,715**	**46,787**	**69,809**	**96,850**	**120,516**	**271,406**	**721,183**	**31,338**	**752,521**

(ii) Bank

In millions of Nigerian naira

	Share capital	Share premium	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2020	**17,100**	**98,715**	**36,554**	**117,995**	**86,068**	**90,090**	**446,522**
Profit for the period	-	-	-	-	-	19,551	**19,551**
Fair value change in debt instruments classified as FVOCI	-	-	-	12,647	-	-	**12,647**
Fair value change in equity instruments classified as FVOCI				9,667		-	**9,667**
Net amount transferred to Profit or Loss	-	-	-	(11,346)	-	-	**(11,346)**
Total comprehensive income for the period	-	-	-	10,968	-	19,551	**30,519**
Transfer between reserves	-	-	(6,065)	-	3,138	2,927	**-**
Transactions with owners							
Dividends paid	-	-	-	-	-	(27,360)	**(27,360)**
Balance at 30 June 2020	**17,100**	**98,715**	**30,490**	**128,963**	**89,206**	**85,208**	**449,682**
Balance at 31 December 2020	**17,100**	**98,715**	**45,773**	**123,421**	**97,451**	**95,480**	**477,940**
At 1 January 2021	**17,100**	**98,715**	**45,773**	**123,421**	**97,451**	**95,480**	**477,940**
Profit for the period	-	-	-	-	-	24,137	**24,137**
Fair value change in debt instruments classified as FVOCI	-	-		(23,918)	-	-	**(23,918)**
Fair value change in equity instruments classified as FVOCI				(904)			**(904)**
Net amount transferred to Profit or Loss	-	-	-	(1,247)	-	-	**(1,247)**
Total comprehensive income for the period	-	-	-	(26,069)	-	24,137	**(1,932)**
Transfer between reserves	-	-	1,477	-	3,621	(5,098)	**-**
Transactions with owners							
Dividends paid	-	-	-	-	-	(11,970)	**(11,970)**
Balance at 30 June 2021	**17,100**	**98,715**	**47,250**	**97,352**	**101,072**	**102,549**	**464,038**

The accompanying notes are an integral part of these interim consolidated and separate financial statements.

Interim Consolidated and Separate Statements of Cash Flows

For the period ended 30 June 2021	*Notes*	Group 2021	Group 2020	Bank 2021	Bank 2020
In millions of Nigerian Naira					
Cash flows from operating activities					
Profit before income tax		**76,186**	**57,129**	**24,907**	**20,630**
Adjustments for:					
Depreciation of property and equipment	18	7,955	7,116	5,518	5,153
Right of use of assets- Depreciation	18	1,457	1,273	886	910
Amortisation of intangible assets	18	2,045	1,201	1,749	1,048
Impairment charge for credit loss on loans to customers	12	2,702	6,958	47	4,583
Reversal of credit loss on loans to customers	12	(1,678)	(1,545)	(205)	(63)
Impairment charge on investment securities	12	209	156	209	108
Impairment / (Reversal) charge for credit loss on loans to banks	12	1,008	(770)	883	(770)
Impairment charge on contingent liabilities	12	1,574	2,608	1,574	2,608
Write-off of loans and advances	12	1,248	1,228	1,256	797
Impairment / (Reversal) / charge on other assets	12	(926)	(828)	(1,619)	(194)
Net fair value gain on derivative financial instruments	15	5,266	(9,432)	5,125	(9,432)
Foreign currency revaluation gain	15	2,841	(7,997)	67	(8,127)
Dividend income	16	(2,653)	(2,617)	(8,582)	(3,340)
Write-off of property and equipment	30	94	31	51	31
Net amount transferred to Profit or Loss		(1,247)	(11,501)	(1,247)	(11,346)
Net interest income		(148,044)	(119,082)	(85,739)	(72,752)
Share of gain of equity-accounted investee	28	(710)	(353)	-	-
		(52,673)	**(76,425)**	**(55,120)**	**(70,156)**
Changes in operating assets and liabilities					
Change in financial assets at FVTPL		(3,679)	18,463	86,591	18,463
Change in cash reserve balance		(15,601)	(747,270)	(35,491)	(740,212)
Change in loans and advances to banks		(74,690)	41,788	(39,196)	36,078
Change in loans and advances to customers		(77,499)	(131,860)	(24,175)	(104,749)
Change in other assets		(77,559)	77,009	(17,816)	60,649
Change in deposits from banks		143,318	273,538	168,857	286,646
Change in deposits from customers		414,800	967,426	97,546	697,941
Change in placement with banks		(20,666)	(22,721)	(60,768)	(17,601)
Change in other liabilities and provisions		153,679	96,358	120,236	47,047
Interest received		219,043	205,586	130,671	135,983
Interest paid		(44,058)	(63,533)	(24,468)	(40,392)
Income tax paid	20(c)	(18,268)	(9,864)	(578)	(694)
Net cash generated from operating activities		**546,147**	**628,495**	**346,289**	**309,003**
Cash flows from investing activities					
Proceeds from sale/redemption of investment securities		(110,307)	(74,136)	-	-
Purchase of investment securities		(195,674)	(362,245)	(144,112)	(58,407)
Purchase of property and equipment	30	(20,542)	(19,645)	(14,222)	(15,843)
Purchase of intangible assets	31	(1,462)	(11,487)	(1,412)	(10,609)
Lease Payment	30	(1,883)	(5,389)	(1,880)	(1,497)
Proceeds from disposal of property and equipment		313	326	104	159
Proceeds from disposal of intangible assets		8	293	8	293
Dividend received		2,653	2,617	8,582	3,340
Net cash used in investing activities		**(326,894)**	**(469,665)**	**(152,932)**	**(82,564)**
Cash flows from financing activities					
Proceeds from borrowings	37	117,685	237,919	117,685	237,919
Repayment of borrowings		(269,393)	(256,210)	(254,805)	(241,622)
Transfer to deposit from banks		-	(195,786)	-	(195,786)
Repayment of subordinated liabilities		-	(32,995)	-	(32,995)
Payments of principal on leases		(120)	(491)	(84)	(106)
Payments of interest on leases		(54)	(54)	(38)	(49)
Interest paid on borrowings		(18,013)	(27,337)	(18,013)	(27,337)
Dividend paid to owners of the parent		(11,970)	(27,360)	(11,970)	(27,360)
Net cash used in financing activities		**(181,865)**	**(302,314)**	**(167,225)**	**(287,336)**
Net decrease in cash and cash equivalents		37,388	(143,484)	26,132	(60,897)
Effects of exchange rate changes on cash and cash equivalents		47,186	98,900	20,766	54,155
Cash and cash equivalents at beginning of period	22	794,594	559,471	433,429	361,927
Cash and cash equivalents at end of period	22	**879,168**	**514,887**	**480,327**	**355,185**

The accompanying notes to the financial statements are an integral part of these interim consolidated and separate financial statements.

1 General Information

United Bank for Africa Plc. (the "Group") is a Nigerian registered company incorporated on 23 February 1961 to take over the business of British and French Bank Limited (BFB). UBA listed its shares on the Nigerian Stock Exchange (NSE) in 1970 and became the first Nigerian bank to subsequently undertake an Initial Public Offering (IPO). The company's registered address is at 57 Marina, Lagos, Nigeria.

The interim consolidated financial statements of the Group for the year ended 30 June 2021 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

The financial statements for the period ended 30 June 2021 were approved and authorised for issue by the Board of Directors on 12 August 2021.

2 Basis of preparation

These interim consolidated financial statements comply and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.

3 Significant accounting policies

3.1 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments which are measured at fair value.
- Financial assets measured at fair value through profit or loss.
- Financial instruments measured at fair value through other comprehensive income.

3.2 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Nigerian Naira (N) which is the Bank's functional currency and the Group's presentation currency.

3.3 Use of estimates and judgements

The preparation of financial statements requires the directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

3.4 Basis of consolidation

(a) Subsidiaries

Subsidiaries (including structured entities) are entities controlled by the Group. Control exists when the Group has rights to variable returns from its involvement in an entity and has the ability to affect those returns through its power over the entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. Subsidiaries are fully consolidated from the date in which control is transferred to the Group. They are deconsolidated from the date control ceases.

The accounting policies of subsidiaries have been changed, where necessary, to align with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests.

In the separate financial statements, investments in subsidiaries are carried at cost less impairment.

(b) Business combinations

Business combinations are accounted for using the acquisition method.

The Group measures goodwill at the acquisition date as the total of:

· the fair value of the consideration transferred; plus

· the amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

· less the net amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised in the statement of profit or loss.

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 statement of profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

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 statement of profit or loss.

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 statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax liability is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries 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 statement of profit or loss. 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.

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 reporting 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 reporting 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 reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults.
A loan is considered for transfer from stage 2 to stage 1 where there is significant improvement in credit risk and from stage 3 to stage 2 (declassified) where the facility is no longer in default. Factors that are considered in such backward transitioning include the following:
i) Declassification of the exposure by all the licensed private credit bureaux or the credit risk management system;
ii) Improvement of relevant credit risk drivers for an individual obligor (or pool of obligors);
iii) Evidence of full repayment of principal or interest.
Generally, the above are to represent an improvement in credit risk to warrant consideration for a backward transition of loans. Where there is evidence of significant reduction in credit risk, the following probationary periods should apply before a loan may be moved to a lower stage (indicating lower risk):
Transfer from Stage 2 to 1:- 90 days
Transfer from Stage 3 to 2:- 90 days
Transfer from Stage 3 to Stage 1:- 180 days

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.
When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ACL.
Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

n. Write-off of loans

Loans and the related ACL are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier.
Written-off loans are derecognised from the Bank's books. However, the Group continues enforcement activities on all written-off loans until full recovery is achieved or such time when it is objectively evident that recovery is no longer feasible.

o. Modifications

The credit risk of a financial asset will not necessarily decrease merely as a result of a modification of the contractual cash flows. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, the Bank assesses whether there has been a significant increase in the credit risk of the financial by comparing:
(1) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
(2) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).
A modification will however lead to derecognition of existing loan and recognition of a new loan i.e. substantial modification if:
• the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

The following will be applicable to modified financial assets:
• The modification of a distressed asset is treated as an originated credit-impaired asset requiring recognition of life-time ECL after modification.
• The cumulative changes in lifetime expected credit losses since initial recognition is recognized as a loss allowance for purchase or originated credit-impaired financial asset at the reporting date.
• The general impairment model does not apply to purchased or originated credit-impaired assets.

3 Significant accounting policies - Continued

3.27 IFRS 9: Financial instruments - Continued

The following situations (qualitative) may however not lead to a derecognition of the loan:
• Change in interest rate arising from a change in MPR which is the benchmark rate that drives borrowing rates in Nigeria;
• Change in financial asset's tenor (increase or decrease);
• Change in installment amount to higher or lower amount;
• Change in the annuity repayment pattern, for example, from monthly to quarterly, half-yearly or yearly
• Change in the applicable financial asset fee
Modification gain or loss is included as part of allowance for credit loss for each financial year.

p. Classification and measurement of financial liabilities

The Group recognizes financial liabilities when it first becomes a party to the contractual rights and obligations in the relevant contracts.

Under IFRS 9, financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL.

The Group classifies its financial liabilities as measured at amortised cost, except for:
i. Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. A financial liability is classified as held for trading if it is a part of a portfolio of specific financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Gains or losses from financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the Group's own credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the Group's credit risk are also presented in profit or loss;
ii. Financial guarantee contracts and commitments.
Financial liabilities that are not classified at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers, borrowings, and subordinated liabilities.

q. De-recognition of financial instruments

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the Group transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.
Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group may enter into transactions whereby it transfers assets , but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.
The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3.28 IFRS 16 Leases

At contract inception the Group assesses at whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group adopts a single measurement approach and recognizes right to use of assets and lease liability at commencement date of a lease contract.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group is the lessor

When assets are leased to a third party under finance lease terms, the present value of the lease income is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

3.29 Changes in accounting policies

Except for the following new standards, the Group has consistently applied the accounting policies as set out in Notes 3.1 - 3.29 to all periods presented in these consolidated and separate financial statements. The Group has adopted this new standard with initial date of application of January 1, 2021.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform - Phase 2

'The Group has adopted the use of this new standard on annual periods beginning on or before January 1 2021.

In August 2020, the Board issued amendments that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

The Group has undertaken preliminary exposure analysis of LIBOR-linked instruments on its statement of financial position and is currently in the process of determining the pricing methodology to adopt upon LIBOR discontinuation. The Group plans to complete this, not later than December 2021.

3.30 Standards and interpretations issued/amended but not yet effective

The standards listed below have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2021. The Group has not applied the following new or amended standards in preparing these consolidated and separate financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on these new standards/amendments are provided below.

a) IFRS 17 - Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitablity of new and in-force insurance business.

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows and an explicit entity-specific adjustment for risk) and a contractual service margin. The premium allocation approach (PAA) is a simplified measurement model that may be applied when certain conditions are fulfilled. Under the PAA approach, the liability for remaining coverage will be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

This standard does not impact the Group in anyway as the Bank and its subsidiary companies do not engage in insurance business.

(b) Amendment to IAS 1

This amendment relates to classification of Liabilities as Current or Non-current which will provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendment only affect the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendment will

- clarify that classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting date,
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Group does not anticipate early adopting the standard and is currently evaluating its impact.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. Earlier application is permitted.

(c) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The standard prohibits entity to deduct proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant and equipment . Entities are however allowed to recognize the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The Group does not anticipate early adopting the standard and is currently evaluating its impact.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted

(d) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The standard specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. the standard further states that costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Group does not anticipate early adopting the standard and is currently evaluating its impact.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted

3.31 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million Nigerian Naira (NGN) unless otherwise stated.

4 Financial Risk Management

4.1 Introduction and overview

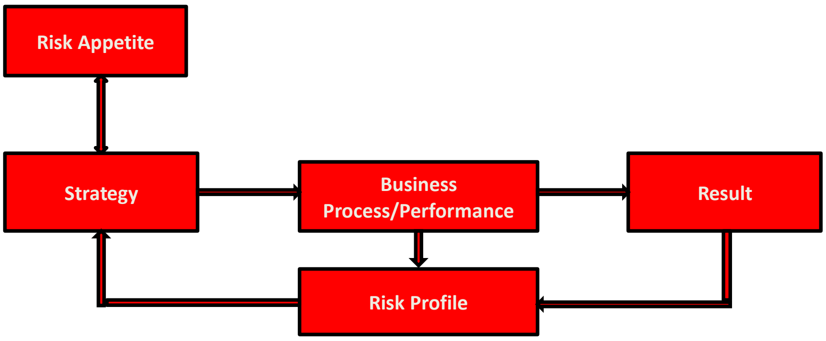
Given the scale and scope of its operations as well as the diversity of the geographies within which it operates, United Bank for Africa Plc (UBA Plc) has adopted an enterprise wide, integrated approach to risk management. The key objectives are as follow:

1. meet and exceed best practice global standards as defined by local and international regulatory bodies. We intend to achieve this by adhering to the principles of the Basel II Accords as adopted by the Central Bank of Nigeria (CBN);
2. ensure sustainable profitability and enterprise value protection by maintaining growth within appropriate risk-control boundaries; and
3. enhance corporate governance by involving the Board and Senior Management in setting the tone for the risk management agenda.

The key elements of the ERM framework are intended to enhance risk identification, measurement, control and reporting.

(a) Risk Management Strategy

UBA's risk management strategy is based on an embedded risk management process from the strategy formulation level to the business unit decision making. The strategic risk management objectives include:
- Evaluation of the strategic risks faced by the Group in the continuously evolving environment;
- Allocate resources in line with strategic objectives and risks;
- Determine the tolerable risk profile and formulate the acceptable risk appetite for the Group;
- Establish adequate risk management and internal control systems to support the business and the risk appetite; and
- Establish proper feedback mechanism as input into the strategic risk management process.



(b) Risk Management Culture

There is a commitment to ensuring that risk management is enshrined as a culture in the Group, from the Board of Directors to the individual business unit. There is considerable effort to infuse the risk/reward evaluation in the decision making process in order to ensure that there is proper assessment of risk dimension in process design, performance appraisal, limit establishment, portfolio creation, monitoring activities and audit process. The aim is also to encourage a culture of constant re-evaluation of risk profile and prompt risk mitigation action , where required.

In order to do this, there is proper dissemination of information and policies, development of frameworks, and staff training to ensure that all staff are adequately aware of their roles in the risk management process of the Group. As part of the risk culture, we aim to ensure the following:

- General understanding and uniform application of risk management principles;
- Strong and visible commitment from senior management;
- Clearly defined responsibility and accountability;
- Central oversight of risk management across the enterprise;
- Central oversight of corporate governance across the enterprise;
- Ownership of risk management is at all levels; and
- Clearly defined risk appetite.

4 Financial Risk Management

4.1 Introduction and risk profile (continued)

(c) Role and responsibilities

The key players in the risk management framework and their responsibilities are as follows:

Board of Directors

The ultimate responsibility for risk management in UBA lies with the Board of Directors. The responsibilities of the Board with respect to risk management include, but are not limited to:

- Ensuring an appropriate corporate governance framework is developed and operated;
- Providing guidelines regarding the management of risk elements in the Group;
- Approving Group risk management policies;
- Determination of the Group's risk appetite;
- Ensuring that management controls and reporting procedures are satisfactory and reliable;
- Approving large credit exposures beyond the limit of the Board Credit Committee; and
- Approving capital demand plans based on risk budgets.

Board Committees

The Board of Directors has established various Board-level risk committees, to support its risk oversight roles and responsibilities. These committees review and advise on numerous risk matters requiring Board approvals.

The Board Risk Management Committee has direct oversight for the Bank's overall risk management framework. The Board Credit Committee considers and approves large exposure underwriting decisions within its authority and recommends those above its limit to the Board for consideration. The Board Audit Committee assists the Board with regard to internal controls, audit assessments and compliance matters.

A list of various Board committees and their assigned responsibilities is contained in the corporate governance report.

Management Committees

Key Management Committees include:

(i) Executive Management Committee (EMC)

The EMC is responsible for the following, among others, and is accountable to the Board:

- Executing strategy once approved by the Board;
- Overall performance of the Group;
- Managing the Group's risks; and
- Day-to-day oversight for the Group.

All non-credit product approvals must go to the EMC which shall review and approve or recommend for approval to the appropriate Board Committees in line with the Bank's advised Approval Limits. Above the EMC approval limits, Non-Credit products are approved by the Board's Finance and General Purpose Committee (F&GPC).

All new business activity irrespective of capital commitment must be approved by the F & GPC through the EMC.

(ii) Executive Credit Committee (ECC)

The Committee's main objective is to develop and maintain a sound credit risk portfolio for the Group and to oversee the development and deployment of credit risk practices across the Group. They also:

- Set frameworks and guidelines for credit risk management for the Group
- Review and recommend all Credit related policies for the Group to the BCC for approval
- Monitor implementation and compliance with credit policy paying particular attention to the following:
  - Credit concentration
  - Credit portfolio quality
  - Review credit requests and recommend those above its limit to BCC for approval
  - Ensure the Group's Non Performing Loans portfolio is within the acceptable ratio
  - Review all major credit audit issues with a view to adopting learning points for enhancement to the credit process

(iii) Group Asset and Liability Committee

The Group Asset and Liability Committee (GALCO), is a sub-committee of the EMC whose decisions are reported to the Finance & General Purpose Committee. GALCO has responsibility for managing UBA Group's financial position as well as traded and non-traded market risks.

4 Financial Risk Management

4.1 Introduction and risk profile (continued)

In playing this role, GALCO does the following:-

- Recommend balance sheet (financial position) management policies, frameworks and procedures to the Board Risk Management Committee through EMC for approval
- Recommend Treasury policies, frameworks and procedures to the Finance and General Purpose Committee (F & GPC) through EMC for approval
- Manage the Group's balance sheet and ensure compliance with regulatory and statutory ratios and requirements
- Develop an optimal structure of the Group's balance sheet to optimize risk-reward through a review of:
  - Liquidity Gap Analysis
  - Maximum Cumulative Outflow (MCO)
  - Stress Test
  - Wholesale Borrowing Guidelines
  - Contingency Liquidity Plan
- Review Liquidity, Interest Rate and Currency Risks and approve risk mitigation proposals subject to ratification by EMC
- Set pricing strategies for the Group on assets and liabilities (pool rate, asset and/or liability composition) subject to ratification by EMC

(iv) Criticized Assets Committee

The Criticized Assets Committee is a management committee which reviews Past Due Obligations (PDOs) and

- Develops the framework to reduce the Group's portfolio of risk assets on watch-list as well as delinquent accounts
- Monitor implementation of strategies developed for recoveries and reduction of loan delinquencies
- Ratifies proposed classification of accounts and provisioning levels
- Recommends write-offs for approval through the EMC to the Board

(v) Group Risk Management Committee

The responsibilities of the Group Risk Management Committee are as follows:

(a) To support the EMC in the discharge of its risk management responsibilities which includes but is not limited to the management of risk, determining risk tolerance levels, risk appetite, risk monitoring, risk assurance and risk disclosures for the Group.
(b) To review, assess and make recommendations on the integrity and adequacy of the overall risk management function of the Group.
(c) To review, assess and make recommendations to the Executive Management Committee regarding policies relating to risk management.
(d) To review risk limits and periodic risk and compliance reports and make recommendations to the Executive Management Committee.
(e) Recommend risk approval limits to Executive Management Committee.
(f) To review and recommend on an annual basis the update of the risk management policies, frameworks and procedures of the Group.
(g) Advise Executive Management Committee on any emerging risks that the Group is or could be exposed to and recommend mitigation actions.
(h) Monitor overall risk management framework to ensure that the framework is uniformly applied in all the entities in the Group.
(i) Review IT Risk Management and make recommendations in accordance with the risk appetite of the Group.
(j) Monitor the Basel II Accord Capital Framework implementation and compliance program in the Group.
(k) Periodic review of the Risk Assets Portfolio and Limits in line with internal and regulatory benchmarks.
(l) Review and recommend yearly Risk Management staffing model and manpower development programs.

Group Chief Risk Officer

The Group Chief Risk Officer has oversight for the effective and efficient governance of all risk functions in the Group. He is responsible for development and implementation of Group's risk management frameworks, policies and processes across the entire risk spectrum.

(d) Central Risk Management Functions

Each risk function including Credit, Market, Operational and IT Risk has direct responsibility for the development and management of risk management activities. The responsibilities of divisional functions with respect to risk include:

- Develop and maintain policies, frameworks and risk management methodologies
- Provide guidance on the management of risks and ensure implementation of risk policies and strategies
- Provide recommendations for improvement of risk management
- Provide consolidated risk reports to the various Board and management committees such as EMC, ECC and/or Board of Directors
- Provide assurance that risk management policies and strategies are operating effectively to achieve the Group's business objectives.

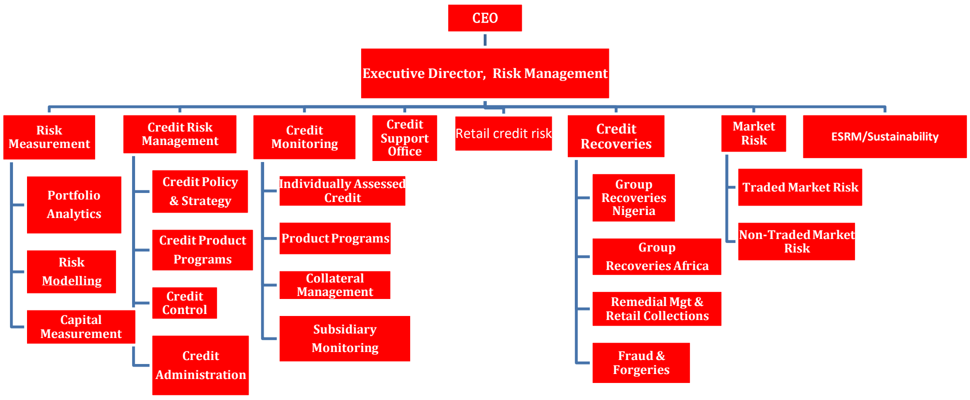
At a strategic level, our risk management objectives are as follows:

- To identify, assess, control, report and manage the Group's material risks and optimize risk/return decisions
- To ensure business growth plans are properly supported by effective risk infrastructure
- To manage the risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions

(e) Risk Management Structure

The Group has in place an independent Risk Management Directorate which is essential to UBA's growth and earnings sustainability.

In response to the dynamic risk environment, the risk management structure has been flattened to ensure increased oversight and improved responsiveness.



(f) Risk Management Policies

The principal risk policies cover the Group's main risk types, assigning responsibility for the management of specific risks and setting out requirements for control frameworks for all risk types. Fundamental to the delivery of the Group's risk management objectives are a series of methodologies that allow it to measure, model, price, stress-test, mitigate and report the risks that arise from its activities.

(i) Risk Appetite

A key responsibility of the Board is the determination of the organization's risk appetite. This is codified in a Risk Appetite framework which considers the level of risk that the Group is willing to take in pursuit of its business objectives. This is expressed as the Group's appetite for earnings volatility across all businesses from a credit, marketing and liquidity risk perspective.

Risk appetite is institutionalized by establishing scale of activities through clearly defined target market criteria, product risk acceptance criteria, portfolio limits as well as risk-return requirements.

(ii) Approval Authority

The Board of Directors also set internal approval limits which are reviewed from time to time as the circumstances of the Group demands. These are at all times guided by maximum regulatory limit as applicable.

(iii) Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group applies a concentration risk management framework that sets exposure limits as a function of capital across all dimensions of its asset portfolio including geography, sector, obligor, product etc. This is closely monitored to ensure diversification of risk.

4.2 Credit Risk

(a) Overview

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations. Credit represent a significant part of the overall risk exposure of the Group and is largely represented by the loans and advances on the books of the Group. The Group has several policies and frameworks in place for managing credit risk across the Group.

(i) Credit Risk Management (CRM)

The Credit Risk Management division acts as the custodian of Group credit policies and recommends reviews based on regulatory changes and other developments in the operating environment. It develops and implements the Group credit risk management framework, as well as a portfolio management strategy towards achieving a diversified, high quality asset mix to minimize delinquencies.

In addition, CRM ensures appropriate control measures are taken in the documentation and administration of approved loans.

(ii) Credit Risk Governance

The Board through Board Credit Committee (BCC) is responsible for the overall governance of credit risk and the management of the credit portfolio of the Group. It reviews and recommends credit policies to the Board. The Executive Credit Committee (ECC) sets frameworks and guidelines for credit risk management for the Group and reviews and recommends for approval to the BCC all credit related policies for the Group. ECC monitors implementation and compliance with credit policy paying particular attention to the following:

a. Credit concentration

b. Credit portfolio performance

c. Credit quality

With regards to approval of credit facilities, the ECC approves facilities that are above the limit of the GMD, while the BCC approves credit facilities that are above the limit of the ECC. The Board of Directors is the overall approving authority, approving credit facilities that are above the limit of the BCC.

(iii) Credit Monitoring

Credit monitoring runs as a separate group of risk management to improve oversight of loan performance. Its primary function is to continuously monitor the bank's loan portfolio to ensure ongoing portfolio performance and achievement of portfolio quality targets. Credit Monitoring ensures all loans are booked in line with the Group's policy. They also identify exceptions which may prevent the loan from being paid in a timely manner. Observed Credit exceptions are escalated for possible resolution, sanction implementation and management attention. The group takes proactive steps to ensure follow up on accounts showing signs of delinquency.

(iv) Credit Concentration Management

The Group has a Credit Concentration Risk Management policy which provides a framework within which lending decisions can be made so as to ensure an adequate level of diversification of the Group's credit portfolio. The policy provides risk-based limits that restrict lending activities to within the Group's desired risk appetite and tolerance.

The Group ensures that:

· It manages its portfolio by ensuring adequate diversification across industries, segments and jurisdictions to maintain high portfolio quality and liquidity

· Provides risk based concentration limits to ensure that exposures to single obligors, sectors and countries are contained within acceptable risk appetite.

(v) Credit Risk Measurement

In measuring credit risk of loans and advances to various counterparties, the Group considers the credit worthiness and financial capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. Our credit exposure comprises wholesale and retail loans and advances and debt securities. The Group's policy is to lend principally on the basis of our customers' repayment capacity through quantitative and qualitative evaluation. However we strive to ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

In the estimation of credit risk, the Group estimates the following parameters:

- Probability of Default (PD)
- Loss Given Default(LGD)
- Exposure at Default

Probability of Default

This is the probability that an obligor or counterparty will default over a given period, usually one year. To measure expected credit loss, we develop a 12-month PD or equivalent (used in Stage 1 provisioning) and a lifetime PD or equivalent (used for Stages 2 and 3 provisioning). The PD is used to reflect the current expectation of default and considers available reasonable and supportive forwarding-looking information.

Loss Given Default

LGD is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1 – recovery rate). Our methods for estimating LGD includes both quantitative and qualitative factors which are adjusted for forward looking information to measure lifetime expected credit losses.

Exposure at default

This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilization of the undrawn commitment at default.

(vi) Environmental & Social Risk Management/Sustainability (ESRM/Sustainability)

The Group puts Environmental, Social and Governance(ESG) considerations as part of its overall strategy. This is achieved by integrating environmental and social standards into the Group's business operations and activities. The overall objective is to foster sustainable practices that focus on preserving the tripple bottom line of people, profit and the planet. Our Environmental, Social and Governance framework is based on local and global standards such as the the Nigerian Sustainable Banking Principles(NSBP), IFC Performance Standards, Equator Principles, the Sustainable Development Goals(SDGs). We are also guided by the World Bank good international industry practices as well as host country's local environmental laws and standards. The Group's sustainability targets are emcapsulated in UBA Foudation's broader focus on Environment, Education and Economic Empowerment.

(vii) General Risk Rating Process

The Group adopts a two-dimensional approach to the assessment of credit risk in the Risk Rating Process for all obligors.

Obligors are assigned an Obligor Risk Rating (ORR) while a Facility Risk Rating (FRRs) is assigned to facilities. However certain obligors, retail and commercial loans applicants that do not have a risk rating, must access credit through product programmes while those that have credit ratings can access through the individually assessed credit window. Scoring system is used for consumer loans whereby loans that achieve a predetermined minimum score are approved.

Inputs used to determine obligor risk ratings (ORRs) are derived based on quantitative and qualitative factors. The quantitative factors are primarily based on a metrics that uses information on the obligor's financial position while the qualitative factors include:

- Management quality
- Industry risks
- Company profile
- Economic factors

The integrity of the Group's portfolio management process is dependent on accurate and timely risk ratings. Deterioration in credit risks is quickly identified and communicated to facilitate prompt action. The rating is reviewed on a periodic basis and this is reflected in the management of such portfolio. The default also leads to prevention of further drawdown while steps are taken to recover the outsanding balance and/or realise the collateral.

Deterioration in credit risk are identified based on factors such as

- Ratings downgrade
- Missed payments
- Non-compliance with loan covenants
- Deterioration of quality/value of collateral

(viii) Credit Rating of Counterparty/Obligor

All risk rating processes are reviewed and validated periodically to ensure relevance to business realities, and relate to loans and advances to customers, loans and advances to banks, financial assets held for trading and investment securities. External ratings may also be obtained where such is available. The Risk Rating buckets and definitions are as highlighted below:

UBA Risk Buckets and Definition

Description	Rating Bucket	Range Of Scores	Risk Range	Risk Range (Description)
Extremely Low Risk	AAA	1.00 - 1.99	90% - 100%	Low Risk Range
Very Low Risk	AA	2.00 – 2.99	80% - 89%	
Low Risk	A	3.00 – 3.99	70% - 79%	
Acceptable Risk	BBB	4.00 – 4.99	60% - 69%	Acceptable Risk Range
Moderately High Risk	BB	5.00 – 5.99	50% - 59%	
High Risk	B	6.00 – 6.99	40% - 49%	High Risk Range
Very High Risk	CCC	7.00 – 7.99	30% - 39%	
Extremely High Risk	CC	8.00 – 8.99	0% - 29%	Unacceptable Risk Range
High Likelihood of Default	C	9.00 – 9.99	Below 0%	
Default	D	Above 9.99	Below 0%	

The risk ratings are a primary tool in the review and decision making in the credit process. The Group does not lend on unsecured basis to obligors that are below investment grade (BB and above). The Group will not lend to obligors in the unacceptable risk range.

4 Financial Risk Management

4.2 Credit risk (continued)

(ix) Remedial Management Process

This process is managed by the Group Remedial & Recovery Division (GRRD). Depending on the severity of classification, the Group undertakes remedial corrective action geared towards ensuring performance of weak credits. Early attention, including substantive discussions with borrowers, is required to correct deficiencies.

Remedial process covers the evaluation, analysis or restructuring of credit facilities for existing PDOs. It may include new extensions of credit and/or restructuring of terms. Some of the possible actions are summarised as follows:

- Rate/Payment modification or longer-term payment relief - adjusting interest rates or payment frequency;
- Ageing/Extension: Modifying the length of the loan;
- Cash Out: Refinancing a loan at a higher principal amount in order to get additional funds for other uses;
- Short Sale – Loan is discounted to prevent imminent foreclosure; and
- Deed in lieu – Voluntary conveyance of interest in property to the Bank

The process calls for full information gathering, together with financial and risk analysis leading up to the approval decision. Analysis and standards vary according to business product, market, transaction characteristics and environmental issues. In all cases, we strive to achieve good judgment, in ensuring that all relevant issues have been addressed in each situation.

(x) Work out and recovery

The Remedial Management & Credit Recovery Division ("RMCRD") is the collections arm of Credit Risk Management that evaluates, monitors and supervises the re-structuring, repayments and collections of all past due obligations that have been prudential classified and show early warning signs of default. The division has a three level governance structure:

Level 1 is an oversight and supervisory function performed by the Divisional Head through the Regional Heads;

Level 2 is a supervisory and management function performed by the Regional Heads through the Zonal Heads; and

Level 3 is an operational function performed by the Zonal Head in conjunction with the Recovery/Remedial officers from the regional bank offices.

RMCRD maintains effective governance and control over its entire process and adopts a standard methodology consisting of five steps.

Risk Management and Credit Recovery Division methodology

Steps	Activities
1. Identification	Identification of past due obligations due for recovery, collections and remedial action
	Identification of strategies to be adopted
	Identification of the least cost alternative of achieving timely collections within resource constraints
2. Assessment & Implementation	Accurate review and professional assessment of credit records
	Implementation of identified strategies
	Update the database
3. Management & Monitoring	Proffer professional work-out situations to aid prompt settlement
	Review identified strategies for adequacy in managing past due obligations
	Proffer solutions that will aid the credit decision making process
4. Controlling	Establish key control processes, practices and reporting requirements on a case-by-case basis.
	Ensure work-out situations align with UBA's strategic framework
	Proffer solutions that will aid the credit decision making process
5. Reporting	Communicate learning points from case profiles on past due obligations in order to improve the quality of lending practices
	Report cases of imminent crystallisation of default
	Present remedial actions to reduce and/or mitigate default

4 **Credit risk (continued)**

(b) Credit risk Exposure

(i) Maximum exposure to credit risk before collateral held or other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. The Group's maximum exposure to credit risk is represented by the net carrying amounts of the financial assets with the exception of financial and other guarantees issued by the Group for which the maximum exposure to credit risk is represented by the maximum amount the Group would have to pay if the guarantees are called on.

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure Group		**Maximum exposure Bank**	
In millions of Nigerian Naira	**Jun. 2021**	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Cash and bank balances				
Current balances with banks	410,960	291,225	253,104	176,665
Unrestricted balances with Central Banks	192,838	231,533	18,266	65,930
Money market placements	216,689	126,832	205,336	51,237
Restricted balances with central banks	1,119,489	1,103,888	1,107,585	1,072,094
Financial assets at fair value through profit or loss				
Treasury bills	91,528	176,172	14,185	168,035
Promissory notes	70	75	70	75
Bonds	56,269	38,153	-	2,948
Derivative assets	47,594	53,148	47,594	53,148
Loans and advances to banks:				
Term Loan	151,965	77,419	103,139	65,058
Loans and advances to individuals				
Overdraft	24,724	19,890	13,152	10,250
Term loan	93,159	161,184	34,721	55,346
Loans and advances to corporate entities and others				
Overdraft	404,782	558,760	275,309	367,645
Term Loan	2,107,869	1,813,652	1,511,763	1,377,804
Others	4.022	1.489	4.022	1.491
Investment securities at fair value through other comprehensive income:				
Treasury bills	528,972	1,142,908	518,797	1,101,232
Bonds	148,843	150,822	25,326	5,592
Investment securities at amortised cost:				
Treasury bills	1,466,939	716,448	656,090	-
Bonds	556,001	442,816	85,081	71,479
Other assets	155,094	87,430	93,143	85,694
Total	**7,777,807**	**7,193,844**	**4,966,683**	**4,731,723**
Loans exposure to total exposure	36%	37%	39%	40%
Debt securities exposure to total exposure	37%	37%	26%	29%
Other assets exposure to total exposure	28%	26%	35%	32%

Credit risk exposures relating to off-balance sheet assets are as follows:

	Group		**Bank**	
In millions of Nigerian Naira	**Jun. 2021**	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Performance bonds and guarantees	293,734	170,988	286,766	163,793
Letters of credits	1,059,975	687,841	388,039	194,880
	1,353,709	**858,829**	**674,805**	**358,673**
Bonds and guarantee exposure to total exposure	22%	20%	42%	46%
Letters of credit exposure to total exposure	78%	80%	58%	54%

Credit risk exposures relating to loan commitment are as follows:

	Group		**Bank**	
In millions of Nigerian naira	**Jun. 2021**	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Loan commitment to corporate entities and others				
Term Loan	87,499	95,030	87,499	95,030
	87,499	**95,030**	**87,499**	**95,030**

There are no loan commitments to individuals.

The credit risk exposure as at period end is representative of the average exposure in the period.

4.2 **Credit risk (continued)**

(b) Credit risk Exposure(continued)

(ii) Credit concentration - location

The Group monitors concentrations of credit risk by sector, geographic location and industry. Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security. The amounts stated are net of impairment allowances.
An analysis of concentrations of credit risk at the reporting date is shown below:

30 June 2021

In millions of Nigerian Naira	Group				Bank			
	Nigeria	**Rest of Africa**	**Rest of the world**	**Total**	**Nigeria**	**Rest of Africa**	**Rest of the world**	**Total**
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	157,883	253,077	410,960	-	27	253,077	253,104
- Unrestricted balances with Central Banks	18,266	174,572	-	192,838	18,266	-	-	18,266
- Money market placements	155,093	8,721	52,875	216,689	145,339	7,122	52,875	205,336
- Restricted balances with central banks	1,107,585	11,904	-	1,119,489	1,107,585	-	-	1,107,585
Financial assets at FVTPL:								
- Treasury bills	14,185	-	77,343	91,528	14,185	-	-	14,185
- Promissory notes	70	-	-	70	70	-	-	70
- Government bonds	-	-	56,083	56,269	-	-	-	-
Derivative assets	47,438	-	156	47,594	47,438	-	156	47,594
Loans and advances to banks								
- Corporates	34,967	-	116,998	151,965	34,967	-	68,172	103,139
Loans and advances to customers:								
Individuals:								
- Overdrafts	11,596	13,128	-	24,724	13,152	-	-	13,152
- Term loans	2,041	86,616	4,502	93,159	34,721	-	-	34,721
Corporates:								
- Overdrafts	244,428	160,354	-	404,782	269,941	5,369	-	275,309
- Term loans	1,538,347	569,522		2,107,869	1,481,428	30,335	-	1,511,763
- Others	4,022	-	-	4,022	4,022	-	-	4,022
Investment securities:								
At amortised cost								
- Treasury bills	656,090	810,849	-	1,466,939	656,090	-	-	656,090
- Bonds	74,164	467,333	14,504	556,001	74,164	-	10,917	85,081
At FVOCI								
- Treasury bills	518,797	10,175	-	528,972	518,797	-	-	518,797
- Bonds	25,326	123,517	-	148,843	25,326	-	-	25,326
Other assets	65,554	89,540	-	155,094	65,554	27,589	-	93,143
Total financial assets	**4,517,969**	**2,684,114**	**575,538**	**7,777,807**	**4,511,045**	**70,442**	**385,197**	**4,966,683**
Commitments and guarantees								
- Performance bonds and guarantees	286,766	6,968	-	293,734	286,766	-	-	286,766
- Letters of credits	351,671	550,252	158,052	1,059,975	351,671	-	36,369	388,039
- Loan commitments	87,499	-	-	87,499	87,499	-	-	87,499
Total commitments and guarantees	**725,936**	**557,220**	**158,052**	**1,441,208**	**725,936**	**-**	**36,369**	**762,304**

31 December 2020

In millions of Nigerian Naira

	Group				Bank			
	Nigeria	Rest of Africa	Rest of the world	Total	Nigeria	Rest of Africa	Rest of the world	Total
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	127,087	164,138	291,225	-	12,527	164,138	176,665
- Unrestricted balances with Central Banks	65,930	165,603	-	231,533	65,930	-	-	65,930
- Money market placements	22,209	10,220	94,403	126,832	22,209	10,220	18,809	51,237
- Restricted balances with central banks	1,072,094	31,794	-	1,103,888	1,072,094	-	-	1,072,094
Financial assets held for trading:								
- Treasury bills	168,035	8,137	-	176,172	168,035	-	-	168,035
- Promissory notes	75	-	-	75	75	-	-	75
- Government bonds	2,948	35,205	-	38,153	2,948	-	-	2,948
Derivative assets	38,221	-	14,927	53,148	38,221	-	14,927	53,148
Loans and advances to banks								
- Corporates	77,419	-	-	77,419	65,058	-	-	65,058
Loans and advances to customers:								
Individuals:								
- Overdrafts	16,818	3,072	-	19,890	10,250	-	-	10,250
- Term loans	114,645	46,539	-	161,184	55,346	-	-	55,346
Corporates:								
- Overdrafts	275,637	283,123	-	558,760	275,637	92,008	-	367,645
- Term loans	1,291,488	522,164	-	1,813,652	1,291,488	86,316	-	1,377,804
- Others	1,489	-	-	1,489	1,491	-	-	1,491
Investment securities:								
At amortised cost								
- Treasury bills	-	716,448	-	716,448	-	-	-	-
- Bonds	69,618	362,023	11,175	442,816	62,315	-	9,164	71,479
- Promissory notes	-	-	-	-	-	-	-	-
At FVOCI								
- Treasury bills	1,101,232	41,676	-	1,142,908	1,101,232	-	-	1,101,232
- Bonds	5,592	145,230	-	150,822	5,592	-	-	5,592
Other assets	61,396	25,620	414	87,430	61,396	24,298	-	85,694
Total financial assets	**4,384,846**	**2,523,941**	**285,057**	**7,193,844**	**4,299,316**	**225,369**	**207,038**	**4,731,723**
Commitments and guarantees								
- Performance bonds and guarantees	163,793	7,195	-	170,988	163,793	-	-	163,793
- Letters of credits	194,880	451,462	41,499	687,841	194,880	-	-	194,880
- Loan commitments	95,030	-	-	95,030	95,030	-	-	95,030
Total commitments and guarantees	**453,703**	**458,657**	**41,499**	**953,859**	**453,703**	**-**	**-**	**453,703**

4.2 Credit risk (continued)

(iii) Credit concentration - Industry

The following table analyses the Group's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Group's counterparties. The amounts stated are net of impairment allowances.

Group	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
30 June 2021													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	410,960	-	-	-	-	-	-	-	-	410,960
- Unrestricted balances with central Banks	-	-	-	192,838	-	-	-	-	-	-	-	-	192,838
- Money market placements	-	-	-	216,689	-	-	-	-	-	-	-	-	216,689
- Restricted balances with central banks	-	-	-	1,119,489	-	-	-	-	-	-	-	-	1,119,489
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	91,528	-	-	-	-	-	91,528
- Promissory notes							70						70
- Government bonds	-	-	-	-	-	-	56,269	-	-	-	-	-	56,269
Derivative assets	-	-	-	47,594	-	-	-	-	-	-	-	-	47,594
Loans and advances to banks	-	-	-	151,965	-	-	-	-	-	-	-	-	151,965
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	24,724	-	-	-	-	-	-	-	24,724
- Term loans	-	-	-	-	93,159	-	-	-	-	-	-	-	93,159
Corporates													
- Overdrafts	29,139	16,071	1,336	6,784	3,621	(88,472)	71,934	30,981	168,717	106,615	54,640	3,414	404,782
- Term loans	55,052	143,069	12,722	140,741	25,919	505,650	407,383	141,335	188,307	268,319	206,804	12,567	2,107,869
- Others	-	-	-	-	-	-	-	1,921	2,101	-	-	-	4,022
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	1,466,939	-	-	-	-	-	1,466,939
- Promissory notes	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	10,953	545,009	-	-	-	40	-	-	-	556,001
At FVOCI				-	-	-	-	-	-	-	-	-	
- Treasury bills	-	-	-	-	-	-	528,972	-	-	-	-	-	528,972
- Bonds	-	-	-	-	-	-	148,843	-	-	-	-	-	148,843
Other assets	-	-	-	3,721	151,373	-	-	-	-	-	-	-	155,094
Total financial assets	**84,192**	**159,140**	**14,058**	**2,301,733**	**843,805**	**417,179**	**2,771,938**	**174,237**	**359,164**	**374,935**	**261,444**	**15,982**	**7,777,807**
Commitments and guarantees													
- Performance bonds and guarantees	1,406	154,134	-	37,577	-	43,521	14,944	1,045	16,710	8,113	13,295	2,990	293,734
- Letters of credits	2,187	824,483	-	120	-	136,495	135	7,651	46,848	26,707	14,833	515	1,059,975
- Loan Commitments	-	-	-	-	-	-	-	-	-	87,499	-	-	87,499
Total commitments and guarantees	**3,593**	**978,617**	**-**	**37,697**	**-**	**180,017**	**15,079**	**8,696**	**63,558**	**122,319**	**28,128**	**3,504**	**1,441,208**

Credit concentration - Industry (continued)

Bank	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
30 June 2021													
Financial assets													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	253,104	-	-	-	-	-	-	-	-	253,104
- Unrestricted balances with Central Banks	-	-	-	18,266	-	-	-	-	-	-	-	-	18,266
- Money market placements	-	-	-	205,336	-	-	-	-	-	-	-	-	205,336
- Restricted balances with central banks	-	-	-	1,107,585	-	-	-	-	-	-	-	-	1,107,585
Financial assets at FVTPL:	-	-	-	-	-	-		-	-	-	-	-	
- Treasury bills	-	-	-	-	-	-	14,185	-	-	-	-	-	14,185
- Promissory notes							70						70
- Government bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	-	-	-	47,594	-	-	-	-	-	-	-	-	47,594
Loans and advances to banks	-	-	-	103,139	-	-	-	-	-	-	-	-	103,139
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	13,152	-	-	-	-	-	-	-	13,152
- Term loans	-	-	-	-	34,721	-	-	-	-	-	-	-	34,721
Corporates													
- Overdrafts	14,158	8,336	1,052	5,701	3,621	15,497	53,167	18,900	36,305	72,006	46,395	170	275,309
- Term loans	39,053	123,044	11,630	133,291	24,950	406,214	142,085	97,767	177,061	199,461	154,066	3,141	1,511,763
- Others	-	-	-	-	-	-	-	2,972	1,050	-	-	-	4,022
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	656,090	-	-	-	-	-	656,090
- Bonds	-	-	-	10,953	-	-	74,089	-	40	-	-	-	85,081
At FVOCI													
- Treasury bills	-	-	-	-	-	-	518,797	-	-	-	-	-	518,797
- Bonds	-	-	-	-	-	-	25,326	-	-	-	-	-	25,326
Other assets	-	-	-	60,448	32,695	-	-		-	-	-	-	93,143
Total financial assets	**53,211**	**131,379**	**12,682**	**1,945,417**	**109,140**	**421,711**	**1,483,809**	**119,638**	**214,456**	**271,467**	**200,462**	**3,311**	**4,966,683**
Commitments and guarantees													
- Performance bonds and guarantees	1,400	100,788	-	37,577	-	96,065	14,944	767	4,756	7,477	21,887	1,105	286,766
- Letters of credits	2,140	8,011	-	120	-	238,988	135	7,651	91,973	24,795	13,713	513	388,039
- Loan Commitments	-	-	-	-	-	-	-	17,729	-	69,770	-	-	87,499
Total commitments and guarantees	**3,539**	**108,799**	**-**	**37,697**	**-**	**335,054**	**15,079**	**26,147**	**96,729**	**102,041**	**35,601**	**1,618**	**762,304**

Credit concentration - Industry (continued)

Group	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2020													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	291,225	-	-	-	-	-	-	-	-	291,225
- Unrestricted balances with Central Banks	-	-	-	231,533	-	-	-	-	-	-	-	-	231,533
- Money market placements	-	-	-	126,832	-	-	-	-	-	-	-	-	126,832
- Restricted balances with central banks	-	-	-	1,103,888	-	-	-	-	-	-	-	-	1,103,888
Financial assets held for trading:													
- Treasury bills	-	-	-	-	-	-	176,172	-	-	-	-	-	176,172
- Promissory notes	-	-	-	-	-	-	-	-	-	75	-	-	75
- Government bonds	-	-	-	-	-	-	38,153	-	-	-	-	-	38,153
Derivative assets	-	-	-	53,148	-	-	-	-	-	-	-	-	53,148
Loans and advances to banks	-	-	-	77,419	-	-	-	-	-	-	-	-	77,419
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	19,890	-	-	-	-	-	-	-	19,890
- Term loans	-	-	-	-	161,184	-	-	-	-	-	-	-	161,184
Corporates	-	-	-	-	-	-	-	-	-	-	-	-	
- Overdrafts	23,458	10,089	2,022	14,356	1,378	92,785	99,514	15,868	110,949	172,393	10,024	5,925	558,760
- Term loans	58,757	113,650	22,673	114,001	23,020	148,235	416,269	150,280	201,221	326,395	232,919	6,230	1,813,652
- Others	-	-	-	-	-	769	-	-	713	-	-	6	1,489
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	1,142,908	-	-	-	-	-	1,142,908
- Bonds	-	-	-	10,577	-	-	140,245	-	-	-	-	-	150,822
At FVOCI													
- Treasury bills	-	-	-	-	-	-	716,448	-	-	-	-	-	716,448
- Bonds	-	-	-	-	-	-	442,816	-	-	-	-	-	442,816
Other assets	-	-	-	32,644	54,786	-	-	-	-	-	-	-	87,430
Total financial assets	**82,215**	**123,739**	**24,695**	**2,055,623**	**260,258**	**241,790**	**3,172,525**	**166,148**	**312,884**	**498,863**	**242,943**	**12,161**	**7,193,844**
Commitments and guarantees													
- Performance bonds and guarantees	-	63,719	200	26,316	500	36,823	1,620	961	5,181	23,135	11,712	821	170,988
- Letters of credits	-	62	-	-	25	33,843	706	13,444	535,296	104,198	268	-	687,841
- Loan commitments	-	-	-	-	-	-	-	10,880	-	84,150	-	-	95,030
Total commitments and guarantees	**-**	**63,781**	**200**	**26,316**	**525**	**70,666**	**2,326**	**25,285**	**540,477**	**211,483**	**11,980**	**821**	**953,859**

Credit concentration - Industry (continued)

Bank	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2020													
Financial assets													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	176,665	-	-	-	-	-	-	-	-	176,665
- Unrestricted balances with Central Banks	-	-	-	65,930	-	-	-	-	-	-	-	-	65,930
- Money market placements	-	-	-	51,237	-	-	-	-	-	-	-	-	51,237
- Restricted balances with central banks	-	-	-	1,072,094	-	-	-	-	-	-	-	-	1,072,094
Financial assets held for trading:													
- Treasury bills	-	-	-	-	-	-	168,035	-	-	-	-	-	168,035
- Promissory notes	-	-	-	-	-	-	-	-	-	75	-	-	75
- Government bonds	-	-	-	-	-	-	2,948	-	-	-	-	-	2,948
Derivative assets	-	-	-	53,148	-	-	-	-	-	-	-	-	53,148
Loans and advances to banks	-	-	-	65,058	-	-	-	-	-	-	-	-	65,058
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	10,250	-	-	-	-	-	-	-	10,250
- Term loans	-	-	-	-	55,346	-	-	-	-	-	-	-	55,346
Corporates					-								
- Overdrafts	5,782	3,835	1,118	11,317	1,378	36,491	73,196	7,437	96,577	126,920	3,513	82	367,645
- Term loans	45,275	90,913	12,490	106,212	23,410	247,213	133,734	105,119	182,025	246,040	181,445	3,927	1,377,804
- Others	-	-	-	-	-	769	-	-	721	-	-	-	1,491
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	367	-	-	66,112	-	5,000	-	-	-	71,479
At FVOCI													
- Treasury bills	-	-	-	-	-	-	1,101,232	-	-	-	-	-	1,101,232
- Bonds	-	-	-	-	-	-	5,592	-	-	-	-	-	5,592
Other assets	-	-	-	41,382	44,312	-	-	-	-	-	-	-	85,694
Total financial assets	**51,056**	**94,748**	**13,608**	**1,643,410**	**134,696**	**284,474**	**1,550,849**	**112,557**	**284,323**	**373,035**	**184,959**	**4,008**	**4,731,723**
Commitments and guarantees													
- Performance bonds and guarantees		56,524	200	26,316	500	36,823	1,620	961	5,181	23,135	11,712	821	163,793
- Letters of credits		62	-	-	25	33,844	706	13,444	140,926	5,606	268	-	194,880
- Loan commitments	-	-	-	-	-	-	-	10,880	-	84,150	-	-	95,030
Total commitments and guarantees	**-**	**56,586**	**200**	**26,316**	**525**	**70,667**	**2,326**	**25,285**	**146,107**	**112,891**	**11,980**	**821**	**453,703**

4.2 Credit risk (continued)

(c) Credit Quality

The Group manages the credit quality of its financial assets using internal credit ratings. It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

The credit quality of the Group's loans and advances are categorized as follows:

Stage 1 Loans and Advances:

These are loans and advances that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (where the optional simplification is applied) at the reporting date.

Stage 2 Loans and Advances:

These are loans and advances that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event.

Stage 3 Loans and Advances:

These are loans and advances that have objective evidence of a credit loss event. Stage 3 allocation is driven by either the identification of credit impairment or an exposure being classified as defaulted.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired.

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Group renegotiates loans to customers to maximise collection opportunities and minimise the risk of default. The revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. As at 30 June 2021, the carrying amount of loans with renegotiated terms was N453.3 billion (December 2020 : N453.0billion). There are no other financial assets with renegotiated terms as at 30 June 2021 (December 2020: nil).

Impairment assessment under IFRS

The Group assesses its impairment for the purpose of IFRS reporting using the 'forward-looking' Expected Credit Loss (ECL) model in line with provisions of *IFRS 9 - Financial Instrument* .

The Group records an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The measurement of expected credit losses is based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate.

The ECL model has three stages. The Group recognises a 12-month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired and then a lifetime expected loss allowance is recognised.

Credit Quality (continued)

(i) The table below shows the credit quality by class of asset for all financial assets exposed to credit risk.

30 June 2021	**Group**				**Bank**			
	Stage 1 - 12-month ECL	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	410,960	-	-	410,960	253,104	-	-	253,104
- Unrestricted balances with Central Banks	192,838	-	-	192,838	18,266	-	-	18,266
- Money market placements	216,689	-	-	216,689	205,336	-	-	205,336
- Restricted balances with central banks	1,119,489	-	-	1,119,489	1,107,585	-	-	1,107,585
Financial assets at FVTPL:								
- Treasury bills	91,528	-	-	91,528	14,185	-	-	14,185
- Promissory notes	70			70	70			70
- Government bonds	56,269	-	-	56,269	-	-	-	-
Derivative assets	47,594	-	-	47,594	47,594	-	-	47,594
Loans and advances to banks	154,850	-	-	154,850	106,011	-	-	106,011
Loans and advances to customers								
Individuals								
- Overdrafts	241	972	28,292	29,505	167	241	18,091	18,499
- Term loans	102,193	3,541	2,377	108,111	39,904	680	1,107	41,691
Corporates								
- Overdrafts	304,901	82,445	56,498	443,844	211,109	56,168	27,810	295,088
- Term loans	1,939,696	188,256	12,895	2,140,847	1,368,568	173,183	262	1,542,013
- Others	4,046	-	-	4,046	4,046	-	-	4,046
Investment securities:								
At Amortised Cost								
- Treasury bills	1,466,939	-	-	1,466,939	656,090	-	-	656,090
- Bonds	557,102	-	-	557,102	86,087	-	-	86,087
- FGN Promissory notes	-	-	-	-	-	-	-	-
At FVOCI								
- Treasury bills	528,972	-	-	528,972	518,797	-	-	518,797
- Bonds	148,843	-	-	148,843	25,326	-	-	25,326
Other assets	155,094	-	10,604	165,698	93,143	-	9,501	102,644
Gross financial assets	**7,498,314**	**275,214**	**110,666**	**7,884,194**	**4,755,389**	**230,271**	**56,771**	**5,042,431**
Allowance for impairment on financial assets is as follows:								
Allowance for credit losses								
Loans and advances to customers								
- Individuals	8,678	2,189	8,866	19,733	5,491	2,547	4,279	12,317
- Corporates	18,749	11,488	41,827	72,064	23,043	9,379	17,630	50,052
Loans and advances to banks	2,885	-	-	2,885	2,872	-	-	2,872
	30,312	**13,677**	**50,694**	**94,682**	**31,406**	**11,926**	**21,909**	**65,241**
Allowance for impairment								
Other assets	10,604	-	-	10,604	5,359	-	4,142	9,501
Bonds at amortised cost	1,101	-	-	1,101	1,006	-	-	1,006
	11,705	**-**	**-**	**11,705**	**6,365**	**-**	**4,142**	**10,507**
Total impairment allowance on financial assets	**42,017**	**13,677**	**50,694**	**106,387**	**37,771**	**11,926**	**26,051**	**75,748**
Net amount	**7,456,297**	**261,537**	**59,972**	**7,777,807**	**4,717,618**	**218,345**	**30,720**	**4,966,683**

Credit Quality (continued)

31 December 2020	**Group**				**Bank**			
	Stage 1 - 12-month ECL	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	291,225	-	-	291,225	176,665	-	-	176,665
- Unrestricted balances with Central Banks	231,533	-	-	231,533	65,930	-	-	65,930
- Money market placements	126,832	-	-	126,832	51,237	-	-	51,237
- Restricted balances with central banks	1,103,888	-	-	1,103,888	1,072,094	-	-	1,072,094
Financial assets held for trading:								
- Treasury bills	176,172	-	-	176,172	168,035	-	-	168,035
- Promissory notes	75	-		75	75	-	-	75
- Government bonds	38,153	-	-	38,153	2,948	-	-	2,948
Derivative assets	53,148	-	-	53,148	53,148	-	-	53,148
Loans and advances to banks	79,394	-	-	79,394	67,020	-	-	67,020
Loans and advances to customers								
Individuals								
- Overdrafts	3,740	3,527	25,942	33,209	1,617	247	17,859	19,723
- Term loans	159,941	4,602	2,641	167,184	56,127	2,488	1,142	59,757
Corporates				-			-	
- Overdrafts	488,976	26,708	85,075	600,759	352,925	5,897	24,206	383,028
- Term loans	1,613,532	234,976	15,143	1,863,651	1,197,491	213,218	122	1,410,831
- Others	1,519	-	-	1,519	1,519	-	0	1,519
Investment securities:								
At Amortised Cost								
- Treasury bills	716,448	-	-	716,448	-	-	-	-
- Bonds	443,708	-	-	443,708	72,276	-	-	72,276
At FVOCI								
- Treasury bills	1,142,908	-	-	1,142,908	1,101,232	-	-	1,101,232
- Bonds	150,822	-	-	150,822	5,592	-	-	5,592
Other assets	87,430	-	11,672	99,102	85,694	-	11,120	96,814
Gross financial assets	**6,909,444**	**269,813**	**140,473**	**7,319,730**	**4,531,625**	**221,851**	**54,448**	**4,807,924**

Allowance for impairment on financial assets is as follows:

Specific allowance								
Loans and advances to customers								
- Individuals	4,762	353	14,204	19,319	3,427	202	10,255	13,884
- Corporates	43,823	10,853	37,352	92,028	26,906	7,420	14,112	48,438
Loans and advances to banks	1,975	-	-	1,975	1,962	-	-	1,962
	50,560	**11,206**	**51,556**	**113,322**	**32,295**	**7,622**	**67**	**64,284**
Allowance for impairment								
Other assets	322	-	11,350	11,672	322	-	10,798	11,120
Bonds at amortised cost	892	-	-	892	797	-	-	797
	1,214	**-**	**11,350**	**12,564**	**1,119**	**-**	**10,798**	**11,917**
Total impairment allowance on financial assets	**51,774**	**11,206**	**62,906**	**125,886**	**33,414**	**7,622**	**35,165**	**76,201**
Net amount	6,857,670	258,607	77,567	7,193,844	4,498,211	214,229	19,283	4,731,723

Credit Quality (continued)

(ii) The internal credit rating of financial assets at the reporting date is as follows:

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Group								
30 June 2021								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	410,960	-	-	-	410,960	-	410,960
- Unrestricted balances with Central Banks	192,838	-	-	-	-	192,838	-	192,838
- Money market placements	-	216,689	-	-	-	216,689	-	216,689
- Restricted balances with central banks	1,119,489	-	-	-	-	1,119,489	-	1,119,489
Financial assets at FVTPL:								
- Treasury bills	91,528	-	-	-	-	91,528	-	91,528
- Promissory notes	70	-	-	-	-	70		70
- Government bonds	56,269	-	-	-	-	56,269	-	56,269
Derivative assets	47,594	-	-	-	-	47,594	-	47,594
Loans and advances to banks	-	154,850	-	-	-	154,850	(2,885)	151,965
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	29,505	-		29,505	(4,781)	24,724
- Term loans	-	-	108,111	-		108,111	(14,952)	93,159
Corporates								
- Overdrafts	161,865	1,027	280,952	-	-	443,844	(39,062)	404,782
- Term loans	916,114	11,099	1,213,634	-	-	2,140,847	(32,978)	2,107,869
- Others	-	-	4,046	-	-	4,046	(24)	4,022
Investment securities:								
At Amortised Cost								
- Treasury bills	1,466,939	-	-	-	-	1,466,939	-	1,466,939
- Bonds	545,088	10,917	1,097	-	-	557,102	(1,101)	556,001
At FVOCI						-		-
- Treasury bills	528,972	-	-	-	-	528,972	-	528,972
- Bonds	148,843	-	-	-	-	148,843	-	148,843
Other assets	-	-	-	-	165,698	165,698	(10,604)	155,094
	5,275,608	**805,542**	**1,637,345**	**-**	**165,698**	**7,884,194**	**(106,387)**	**7,777,807**

Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Group								
31 December 2020								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	291,225	-	-	-	291,225	-	291,225
- Unrestricted balances with Central Banks	231,533	-	-	-	-	231,533	-	231,533
- Money market placements	-	126,832	-	-	-	126,832	-	126,832
- Restricted balances with central banks	1,103,888	-	-	-	-	1,103,888	-	1,103,888
Financial assets held for trading:								
- Treasury bills	176,172	-	-	-	-	176,172	-	176,172
- Promissory notes	-	-	75	-	-	75		75
- Government bonds	38,153	-	-	-	-	38,153	-	38,153
Derivative asset	53,148	-	-	-	-	53,148	-	53,148
Loans and advances to banks	-	79,394	-	-	-	79,394	(1,975)	77,419
Loans and advances to customers		-				-		-
Individuals								
- Overdrafts	-	-	33,209	-	-	33,209	(13,319)	19,890
- Term loans	-	-	167,184	-		167,184	(6,000)	161,184
Corporates								-
- Overdrafts	204	593	599,961	-	-	600,759	(41,999)	558,760
- Term loans	57,326	73,743	1,732,583	-	-	1,863,651	(49,999)	1,813,652
- Others	-	-	1,519	-	-	1,519	(30)	1,489
Investment securities:								
At Amortised Cost								
- Treasury bills	716,448	-	-	-	-	716,448	-	716,448
- Bonds	422,510	19,969	1,229	-	-	443,708	(892)	442,816
At FVOCI								
- Treasury bills	1,142,908	-	-	-	-	1,142,908	-	1,142,908
- Bonds	150,822	-	-	-	-	150,822	-	150,822
Other assets	-	-	-	-	99,102	99,102	(11,672)	87,430
	4,093,112	**591,756**	**2,535,760**	**-**	**99,102**	**7,319,730**	**(125,886)**	**7,193,844**

Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Bank								
30 June 2021								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	253,104	-	-	-	253,104	-	253,104
- Unrestricted balances with Central Banks	18,266	-	-	-	-	18,266	-	18,266
- Money market placements	-	205,336	-	-	-	205,336	-	205,336
- Restricted balances with central banks	1,107,585	-	-	-	-	1,107,585	-	1,107,585
Financial assets at FVTPL:								-
- Treasury bills	14,185	-	-	-	-	14,185	-	14,185
- Promissory notes	70	-	-	-	-	70		70
- Government bonds	-	-	-	-	-	-	-	-
Derivative assets	47,594	-	-	-	-	47,594	-	47,594
Loans and advances to banks	1,601	104,410	-	-	-	106,011	(2,872)	103,139
Loans and advances to customers								
Individuals								
- Overdrafts	14,667	-	3,831	-	-	18,499	(5,347)	13,152
- Term loans	3,473	-	38,217	-	-	41,691	(6,970)	34,721
Corporates								-
- Overdrafts	94,113	1,027	199,948	-	-	295,088	(19,778)	275,309
- Term loans	718,518	11,099	812,396	-	-	1,542,013	(30,250)	1,511,763
- Others	-	-	4,046	-	-	4,046	(24)	4,022
Investment securities:								-
At Amortised Cost								-
- Treasury bills	656,090	-	-	-	-	656,090	-	656,090
- Bonds	74,073	10,917	1,097	-	-	86,087	(1,006)	85,081
At FVOCI								-
- Treasury bills	518,797	-	-	-	-	518,797	-	518,797
- Bonds	25,326	-	-	-	-	25,326	-	25,326
Other assets	-	-	-	-	102,644	102,644	(9,501)	93,143
	3,294,358	**585,893**	**1,059,536**	**-**	**102,644**	**5,042,431**	**(75,748)**	**4,966,683**

Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Bank								
31 December 2020								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	176,665	-	-	-	176,665	-	176,665
- Unrestricted balances with Central Banks	65,930	-	-	-	-	65,930	-	65,930
- Money market placements	-	51,237	-	-	-	51,237	-	51,237
- Restricted balances with central banks	1,072,094	-	-	-	-	1,072,094	-	1,072,094
Financial assets held for trading:								
- Treasury bills	168,035	-	-	-	-	168,035	-	168,035
- Promissory notes	-	-	75			75	-	75
- Government bonds	2,948	-	-	-	-	2,948	-	2,948
Derivative Asset	53,148	-	-	-	-	53,148	-	53,148
Loans and advances to banks	-	67,020	-	-	-	67,020	(1,962)	65,058
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	19,723	-	-	19,723	(9,473)	10,250
- Term loans	-	-	59,757	-	-	59,757	(4,411)	55,346
Corporates								
- Overdrafts	204	593	382,230	-	-	383,028	(15,383)	367,645
- Term loans	57,326	73,743	1,279,762	-	-	1,410,831	(33,027)	1,377,804
- Others	-	-	1,519	-	-	1,519	(28)	1,491
Investment securities:								
At Amortised Cost								
- Treasury bills	-	-	-	-	-	-	-	-
- Bonds	51,078	19,969	1,229	-	-	72,276	(797)	71,479
At FVOCI								
- Treasury bills	1,101,232	-	-	-	-	1,101,232	-	1,101,232
- Bonds	5,592	-	-	-	-	5,592	-	5,592
Other assets	-	-	-	-	96,814	96,814	(11,120)	85,694
	2,577,587	**389,227**	**1,744,296**	**-**	**96,814**	**4,807,924**	**(76,201)**	**4,731,723**

(d) Statement of Prudential Adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines and the Central Banks of the foreign subsidiaries' regulations. This is at variance with the expected credit loss model required by IFRS under IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

However, Banks would be required to comply with the following:

Provisions for loans recognized in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

• Prudential Provisions is greater than IFRS provisions; the excess provision resulting therefrom should be transferred from the general reserve account to a "regulatory risk reserve".

• Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

As at 30 June 2021, the difference between the Prudential provision and IFRS impairment was N69.81 billion for the Group (December 2020: N45.50 billion) and N47.25 billion for the Bank (December 2020: N45.77billion). This will require a transfer of N24.31 bilion from retained earning to regulatory risk reserve for the Group and N1.48 billion from retained earnings to regulatory risk reserve for the Bank. (December 2020: transfer of N5.10 billion from regulatory credit risk reserve to retained earnings for the Group and N9.22 billion transfer from retained earnings to regulatory credit risk reserve for the Bank) as the regulatory risk reserve is higher than the difference between the allowance for credit losses determined in line with IFRS 9 as at period end and provisions for credit and other known losses under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and the Central Banks of foreign subsidiaries.

	Group	Group	Bank	Bank
In millions of Nigerian Naira	**Jun. 2021**	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Total impairment based on IFRS	112,552	128,693	79,685	78,711
Total impairment based on Prudential Guidelines	182,361	174,189	126,935	124,484
Regulatory credit risk reserve (closing)	(69,809)	(45,496)	(47,250)	(45,773)
Regulatory credit risk reserve (opening)	(45,496)	(50,594)	(45,773)	(36,554)
Transfer from/to regulatory risk reserve	(24,313)	5,098	(1,477)	(9,219)

4.2 Credit risk (continued)

(e) Credit Collateral

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and updated periodically. Collateral generally is not held over loans and advances to banks except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is usually also not held against investment securities.

Irrespective of how well a credit proposal is structured, a second way out in form of adequate collateral coverage for all loans is a major requirement in order to protect the bank from incurring loan losses due to unforeseen events resulting from deterioration of the quality of a loan.

Consequently, the Group issues appropriate guidelines for acceptability of loan collateral from time to time. These articulate acceptable collateral in respect of each credit product including description, required documentation for perfection of collateral and minimum realizable value.

All items pledged as security for loan facilities are insured with the Bank noted as the first loss payee.

Some of the collaterals acceptable to the Bank under appropriate documentations are briefly described as follows:

1. Cash

Cash is the most liquid and readily realizable form of security and the most acceptable to the Bank. Furthermore, cash pledged must be in the same currency as the credit and also in the possession of the Bank either in savings or a deposit account.

2. Treasury bills/certificates

Treasury bills/certificates are acceptable as bank security provided the instruments are purchased through the Bank and have been properly assigned to the bank. Since payments are channeled through the Bank on due dates, realization of the security is relatively easy.

3. Stock and shares

Stocks and shares of reputable quoted companies are acceptable collateral securities. Unquoted shares are usually not acceptable as collaterals.

4. Legal Mortgage

The Bank takes and perfects its interest in acceptable property that are transferred by the obligor as collateral for loan, such that in case of any default by the obligor, the Bank would not require a court order before realizing the security. Location restrictions are however specified in respect of landed property.

5. Debenture

The Bank accepts to take a charge on both current and non-current assets of a borrower by a debenture which is a written acknowledgement of indebtedness by a company usually given under its seal and also sets out the terms for repayment of interest and principal of the credit. A debenture is executed by an obligor in favour of the Bank and it gives a specific or general charge on the company's assets, both present and future.

6. Life Insurance Policies

Generally, life policy with a reputable insurance company approved by the Bank and free of restrictic erse to the Bank's interest is an acceptable security for loan. This could be an endowment policy or whole life policy though the Bank prefers the endowment policy.

7. Guarantees

The Bank accepts guarantees from well rated banks as well as acceptable parties (guarantors) as additional comfort and security for her credits. A guarantee is a written promise by one person called the guarantor or surety to be answerable for the debt, default or miscarriage of another person called principal debtor.

UBA also accepts unconditional insurance credit and performance bonds of first class insurance companies and also the guarantee of the Federal and State Governments. Other guarantees must however be supported by tangible assets for them to become valid for lending.

4.2 Credit risk (continued)

(e) Credit Collateral (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

Loans to individuals

In millions of Nigerian Naira	Group		Bank	
	Jun. 2021	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Against Stage 3 loans				
Property	2,990	1,703	1,397	1,703
Others	28,297	26,833	18,754	17,328
	31,286	28,537	20,151	19,031
Against Stage 2 loans				
Property	557	2,336	101	1,112
Others	7,623	7,724	1,198	2,330
	8,180	10,060	1,299	3,442
Against Stage 1 loans				
Property	4,568	2,654	1,922	2,484
Others	191,039	129,953	103,950	50,893
	195,606	132,607	105,872	53,377
Total for loans to individuals	**235,072**	**171,204**	**127,322**	**75,850**

Loans to corporates

In millions of Nigerian Naira	Group		Bank	
	Jun. 2021	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Against Stage 3 loans				
Property	25,081	32,408	15,330	16,405
Others	44,468	72,080	8,024	10,327
	69,549	104,488	23,355	26,731
Against Stage 2 loans				
Property	82,353	87,925	72,997	73,232
Others	195,868	158,859	158,156	125,810
	278,221	246,784	231,153	199,042
Against Stage 1 loans				
Property	500,361	434,662	435,468	388,410
Others	1,790,343	1,423,353	1,079,049	882,817
	2,290,704	1,858,015	1,514,517	1,271,227
Total for loans to corporates	**2,638,474**	**2,209,287**	**1,769,025**	**1,497,000**
Total for loans and advances to customers	**2,873,546**	**2,380,491**	**1,896,347**	**1,572,850**

4.2 Credit risk (continued)

(e) Credit Collateral (continued)

Details of collateral held against loans and advances and their carrying amounts are shown below. The Group manages collaterals for loans and advances based on the nature of those collaterals.

	Group		Bank	
30 June 2021	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
In millions of Nigerian Naira				
Loans and advances to banks				
Secured against cash	48,138	48,987	48,138	48,987
Unsecured	106,712			
	154,850	48,987	106,011	48,987
Loans and advances to customers				
Secured against real estate	555,332	615,909	522,735	527,216
Secured against cash	287,122	341,465	56,336	97,280
Secured against other collateral*	1,666,659	1,916,171	1,196,352	1,271,851
Unsecured	125,443	-	63,544	-
	2,634,556	**2,873,546**	**1,838,967**	**1,896,347**

	Group		Bank	
31 December 2020	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
In millions of Nigerian Naira				
Loans and advances to banks				
Unsecured	79,394	5,106	67,020	5,106
Loans and advances to customers				
Secured against real estate	544,015	561,688	506,726	483,346
Secured against cash	85,963	78,658	29,320	33,008
Secured against other collateral*	1,832,363	1,740,144	1,224,725	1,056,496
Unsecured	92,635	-	51,765	-
	2,554,975	**2,380,491**	**1,812,536**	**1,572,850**

* Other collateral are mainly domiciliation of payments (sales, invoices, salaries, allowances and terminal benefits), lien on shipping documents, corporate guarantees and similar collaterals.

Other financial assets comprising cash and bank balances (including balances with central banks), financial assets held for trading, investment securities and accounts receivable are not secured. The Group's investment in government securities and its cash and balances with central banks are not considered to require collaterals given their sovereign nature.

Repossessed collateral

During the period, the Group took possession of property amounting to Nil (2020: N2.755 billion) held as collateral against certain loans. These collaterals have been realised and used in offsetting the affected customers' outsta obligations.

Details of collaterals realised during the period is as shown below:

	Loans and advances to customers			
In millions of Nigerian Naira	**Group**		**Bank**	
	Jun. 2021	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Property	2,617	2,755	2,617	2,755
	2,617	**2,755**	**2,617**	**2,755**

4.3 Liquidity risk

(a) Overview

Liquidity risk arises in the general funding of the Group's activities and in the management of position. Liquidity risk is the risk that the Group does not have sufficient financial resources to meet maturing obligations or can only access these financial resources at excessive cost. Liquidity risk includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Group remains well funded with strong liquidity position.

(i) Liquidity Risk Management

In terms of measuring, managing and mitigating liquidity mismatches, UBA Group focuses on two types of liquidity risk, namely funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that UBA Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals or the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the group will be unable to sell assets without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event. The Group manages its liquidity prudently in all geographical locations and for all currencies. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the expected maturity date. To mitigate these uncertainties, our funding base is diverse and largely customer-driven, while customer assets are of short tenor. In addition we have contingency funding plans including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions. We have significant levels of marketable securities, including government securities that can be monetised or pledged as collateral in the event of a liquidity stress.

Contingency funding plans are reviewed and approved annually. They provide a broad set of Early Warning Indicators, an escalation framework and a set of management actions that could be effectively implemented by the appropriate level of senior management in the event of a liquidity stress. A similar plan is maintained within each country.

(ii) Liquidity Risk Governance

The board of directors retains ultimate responsibility for the effective management of liquidity risk. Through the Group Risk Management Committee (GRMC), the board has delegated its responsibility for the management of liquidity risk to the Group Assets & Liability Committee (GALCO). GALCO is the responsible governing management body that monitors liquidity management metrics. Liquidity in each country is managed by the country ALCO within pre-defined liquidity limits and in compliance with Group liquidity policies and practices, as well as local regulatory requirements. Group Market Risk management and Group Treasury are responsible for proactively managing liquidity risk at an operational, tactical and strategic level.

(iii) Liquidity Risk Measurement

There are two measures used across the Group for managing liquidity risk namely: liquidity ratio mechanism which is a statutory requirement from most Central Banks in order to protect third party deposits, and funding gap analysis of assets and liabilities. The funding gap analysis is applied through the use of a maturity ladder by assessing all the bank's cash inflows against outflows to identify the potential for net shortfalls or net funding requirements (i.e. a cumulative net excess or deficit of funds) at selected maturity dates. The maturity ladder is monitored on a day -to-day basis and stress testing is undertaken on a quarterly basis by applying different scenarios to the maturity ladder and assessing the bank's funding requirements under each scenario. All UBA businesses and subsidiaries also construct their maturity ladder and compile reports based on agreed assumptions which is consolidated into a global report for Group ALCO review. The country treasurer for each subsidiary/Group Head Balance Sheet Management also documents the appropriate actions and includes the same into the Contingency Funding Plan (CFP) for implementation.

Liquidity stress testing is also performed for each of UBA Group's major entities and operating subsidiaries. Stress testing and scenario analyses are intended to quantify the potential impact of a liquidity event on the financial and liquidity position, and to identify viable funding alternatives that can be utilized. These scenarios include assumptions about significant changes in key funding sources, market triggers (such as credit ratings), potential uses of funding and political and economic conditions in certain countries. These conditions include expected and stressed market conditions as well as Company-specific events.

(b) Liquidity ratios

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitment maturing within one month.

The liquidity position of the Group remained strong in the course of the period and materially above the minimum liquidity ratio requirement of 30% prescribed by the Central Bank of Nigeria which is UBA Plc's lead regulator. Details of the Bank's ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	Bank Jun. 2021	Bank Dec. 2020
At period end	44.66%	44.30%
Average for the period	35.68%	35.83%
Maximum for the period	50.34%	50.12%
Minimum for the period	30.56%	30.02%

(c) Analysis of financial assets and liabilities by remaining contractual maturities

The tables below show the undiscounted cash flow on the Group's financial liabilities and on the basis of the earliest possible contractual maturity. The Gross nominal inflow/outflow disclosed in the table is the contractual, undiscounted cash flows on the financial liabilities or commitments, except for derivatives assets and liabilities which are stated at their fair values.

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. Demand and savings deposits are expected to remain stable or increase, while unrecognised loan commitments are not expected to be drawn down immediately.

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

30 June 2021 **Group**	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
In millions of Nigerian Naira							
Non-derivative financial liabilities							
Deposits from banks	561,545	562,620.10	462,156	93,765	3,689	3,010	-
Deposits from customers							
Retail Customers:							
Term deposits	65,661	66,674	40,534.95	11,180	3,018	11,202	739
Current deposits	586,312	586,540	586,540	-	-	-	-
Savings deposits	1,552,813	1,554,431	1,554,431	-	-	-	-
Corporate Customers:							
Term deposits	890,348	904,450.45	352,168	327,545	125,148	99,270	320
Current deposits	3,000,440	3,001,607	3,001,607	-	-	-	-
Other financial liabilities	297,967	298,218	239,648	-	-	50,537	8,033
Lease liabilities	9,728	10,186	906.48	524	1,424	4,293	3,039
Borrowings	565,095	611,607	16,410	106,941	26,410	219,999	241,847
Total financial liabilities	**7,529,909**	**7,596,334**	**6,254,401**	**539,956**	**159,688**	**388,311**	**253,977**
Derivative liabilities:							
Cross Currency Swap	220	220	220	-	-	-	-
Assets used to manage liquidity							
Cash and bank balances	2,065,021	2,065,636	852,733	16,941	55,993	20,481	1,119,489
Financial assets at FVTPL							
Treasury bills	91,528	91,528	91,528	-	-	-	-
Promissory notes	70	72	-	-	-	72	-
Bonds	56,269	56,269	56,269	-	-	-	-
Loans and advances to banks	151,965	235,544	28,725.45	100,730	25,843	12,509	67,735
Loans and advances to customers							
Individual							
Term loans	93,159	102,283	960	6,341	5,285	13,743	75,954
Overdrafts	24,724	29,505	29,504.74	-	-	-	-
Corporates		-	-	-	-	-	-
Term loans	2,107,869	2,166,751	24,035	270,934	168,654	244,868	1,458,260
Overdrafts	404,782	443,844	443,844	-	-	-	-
Others	4,022	4,046	1,388	2,658	-	-	-
Investment securities							
At FVOCI							
Treasury bills	528,972	529,963	313	178,567	34,005	317,079	-
Bonds	148,843	244,337	3,694	9,109	7,536	20,752.82	203,245.24
At amortised cost							
Treasury bills	1,466,939	1,466,939	83,806	994,652	190,840	197,641	-
Bonds	556,001	761,031.90	12,986	31,135	37,695.19	77,060	602,155.65
Other assets	155,094	155,094	152,776	-	-	-	2,318
Derivative assets	47,594	47,594	837.97	8,632.52	-	38,123.51	-
Total financial assets	**7,902,852**	**8,400,437**	**1,783,400**	**1,619,699**	**525,851**	**942,328**	**3,529,157**
Gap	**372,723**	**803,883**	**(4,471,221)**	**1,079,743**	**366,163**	**554,017**	**3,275,180**

Management of liquidity gap is disclosed in Note 4.3a(i)

Contingents and loan commitments							
Performance bonds and guarantees	293,734	293,734	29,239	20,425	39,729	66,646	137,694
Letters of credit	1,059,975	1,059,975	330,521	159,403	213,118	251,224	105,709
Loan commitments	87,499	87,499	-	-	-	-	87,499

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

30 June 2021 **Bank** *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative liabilities							
Deposits from banks	290,742	291,124	200,357	90,767	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	15,239	15,232	15,231	-	-	-	1
Current deposits	284,476	284,476	284,476	-	-	-	-
Savings deposits	1,269,514	1,284,113	1,284,113	-	-	-	-
Corporate Customers:							
Term deposits	628,005	634,064	321,372	234,008	74,674	4,006	2
Current deposits	1,727,417	1,727,417	1,727,417	-	-	-	-
Other financial liabilities	208,224	208,323	141,765	-	-	59,015	7,543
Lease liabilities	2,640	2,874	646	237	516	349	1,126
Borrowings	565,095	614,424	16,486	107,434	26,532	221,012	242,961
Total financial liabilities	**4,991,352**	**5,062,046**	**3,991,864**	**432,446**	**101,722**	**284,382**	**251,632**
Derivative liabilities							
Cross Currency Swap	79	79	79	-	-	-	-
Assets used to manage liquidity							
Cash and bank balances	1,650,541	1,651,063	450,069	16,975	55,912	20,522	1,107,585
Financial assets at FVTPL							
Treasury bills	14,185	14,608	14,608	-	-	-	-
Promissory notes	70	73	-	-	-	73	-
Bonds	-	-	-	-	-	-	-
Loans and advances to banks	103,139	180,793	24,786	89,785	18,303	4,012	43,907
Loans and advances to customers							
Individual :							
Term loans	34,721	41,691	25	6,423	4,964	8,871	21,408
Overdrafts	13,152	16,109	16,109	-	-	-	-
Corporates :		-	-	-	-	-	-
Term loans	1,511,763	1,546,945	8,646	206,479	94,204	167,755	1,069,861
Overdrafts	275,309	295,087	295,087	-	-	-	-
Others	4,022	4,046	1,388	2,658	-	-	-
Investment securities							
At FVOCI							
Treasury bills	518,797	518,998	313	176,707	30,366	311,612	-
Bonds	25,326	69,520	467	1,112	33	2,052	65,856
At amortised cost							
Treasury bills	656,090	659,370	-	659,370	-	-	-
Bonds	85,081	126,697	526	221	7,744	4,259	113,947
Other assets	93,143	93,143	84,127	-	-	-	9,016
Derivative asset	47,594	47,594	838	8,633	-	38,123	-
Total financial assets	**5,032,933**	**5,265,736**	**896,989**	**1,168,362**	**211,526**	**557,279**	**2,431,580**
Gap	**41,502**	**203,611**	**(3,094,954)**	**735,916**	**109,804**	**272,897**	**2,179,949**

Management of liquidity gap is disclosed in Note 4.3a(i)

Contingents and loan commitments							
Performance bonds and guarantees	286,766	286,766	26,313	24,467	46,989	94,848	94,149
Letters of credit	388,039	388,039	192,604	66,372	65,065	33,347	30,652
Loan commitments	87,499	87,499	-	-	-	-	87,499

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2020 **Group**	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
In millions of Nigerian Naira							
Non-derivative financial liabilities							
Deposits from banks	418,157	693,667	452,374	136,469	7,104	97,719	-
Deposits from customers							
Retail Customers:							
Term deposits	144,720	146,908	94,463	26,029	9,662	16,371	383
Current deposits	815,250	855,582	855,582				
Savings deposits	1,447,514	1,452,182	1,452,182				
Corporate Customers:							
Term deposits	890,012	991,677	436,369	343,760	75,672	129,875	6,000
Current deposits	2,378,515	2,307,385	2,307,385				
Other financial liabilities	147,162	150,105	148,255	22	380	378	1,070
Lease liabilities	6,929	11,473	1,021	590	1,604	4,836	3,423
Borrowings	694,355	727,824	30,371	127,731	93,913	19,610	456,199
Total financial liabilities	**6,942,614**	**7,336,803**	**5,778,003**	**634,601**	**188,336**	**268,789**	**467,074**
Derivative liabilities:							
Cross Currency Swap	508	508	504	4	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	170,988	170,988	8,663	24,079	32,990	37,738	67,516
Letters of credit	687,841	687,841	164,837	343,536	39,148	79,084	61,235
Loan commitments	95,030	95,030	-	-	-	-	95,030
Assets used to manage liquidity							
Cash and bank balances	1,874,618	1,874,618	624,055	90,353	79,323	42,625	1,038,262
Financial assets held for trading							
Treasury bills	176,172	176,172	176,172	-	-	-	-
Promissory notes	75	75	-	-	-	75	-
Bonds	38,153	38,153	38,153	-	-	-	-
Loans and advances to banks	77,419	81,290	49,229	71	-	-	31,990
Loans and advances to customers							
Individual							
Term loans	161,184	142,431	3,523	9,219	8,321	24,151	97,216
Overdrafts	19,890	24,208	24,208	-	-	-	-
Corporates							
Term loans	1,813,652	1,922,999	64,899	294,416	115,302	417,835	1,030,547
Overdrafts	558,760	599,585	599,585	-	-	-	-
Others	1,489	2,951	-	32	2,919	-	-
Investment securities							
At FVOCI							
Treasury bills	1,142,908	1,239,149	97,880	711,598	170,594	259,078	-
Bonds	150,822	94,928	187	884	1,940	13,546	78,371
At amortised cost							
Treasury bills	716,448	750,739	307,781	292,387	54,185	94,789	1,597
Bonds	443,708	689,444	2,327	9,690	16,472	58,120	602,835
Other assets	87,430	87,430	87,430	-	-	-	-
Derivative assets	53,148	53,148	13,727	17,406	17,374	4,641	-
Total financial assets	**7,315,876**	**7,777,320**	**2,089,156**	**1,426,055**	**466,429**	**914,860**	**2,880,819**
Gap	**(581,105)**	**(513,850)**	**(3,862,852)**	**423,835**	**205,954**	**529,248**	**2,189,963**

Management of liquidity gap is disclosed in Note 4.3a(i)

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2020 **Bank**	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
In millions of Nigerian Naira							
Non-derivative liabilities							
Deposits from banks	121,815	219,614	129,074	4,643	2,841	83,056	-
Deposits from customers							
Retail Customers:							
Term deposits	65,422	66,411	42,202	21,534	2,616	59	0
Current deposits	569,288	569,987	569,987	-	-	-	-
Savings deposits	1,199,738	1,200,888	1,200,888	-	-	-	-
Corporate Customers:							
Term deposits	603,361	495,075	312,038	162,674	19,759	447	158
Current deposits	1,386,334	1,390,731	1,390,731	-	-	-	-
Other financial liabilities	88,456	90,225	88,855	-	297	220	853
Lease liabilities	2,462	1,379	853	220	297	-	9
Borrowings	688,280	741,767	30,371	121,492	84,543	48,489	456,873
Subordinated liabilities	-	-	-	-	-	-	-
Total financial liabilities	**4,725,156**	**4,776,077**	**3,764,999**	**310,563**	**110,352**	**132,270**	**457,893**
Derivative liabilities							
Cross Currency Swap	508	508	504	4	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	163,793	163,793	11,296	32,005	24,069	49,341	47,082
Letters of credit	194,880	194,880	59,303	53,355	10,004	17,114	55,103
Loan commitments	95,030	95,030	-	-	-	-	95,030
Assets used to manage liquidity							
Cash and bank balances	1,436,822	1,436,822	344,831	43,920	38,558	20,720	988,794
Financial assets held for trading							
Treasury bills	168,035	168,035	168,035	-	-	-	-
Promissory notes	75	63,686	-	-	-	63,686	-
Bonds	2,948	2,949	2,949	-	-	-	-
Loans and advances to banks	65,058	66,359	40,187	58	-	-	26,114
Loans and advances to customers							
Individual :							
Term loans	55,346	68,629	4,653	6,164	5,897	9,834	42,081
Overdrafts	10,250	10,254	10,254	-	-	-	-
Corporates :							
Term loans	1,377,804	1,649,569	69,756	221,076	106,793	248,312	1,003,632
Overdrafts	367,645	367,808	367,808	-	-	-	-
Others	1,491	1,566	-	34	1,532	-	-
Investment securities							
At FVOCI							
Treasury bills	1,101,232	1,130,900	97,880	706,375	137,207	189,439	-
Bonds	5,592	10,136	47	1	159	208	9,721
At amortised cost							
Bonds	72,276	81,804	1,129	2,108	1,166	8,148	69,253
Other assets	85,694	85,694	85,694	-	-	-	-
Derivative asset	53,148	53,148	13,727	17,406	17,374	4,641	-
Total financial assets	**4,803,416**	**5,197,360**	**1,206,950**	**997,142**	**308,686**	**544,988**	**2,139,594**
Gap	**(375,951)**	**(32,929)**	**(2,629,153)**	**601,215**	**164,260**	**346,262**	**1,484,486**

4.4 Market risk

(a) Overview

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of these portfolios separately. The trading portfolios comprise positions arising from market-making and warehousing of customer derived positions while non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities as well as financial instruments designated as FVOCI and amortised cost.

(i) Market Risk Management

The objective of market risk management in UBA is to ensure that all significant market risks are identified, measured, and managed in a consistent and effective manner across the Group in order to stabilize earnings and capital and also to ensure that the Group carries out its affairs within acceptable parameters and in line with the market risk appetite.

Market risk achieves the above stated objective, through a mix of quantitative and statistical controls which covers the underlisted activities:

Market data collection and statistical analysis
Limit determination based on market volatility
Stop loss limit utilization monitoring
Position monitoring
New trading products risk assessment
P&L attribution analysis
Pricing model validation and sign off
Trading portfolio stress testing
Regulatory limit monitoring
Position data extraction and Internal limit monitoring
Contingency funding plan maintenance and testing
Risk profile reporting to GALCO.

The universal market risk factors in UBA Group are interest rates, foreign exchange rates and equity prices. The associated market risks are:

· Foreign currency risk; arising from changes in exchange rates
· Interest rate risk; arising from changes in yield curves and credit spreads
· Equity risk; arising from changes in in the prices of equities, equity indices and equity baskets.

(ii) Market Risk Governance

The Board of Directors is responsible for determining UBA Group's risk appetite and tolerance limits for all its market risk exposures. Senior management is responsible for supporting the Board in determining market risk appetite and tolerance limits as well as putting in place all requisite processes, procedures and tools to ensure proper implementation of a robust system for managing, monitoring and reporting market risk appetite. The Board through Board Risk Management Committee (BRMC) is responsible for the overall governance of market risk as well as defining the terms of reference and delegating responsibilities to both the Group Risk Management Committee (GRMC) and Group Asset & Liability Management Committee (GALCO). GALCO has Group oversight and is charged with ensuring that market risks are managed homogeneously in all areas of operation. Further to the above, oversight of market risk is vested in BRMC, GALCO and the Finance & General Purpose Committee (FGPC) while the day to day management rests with the Executive Director, Risk Management, Corporate Governance & Compliance. The Group Market Risk Division is not only responsible for the development of detailed risk management policies but is also involved in the day to day review of their implementation. The market risk management policies are usually validated / approved by the Board in accordance with the approval guidelines. Trading limits are approved by GALCO and F&GPC and ratified by the Board while exposures against these limits are monitored by market risk management team.

(iii) Market Risk Measurement

The Group's policy is that all trading activities are undertaken within the context of the approved Market Risk Management appetite and limits. Market Risk Management team is responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in market risk management policy and other related policies.

The Group uses limits, triggers, value at risk, earnings-at-risk, gap analyses and scenario analyses to measure and control the market risk exposures within its trading and banking books. The Group also performs regular stress tests on its banking and trading books.

(iv) Approach to Managing Market Risk in the Trading Book

The techniques used to ensure and control trading book market risk include limit monitoring, daily valuation of positions, Value at Risk (VaR), Backtesting, stop loss triggers, stress testing/sensitivity analysis etc.

Market Risk Limits: The Bank has put in place specific market risk limits and triggers (regulatory and in-house) to prevent undue risk exposure to the Group. Market risk limits are based on recommendations by GALCO and approved by the Board. Position limits, transaction size and portfolio volume limits are in place for each trading portfolio. UBA Group sets various limits for total market risk and specific foreign exchange, interest rate, equity and other price risks. All limits are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a daily basis by Group Market Risk and Internal Control. Limit excesses are escalated and approved under a delegated authority structure and reported to the GALCO. Excesses are also reported monthly to Group Risk Management Committee (GRMC) and quarterly to Board Risk Management Committee (BRMC).

Stop loss Triggers: Stop loss triggers are used to protect the profitability of the trading desk. They establish decision points to confirm the Group's tolerance for accepting trading risk losses on a cumulative basis. The triggers are monitored on a daily basis by market risk management team.

Daily Valuation Of Market Risk Positions: Mark to Market (MTM) for relevant products/positions is done in line with International Financial Reporting Standard (IFRS). All market risk financial instruments are categorized into:
1) Fair value through profit or loss(FVTPL) – valued on fair value accounting methodology and MTM daily.
2) Fair value through other comprehensive income(FVOCI) – valued on fair value accounting methodology and MTM monthly.
3) Amortised cost – This portfolio is not MTM because positions are held until maturity.

Marking-to-market is at least the daily valuation of positions at readily available close out prices that are sourced independently. Where marking-to-market is not possible, marking-to-model technique is employed. Marking-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. Assets that must be marked-to-model either don't have a regular market that provides accurate pricing, or valuations rely on a complex set of reference variables and time frames. E.g. complex financial instruments and derivatives.

Stress Testing: Market risk management complements the VaR measurement by regular stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible. Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions including when longer holding periods may be required to exit positions. Consistent stress-testing methodology is applied to trading and non trading books. Stress testing methodology considers both historical market events and forward-looking scenarios. The stress testing scenarios include market and credit scenarios, portfolio specific scenarios and macro economic scenarios. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

Factor Sensitivities: Factor sensitivities are expressed as the change in the value of a position for a defined change in a market risk factor, such as a change in the value of Nigerian Government Treasury bill for a one hundred basis point change in interest rates. UBA Group's Market Risk Management, within the Risk organization, works to ensure that factor sensitivities are calculated and monitored for all material risks taken in the trading portfolios.

(v) Approach to Managing Market Risk in the Non-trading Portfolio

Market risk from non-trading portfolios stems from the potential impact of changes in interest rates and foreign exchange rates on UBA's net interest revenues, the changes in accumulated other comprehensive income (loss) from its investment portfolios and capital invested in foreign currencies.

The management of banking book related market risk exposures involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book MTM profit or loss) and economic value of equity. Market risk in the banking book arises as a result of the mismatch between the future yield on assets and their funding cost and also the different repricing characteristics of banking book assets and liabilities. UBA Group uses a variety of tools to track and manage this risk. These tools include;

- Re-pricing gap analysis
- Liquidity gap analysis
- Earnings-at-Risk (EAR)
- Sensitivity Analysis

(vi) Exposure to interest rate risk- non-trading portfolio

UBA Group's principal measure of risk to net interest revenue is interest rate exposure (IRE). This is the risk that changes in interest rates could have a negative impact on the Bank's margins, earnings and capital. The objective of the Bank's interest rate risk management is to ensure that earnings are stable and predictable over time. The Bank is exposed to interest rate risk through the interest-bearing assets and liabilities in its trading and banking books. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the Group's financial position, mainly due to different repricing characteristics of banking book assets and liabilities.

Interest rate risk is managed principally through monitoring interest rate gaps and having pre-approved limits for re-pricing bands. There will always be a mis-match between maturing assets and maturing liabilities, and changes in interest rates means that the Net Interest Margin (NIM) is affected on a daily basis by maturing and re-pricing activities. This change is measured through calculation of Earnings at Risk or EaR on a portfolio over the life of its assets and liabilities. EaR is usually calculated at various levels of change to simulate the likely change in the course of normal business or the expected risk where there is an unusual market event.

GALCO has oversight for compliance with these limits and execution of gapping strategy is carried out by Group Treasury.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

In order to manage changes in interest rates effectively, the Group may modify pricing on new customer loans and deposits, purchase fixed rate securities, issue debt that is either fixed or floating or enter into derivative transactions that have the opposite risk exposures. UBA regularly assesses the viability of these and other strategies to reduce its interest rate risks and implements such strategies when it believes those actions are prudent.

(b) Interest rate risk

UBA Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income and maintaining market interest rate levels consistent with the group's business strategies.

The table below is a summary of the Group's interest rate gap position at the reporting date. All assets, liabilities and derivatives instruments are allocated to gap intervals based on either their repricing or maturity characteristics. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of their contractual re-pricing or maturity dates. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling. Overall non-trading interest rate risk positions are managed by Group Treasury which uses investment securities, advances to other financial institutions (banks and discount houses) to manage the overall position arising from the Group's non-trading activities.

Interest rate risk (Continued)
30 June 2021
Group

In millions of Nigerian Naira	**Carrying amount**	**< 1 month**	**Re-pricing period** **1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
Cash and bank balances	2,065,021	123,735	16,915	55,605	20,151	-	1,848,615
Financial assets at FVTPL							
Treasury bills	91,528	57,363	5,558	20,392	8,215	-	-
Promissory notes	70	70	-	-	-	-	-
Bonds	56,269	-	-	-	-	56,269	-
Loans and advances to banks	151,965	17,267	59,224	17,382	10,655	47,438	-
Loans and advances to customers:							
Individual							
Term loans	93,159	151	337	307	7,156	85,209	-
Overdrafts	24,724	10,471	593	1,669	2,040	9,951	-
Corporates							
Term loans	2,107,869	86,860	292,708	219,229	93,808	1,415,263	-
Overdrafts	404,782	171,425	9,715	27,323	33,395	162,925	-
Others	4,022	166	559	418	179	2,700	-
Investment securities:							
At FVOCI:							
Treasury bills	528,972	312	178,233	33,941	316,486	-	-
Bonds	148,843	2,312	5,737	5,555	14,117	121,121	-
Equity	129,738	-	-	-	-	-	129,738
At amortised cost:							
Treasury bills	1,466,939	83,806	994,652	190,840	197,641	-	-
Bonds	556,001	9,234	22,912	26,868.89	54,166	442,820	-
Derivative assets	47,594	-	-	-	-	-	47,594
Other assets	155,094	-	-	-	-	-	155,094
	8,032,590	**563,171**	**1,587,142**	**599,531**	**758,009**	**2,343,697**	**2,181,041**
Derivative liability	220	-	-	-	-	-	220
Deposits from banks	561,545	330,759	93,043	3,606	2,895	-	131,244
Deposits from customers	6,095,574	1,941,004	338,711	126,740	107,097	421	3,581,602
Other liabilities	307,695	695	402	1,092	3,293	2,331	299,880
Borrowings	565,095	17,881	138,550	149,872	203,766	55,027	-
	7,530,129	**2,290,338**	**570,706**	**281,309**	**317,050**	**57,779**	**4,012,946**
Gaps	**502,461**	**(1,727,167)**	**1,016,436**	**318,222**	**440,959**	**2,285,918**	**(1,831,905)**

Interest rate risk (continued)

31 December 2020

Group

		Re-pricing period					
In millions of Nigerian Naira	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
Cash and bank balances	1,874,618	62,451	-	40,511	23,870	-	1,747,786
Financial assets held for trading							
Treasury bills	176,172	7,483	10,472	150,281	7,936	-	-
Promissory notes	75	-	-	-	75	-	-
Bonds	38,153	-	-	-	-	38,153	-
Loans and advances to banks	77,419	31,464	36,277	9,678	-	-	-
Loans and advances to customers:							
Individual							
Term loans	161,184	3,391	8,873	80,233	13,620	55,067	-
Overdrafts	19,890	19,890	-	-	-	-	-
Corporates		-	-	-	-	-	
Term loans	1,813,652	63,261	286,987	363,721	231,834	867,849	-
Overdrafts	558,760	558,760	-	-	-	-	-
Others	1,489	-	32	1,457	-	-	-
Investment securities:							
At FVOCI:							
Treasury bills	1,142,908	56,756	54,939	226,137	805,076	-	-
Bonds	150,822	4,344				146,478	-
Equity	127,797	-	-	-	-	-	127,797
At amortised cost:							
Treasury bills	716,448	22,663	21,937	90,260	581,588	-	-
Bonds	443,708	10,411	-	-	-	433,297	-
Derivative assets	53,148	-	-	-	-	-	53,148
Other assets	87,430	-	-	-	-	-	87,430
	7,443,673	**840,874**	**419,517**	**962,278**	**1,663,999**	**1,540,844**	**2,016,161**
Derivative liability	508	-	-	-	-	-	508
Deposits from banks	418,157	418,157	-	-	-	-	-
Deposits from customers	5,676,011	1,980,552	749,746	14,494	883	177	2,930,159
Other liabilities	154,091	-	-	-	-	-	154,091
Subordinated liabilities							
Borrowings	694,355	-	64,345	127,983	211,689	290,338	-
	6,943,122	**2,398,709**	**814,091**	**142,477**	**212,572**	**290,515**	**3,084,758**
Gaps	**500,551**	**(1,557,835)**	**(394,574)**	**819,801**	**1,451,427**	**1,250,329**	**(1,068,597)**

Interest rate risk - continued

30 June 2021 Bank	Carrying amount	< 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
				Re-pricing period			
In millions of Nigerian Naira							
Cash and bank balances	1,650,541	-	205,336	-	-	-	1,445,205
Financial assets at FVTPL							
Treasury bills	14,185	4,997	4,735	1,623	2,830	-	-
Promissory notes	70	70	-	-	-	-	-
Bonds	-	-	-	-	-	-	-
Loans and advances to banks	103,139	14,140	51,221	10,442	2,289	25,048	-
Loans and advances to customers:							
Individual							
Term loans	34,721	56	125	114	2,667	31,758	-
Overdrafts	13,152	5,570	316	888	1,085	5,294	-
Corporates							
Term loans	1,511,763	62,296	209,930	157,231	67,279	1,015,026	-
Overdrafts	275,309	116,593	6,607	18,583	22,713	110,812	-
Others	4,022	166	559	418	179	2,700	-
Investment securities:							
At FVOCI:							
Treasury bills	518,797	313	176,639	30,354	311,492	-	-
Bonds	25,326	-	-	-	495	24,831	-
Equity	128,801	-	-	-	-	-	128,801
At amortised cost:							
Treasury bills	656,090	-	656,090	-	-	(0)	-
Bonds	85,081	-	-	4,628	213	80,239	-
Derivative assets	47,594	-	-	-	-		47,594
Other assets	93,143	-	-	-	-	-	93,143
	5,161,734	**204,201**	**1,311,558**	**224,282**	**411,242**	**1,295,708**	**1,714,743**
Derivative liability	79	-	-	-	-	-	79
Deposits from banks	290,742	107,548	90,064	-	-	-	93,131
Deposits from customers	3,924,651	1,597,610	236,029.33	73,714	3,960	2	2,013,336
Other liabilities	210,864	544	199	434	294	948	208,444
Borrowings	565,095	17,963	139,188	150,562	204,704	52,677	-
	4,991,431	**1,723,665**	**465,481**	**224,710**	**208,958**	**53,628**	**2,314,990**
Gaps	**170,303**	**(1,519,464)**	**846,077**	**(428)**	**202,284**	**1,242,081**	**(600,247)**

Interest rate risk - continued

31 December 2020				**Re-pricing period**			
Bank	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
In millions of Nigerian Naira							
Cash and bank balances	1,436,822	9,954	-	17,413	23,870	-	1,385,585
Financial assets held for trading							
Treasury bills	168,035	7,483	9,988	142,628	7,936	-	-
Promissory notes	75	-	-	-	75		
Bonds	2,948	-	-	-	-	2,948	-
Loans and advances to banks	65,058	58,609	6,449		-	-	-
Loans and advances to customers:							
Individual							
Term loans	55,346	2,445	3,239	3,099	5,169	41,394	
Overdrafts	10,250	10,250	-	-	-	-	-
Corporates						-	
Term loans	1,377,804	49,790	157,799	76,226	177,240	916,749	-
Overdrafts	367,645	367,645	-	-	-	-	-
Others	1,491	-	32	1,459	-	-	-
Investment securities:							
At FVOCI:							
Treasury bills	1,101,232	47,651	46,126	189,782	817,673		-
Bonds	5,592	4,344	-	-		1,248	
Promissory notes		-	-	-	-	-	-
Equity	126,860	-	-	-	-	-	126,860
At amortised cost:							
Treasury bills	-						
Bonds	72,276	10,410				61,866	
Derivative assets	53,148	-	-	-	-	-	53,148
Other assets	74,574	-	-	-	-	-	74,574
	4,919,156	**568,581**	**223,633**	**430,607**	**1,031,963**	**1,024,205**	**1,640,167**
Derivative liability	508	-	-	-	-	-	508
Deposits from banks	121,815	121,815	-	-	-	-	-
Deposits from customers	3,824,143	1,136,131	395,168	10,419	634	127	2,281,664
Other liabilities	90,918	-	-	-	-	-	90,918
Subordinated liabilities							
Borrowings	688,280	-	64,345	127,983	211,689	284,263	-
	4,725,664	**1,257,946**	**459,513**	**138,402**	**212,323**	**284,390**	**2,373,090**
Gaps	**193,492**	**(689,365)**	**(235,880)**	**292,205**	**819,640**	**739,815**	**(732,923)**

Interest rate sensitivity analysis of floating rate financial instruments

The tables below shows the impact of interest rate changes (increase / decrease) on the Group's floating-rate financial instrument portfolios and the effect on profit or loss. The sensitivity analysis is based on a conservative assumption of 50 basis point change on the instrument with other variables remaining constant and also assuming there is no asymmetrical movement in yield curve.

	Group		Bank	
Borrowings	**Jun. 2021**	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
In millions of Nigerian Naira				
- African Export-Import Bank (note 37.4)	71,267	119,566	71,267	119,566
-Mashreqbank psc (note 37.10)	57,851	16,192	57,851	16,192
- African Development Bank (Note 37.6)	36,288	40,422	36,288	40,422
- Proparco (note 37.8)	34,938	34,048	34,938	34,048
-Rand Merchant Bank (note 37.14)	30,863	40,438	30,863	40,438
- Sumitomo Mitsui Banking Corporation (note 37.9)	20,576	44,056	20,576	44,056
- European Investment Bank (EIB) (note 37.3)	19,218	20,811	19,218	20,811
- Africa Trade Finance Limited (note 37.12)	10,302	32,004	10,302	32,004
- Agence Francaise de Development (AFD) (note 37.7)	8,180	7,971	8,180	7,971
-ABSA Bank Limited	-	30,264	-	30,264
- CitiBank		20,241		20,241
-Abu Dhabi Commercial Bank (ADCB)		8,014		8,014
-Others		6,075		-
	289,483	**420,103**	**289,483**	**414,028**

	Group		Bank	
	Jun. 2021	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Impact on Profit or Loss:				
Favourable change @ 0.5% increase in rates	(1,447)	(3,127)	(1,447)	(3,066)
Unfavourable change @ 0.5% reduction in rates	1,447	3,127	1,447	3,066

Price sensitivity analysis for financial instruments measured at fair value

The table below shows the impact of price changes (increase / decrease) on the Group's financial assets measured at fair value and the effect on profit & loss. For the purpose of sensitivity analysis, a conservative assumption of 2% change in prices with other variables remaining constant was made.

In millions of Nigerian Naira	Group		Bank	
	Jun. 2021	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Financial assets at FVTPL				
Treasury bills	91,528	176,172	14,185	168,035
Government bonds	56,269	38,153	-	2,948
	147,797	**214,325**	**14,185**	**170,983**
Impact on Profit or Loss:				
Favourable change @ 2% increase in prices	(2,956)	(4,287)	(284)	(3,420)
Unfavourable change @ 2% reduction in prices	2,956	4,287	284	3,420
Derivative assets	47,594	53,148	47,594	53,148
Impact on Profit or Loss:				
Favourable change @ 2% increase in rates	(952)	(1,063)	(952)	(1,063)
Unfavourable change @ 2% reduction in rates	952	1,063	952	1,063
Derivative liabilities	220	508	79	508
Impact on Profit or Loss:				
Favourable change @ 2% increase in rates	4	10	1	10
Unfavourable change @ 2% reduction in rates	(4)	(10)	(1)	(10)

Price sensitivity analysis for financial instruments measured at FVOCI:

The table below shows the impact of price changes (increase / decrease) on the Group's financial instruments at FVOCI and the effect on other comprehensive income. For debt securities which are categorised under level 1 in the fair value hierarchy, a 2% change in prices has been assumed with other variables remaining constant.

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2021**	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Debt securities				
Investment securities at FVOCI:				
Treasury bills	528,972	1,142,908	518,797	1,101,232
Government bonds	148,843	150,822	25,326	5,592
Total	**677,815**	**1,293,730**	**544,123**	**1,106,824**
Impact on other comprehensive income:				
Favourable change @ 2% increase in prices	13,556	25,875	10,882	22,136
Unfavourable change @ 2% reduction in prices	(13,556)	(25,875)	(10,882)	(22,136)

(iii) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as FVOCI. Sensitivity analysis for the Group's equity securities is shown below.

Sensitivity analysis for level 1 equity securities is based on average movement in share price index for quoted shares during the

	Group		Bank	
	Jun. 2021	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Total Equity Positions				
In million of Nigerian Naira				
Investment securities at FVOCI	129,738	127,797	128,801	126,860
Total	**129,738**	**127,797**	**128,801**	**126,860**
Level 3 Equity Sensitivities				
Impact on Other comprehensive income:				
Favourable change @ 5% decrease in unobservable inputs	6,748	6,212	6,748	6,212
Favourable change @ 5% increase in unobservable inputs	5,654	(5,597)	5,654	(5,597)

4.4 Market risk

(c) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is primarily controlled via policies around trading limits. The Board and Group ALCO set limits on the level of exposure by currency and in aggregate for both overnight and intra day positions. These limits must be in line with regulatory Open Position Limit (OPL). Compliance with both internal limits and regulatory limits are monitored daily with zero tolerance for limit breaches. These limits include OPL, dealers' limit, overnight/intraday limits, maturity gap limits, management action trigger, product limits, counterparty limits and cross border limits.

The tables below show foreign currencies to which the Group had exposure at the end of the reporting period and the sensitivity of the Group's profit before tax and equity to changes in exchange rates. The analysis calculates the effect of reasonably possible movement of the foreign exchange rates against the Nigerian Naira (all other variables being constant) on profit or loss due to changes to the carrying amounts of the Group's foreign currency sensitive financial assets and liabilities. A negative amount in the table reflects a potential net reduction in profit, loss or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Nigerian Naira would have resulted in an equivalent but opposite impact.
For the purpose of disclosing the sensitivity analysis for foreign currency risk, the Group's foreign currency risk arising from the translation of its foreign operations are not taken into account even though they may have an impact on equity. This is because foreign currency risk can only arise on financial instruments denominated in a currency other than the functional currency in which they are measured and translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the group's presentation currency.

The information disclosed on the net foreign currency (FCY) exposure is representative of the average exposure in the period. The Bank believes that for each foreign currency exposure, it is reasonable to assume 15% depreciation of the Naira holding all other variables constant.

Group

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
30 June 2021						
Cash and bank balances	1,252,182	644,352	105,721	8,339	54,426	2,065,021
Financial assets at FVTPL	14,255	-	-	-	133,612	147,867
Derivative assets	47,200	-	-	-	394	47,594
Loans and advances to banks	-	67,193	20,776	3	63,993	151,965
Loans and advances to customers	1,027,565	782,335	45,242	178	779,236	2,634,556
Investment securities	1,306,568	73,482	-	-	1,450,443	2,830,493
Other assets	41,025	71,451	25,491	1,988	15,140	155,094
Total financial assets	**3,688,795**	**1,638,813**	**197,231**	**10,508**	**2,497,244**	**8,032,590**
Derivative liability	-	79	-	141	-	220
Deposits from banks	92,125	234,641	4,388	0	230,392	561,545
Deposits from customers	3,114,658	1,023,814	52,148	10,458	1,894,496	6,095,574
Other liabilities	39,886	99,558	74,337	649	93,265	307,695
Borrowings	98,570	466,525	-	-	-	565,095
Total financial liabilities	**3,345,239**	**1,824,617**	**130,872**	**11,248**	**2,218,152**	**7,530,129**
Swap and forward contracts	(590,899)	590,899			-	-
Net FCY Exposure		**405,095**	**66,359**	**(740)**	**279,092**	
Effect of naira depreciation by 10% on profit before tax		40,510	6,636	(74)	27,909	74,981
Effect of naira appreciation by 10% on profit before tax		(40,510)	(6,636)	74	(27,909)	(74,981)

Group

In millions of Nigerian Naira						
31 December 2020						
Cash and bank balances	1,176,105	233,876	62,453	11,221	390,964	1,874,618
Financial assets held for trading	171,058	-	-	-	43,342	214,400
Derivative assets	53,148	-	-	-	-	53,148
Loans and advances to banks	-	64,190	13,217	12	-	77,419
Loans and advances to customers	955,518	824,304	38,503	37	736,613	2,554,975
Investment securities	1,521,656	12,850	1,477	-	1,044,808	2,580,791
Other assets	32,051	50,322	4,551	33	12,145	99,102
Total financial assets	**3,909,536**	**1,185,541**	**120,202**	**11,303**	**2,227,872**	**7,454,453**
Derivative liability	508	-	-	-	-	508
Deposits from banks	142,261	7,984	7,983	16	259,913	418,157
Deposits from customers	3,508,339	608,438	46,649	12,007	1,500,578	5,676,011
Other liabilities	30,668	52,821	14,805	317	48,552	147,162
Borrowings	74,996	619,359	-	-	-	694,355
Total financial liabilities	**3,756,772**	**1,288,601**	**69,436**	**12,340**	**1,809,043**	**6,936,193**
Swap and forward contracts	(500,413)	500,413	**-**	**-**	**-**	**-**
Net FCY Exposure		**397,353**	**50,766**	**(1,037)**		
Effect of naira depreciation by 10% on profit before tax		39,735	5,077	(104)	-	44,708
Effect of naira appreciation by 10% on profit before tax		(39,735)	(5,077)	104	-	(44,708)

4.4 Market risk

(c) Exchange rate exposure limits - continued

In millions of Nigerian Naira

Bank	**Naira**	**US Dollar**	**Euro**	**Pound**	**Others**	**Total**
30 June 2021						
Cash and bank balances	1,143,314	436,630	57,786	7,089	5,721	1,650,541
Financial assets at FVTPL	14,255	-	-	-	-	14,255
Derivative assets	47,200	-	-	-	394	47,594
Loans and advances to banks	36,110	46,209	20,776	3	41	103,139
Loans and advances to customers	1,027,565	764,424	45,142	177	1,659	1,838,967
Investment securities	1,397,165	16,930	-	-	-	1,414,095
Other assets	41,025	49,570	184	2,355	10	93,143
Total financial assets	**3,706,634**	**1,313,764**	**123,888**	**9,624**	**7,825**	**5,161,734**
Derivative liability	-	79	-	-	-	79
Deposits from banks	89,381	201,337	-	0	24	290,742
Deposits from customers	3,110,391	772,538	26,788	9,585	5,348	3,924,651
Other liabilities	39,886	88,524	75,063	92	7,299	210,864
Borrowings	100,245	464,850	-	-	-	565,095
Total financial liabilities	**3,339,903**	**1,527,328**	**101,852**	**9,677**	**12,671**	**4,991,431**
Swap and forward contracts	(590,899)	590,899			**-**	**-**
Net FCY Exposure		**377,335**	**22,036**	**(53)**	**(4,846)**	
Effect of naira depreciation by 15% on profit before tax		56,600	3,305	(8)	(727)	59,171
Effect of naira appreciation by 15% on profit before tax		(56,600)	(3,305)	8	727	(59,171)
31 December 2020						
Cash and bank balances	1,176,105	217,375	32,760	7,052	3,531	1,436,822
Financial assets held for trading	171,058	-	-	-	-	171,058
Derivative assets	53,148			-	-	53,148
Loans and advances to banks	-	51,829	13,217	12	-	65,058
Loans and advances to customers	955,518	761,051	95,939	28	-	1,812,536
Investment securities	1,292,253	12,910	-	-	-	1,305,163
Other assets	32,051	64,701	25	33	4	96,814
Total financial assets	**3,680,133**	**1,107,866**	**141,941**	**7,125**	**3,535**	**4,940,599**
Derivative liability	508	-	-	-	-	508
Deposits from banks	97	118,047	3,671	-	-	121,815
Deposits from customers	3,176,470	608,187	30,666	8,820	-	3,824,143
Other liabilities	30,668	41,995	13,483	304	2,007	88,456
Borrowings	74,996	613,284	-	-	-	688,280
Total financial liabilities	**3,282,739**	**1,381,512**	**47,819**	**9,124**	**2,007**	**4,723,202**
Swap and forward contracts	(500,413)	500,413				
Net FCY Exposure		**226,766**	**94,122**	**(1,999)**	**1,528**	
Effect of naira depreciation by 15% on profit before tax		34,015	14,118	(300)	229	48,063
Effect of naira appreciation by 15% on profit before tax		(34,015)	(14,118)	300	(229)	(48,063)

5 Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of local banking supervisors. The Group's lead regulator, the Central Bank of Nigeria (CBN) sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria (CBN) and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

5.1 Capital management

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk of its activities. In order to maintain or adjust its capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. Capital management is overseen by the Board of Directors who have overall responsibility for ensuring adequate capital is maintained for the Group.
The Group has a process of ensuring adequate capital is maintained and this process includes:

- Capital planning
- Prudent portfolio management
- Capital adequacy stress testing
- Contingency Planning

The objective of the capital management process is to:

- Adequately assess impairment losses and impact on capital impairment;
- Meet CBN's capital adequacy requirements
- Optimise the use and allocation of capital resources and align our target capital with our optimum capital structure

5.2 Regulatory capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.
The group monitors regulatory capital using the capital adequacy ratio. This ratio is calculated as total regulatory capital divided by risk weighted assets. Total regulatory capital and risk weighted assets are calculated as shown in the table below.

The Central Bank of Nigeria sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

The Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group's regulatory capital is split into two tiers:

Tier 1 capital includes ordinary share capital, share premium, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital includes qualifying subordinated liabilities and the element of the fair value reserve relating to unrealised gains on financial instruments classified as FVOCI.

Various limits are applied to elements of the capital base. Elements of Tier 2 capital are limited to a maximum of one-third of Tier 1 capital, after making deductions of goodwill, deferred tax asset and other intangible assets but before deductions of investments.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

During the year, the Group's strategy, which was unchanged, was to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. UBA Plc operates under an international banking authorization with a minimum regulatory capital of N50 billion and a minimum capital adequacy ratio of 16%. During the year, the Group complied with all external capital requirements.

In millions of Nigeria naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Tier 1 capital				
Ordinary share capital	17,100	17,100	17,100	17,100
Share premium	98,715	98,715	98,715	98,715
Retained earnings	271,406	255,059	102,549	95,480
Other reserves	120,516	115,379	101,072	97,451
Gross Tier 1 capital	507,737	486,253	319,436	308,746
Less:				
Deferred tax on accumulated losses	7,522	7,522	882	7,816
Intangible assets	28,304	28,900	15,902	16,237
Tier 1 Capital After Regulatory Deduction	**471,911**	**449,831**	**302,652**	**284,693**
Investment in subsidiaries	-	-	(51,638)	(51,638)
Eligible Tier 1 Capital	**471,911**	**449,831**	**251,015**	**233,055**
Tier 2 capital				
Fair value reserve for securities measured at FVOCI	96,850	122,807	97,352	123,421
Less: limit of tier 2 to tier 1 capital	-	(28,523)	-	(28,523)
Qualifying Tier 2 Capital Before Deductions	**96,850**	**94,284**	**97,352**	**94,898**
Less: Investment in subsidiaries	-	-	(51,638)	(51,638)
Net Tier 2 Capital	**96,850**	**94,284**	**45,715**	**43,260**
Qualifying capital				
Net Tier I regulatory capital	471,911	449,831	251,015	233,055
Net Tier II regulatory capital	96,850	94,284	45,715	43,260
Total qualifying capital	568,761	544,115	296,730	276,315
Composition of risk-weighted assets:				
Risk-weighted amount for credit risk	1,696,256	1,685,209	929,099	991,245
Risk-weighted amount for operational risk	663,848	732,958	409,173	396,319
Risk-weighted amount for market risk	19,705	16,160	15,027	15,390
Total Basel II Risk-weighted assets	2,379,809	2,434,326	1,353,299	1,402,955
Basel II Capital ratios				
Risk Weighted Capital Adequacy Ratio	**23.9%**	**22.4%**	**21.9%**	**19.7%**

The above capital adequacy computation is based on the Revised Basel II guidelines advised by the Central Bank of Nigeria effective 24 June 2015.

5.3 Capital allocation

The allocation of capital between specific operations and activities is to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives.

6 Fair value measurement

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.
For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

6.1 Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

• Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily quoted equity and debt investments classified as trading securities or available for sale.

• Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.
Specific valuation techniques used to value financial instruments include:

• Quoted market prices or dealer quotes for similar instruments;

• The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

• The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value;

• Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

• Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
Valuation techniques include net present value and discounted cashflow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rate, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. The Group's valuation methodology for securities uses a discounted cash flow methodology and dividend discount methodology. The methodologies are often used by market participants to price similar securities.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa such as interest rate swaps, fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgment in determining appropriate portfolio-level adjustments such as bid-ask spreads and relevant risk premiums.

6.2 Valuation framework

The Group has an established control framework with respect to the measurement of fair values. This framework includes an Investor Relations and Portfolio Investments Management Unit which is independent of front office management and reports to the Group Chief Financial Officer, and which has overall responsibility for valuations. There is also the Risk Measurement unit responsible for independent independently verifying the results of third party valuation. Specific controls include:

• Verification of observable pricing;
• Re-performance of model valuations;
• A review and approval process for new models and changes to models involving both Product Control and Group Market Risk;
• periodic calibration and back-testing of models against observed market transactions;
• Analysis and investigation of significant daily valuation movements; and
• Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous month, by a committee of senior Product Control and Group Market Risk personnel.

When third party information, such as broker quotes or pricing services, is used to measure fair value, the risk measurement unit assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

• Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
• Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
• When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
• If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

6 **Fair value measurement - continued**

6.3 **Financial instruments measured at fair value**

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements are recurring.

Group:

30 June 2021

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	23				
Government bonds			56,269	-	56,269
Promissory notes		-	70	-	70
Treasury bills			91,528	-	91,528
Derivative assets measured at fair value through profit and loss:	33(a)	-	47,594	-	47,594
Investment securities at FVOCI	26				
Treasury bills			528,972	-	528,972
Bonds			148,843	-	148,843
Equity investments		4,967		124,771	129,738
Total assets		**4,967**	**873,276**	**124,771**	**1,003,014**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	220	-	220

Bank:

30 June 2021

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	23				
Government bonds		-	-	-	-
Promissory notes			70	-	70
Treasury bills			14,185	-	14,185
Derivative assets measured at fair value through profit and loss:	33(a)	-	47,594	-	47,594
Investment securities at FVOCI	26				
Treasury bills			518,797	-	518,797
Bonds			25,326	-	25,326
Equity investments		4,967		123,834	128,801
		4,967	**605,972**	**123,834**	**734,773**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	79	-	79

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value

Group:

31 December 2020

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	23				
Government bonds		-	38,153	-	38,153
Promissory notes			75		75
Treasury bills		-	176,172	-	176,172
Derivative assets measured at fair value through profit and loss:	33(a)	-	53,148	-	53,148
Investment securities at FVOCI	26				
Treasury bills		-	1,142,908	-	1,142,908
Bonds		-	150,822	-	150,822
Equity investments		4,041	-	123,756	127,797
Total assets		**4,041**	**1,561,278**	**123,756**	**1,689,075**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**508**	**-**	**508**

Bank:

31 December 2020

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	23				
Government bonds		-	2,948	-	2,948
Promissory notes			75	-	75
Treasury bills		-	168,035	-	168,035
Derivative assets measured at fair value through profit and loss:	33(a)	-	53,148	-	53,148
Investment securities at FVOCI	26				
Treasury bills		-	1,101,232	-	1,101,232
Bonds		-	5,592	-	5,592
Equity investments		4,041	-	122,819	126,860
		4,041	**1,331,030**	**122,819**	**1,457,890**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**508**	**-**	**508**

The following table presents the changes in level 3 instruments during the year. Level 3 instruments are all investment securities (unquoted equities).

In millions of Nigerian Naira	**Group Jun. 2021**	**Group Dec. 2020**	**Bank Jun. 2021**	**Bank Dec. 2020**
Balance, beginning of year	123,756	108,408	122,819	107,818
Addition during the year	-	347	-	-
Gain recognised in other comprehensive income (under fair value gain on FVOCI)	(904)	10,875	(904)	10,875
Translation differences	1,919	4,126	1,919	4,126
Balance, end of year	124,771	123,756	123,834	122,819

Fair value measurement (continued)

(i) The fair value of the Group's equity investment in CSCS Limited was previously categorised as level 3 in the fair value hierarchy. This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares. There were no transfers from level 2 to level 3 in 2021.

(ii) Level 2 fair value measurements

These prices are a reflection of the actual fair value of the investments, as transactions consummated under the OTC trades were arms length transactions. The Group's Level 2 derivative contracts were valued using interest rate parity method discounted for passage of time. Inputs to the valuation models are all based on market conditions existing at the end of each reporting period. These derivative contracts are not traded in active markets.

(iii) Level 3 fair value measurements - Unobservable inputs used in measuring fair value

All valuation processes and techniques are subject to review and approval by the Finance and General Purpose Committee of the Board of Directors. There was no change in the Group's valuation technique during the period.

The table below sets out information about significant unobservable inputs used as at 30 June 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 30 June 2021 N'million	Fair value as at 31 December 2020 N'million	Valuation technique	Unobservable input	Range of estimates for unobservable inputs (30 June 2021)	Range of estimates for unobservable inputs (31 December 2020)	Relationship of unobservable inputs to fair value	
Unquoted equity securities	129,738	127,797	Income Approach (Discounted cashflow method)	Cost of equity	13.1% - 22.3%	12.7% - 17.5%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values	
				Terminal growth rate	2.9% - 2.3%	1.7%-2.4%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values	

Fair value measurement (continued)

(iv) Level 3 fair value measurements - Unobservable inputs used in measuring fair value (continued)

Significant unobservable inputs are developed as follows:

Discounted cashflow

The Group measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements. Level 3 fair value measurements, includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. The Discounted cash flow valuation model was used, necessitating the adoption of the following unobservable inputs:

I. The Group used the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.
II. The risk-free rate was determined using the yield on 20-year US treasury bond (for unquoted securities denominated in USD) and longest tenured Federal Government of Nigeria bond (for unquoted securities denominated in Nigerian naira).
III. Equity risk premium was determined using market returns obtained from Damodaran Online
IV. Beta estimates were obtained from Damodaran Online.
V. For Africa Finance Corporation valuation, Management's revenue forecasts for the years 2020 – 2024 was used to derive the free cashflow to equity, which was discounted within the discounted cash flow framework to arrive at fair value estimate

Dividend discount model

• The Group used the build-up approach to determine cost of equities for its various unquoted equities which were fair valued using dividend discount model at year end.
• The risk free rate was determined using the yield on the longest tenored sovereign bonds.
• The dividend growth rate was determined using the historical five years weighted average growth rate of dividends paid by the respective entities
• Equity risk premium were obtained from Damodaran Online (with specific focus on emerging markets data), adjusted for size premium.

(v) Level 3 fair value measurements - Effect of unobservable inputs on fair value measurement

The Group believes that its estimates of fair values are appropriate. However, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the cost of equity or terminal growth rate by a reasonable possible value, in isolation, would have the following effects on other comprehensive income for the period:

In millions of Nigerian Naira

Key Assumption	Effect on other comprehensive income (OCI)			
	Jun. 2021		Dec. 2020	
	5% Increase	5% Decrease	5% Increase	5% Decrease
Cost of Equity	(6,024)	6,622	(5,710)	6,325
Terminal Growth Rate	122	(122)	113	(113)

Fair value measurement - continued

6.4 Financial instruments not measured at fair value

The table below sets out the fair values of financial instruments not carried at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Group	Level 1	Level 2	Level 3	Total fair value	Carrying amount
In millions of Nigerian Naira					
30 June 2021					
Assets					
Cash and bank balances	-		2,065,021	2,065,021	2,065,021
Loans and advances to banks	-	-	148,925.70	148,926	151,965
Loans and advances to customers					
-Individual					
Term loans	-	-	89,433	89,433	93,159
Overdrafts	-	-	23,487.80	23,488	24,724
-Corporate					
Term loans	-	-	2,002,476	2,002,476	2,107,869
Overdrafts	-	-	380,495	380,495	404,782
Others		-	3,861	3,861	4,022
Investment Securities - Amortised cost					
Treasury bills	-	1,408,261	-	1,408,261	1,466,939
Bonds		549,408	-	549,408	557,102
Other assets	-	-	148,890	148,890	155,094
Liabilities					
Deposits from banks	-		533,468	533,468	561,545
Deposits from customers	-	-	5,790,795	5,790,795	6,095,574
Other liabilities	-	-	292,310	292,310	307,695
Borrowings	-	-	536,840	536,840	565,095

Group	Level 1	Level 2	Level 3	Total fair value	Carrying amount
In millions of Nigerian Naira					
31 December 2020					
Assets					
Cash and bank balances	-	-	1,874,618	1,874,618	1,874,618
Loans and advances to banks	-	-	78,295	78,295	77,419
Loans and advances to customers					
-Individual					
Term loans	-	-	165,663	165,663	161,184
Overdrafts	-	-	22,177	22,177	19,890
-Corporate					
Term loans	-	-	1,830,951	1,830,951	1,813,652
Overdrafts	-	-	575,072	575,072	558,760
Others		-	1,505	1,505	1,489
Investment Securities - Amortised cost					
Treasury bills	-	716,448	-	716,448	716,448
Bonds		371,432	-	371,432	443,708
Other assets	-		75,758	75,758	75,758
Liabilities					
Deposits from banks	-		418,157	418,157	418,157
Deposits from customers	-	-	5,697,797	5,697,797	5,676,011
Other liabilities	-	-	147,162	147,162	147,162
Borrowings	-	-	727,824	727,824	694,355

Bank	Level 1	Level 2	Level 3	Total fair value	Carrying amount
30 June 2021					
Assets					
Cash and bank balances	-		1,650,541	1,650,541	1,650,541
Loans and advances to banks	-	-	101,076	101,076	103,139
Loans and advances to customers					-
-Individual					
Term loans	-	-	33,332	33,332	34,721
Overdrafts	-	-	12,494	12,494	13,152
-Corporate					
Term loans	-	-	1,436,175	1,436,175	1,511,763
Overdrafts	-	-	258,790	258,790	275,309
Others	-	-	3,861	3,861	4,022
Investment Securities - Amortised cost					
Treasury bills	-	636,407	-	636,407	656,090
Bonds		78,393	-	78,393	86,087
Other assets	-		89,417	89,417	93,143
Liabilities					
Deposits from banks	-	-	276,205	276,205	290,742
Deposits from customers	-	-	3,728,418	3,728,418	3,924,651
Other liabilities	-	-	210,864	210,864	210,864
Borrowings	-	-	536,840	536,840	565,095
31 December 2020					
Assets					
Cash and bank balances	-	-	1,436,822	1,436,822	1,436,822
Loans and advances to banks	-	-	65,794	65,794	65,058
Loans and advances to customers					-
-Individual					
Term loans	-	-	56,883.92	56,884	55,346
Overdrafts	-	-	11,428.61	11,429	10,250
-Corporate					
Term loans	-	-	1,390,946	1,390,946	1,377,804
Overdrafts	-	-	378,377.80	378,378	367,645
Others	-	-	1,507.22	1,507	1,491
Investment Securities - Amortised cost					
Treasury bills	-	-	-	-	-
Bonds		72,276	-	72,276	72,276
Other assets	-		74,574	74,574	74,574
	-	-	-		
Liabilities					
Deposits from banks	-	-	121,815	121,815	121,815
Deposits from customers	-	-	3,842,187	3,842,187	3,824,143
Other liabilities	-		88,456	88,456	88,456
Borrowings	-	-	741,767	741,767	688,280

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Group's financial statements. These fair values were calculated for disclosure purposes only.

i) Cash and bank balances

The carrying amount of cash and cash equivalents is a reasonable approximation of fair value.

ii) Loans and advances

Loans and advances are net of charges for impairment. To improve the accuracy of the valuation estimate for loans, homogenous loans are grouped into portfolios with similar characteristics. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

iii) Investment securities

The fair value for investment securities is based on market prices from financial market dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

iv) Other assets

The bulk of these financial assets have short (less than 3months) maturities and their amounts are a reasonable approximation of fair value.

v) Deposits from banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

vi) Other liabilities

The carrying amount of financial liabilities in other liabilities is a reasonable approximation of fair value.

vii) Interest bearing loans and borrowings

The estimated fair value of fixed interest-bearing borrowings not quoted in an active market is based on discounted cash flows using the contractual interest rates for these debts over their remaining maturity.

7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the Group may enter into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances.

The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at the reporting date, and shows in the "Net" column what the impact would be on the Group's statement of financial position if all set off rights were exercised.

Group
30 June 2021

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	170,288	(119,387)	50,901
Financial liabilities			
- Creditors and payables (note 36) (a)	335,268	(119,387)	215,881

Group
31 December 2020

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	201,823	(169,526)	32,297
Financial liabilities			
- Creditors (note 36) (a)	255,269	(169,526)	85,743

Bank
30 June 2021

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	152,246	(119,387)	32,859
Financial liabilities			
- Creditors (note 36) (a)	254,470	(119,387)	135,083

Bank
31 December 2020

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	85,716	(68,632)	17,084
Financial liabilities			
- Creditors (note 36) (a)	111,530	(68,632)	42,898

(a) Standard terms of electronic banking and similar payment transactions allow for net settlement of payments in the normal course of business.

8 Critical accounting estimates and judgments

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below.

These disclosures supplement the commentary on financial risk management (see note 4).

(a) Key sources of estimation uncertainty

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss(ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Details of the inputs, assumptions and estimation methodologies used in measuring ECL are described in note 3.27.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3.27.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described on the Group's valuation methodology have been made on note 6.1. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future taxable profits based on expected revenues for the next five years. Details of the Group's recognised and unrecognised deferred tax assets and liabilities are as disclosed in note 32.

(iv) Impairment testing for cash-generating units containing goodwill

On an annual basis, the Group carries out impairment assessments of its cash generating units containing goodwill. The recoverable amounts of the cash-generating units (CGU) are determined based on value-in-use calculations which require the use of estimates including discount rates and terminal growth rates. Management's estimates of the recoverable amounts of these CGU's is sensitive to these estimates. The key assumptions underlying the recoverable amounts as well as sensitivity analysis of these key assumptions are disclosed in note 31.

(v) Determination of incremental borrowing rate used for discounting lease liabilities

The incremental borrowing rate is defined by IFRS 16 as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.
The effective borrowing rate used for discounting the future lease payments to present value was determined by using the corresponding FGN Bond/Bill yields of similar maturity profiles with the outstanding lease terms in addition to the Bank's risk premium based on the interest rate of the Bank's quoted subordinated series 3 notes. Hence, the bank applied a single discount rate to a portfolio of leases with reasonably similar characteristics but matched with their relevant lease terms.

(b) Critical accounting judgments in applying the Group's accounting policies

Critical accounting judgments made in applying the Group's accounting policies include:

(i) Fair value of equity instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see the Group's accounting policy on valuation of financial instruments in note 6.

(ii) Allowance for credit losses

In estimating credit losses, the Group considers the credit worthiness and financial capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default -PD) , the portion of the loan expected to be irrecoverable at the time of loan default (loss given default - LGD) and Exposure at Default (EAD). The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD.

	30 June 2021		31 December 2020	
In millions of Nigerian Naira	**Probability of Default -PD**	**Loss Given Default-LGD**	**Probability of Default -PD**	**Loss Given Default-LGD**
Increase/decrease				
1% increase	60	330	128	148
1% decrease	(60)	(330)	(125)	(148)

(iii) Determination of the lease term for lease contracts with renewal

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. The Group considers lease contracts which by our own assessment would mature in the next 12 months to 3 years and also consider relevant factors that create an economic incentive for it to exercise the renewal.

9 Operating segments

Segment information is presented in respect of the Group's geographic segments which represents the primary segment reporting format and is based on the Group's management and reporting structure. The Chief Operating Decision Maker (Board of Directors), reviews the Group's performance along these business segments and resources are allocated accordingly.

Geographical segments

The Group operates in the following geographical regions:

- **Nigeria:** This comprises UBA Plc (excluding the branch in New York), UBA Pensions Custodian Limited
- **Rest of Africa:** This comprises all subsidiaries in Africa, excluding Nigeria. The African subsidiaries have been aggregated into one reportable segment as they are deemed to have similar economic characteristics.
- Rest of the world: This comprises UBA UK Limited and UBA New York branch. Although this part of the business is not large enough to be presented as a separate reporting segment, it has been included here as it is seen as a potential growth segment which is expected to materially contribute to group revenue in the future. The entities within this reporting segment have been aggregated into one reportable segment as they have similar economic characteristics.

Business segments

The Group operates in the following business segments:

Corporate Banking - This business segment provides a broad range of financial solutions to multinationals, regional companies, state-owned companies, non-governmental organisations, international and multinational organisations and financial institutions.

Retail/ Commercial banking – This business segment has presence in all major cities in Nigeria and in nineteen other countries across Africa where the Group has operations . It provides commercial banking products and services to the middle and retail segments of the market.

Treasury and Financial Markets – This segment provides innovative financing and risk management solutions and advisory services to the Group's corporate and institutional customers. The segment is also responsible for formulation and implementation of financial market products for the Group's customers.

No single external customer or group amounts to 10% or more of the Group's revenues.

The revenue from external parties reported to the Chief Operating Decision Maker is measured in a manner consistent with that in the profit or loss statement.

Inter-segment transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-segment transactions that are recognised in assets are also eliminated. Transfer prices between operating segments are based on the Group's internal pricing framework.

(a) Geographical segments

(i) 30 June 2021

In millions of Nigerian Naira	**Nigeria**	**Rest of Africa**	**Rest of the World**	**Eliminations**	**Total**
Total Revenue	**171,226**	**141,870**	**9,616**	**(7,386)**	**315,326**
Interest expenses	(46,878)	(27,474)	(1,651)	1,440	**(74,563)**
Fee and commission expense	(19,969)	(8,267)	(79)	(2)	**(28,317)**
Impairment loss recognised in Profit or Loss	(2,192)	(1,837)	(106)	(2)	**(4,137)**
Share of loss in equity-accounted investee	-	710	-	-	**710**
Operating expenses	(79,523)	(48,904)	(4,029)	(377)	**(132,833)**
Profit before tax	**22,664**	**56,098**	**3,751**	**(6,327)**	**76,186**
Income tax expenses	(1,527)	(14,078)	-	-	**(15,605)**
Profit for the period	**21,137**	**42,020**	**3,751**	**(6,327)**	**60,581**
30 June 2021					
Total segment assets*	**5,245,438**	**3,078,102**	**471,152**	**(479,382)**	**8,315,310**
Total segment liabilities	**4,813,793**	**2,694,540**	**347,313**	**(292,857)**	**7,562,789**

(ii) 30 June 2020

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
Total Revenue	**189,608**	**107,203**	**9,219**	**(5,773)**	**300,257**
Interest expenses	(62,475)	(25,124)	(1,926)	3,263	**(86,262)**
Fee and commission expense	(11,844)	(5,291)	(137)	(14)	**(17,286)**
Share of loss in equity-accounted investee	-	353	-	-	**353**
Operating expenses	(88,498)	(40,853)	(4,398)	1,623	**(132,126)**
Impairment loss recognised in income statement	(7,019)	(646)	(46)	(96)	**(7,807)**
Profit before tax	**19,772**	**35,642**	**2,712**	**(997)**	**57,129**
Income tax expenses	(5,079)	(7,619)	-		**(12,698)**
Profit for the period	**14,693**	**28,023**	**2,712**	**(997)**	**44,431**
31 December 2020					
Total segment assets**	5,240,176	2,654,320	244,824	(441,340)	**7,697,980**
Total segment liabilities	4,765,739	2,316,525	219,457	(327,889)	**6,973,832**

9 Operating segments

(b) Business reporting

The following table presents income and profit and certain asset and liability information for the Group's business segments:

(i) **30 June 2021**

In millions of Nigerian Naira	Corporate	Retail and commercial	Treasury and financial markets	Total
Total Revenue	**88,296**	**156,942**	**70,088**	**315,326**
Interest expenses	(20,232)	(30,736)	(23,595)	(74,563)
Fee and commission expense	-	(28,317)	-	(28,317)
Net impairment Gain on financial assets	248	(4,387)	2	(4,137)
Operating expenses	(27,909)	(77,142)	(16,326)	(121,376)
Depreciation and amortisation	(1,854)	(9,199)	(405)	(11,457)
Share of profit of equity-accounted investee	-	710	-	710
Profit before income tax	**38,550**	**7,871**	**29,765**	**76,186**
Taxation	(6,723)	(3,163)	(5,719)	(15,605)
Profit for the period	**31,827**	**4,708**	**24,046**	**60,581**
30 June 2021				
Loans and advances	1,640,321	1,098,719	47,481	2,786,521
Deposits from customers and banks	1,077,866	4,480,589	1,098,664	6,657,119
Total segment assets	1,667,829	5,030,738	1,616,743	8,315,310
Total segment liabilities	1,118,758	5,147,109	1,296,922	7,562,789

(ii) **30 June 2020**

In millions of Nigerian Naira	Corporate	Retail and commercial	Treasury and financial markets	Total
Total Revenue	**55,268**	**184,766**	**60,223**	**300,257**
Interest expenses	(15,676)	(43,630)	(26,956)	(86,262)
Fee and commission expense	(62)	(17,224)	-	(17,286)
Net impairment loss on financial assets	(673)	(6,401)	(732)	(7,807)
Operating expenses	(3,059)	(101,863)	(17,613)	(122,536)
Depreciation and amortisation	(75)	(9,510)	(4)	(9,590)
Share of profit of equity-accounted investee	36	278	39	353
Profit before income tax	**35,757**	**6,416**	**14,956**	**57,129**
Taxation	(2,334)	(9,388)	(976)	(12,698)
Profit for the period	**33,423**	**(2,972)**	**13,980**	**44,431**
31 December 2020				
Loans and advances	1,759,083	566,783	306,527	2,632,394
Deposits from customers and banks	1,604,685	3,520,622	968,861	6,094,168
Total segment assets	5,116,892	1,689,449	891,639	7,697,980
Total segment liabilities	1,841,374	4,020,692	1,111,766	6,973,832

10 Interest income

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Interest income at amortised cost & FOCI				
Cash and bank balances	6,572	6,480	5,781	3,046
Loans and advances to banks	10,382	2,174	1,891	1,081
Loans and advances to customers				
- To individuals				
Term loans	9,556	3,832	5,148	3,166
Overdrafts	3,009	2,634	1,957	2,390
- To corporates				
Term loans	83,170	88,977	66,192	67,276
Overdrafts	22,068	18,011	16,869	13,322
Others	639	437	87	437
Investment securities				
- Treasury bills	59,356	60,071	30,628	38,530
- Bonds	25,570	22,121	4,268	5,886
	220,322	204,737	132,821	135,134
Interest income on financial assets at fair value through profit or loss				
- Bonds	155	194	155	194
- Promissory notes	2,154	655	-	655
	222,631	205,586	132,976	135,983

1. Interest income at amortized cost and fair value through OCI are calculated using the effective interest method.
2. Interest income includes accrued interest on impaired loans of N3.370 billion for the Group (Bank: N2. 894 billion) for the period ended 30 June 2021.

11 Interest expense

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Interest expense on amortised cost				
Deposits from banks	6,621	9,910	3,477	1,737
Deposits from customers	42,434	53,381	23,696	38,493
Borrowings	25,073	19,782	19,931	19,729
Subordinated liabilities	-	2,947	-	2,947
Lease liabilities	435	242	133	162
	74,563	86,262	47,237	63,068

Total interest expense at amortized cost are calculated using the effective interest method

12 Impairment charge for credit losses on financial assets

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Impairment charge for credit losses on loans and advances to customers:				
- impairment charge for credit losses (Note 25(c))	2,702	6,958	47	4,583
Impairment charge for credit losses on loans and advances to banks:				
- Impairment charge / (Reversal) for credit losses ((Note 24)	1,008	(770)	883	(770)
Impairment charge for credit losses on investment securities	209	156	209	108
Impairment charge for credit losses on off-balance sheet items	1,574	2,608	1,574	2,608
Write-off on loans and receivables	1,248	1,228	1,256	797
Reversal of credit loss expense	(1,678)	(1,545)	(205)	(63)
Impairment / (Reversal) charge on other assets (Note 27(a))	(926)	(828)	(1,619)	(194)
	4,137	7,807	2,145	7,069

13 Fees and commission income

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Credit-related fees and commissions[1]	7,409	5,035	3,628	3,781
Commission on turnover	1,989	693	-	-
Account maintenance fee	5,427	3,588	5,427	3,588
Electronic banking income	29,603	17,932	17,058	9,977
Funds transfer fee	7,081	3,854	49	108
Trade transactions income [2]	9,901	9,492	5,342	3,260
Remittance fees	3,100	3,550	1,645	2,927
Commissions on transactional services	6,623	9,063	1,508	2,666
Pension funds custody fees	2,952	2,661	-	-
	74,085	55,868	34,657	26,307

[1] Credit related fees and commission income excludes amount included in determining effective interest rates on financial assets carried at amortized cost. Credit related fees are taken over the life of the related facility, whilst transaction related fees are earned when the service is rendered.

[2]Trade transactions income entails one-off charges as related to letter of credits and other trade businesses which are excluded from those included in determining effective interest rates on those carried at amortized cost

14 Fees and commission expense

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
E-Banking expense	22,493	14,512	17,519	10,465
Trade related expenses	2,845	1,375	2,420	1,352
Funds transfer expense	2,979	1,399	30	27
	28,317	17,286	19,969	11,844

15 Net trading and foreign exchange income

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Fixed income securities[1]	1,959	4,405	1,960	4,186
Foreign exchange trading income	15,250	13,374	1,998	2,902
Foreign currency revaluation gain	(2,841)	7,997	(67)	8,127
Net Fair value gain on derivatives (see note 33 (c))	(5,266)	9,432	(5,125)	9,432
	9,102	35,208	(1,234)	24,647

Foreign exchange income comprises trading income on foreign currencies as well as gains and losses from revaluation of trading position.

[1]This includes gains and losses arising from sales and purchase of investment securities, as well as changes in their fair value.

16 Other operating income

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Dividend income	2,653	2,617	8,582	3,340
Rental income	154	159	142	157
Other Income	6,701	819	283	539
	9,508	3,595	9,007	4,036

17 Employee benefit expenses

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Wages and salaries	40,574	43,115	19,664	24,315
Defined contribution plans	1,759	1,450	639	658
Termination benefits	290	-	-	-
	42,623	44,565	20,303	24,973

18 Depreciation and amortisation

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Depreciation of property and equipment (note 30)	7,955	7,116	5,518	5,153
Amortisation of intangible assets (note 31)	2,045	1,201	1,749	1,048
Right-of-use assets depreciation	1,457	1,273	886	910
	11,457	9,590	8,153	7,111

19 Other operating expenses

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Directors' fees	32	32	32	32
Banking sector resolution cost	27,821	22,417	27,821	22,417
Deposit insurance premium	7,107	5,582	6,315	5,100
Non-deposit insurance costs	1,339	1,419	546	570
Auditors' remuneration	524	282	165	150
Occupancy and premises maintenance costs	4,137	6,437	574	551
Business travels	1,343	2,448	1,019	1,951
Advertising, promotions and branding	2,387	2,754	1,553	1,850
Contract services	8,997	9,641	5,559	7,667
Communication	3,930	4,596	2,000	2,962
IT support and related expenses	333	338	128	149
Printing, stationery and subscriptions	2,496	2,946	1,289	2,173
Security and cash handling expenses	2,464	2,818	1,127	1,382
Fuel, repairs and maintenance	13,426	8,775	3,662	3,294
Bank charges	1,339	952	60	736
Donations	287	4,706	235	3,571
Training and human capital development	330	1,125	158	1,020
Penalties	278	565	273	565
Loan recovery expenses	183	138	176	138
	78,753	77,971	52,692	56,278

20 Taxation

Recognised in the statement of comprehensive income

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
(a) Current Income tax expense				
Current period	15,392	9,732	770	1,079
	15,392	9,732	770	1,079
(b) Deferred tax expense				
Origination and reversal of temporary differences (Note 32)	213	2,966	-	-
Total income tax expense	15,605	12,698	770	1,079

(c) Current Income tax liabilities	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Balance, beginning of period	9,982	9,164	1,478	722
Income tax paid	(18,268)	(14,688)	(578)	(694)
Income tax charge	15,605	15,506	770	1,449
Balance, end of period	7,319	9,982	1,670	1,478

(d) Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the Bank (Parent). The reconciliation of amount reported as tax expense in the statement of comprehensive income to the income tax using the domestic corporation tax rate is presented below:

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Domestic corporation tax rate	30%	30%	30%	30%
Profit before income tax	76,186	57,129	24,907	20,630
Income tax using the domestic corporation tax rate	22,590	17,139	7,472	6,189
Tax effects of :				
Information Technology Levy	331	240	240	240
Nigerian Police Trust Fund Levy	2	1	1	1
Minimum tax/excess dividend tax adjustment	438	874	874	874
Effect of permanent differences - income not subject to tax	(35,875)	(15,809)	(15,103)	(15,809)
Effect of permanent differences - expenses not deductible	15,115	9,009	4,963	9,009
Effect of temporary differences not recognised in Deferred Tax	11,249	(69)		(69)
Losses/(Relief) not recognised in Deferred Tax	1,755	1,313	2,323	644
Total income tax expense in profit or loss	15,605	12,698	770	1,079
Effective tax rate	20%	22%	3%	5%

Income tax payable for parent is based on the minimum tax provisions in the Nigerian tax law, which is applicable to companies that do not have taxable profits.

21 Earnings per share

The calculation of basic earnings per share as at 30 June 2021 was based on the profit attributable to ordinary shareholders of N57.767 billion (Bank: N24.137 billion) and the weighted average number of ordinary shares outstanding of 34.199 billion (Bank: 34.199 billion). The Bank had no dilutive instruments as at period end (June 2020 : nil). Hence the basic and diluted earnings per share are equal.

In millions of Nigerian Naira	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Profit attributable to equity holders of the parent	57,767	42,530	24,137	19,551
Weighted average number of ordinary shares outstanding *(in millions)*	34,199	34,199	34,199	34,199
Basic and diluted earnings per share (Naira)	1.69	1.24	0.71	0.57

22 Cash and bank balances

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Cash	125,045	121,140	66,250	70,896
Current balances with banks	410,960	291,225	253,104	176,665
Unrestricted balances with central banks	192,838	231,533	18,266	65,930
Money market placements (note (i) below)	216,689	126,832	205,336	51,237
Restricted balances with central banks (note (ii) below)	1,119,489	1,103,888	1,107,585	1,072,094
	2,065,021	1,874,618	1,650,541	1,436,822

(i) Money market placements comprise funds deposited with other financial institutions for agreed tenors

(ii) Restricted balances with central banks comprise:

In millions of Nigerian Naira				
Mandatory reserve deposits with central banks (note (a) below)	1,064,771	1,049,170	1,052,867	1,017,376
Special Intervention Reserve (note (b) below)	54,718	54,718	54,718	54,718
	1,119,489	1,103,888	1,107,585	1,072,094

(a) This represents amounts held as cash reserve requirement with central banks of the countries in which the Bank and its subsidiaries operate, and is not available for use in the Group's day-to-day operations.

(b) This represents the Bank's contribution to the Central Bank of Nigeria's (CBN) Real Sector Support Facility (RSSF), warehoused in the Special Intervention Reserve held with the CBN. The Real Sector Support Facility is to be channeled towards providing credit to priority sectors of the Nigerian economy. As stipulated by the CBN, the Bank's contribution is 5% of its total naira deposits.

(ii) Cash and cash equivalents for the purposes of the statements of cash flows include the following :

	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Cash and current balances with banks	536,005	412,365	319,354	247,561
Unrestricted balances with central banks	192,838	231,533	18,266	65,930
Money market placements (less than 90 days)	145,543	75,595	137,925	44,837
Financial assets held at FVTPL (less than 90 days)	4,782	75,101	4,782	75,101
Cash and cash equivalents	879,168	794,594	480,327	433,429

23 Financial assets at fair value through profit or loss

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Government bonds	56,269	38,153	-	2,948
Promissory notes	70	75	70	75
Treasury bills (less than 90 days maturity) (note (i) below)	4,782	75,101	4,782	75,101
Treasury bills (above 90 days maturity)	86,746	101,071	9,403	92,934
	147,867	214,400	14,255	171,058
Current	147,867	214,400	14,255	171,058

Note 23 continued

Fixed income trading activities are restricted to the parent alone.

(i) This represents treasury bills measured at fair value through profit or loss, with maturity within three months from the date of purchase. They are highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are included as cash and cash equivalents for the purpose of the statement of cash flows.

24 Loans and advances to banks

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Loans:				
Gross amount	154,850	79,394	106,011	67,020
Less: Allowance for credit losses				
Stage 1 loans	(2,885)	(1,975)	(2,872)	(1,962)
	151,965	77,419	103,139	65,058
Current	151,965	77,419	103,139	65,058
Non-current	-	-	-	-
	151,965	77,419	103,139	65,058

(a) Allowance for credit losses on loans and advances to banks

30 June 2021

Group

Allowance for credit loss

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	1,975	-	-	1,975
Charge for the period	1,008	-	-	1,008
Exchange difference	(98)	-	-	(98)
Balance, end of period	**2,885**	**-**	**-**	**2,885**

Bank

Allowance for credit loss

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	1,962	-	-	1,962
Charge for the period	883	-	-	883
Exchange difference	27	-	-	27
Balance, end of period	**2,872**	**-**	**-**	**2,872**

(b) 31 December 2020

Group

Allowance for credit loss

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	1,912	-	-	1,912
Charge for the period	49	-	-	49
Exchange difference	14	-	-	14
Balance, end of period	**1,975**	**-**	**-**	**1,975**

Note 24 continued

Bank
Allowance for credit loss
In millions of Nigerian Naira

	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	1,897	-	-	1,897
Charge for the period	61	-	-	61
Exchange difference	4	-	-	4
Balance, end of period	**1,962**	**-**	**-**	**1,962**

25 Loans and advances to customers

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Loans:				
Gross amount	2,726,353	2,666,322	1,901,336	1,874,858
Allowance for credit losses	(91,797)	(111,347)	(62,369)	(62,322)
	2,634,556	2,554,975	1,838,967	1,812,536
Current	1,098,928	1,607,445	414,094	1,055,852
Non-current	1,535,628	947,530	1,424,873	756,684
	2,634,556	2,554,975	1,838,967	1,812,536

(a) 30 June 2021

Loans and advances to customers

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Gross amount	2,726,353	2,666,322	1,901,336	1,874,858
Allowance for credit losses:				
- Impairment loss on Stage 1 loans	(27,427)	(48,585)	(28,534)	(32,521)
- Impairment loss on Stage 2 loans	(13,676)	(11,680)	(11,926)	(7,868)
- Impairment loss on Stage 3 loans	(50,694)	(51,082)	(21,909)	(21,933)
Total allowance for credit losses	(91,797)	(111,347)	(62,369)	(62,322)
Carrying amount	**2,634,556**	**2,554,975**	**1,838,967**	**1,812,536**

Loans and advances to individuals

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Gross amount	137,616	200,392	60,189	79,480
Allowance for credit losses:				
- Impairment loss on Stage 1 loans	(8,678)	(4,762)	(5,491)	(3,335)
- Impairment loss on Stage 2 loans	(2,189)	(413)	(2,547)	(589)
- Impairment loss on Stage 3 loans	(8,866)	(14,144)	(4,279)	(9,960)
Total allowance for credit losses	(19,733)	(19,319)	(12,317)	(13,884)
Carrying amount	**117,883**	**181,073**	**47,872**	**65,596**

Loans and advances to corporate entities and other organizations	Group	Group	Bank	Bank
In millions of Nigerian Naira	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020
Gross amount	2,588,737	2,465,930	1,841,147	1,795,378
Allowance for credit losses:				
- Impairment loss on Stage 1 loans	(18,749)	(43,823)	(23,043)	(29,186)
- Impairment loss on Stage 2 loans	(11,488)	(11,267)	(9,379)	(7,279)
- Impairment loss on Stage 3 loans	(41,827)	(36,938)	(17,630)	(11,973)
Total allowance for credit losses	(72,064)	(92,028)	(50,052)	(48,438)
Carrying amount	**2,516,673**	**2,373,902**	**1,791,095**	**1,746,940**

Group

Loans and advances to individuals	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Overdrafts	29,505	(301)	(723)	(3,756)	(4,781)	24,724
Term loans	108,111	(8,377)	(1,465)	(5,110)	(14,952)	93,159
	137,616	**(8,678)**	**(2,189)**	**(8,866)**	**(19,733)**	**117,883**

Loans and advances to corporate entities and other organizations						
Overdrafts	443,844	(7,593)	(3,015)	(28,455)	(39,062)	404,782
Term loans	2,140,847	(11,132)	(8,473)	(13,372)	(32,978)	2,107,869
Others	4,046	(24)	-	-	(24)	4,022
	2,588,737	**(18,749)**	**(11,488)**	**(41,827)**	**(72,064)**	**2,516,673**

Bank

Loans and advances to individuals						
Overdrafts	18,499	632	(1,717)	(4,262)	(5,347)	13,152
Term loans	41,691	(6,123)	(830)	(17)	(6,970)	34,721
	60,189	**(5,491)**	**(2,547)**	**(4,279)**	**(12,317)**	**47,873**

Loans and advances to corporate entities and other organizations						
Overdrafts	295,088	(3,955)	(544)	(15,279)	(19,778)	275,309
Term loans	1,542,013	(19,064)	(8,835)	(2,351)	(30,250)	1,511,763
Others	4,046	(24)	-	-	(24)	4,022
	1,841,147	**(23,043)**	**(9,379)**	**(17,630)**	**(50,052)**	**1,791,094**

(b) 31 December 2020

(i) Group

	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Loans and advances to individuals						
Overdrafts	33,209	(100)	(99)	(13,120)	(13,319)	19,890
Term Loans	167,184	(4,662)	(314)	(1,024)	(6,000)	161,184
	200,392	(4,762)	(413)	(14,144)	(19,319)	181,074
Loans and advances to corporate entities and other organizations						
Overdrafts	600,759	(7,886)	(2,692)	(31,421)	(41,999)	558,760
Term Loans	1,863,651	(35,907)	(8,575)	(5,518)	(49,999)	1,813,652
Others	1,519	(30)	-	-	(30)	1,489
	2,465,930	(43,823)	(11,267)	(36,938)	(92,028)	2,373,901

Bank

	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Loans and advances to individuals						
Overdrafts	19,723	(60)	(8)	(9,405)	(9,473)	10,250
Term Loans	59,757	(3,275)	(581)	(555)	(4,411)	55,346
	79,480	(3,335)	(589)	(9,960)	(13,884)	65,596
Loans and advances to corporate entities and other organizations						
Overdrafts	383,028	(3,378)	(141)	(11,864)	(15,383)	367,645
Term Loans	1,410,831	(25,780)	(7,138)	(109)	(33,027)	1,377,804
Others	1,519	(28)	-	-	(28)	1,491
	1,795,378	(29,186)	(7,279)	(11,973)	(48,438)	1,746,940

(c) Allowance for credit losses on loans and advances to customers

30-Jun-21

(i) Group

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	48,585	11,680	51,083	111,347
Impairment charge/(reversal) for the period (Note 12)	4,921	672	(2,891)	2,702
Transfer between stages	(3,827)	1,325	2,502	-
Write-offs/reversals	(28,334)	-	-	(28,334)
Exchange difference	6,082	-	-	6,082
Balance, end of period	**27,427**	**13,677**	**50,694**	**91,797**

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	4,762	413	14,144	19,319
Impairment charge/(reversal) for the period (Note 12)	1,007	876	(4,384)	(2,501)
Transfer between stages	(6)	900	(894)	-
Write-offs/reversals	-	-	-	-
Recoveries				
Exchange difference	2,915	-	-	2,915
Balance, end of period	**8,678**	**2,189**	**8,866**	**19,733**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	43,823	11,267	36,938	92,028
Impairment charge/(reversal) for the period (Note 12)	3,914	(204)	1,493	5,203
(Write offs)/Write back	(28,334)			(28,334)
Transfer between stages	(3,821)	425	3,396	-
Exchange difference	3,167	-	-	3,167
Balance, end of period	**18,749**	**11,488**	**41,827**	**72,064**

(ii) Bank

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	32,521	7,279	22,522	62,322
Impairment charge/(reversal) for the period (Note 12)	2,025	2,294	(4,272)	47
Transfer between stages	(6,012)	2,353	3,659	-
Balance, end of period	**28,534**	**11,926**	**21,909**	**62,369**

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	3,335	-	9,960	13,295
Impairment charge/(reversal) for the period (Note 12)	2,796	1,371	(5,145)	(978)
Transfer between stages	(640)	1,176	(536)	-
Balance, end of period	**5,491**	**2,547**	**4,279**	**12,317**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	29,186	7,279	12,562	49,027
(reversal)/Impairment charge for the period (Note 12)	(771)	923	873	1,025
Transfers between stages	(5,372)	1,177	4,195	-
Balance, end of period	**23,043**	**9,379**	**17,630**	**50,052**

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Group

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	33,643	16,200	36,293	86,136
Impairment charge/(reversal) for the period (Note 12)	10,292	(5,767)	14,842	19,366
Transfer between stages	2,375	151	(2,526)	-
Exchange difference	2,275	1,096	2,474	5,845
Balance, end of period	48,585	11,680	51,083	**111,347**

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	1,535	855	8,478	10,868
Impairment charge/(reversal) for the period (Note 12)	3,199	(969)	5,457	7,687
Transfer between stages	(80)	467	(387)	-
Exchange difference	108	60	596	764
Balance, end of period	4,762	413	14,144	**19,319**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	32,108	15,345	27,815	75,268
Impairment charge/(reversal) for the period (Note 12)	7,092	(4,798)	9,384	11,679
Transfer between stages	2,455	(316)	(2,139)	-
Exchange difference	2,168	1,036	1,878	5,082
Balance, end of period	43,823	11,267	36,938	**92,029**

(iv) Bank

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	24,541	8,222	21,215	53,978
Impairment charge for the period (Note 12)	5,511	(505)	3,244	8,250
Transfer between stages	2,375	151	(2,526)	-
Exchange difference	94	-	-	94
Balance, end of period	32,521	7,868	21,933	**62,322**

Loans and advances to individuals

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	824	-	6,407	7,231
Impairment charge/(reversal) for the period (Note 12)	2,509	122	3,940	6,571
Transfer between stages	(80)	467	(387)	-
Exchange difference	82	-	-	82
Balance, end of period	3,335	589	9,960	**13,884**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Stage 1 - 12-month	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	23,717	8,222	14,808	46,747
Impairment charge for the period (Note 12)	3,002	(627)	(696)	1,679
Transfer between stages	2,455	(316)	(2,139)	-
Exchange difference	12			12
Balance, end of period	29,186	7,279	11,973	**48,438**

26 Investment securities

In millions of Nigerian Naira	Group June 2021	Group Dec 2020	Bank June 2021	Bank Dec 2020
Investment securities at FVOCI comprise (see note (i)):				
Treasury bills	528,972	1,142,908	518,797	1,101,232
Bonds	148,843	150,822	25,326	5,592
Equity investments (see note (ii))	129,738	127,797	128,801	126,860
	807,553	1,421,527	672,924	1,233,684
Investment securities at amortised cost comprise (see note (i)):				
Treasury bills	1,466,939	716,448	656,090	-
Bonds	557,102	443,708	86,087	72,276
Gross amount	2,024,041	1,160,156	742,177	72,276
Allowance for credit losses	(1,101)	(892)	(1,006)	(797)
Net carrying amount	2,022,940	1,159,264	741,171	71,479
Carrying amount	**2,830,493**	**2,580,791**	**1,414,095**	**1,305,163**

	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
(a) Movement in allowance for impairment for investment securities				
Balance, beginning of the period	892	496	797	461
Charge for the period	209	385	209	336
Exchange difference		11		-
Balance, end of the period	1,101	892	1,006	797
Current	356,038	1,267,963	280,087	762,020
Non-current	2,474,455	303,587	1,134,008	84,194
	2,830,493	**2,580,791**	**1,414,095**	**1,305,163**

Group

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	892	-	-	892
Impairment charge for the period (Note 12)	209	-	-	209
Balance, end of period	**1,101**	-	-	**1,101**

Bank

In millions of Nigerian Naira	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance, beginning of period	797	-	-	797
Impairment charge for the period (Note 12)	209	-	-	209
Balance, end of period	**1,006**	-	-	**1,006**

(i) Included in investment securities at FVOCI and amortised cost are pledged financial assets which cannot be re-pledged or resold by counterparties, and these securities are stated as follows:

	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
In millions of Nigerian Naira				
Treasury bills (at FVTPL)		121,459		121,459
Bonds (at FVOCI)	248	-	-	-
Treasury bills (at FVOCI)	118,239	155,435	118,239	155,435
Bonds (at amortised cost)	29,175	35,378	29,175	35,378
Total Pledged Assets	147,662	312,272	147,414	312,272

(ii) Unquoted equity securities at FVOCI are analysed below:

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Africa Finance Corporation	100,230	102,014	100,230	102,014
SMEEIS Investment	12,574	9,728	12,574	9,728
Unified Payment Services Limited	5,793	6,061	5,793	6,061
Central Securities Clearing System Limited	4,967	4,041	4,967	4,041
Nigeria Interbank Settlement System Plc.	2,227	2,330	2,227	2,330
African Export-Import Bank	2,162	1,733	2,162	1,733
FMDQ OTC Plc	533	641	533	641
Credit Reference Company	214	210	214	210
NG Clearing Limited	101	101	101	101
Others1	938	937	-	-
	129,738	127,797	128,801	126,860

1 These relate to other unquoted equity investments (in enties such as GIM UEMOA, The Insurance and Reinsurance Company of the Gulf of Guinea (ARGG) and others) held across the Group by different subsidiaries

27 Other assets

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Financial assets				
Electronic payments receivables	50,901	32,297	32,859	17,084
Accounts receivable	111,279	65,545	42,196	55,432
Intercompany receivables	-	-	18,737	16,718
Dividends receivable	2,922	347	8,852	7,580
Pension custody fees receivable	596	913	-	-
Allowance for impairment on accounts receivable	(10,604)	(11,672)	(9,501)	(11,120)
	155,094	87,430	93,143	85,694

	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Non-financial assets				
Prepayments	30,815	14,218	15,725	4,026
Repossessed collaterals	2,617	2,755	2,617	2,755
Recoverable taxes	5,463	5,898	1,975	1,364
Stock of consumables	2,506	5,131	2,432	2,685
	41,401	28,002	22,749	10,830
	196,495	115,432	115,892	96,524
(a) *Movement in impairment for other assets*				
At start of period	11,672	8,642	11,120	5,039
Reversal/charge for the period (Note 12)	(926)	2,583	(1,619)	6,081
Exchange difference	(142)	447	-	-
	10,604	11,672	9,501	11,120
(b) Current	191,979	110,159	112,403	93,778
Non-current	4,516	5,273	3,489	2,746
	196,495	115,432	115,892	96,524

28 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 30 June 2021. The Associate Company (UBA Zambia Limited) has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of the Group's ownership interest is the same as the proportion of voting rights held.

There are no published price quotations for the Group's investment in the Associate Company. There are no restrictions on the ability of the Associate Company to transfer funds to the Group in the form of cash dividends or repayment of loans and advances neither are there any contingent liabilities relating to the Group's interest in the Associate Company.

(a) Movement in investment in equity-accounted investee

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Balance, beginning of the period	4,504	4,144	2,715	2,715
Share of current period's result	710	1,071	-	-
Share of foreign currency translation differences	85	(711)	-	-
Balance, end of the period	**5,299**	**4,504**	**2,715**	**2,715**

(i) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the interest in associates is shown below :

In millions of Nigerian Naira	Jun. 2021	Dec. 2020
Opening net assets	4,837	4,103
Profit for the period	1,449	2,186
Foreign currency translation differences	174	(1,452)
Closing net assets	**6,460**	**4,837**
Group's interest in associate (49%)	3,165	2,370
Notional goodwill	2,134	2,134
Carrying amount	**5,299**	**4,504**

(b) Nature of investment in associates

Name of entity	Country of incorporation	Place of business	Nature of business	% of ownership interest	Measurement method
UBA Zambia Bank Limited	Zambia	Zambia	Banking	49*	Equity method

*The Group's interest in UBA Zambia did not change during the period.

(c) Summarised financial information for associate

(i) Summarised Statement of Financial Position

In millions of Nigerian Naira	Jun. 2021	Dec. 2020
Assets		
Cash and cash equivalents	20,245	18,555
Other current assets	45,258	33,021
Non-current assets	1,953	3,267
Total assets	**67,457**	**54,843**
Financial liabilities	41,515	46,535
Other current liabilities	19,482	3,470
Total liabiliities	**60,997**	**50,006**
Net assets	**6,460**	**4,837**

(ii) Summarised statement of comprehensive income

	Jun. 2021	Jun. 2020
Operating income	5,292	3,020
Operating expense	(3,066)	(2,269)
Net impairment loss on financial assets	-	(31)
Profit/(Loss) before tax	**2,226**	**720**
Income tax expense	(777)	(205)
Profit/(Loss) for the period	**1,449**	**515**
Other comprehensive income	-	-
Total comprehensive income/(loss)	**1,449**	**515**

The information above reflects the amounts presented in the financial statements of the Associate Company (and not UBA Group's share of those amounts). There are no differences in the accounting policies of the Associate Company and the Group's accounting policies.

29 Investment in subsidiaries

(a) Holding in subsidiaries

In millions of Nigerian Naira						**Bank Jun. 2021**	**Bank Dec. 2020**
Bank subsidiaries (see note (i) below):	**Year of acquisition/ Commencement**	**Holding**	**Non-controlling interest**	**Country**	**Industry**		
UBA Ghana Limited	2004	91%	9%	Ghana	Banking	8,048	8,048
UBA Cameroun (SA)	2007	100%	0%	Cameroun	Banking	1,845	1,845
UBA Cote d'Ivoire	2008	100%	0%	Cote d'Ivoire	Banking	12,295	12,295
UBA Liberia Limited	2008	100%	0%	Liberia	Banking	2,330	2,330
UBA (SL) Limited	2008	100%	0%	Sierra Leone	Banking	1,269	1,269
UBA Uganda Limited	2008	69%	31%	Uganda	Banking	3,705	3,705
UBA Burkina Faso	2008	64%	36%	Burkina Faso	Banking	5,352	5,352
UBA Benin	2008	84%	16%	Benin Republic	Banking	11,451	11,451
UBA Kenya Bank Limited	2009	81%	19%	Kenya	Banking	3,744	3,744
UBA Chad (SA)	2009	89%	11%	Chad	Banking	2,440	2,440
UBA Senegal (SA)	2009	86%	14%	Senegal	Banking	2,400	2,400
UBA Tanzania Limited	2010	82%	18%	Tanzania	Banking	4,332	4,332
UBA Gabon	2010	100%	0%	Gabon	Banking	2,760	2,760
UBA Guinea (SA)	2010	100%	0%	Guinea	Banking	1,475	1,475
UBA Congo DRC (SA)	2011	100%	0%	Congo DRC	Banking	10,375	10,375
UBA Congo Brazzaville (SA)	2011	100%	0%	Congo Brazzaville	Banking	3,024	3,024
UBA Mozambique (SA)	2011	96%	4%	Mozambique	Banking	8,156	8,156
UBA Mali	2017	100%	0%	Mali	Banking	6,300	6,300
UBA UK Limited (see (ii) below)	2012	100%	-	United Kingdom	Banking	9,974	9,974
Non-Bank Subsidiaries:							
UBA Pensions Custodian Limited (see (ii) below)	2004	100%	-	Nigeria	Pension custody	2,000	2,000
						103,275	**103,275**

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

The movement in investment in subsidiaries during the period is as follows:

In millions of Nigerian Naira	**Bank Jun. 2021**	**Bank Dec. 2020**
The movement in the investment in subsidiaries during the period is as follows:		
Balance, beginning of the period	103,275	103,275
Balance, end of the period	**103,275**	**103,275**

29 Investment in Subsidiaries - continued

(i) UBA Ghana, UBA Cameroon SA, UBA Cote d'ivoire, UBA Liberia, UBA Uganda, UBA Burkina Faso, UBA Chad SA, UBA Senegal SA, UBA Benin, UBA Kenya, UBA Tanzania, UBA Gabon, UBA Guinea, UBA Sierra Leone, UBA Mozambique, UBA Congo DRC and UBA Congo Brazzaville are engaged in the business of banking and provide corporate, commercial, consumer and international banking, trade services, cash management and treasury services.

(ii) UBA UK Limited is a UK bank regulated by the Prudential Regulation Authority and the Financial Conduct Authority and received its banking licence in March 2018. Prior to gaining its bank status, the firm was authorised in the UK to undertake investment business and was originally incorporated on 25 September 1995. The bank is primarily engaged in wholesale banking, with a focus on facilitating trade and treasury flows between Europe and Africa. The bank offers trade finance, corporate banking and treasury solutions to corporate and institutional clients based in Africa and/or Europe.

(iii) UBA Pension Custodian Limited obtained an operating license on 20 February 2006 and commenced operations in Nigeria on 3 May 2006. It principally operates as a custodian of pension assets, to hold and deal in such assets as directed by the Pension Fund Administrators and in line with regulations of the National Pension Commission in conformity with the Pensions Reforms Act 2004 and as amended in 2014.

Significant restrictions:
There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of any member of the Group to the extent that regulation does not inhibit the Group from having access, and in liquidation scenario, this restriction is limited to its level of investment in the entity .

(b) Non-controlling interests

(i) The total non-controlling interests at the end of the period is N31.127 billion (2020: N29.08 billion) is attributed to the following non-fully owned subsidiaries:

	Jun. 2021	Dec. 2020
UBA Ghana Limited	7,091	6,298
UBA Burkina Faso	9,883	9,487
UBA Benin	3,529	2,923
UBA Uganda Limited	2,657	2,492
UBA Kenya Bank Limited	1,553	1,612
UBA Senegal (SA)	3,840	3,727
UBA Mozambique (SA)	351	279
UBA Chad (SA)	1,585	1,536
UBA Tanzania Limited	849	726
	31,338	29,080

(ii) Set out below is summarised financial information for each subsidiary that has non-controlling interests as at 30 June 2021. The amounts disclosed for each subsidiary are before inter-company eliminations.

In millions of Nigerian Naira	UBA Ghana Limited		UBA Burkina Faso		UBA Benin	
	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020
Summarised statement of financial position						
Cash and bank balances	82,940	66,099	29,379	36,969	28,685	38,656
Other financial assets	246,627	202,623	365,947	315,280	227,790	206,296
Non-financial assets	4,966	4,754	3,763	3,960	2,663	2,841
Total assets	**334,533**	**273,476**	**399,089**	**356,209**	**259,138**	**247,793**
Financial liabilities	250,837	198,714	356,488	326,355	232,479	222,301
Non-financial liabilities	6,988	6,525	15,345	3,690	4,861	3,999
Total liabilities	**257,825**	**205,239**	**371,833**	**330,045**	**237,340**	**226,300**
Net assets	**76,708**	**68,237**	**27,256**	**26,164**	**21,798**	**21,493**
Summarized statement of comprehensive income	**Jun. 2021**	**Jun. 2020**	**Jun. 2021**	**Jun. 2020**	**Jun. 2021**	**Jun. 2020**
Revenue	**20,083**	**24,626**	**11,403**	**8,072**	**9,483**	**6,054**
Profit for the period	5,806	6,430	2,499	1,007	2,313	847
Other comprehensive income	-	-	-	-		
Total comprehensive income	**5,806**	**6,430**	**2,499**	**1,007**	**2,313**	**847**
Total comprehensive income allocated to non-controlling interest	536	593	907	365	374	137
Summarized cash flows						
Cash flows from operating activities	6,080	6,682	25,072	102,746	4,437	36,850
Cash flows from financing activities	2,672	2,054	(1,407)	2,867	(2,097)	3,671
Cash flows from investing activities	(5,295)	(10,255)	(31,255)	(97,067)	(12,311)	(51,900)
Net (decrease)/increase in cash and cash equivalents	**3,457**	**(1,519)**	**(7,590)**	**8,546**	**(9,971)**	**(11,379)**

Summarised financial information of subsidiaries with non-controlling interest (continued)

In millions of Nigerian Naira	UBA Uganda Limited		UBA Kenya Bank Limited		UBA Senegal (SA)	
	Jun. 2021	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Summarised statement of financial position						
Cash and bank balances	21,890	26,195	3,197	14,694	20,575	4,455
Other financial assets	35,662	27,427	70,276	52,907	246,004	191,176
Non-financial assets	2,506	1,121	1,503	1,386	901	1,022
Total assets	**60,058**	**54,743**	**74,976**	**68,987**	**267,480**	**196,653**
Financial liabilities	48,520	43,996	64,446	58,310	228,480	130,869
Non-financial liabilities	2,932	2,673	2,358	2,192	10,585	38,207
Total liabilities	**51,452**	**46,669**	**66,804**	**60,502**	**239,065**	**169,076**
Net assets	**8,606**	**8,074**	**8,172**	**8,485**	**28,415**	**27,577**
Summarized statement of comprehensive income	**Jun. 2021**	**Jun. 2020**	**Jun. 2021**	**Jun. 2020**	**Jun. 2021**	**Jun. 2020**
Revenue	**3,678**	**2,915**	**2,626**	**3,932**	**9,357**	**6,548**
Profit for the period	974	493	(365)	908	3,855	2,158
Other comprehensive income	-	-	-	-		
Total comprehensive income	**974**	**493**	**(365)**	**908**	**3,855**	**2,158**
Total comprehensive income allocated to non-controlling interest	301	152	(69)	173	521	292
Summarized cash flows						
Cash flows from operating activities	5,424	12,931	(8,077)	17,845	32,455	42,334
Cash flows from financing activities	(443)	1,175	53	(486)	(3,017)	(838)
Cash flows from investing activities	(9,286)	(7,785)	(3,473)	(26,413)	(13,318)	(35,754)
Net increase/(decrease) in cash and cash equivalents	**(4,305)**	**6,321**	**(11,497)**	**(9,054)**	**16,120**	**5,742**

Summarised financial information of subsidiaries with non-controlling interest (continued)

	UBA Mozambique (SA)		UBA Chad		UBA Tanzania	
In millions of Nigerian Naira	**Jun. 2021**	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**	**Jun. 2021**	**Dec. 2020**
Summarised statement of financial position						
Cash and bank balances	27,510	18,418	23,327	9,443	11,486	14,519
Other financial assets	5,724	4,096	114,115	105,897	18,553	14,492
Non-financial assets	630	236	1,495	1,436	430	342
Total assets	**33,864**	**22,750**	**138,937**	**116,776**	**30,469**	**29,353**
Financial liabilities	24,751	15,968	107,289	92,225	25,024	23,929
Non-financial assets	948	301	17,240	10,589	701	1,372
Total liabilities	**25,699**	**16,269**	**124,529**	**102,814**	**25,725**	**25,301**
Net assets	**8,165**	**6,481**	**14,408**	**13,962**	**4,744**	**4,052**
Summarized statement of comprehensive income	**Jun. 2021**	**Jun. 2020**	**Jun. 2021**	**Jun. 2020**	**Jun. 2021**	**Jun. 2020**
Revenue	**1,722**	**946**	**5,214**	**3,493**	**2,221**	**2,104**
(Loss)/Profit for the period	209	(226)	1,175	1,019	593	487
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**209**	**(226)**	**1,175**	**1,019**	**593**	**487**
Total comprehensive income allocated to non-controlling interest	9	(10)	129	112	106	87
Summarized cash flows						
Cash flows from operating activities	5,628	173	17,817	21,401	(2,231)	(3,237)
Cash flows from financing activities	1,477	(851)	(729)	1,684	99	669
Cash flows from investing activities	1,987	(258)	(3,204)	(19,583)	(901)	(1,094)
Net increase/(decrease) in cash and cash equivalents	**9,092**	**(936)**	**13,884**	**3,502**	**(3,033)**	**(3,662)**

30 Property and equipment

In millions of Nigerian Naira	Group June 2021	Group Dec. 2020	Bank June 2021	Bank Dec. 2020
Property and equipment	152,097	141,286	126,404	117,632
Right-of-use assets	14,638	11,905	6,964	5,803
Carrying amount	**166,735**	**153,191**	**133,368**	**123,435**

(a) Property and equipment

As at 30 June 2021

Group

In millions of Nigerian Naira	Land	Buildings	Leasehold improve ments	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2021	34,677	39,307	13,921	8,564	15,943	13,281	55,877	58,474	23,553	263,597
Additions	69	15	3,463	-	360	492	916	1,514	13,713	20,542
Reclassifications	31	252	285	-	43	102	439	835	(1,987)	-
Disposals	-	(38)	(8)	-	(250)	(48)	(84)	(231)	(231)	(889)
Write-off	-	(17)	(46)	-	-	(8)	(4)	(47)	(12)	(133)
Exchange difference (note i)	452	3,336	3,409	-	508	244	2,306	781	(3,637)	7,400
Balance at 30 June 2021	**35,228**	**42,855**	**21,024**	**8,564**	**16,604**	**14,063**	**59,450**	**61,327**	**31,400**	**290,517**
Accumulated depreciation										
Balance at 1 January 2021	-	15,467	8,575	2,778	12,100	10,651	34,135	38,607	-	122,312
Charge for the period	-	316	585	204	529	713	3,094	2,514	-	7,955
Reclassifications	-	(8)	8	-	-	(0)	0	(0)	-	-
Disposals	-	-	(8)	-	(231)	(46)	(82)	(207)	-	(574)
Write-off	-	(4)	(15)	-	-	(5)	(2)	(12)	-	(39)
Exchange difference (note i)	-	3,424	1,652	(294)	780	468	1,913	822	-	8,766
Balance at 30 June 2021	**-**	**19,195**	**10,797**	**2,688**	**13,177**	**11,781**	**39,058**	**41,724**	**-**	**138,420**
Carrying amounts										
Balance at 30 June 2021	**35,228**	**23,660**	**10,227**	**5,876**	**3,427**	**2,282**	**20,392**	**19,603**	**31,400**	**152,097**
Balance at 31 December 2020	**34,677**	**23,840**	**5,346**	**5,786**	**3,843**	**2,630**	**21,742**	**19,867**	**23,553**	**141,286**

(i) Exchange differences arise from the translation of the property and equipment in the Group's foreign operations.
(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2020: nil)

Group

(b) As at 31 December 2020

In millions of Nigerian Naira	**Land**	**Buildings**	**Leasehold improve ments**	**Aircraft**	**Motor vehicles**	**Furniture and fittings**	**Computer hardware**	**Equipment**	**Work in progress**	**Total**
Cost										
Balance at 1 January 2020	34,365	37,396	15,596	8,564	14,959	13,188	43,744	49,335	15,867	233,014
Additions	215	947	88	-	595	378	14,252	6,994	9,957	33,426
Reclassifications	101	1,008	(1,260)	-	1,376	(136)	(1,845)	3,011	(2,256)	-
Disposals	-	(526)	(1,296)	-	(1,156)	(146)	(480)	(810)	(38)	(4,453)
Transfers	-	-	-	-	-	-	-	-	(86)	(86)
Write-off	(3)	(8)	(6)	-	(200)	(306)	(208)	(130)	-	(862)
Exchange difference	-	490	799	-	369	303	414	74	110	2,558
Balance at 31 December 2020	**34,677**	**39,307**	**13,921**	**8,564**	**15,943**	**13,281**	**55,877**	**58,474**	**23,553**	**263,597**
Accumulated depreciation										
Balance at 1 January 2020	-	15,035	7,773	2,334	12,066	9,543	31,311	32,662	-	110,724
Charge for the year	-	597	1,540	408	1,047	1,331	5,001	5,047	-	14,970
Reclassifications	-	26	(26)	-	1	198	(1,686)	1,487	-	-
Disposals	-	(316)	(752)	-	(832)	(144)	(458)	(749)	-	(3,250)
Write-off	-	(2)	(4)	-	(199)	(298)	(194)	(129)	-	(826)
Exchange difference	-	127	44	35	16	21	160	289		693
Balance at 31 December 2020	**-**	**15,467**	**8,575**	**2,778**	**12,100**	**10,651**	**34,135**	**38,607**	**-**	**122,311**
Carrying amounts										
Balance at 31 December 2020	**34,677**	**23,840**	**5,346**	**5,786**	**3,843**	**2,630**	**21,742**	**19,867**	**23,553**	**141,286**

(b) **Right-of-use assets**

Group

In millions of Nigerian Naira	30 June 2021 Land	30 June 2021 Buildings	30 June 2021 Total	31 December 2020 Land	31 December 2020 Buildings	31 December 2020 Total
Right-of-use assets						
Balance, beginning of the period	503	15,348	15,851	166	7,926	8,092
Additions (new lease contracts) during the year	-	4,421	4,421	337	7,422	7,759
Balance, end of the period	503	19,769	20,272	503	15,348	15,851
Depreciation						
Balance, beginning of the period	44	3,902	3,946	23	1,860	1,883
Depreciation charge for the period	46	1,411	1,457	21	2,042	2,063
Exchange difference	-	231	231	-	-	-
Balance, end of the period	90	5,544	5,634	44	3,902	3,946
Carrying amounts						
Carrying amounts	**413**	**14,225**	**14,638**	**459**	**11,446**	**11,905**

Bank

(c) **As at 30 June 2021**

In millions of Nigerian Naira	Land	Buildings	Leasehold improve ments	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2021	33,645	27,833	4,864	8,564	11,275	8,498	49,485	47,327	16,818	208,309
Additions	69	15	13	-	196	191	520	1,135	12,083	14,222
Reclassifications	31	252	84	-	22	81	424	690	(1,585)	-
Disposals	-	-	(1)	-	(105)	(8)	(71)	(230)	(73)	(489)
Write-off	-	(17)	(19)	-	-	(6)	(3)	(47)	-	(90)
Exchange difference (note i)			10	-	1	5	30	2	211	259
Balance at 30 June 2021	**33,745**	**28,083**	**4,951**	**8,564**	**11,389**	**8,762**	**50,386**	**48,877**	**27,454**	**222,211**
Accumulated depreciation										
Balance at 1 January 2021	-	9,942	1,867	2,483	8,537	6,730	28,865	32,253	-	90,677
Charge for the period	-	220	62	204	284	314	2,452	1,983	-	5,518
Reclassifications	-	(8)	8	-	-	-	0	(0)	-	-
Disposals	-	-	(1)	-	(100)	(7)	(70)	(207)	-	(385)
Write-off	-	(4)	(15)	-	-	(5)	(2)	(12)	-	(39)
Exchange difference (note i)	-		9	-	1	5	19	2	-	36
Balance at 30 June 2021	**-**	**10,149**	**1,930**	**2,687**	**8,723**	**7,036**	**31,264**	**34,018**	**-**	**95,807**
Carrying amounts										
Balance at 30 June 2021	**33,745**	**17,934**	**3,021**	**5,877**	**2,666**	**1,726**	**19,122**	**14,859**	**27,454**	**126,404**
Balance at 31 December 2020	**33,645**	**17,891**	**2,997**	**6,081**	**2,738**	**1,768**	**20,620**	**15,074**	**16,818**	**117,632**

(i) Exchange differences arise from the translation of the property and equipment of the UBA New York branch.

(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2020: nil)

(d) **As at 31 December 2020**

Bank

In millions of Nigerian Naira	Land	Buildings	Leasehold improve ments	Aircraft	lotor vehicl	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2020	33,347	26,815	4,489	8,564	10,425	8,181	37,261	42,517	12,402	184,001
Additions	200	127	8	-	635	226	13,940	2,353	9,188	26,677
Reclassifications	101	904	338	-	1,376	470	(1,345)	3,011	(4,855)	-
Disposals	-	(5)	(0)	-	(990)	(91)	(223)	(460)	(38)	(1,807)
Write-off	(3)	(8)	(6)	-	(200)	(306)	(208)	(130)	-	(862)
Exchange difference	-	-	35	-	29	18	60	35	208	385
Balance at 31 December 2020	**33,645**	**27,833**	**4,864**	**8,564**	**11,275**	**8,498**	**49,485**	**47,327**	**16,818**	**208,308**
Accumulated depreciation										
Balance at 1 January 2020	-	9,488	1,751	2,075	8,773	6,287	26,509	27,112	-	81,995
Charge for the year	-	430	132	408	600	615	4,403	4,167	-	10,755
Reclassifications	-	26	(26)	-	1	198	(1,686)	1,487	-	-
Disposals	-	(1)	(0)	-	(667)	(90)	(214)	(421)	-	(1,392)
Write-off	-	(2)	(4)	-	(199)	(298)	(194)	(129)	-	(826)
Exchange difference	-	-	15	-	30	17	46	36	-	144
Balance at 31 December 2020	**-**	**9,942**	**1,867**	**2,483**	**8,537**	**6,730**	**28,865**	**32,253**	**-**	**90,676**
Carrying amounts										
Balance at 31 December 2020	**33,645**	**17,891**	**2,997**	**6,081**	**2,738**	**1,768**	**20,620**	**15,074**	**16,818**	**117,632**

(e) **Right-of-use assets**

Bank

	30 June 2021			31 December 2020		
In millions of Nigerian Naira	**Land**	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Right-of-use assets						
Balance, beginning of the period	166	8,889	9,055	166	6,878	7,044
New lease contracts	103	1,944	2,047	-	2,011	2,011
Balance, end of the period	269	10,833	11,102	166	8,889	9,055
Depreciation						
Balance, beginning of the period	44	3,208	3,252	23	1,582	1,605
Depreciation charge for the period	46	840	886	21	1,626	1,647
Balance, end of the period	90	4,048	4,138	44	3,208	3,252
Carrying amounts						
Carrying amounts	**179**	**6,785**	**6,964**	**122**	**5,681**	**5,803**

31 **Intangible assets**

(a) (i) As at 30 June 2021

Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress	Total
Cost				
Balance at 1 January 2021	10,718	35,926	3,614	50,258
Additions	-	42	1,420	1,462
Reclassifications	-	1,023	(1,023)	-
Disposal	-	(34)	(8)	(42)
Exchange difference	63	(79)	(6)	(22)
Balance at 30 June 2021	10,781	36,879	3,996	51,656
Amortization				
Balance at 1 January 2021	-	21,358	-	21,358
Amortisation for the period	-	2,045	-	2,045
Disposal	-	(34)	-	(34)
Transfers*	-	2	-	2
Exchange difference	-	(19)	-	(19)
Balance at 30 June 2021	-	23,352	-	23,352
Carrying amounts				
Balance at 30 June 2021	10,781	13,527	3,996	28,304
Balance at 31 December 2020	10,718	14,568	3,614	28,900

(ii) As at 31 December 2020

Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress	Total
Cost				
Balance at 1 January 2020	9,558	20,022	5,047	34,627
Additions	-	13,279	1,654	14,933
Reclassifications	-	2,708	(2,708)	(0)
Disposal	-	-	(293)	(293)
Transfers*	-	86	(86)	-
Exchange difference	1,160	(169)	0	991
Balance at 31 December 2020	10,718	35,926	3,614	50,258
Amortization				
Balance at 1 January 2020	-	16,956	-	16,956
Amortisation for the year	-	2,972	-	2,972
Exchange difference	-	1,430	-	1,430
Balance at 31 December 2020	-	21,358	-	21,358
Carrying amounts				
Balance at 31 December 2020	**10,718**	**14,568**	**3,614**	**28,900**

(b) (i) Bank

	Purchased software	Work in progress	Total
Cost			
Balance at 1 January 2021	28,442	3,430	31,872
Additions	-	1,412	1,412
Reclassifications	1,023	(1,023)	-
Disposal	(34)	(8)	(42)
Exchange difference	17	-	17
Balance at 30 June 2021	29,448	3,811	33,259
Amortization			
Balance at 1 January 2021	15,635	-	15,635
Amortisation for the period	1,749	-	1,749
Disposal	(34)	-	(34)
Transfers*	-	-	-
Exchange difference	6	-	6
Balance at 30 June 2021	17,357	-	17,357
Carrying amounts			
Balance at 30 June 2021	12,091	3,811	15,902
Balance at 31 December 2020	12,807	3,430	16,237

(ii) **Bank**

Cost	**Purchased software**	**Work in progress**	**Total**
In millions of Nigerian Naira			
Balance at 1 January 2020	15,023	5,044	20,067
Additions	10,605	1,488	12,093
Reclassifications	2,723	(2,723)	-
Disposal	-	(293)	(293)
Transfers*	86	(86)	-
Exchange difference	5	-	5
Balance at 31 December 2020	28,442	3,430	31,872
Amortization			
Balance at 1 January 2020	12,997	-	12,997
Amortisation for the year	2,634	-	2,634
Exchange difference	4	-	4
Balance at 31 December 2020	15,635	-	15,635
Carrying amounts			
Balance at 31 December 2020	**12,807**	**3,430**	**16,237**

There were no capitalised borrowing costs related to the internal development of software during the period (December 2020: nil). Computer software has a definite useful life of not more than five years while goodwill has an indefinite useful life and is annually assessed for impairment.

* Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets - purchased software (work in progress) during the period as disclosed in Note 30.

Impairment testing for cash-generating units containing Goodwill

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash generating units (CGUs) as the goodwill is monitored at the level of the individual cash generating units. UBA Benin and UBA UK Limited have been identified as individual cash generating units. UBA Benin and UBA UK Limited operate under Rest of Africa and Rest of the World geographic segments respectively. The recoverable amounts of the CGUs have been determined based on value-in-use calculations; using cash flow projections based on financial forecasts covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated economic growth rates for the respective CGUs. These growth rates are consistent with forecasts included in industry reports specific to the economic environment in which each of the CGU's operates.

The following table sets out the key assumptions used in the value-in-use calculations:

	UBA Benin		**UBA UK Limited**	
	June. 2021	**Dec. 2020**	**June. 2021**	**Dec. 2020**
Gross earnings (% annual growth rate)	15.0	12.4	9.0	8.0
Deposits (% annual growth rate)	10.0	6.0	6.0	10.0
Loans and advances (% annual growth rate)	15.0	12.0	10.0	11.0
Operating expenses (% annual growth rate)	16.0	3.0	9.0	3.0
Terminal growth rate (%)	3.9	1.2	1.3	3.6
Discount rate (pre-tax) (%)	27.6	13.9	6.2	4.6

The values assigned to each of the above key assumptions were determined as follows:

Assumption	**Approach used in determining values**
Gross earnings	This is the average annual growth rate over the five-year period. Based on past performance, expectations of market development and the expected positive impact of deposits and loan growth in the forecast period.
Deposits	This is the average annual growth rate over the five-year period. Deposits have been determined to be the key value driver for the CGUs. Projected deposits growth is based on past performance of the CGUs as well as management's plans to expand the businesses and deepen customer base.

Loans and advances	This is the average annual growth rate over the five year period. It is based partly on past performance but largely on the expected positive impact of the forecasted growth in deposits.
Operating expenses	This is the average annual growth rate over the five year period. It is based on the current structure of business of the respective CGUs, adjusting for expected inflationary increases but not reflecting any future restructurings or cost saving measures.
Terminal growth rate	This is the average growth rate used to extrapolate cash flows beyond the five-year period. Based on estimated economic growth rates for the respective CGUs.
Discount rate	The discount rate was a pre-tax measure based on the longest tenured government bond issued by the governments in Benin and United Kingdom respectively adjusted for a risk premium to reflect both the increased risk of investing in equities and generally and the systematic risk of the specific CGU.

Below is the result of the impairment test:

	UBA Benin		UBA UK Limited	
	June. 2021	**Dec. 2020**	**June. 2021**	**Dec. 2020**
In millions of Nigerian Naira				
Recoverable amount	40,136	40,136	46,732	46,732
Less: Carrying amount				
Goodwill	(6,504)	(6,553)	(4,455)	(4,343)
Net assets	(21,798)	(21,493)	(15,433)	(16,513)
Total carrying amount	(28,302)	(28,046)	(19,888)	(20,856)
Excess of recoverable amount over carrying amount	**11,834**	**12,090**	**26,844**	**25,876**

The key assumptions described above may change as economic and market conditions change. The results of the value-in-use calculations are most sensitive to changes in the deposit growth rates, terminal growth rates and discount rates applied. The recoverable amounts of the respective CGUs would equal their carrying amounts if these key assumptions were to change as follows:

	Jun. 2021		Dec.2020	
	%	%	%	%
UBA Benin	**From**	**To**	**From**	**To**
Deposit growth rate	10.0	8.5	6.0	15.0
Discount rate	27.6	35.0	13.9	18.9
UBA UK Limited				
Deposit growth rate	6.0	8.0	10.0	5.0
Discount rate	6.1	16.0	4.6	5.4

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

32 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In millions of Nigerian Naira		Group			Bank	
(a) *30 June 2021*	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, equipment, and software	23,525	0	23,525	22,406	-	22,406
Allowances for loan losses	3,728	12	3,716	3,728	-	3,728
Financial assets at FVOCI	-	13,475	(13,475)	-	13,475	(13,475)
Tax losses carried forward	7,843	-	7,843	7,816	-	7,816
Other liabilities	882	-	882	882	-	882
Fair value gain on derivatives	-	3,179	(3,179)	-	3,179	(3,179)
Loss on revaluation of investment securities	59	-	59	59	-	59
Foreign currency revaluation gain	3,624	-	3,624	3,625	-	3,625
Others	1,321	491	830	-	-	-
Net deferred tax assets /liabilities	40,981	17,157	23,824	38,516	16,654	21,862

In millions of Nigerian Naira		Group			Bank	
31 December 2020	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, equipment, and software	23,273	125	23,148	22,406	-	22,406
Allowances for loan losses	3,890		3,890	3,728	-	3,728
Impairment on account receivables			-	1,454	-	1,454
Financial assets at FVOCI	1,151	13,475	(12,323)	-	13,475	(13,475)
Tax losses carried forward	7,816	294	7,522	6,362	-	6,362
Other liabilities	882		882	882	-	882
Fair value loss on derivatives	-	3,218	(3,218)	-	3,179	(3,179)
Loss on revaluation of investment securities	59	-	59	59	-	59
Foreign currency revaluation Loss	-	-	-	3,624	-	3,624
Others	3,532	(119)	3,651	-	-	-
			-	-	-	-
Net deferred tax assets /liabilities	40,602	16,992	23,610	38,515	16,653	21,862

(b) Reconciliation of recognised deferred tax assets and liabilities to the amounts disclosed in the statement of financial position

Movements in temporary differences during the period
30 June 2021
Group

In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	23,148		-	23,148
Allowances for loan losses	3,890		-	3,890
Impairment on account receivables	-		-	-
Financial assets at FVOCI	(12,323)		-	(12,323)
Tax losses carried forward	7,522		-	7,522
Prior year DTL written off in FY2020	119		-	119
Other liabilities	882		-	882
Tax losses on fair value gain on derivatives	(3,218)		-	(3,218)
Foreign currency revaluation Loss			-	-
Loss on revaluation of investment securities	59		-	59
Others	3,532	213		3,745
	23,611	213	-	23,824

Bank

In millions of Nigerian Naira	Opening	Recognised in profit or loss balance	Recognised in equity	Closing balance
Property, equipment, and software	22,406	-	-	22,406
Allowances for loan losses	3,728	-	-	3,728
Account receivable	1,454	-	-	1,454
Financial assets at FVOCI	(13,475)	-	-	(13,475)
Tax losses carried forward	6,362	-	-	6,362
Other liability	882	-	-	882
Fair value gain on derivatives	-	-	-	-
	-	-	-	-
Tax losses on fair value gain on derivatives	(3,179)	-	-	(3,179)
Foreign currency revaluation Loss	3,625	-	-	3,625
Loss on revaluation of investment securities	59	-	-	59
Tax losses on fair value gain on derivatives	-			
	21,862	-	-	21,862

31 December 2020
Group

In millions of Nigerian Naira	Opening	Recognised in profit or loss balance	Recognised in equity	Closing balance
Property, equipment, and software	25,551	(2,403)	-	23,148
Allowances for loan losses	3,788	102	-	3,890
Impairment on account receivables	1,445	(1,445)	-	-
Financial assets at FVOCI	(13,475)	1,152	-	(12,323)
Tax losses carried forward	7,433	89	-	7,522
Prior year DTA written-off in FY2019	-	882	-	882
Prior year DTL written-off in FY2020	882	(763)		119
Tax losses on fair value gain on derivatives	(3,179)	(39)	-	(3,218)
Foreign currency revaluation Loss	3,624	(3,624)	-	-
Loss on revaluation of investment securities	59	-	-	59
Others	71	3,461	-	3,532
	26,199	(2,589)	-	23,611

Bank

In millions of Nigerian Naira	Opening	Recognised in profit or loss balance	Recognised in equity	Closing balance
Property, equipment, and software	22,406	-	-	22,406
Allowances for loan losses	3,728	-	-	3,728
Impairment on account receivables	1,454	-	-	1,454
Financial assets at FVOCI	(13,475)	-	-	(13,475)
Tax losses carried forward	6,362	-	-	6,362
Prior year DTL written-off in FY2020	882	-	-	882
Fair value gain on derivatives	-	-	-	-
	-	-	-	-
Tax losses on fair value gain on derivatives	(3,179)	-	-	(3,179)
Foreign currency revaluation Loss	3,624	-	-	3,624
Loss on revaluation of investment securities	59	-	-	59
Others	-	-	-	-
	21,862	-	-	21,862

Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Unused tax losses for which no deferred tax asset has been recognised was N67.6 billion (2020: N58 billion).

33 Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount which is recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are indicative of neither the market risk nor the credit risk.

In millions of Nigerian Naira

	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Derivative assets				
Carrying value	47,594	53,148	47,594	53,148
Notional amount	574,715	529,782	574,715	529,782
Derivative liabilities				
Carrying value	220	508	79	508
Notional amount	16,325	77,923	16,184	77,923

(a) **Derivative Financial Assets**

In millions of Nigerian Naira

	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Instrument type:				
Cross-currency swaps	47,330	53,148	47,330	53,148
Foreign exchange forward contracts	264	0	264	0
	47,594	53,148	47,594	53,148
The movement in derivative assets is as follows:				
Balance, beginning of period	53,148	48,131	53,148	48,131
Fair value of derivatives derecognised/remeasured in the period	(53,148)	(48,131)	(53,148)	(48,131)
Fair value of derivatives acquired/remeasured in the period	47,594	53,148	47,594	53,148
Balance, end of period	47,594	53,148	47,594	53,148

Derivative assets are current in nature

(b) **Derivative Financial Liabilities**

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Instrument type:				
Cross-currency swap	212	393	71	255
Foreign exchange forward contracts	8	115	8	253
	220	508	79	508
The movement in derivative liability is as follows:				
Balance, beginning of period	508	852	508	852
Fair value of derivatives derecognised/remeasured in the period	(508)	(852)	(508)	(852)
Fair value of derivatives acquired/remeasured in the period	220	508	220	508
Balance, end of period	220	508	79	508

Derivative liabilities are current in nature

(c) Fair value gain on derivatives	Group Jun. 2021	Group Jun. 2020	Bank Jun. 2021	Bank Jun. 2020
Derivative assets :				
Fair value gain on additions in the period	47,594	56,849	47,594	56,849
Fair value loss on maturities in the period	(53,148)	(48,131)	(53,148)	(48,131)
Net fair value gain on derivative assets	(5,554)	8,718	(5,554)	8,718
Derivative liabilities:				
Fair value loss on additions in the period	(220)	(138)	(79)	(138)
Fair value gain on maturities in the period	508	852	508	852
Net fair value gain/(loss) on derivative liabilities	288	714	429	714
Net fair value gain/(loss) on derivative assets and liabilities (See note 15)	**(5,266)**	**9,432**	**(5,125)**	**9,432**

34 Deposits from banks

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Money market deposits	431,539	334,146	198,229	103,705
Due to other banks	130,006	84,011	92,513	18,110
	561,545	**418,157**	**290,742**	**121,815**
Current	561,545	418,157	290,742	121,815

35 Deposits from customers

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Retail customers:				
Term deposits	65,661	144,720	15,239	65,422
Current deposits	586,312	815,250	284,476	569,288
Savings deposits	1,552,813	1,447,514	1,269,514	1,199,738
Corporate customers:				
Term deposits	890,348	890,012	628,005	603,361
Current deposits	3,000,440	2,378,515	1,727,417	1,386,334
	6,095,574	**5,676,011**	**3,924,651**	**3,824,143**
Current	6,089,305	5,669,628	3,924,510	3,823,985
Non-current	6,269	6,383	141	158
	6,095,574	5,676,011	3,924,651	3,824,143

36 Other liabilities

	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
In millions of Nigerian Naira				
Financial liabilities				
Creditors and payables	215,881	85,743	135,083	42,898
Managers cheques	7,057	4,475	5,638	4,465
Unclaimed dividends (note (i))	7,678	7,678	7,678	7,678
Customers' deposit for foreign trade (note (ii))	24,691	23,950	30,551	23,678
Lease liabilities (note (iii))	9,728	6,929	2,640	2,462
Accrued expenses	42,660	25,316	29,274	9,737
	307,695	154,091	210,864	90,918
Non-financial liabilities				
Provisions (note (iv))	252	252	147	147
Allowance for credit losses on off-balance sheet items (note (v))	6,165	2,807	3,937	2,363
Deferred income	1,767	677	382	241
	8,184	3,736	4,466	2,751
Total other liabilities	**315,879**	**157,827**	**215,330**	**93,669**
Non-current	7,678	3,423	7,678	1,050
Current	308,201	154,404	207,652	92,619
Total	**315,879**	**157,827**	**215,330**	**93,669**

(i) The amount represents unclaimed dividends due to UBA Plc's shareholders which have been returned by the Bank's Registrar.

(ii) Customers' deposit for foreign trade represents the naira value of foreign currencies held to cover letter of credit transactions. The corresponding balance is included in current balances with banks in note 22.

(iii) Finance cost on the lease liabilities is included in Interest expense in note 11.

The movement in lease liabilities balance during the period is as follows:

In millions of Nigerian Naira	Group Land	Group Buildings	Group Total	Bank Land	Bank Buildings	Bank Total
Lease liabilities						
Balance - 1 January 2021	271	6,658	6,929	99	2,363	2,462
Additions (new lease contracts) during the year	-	2,538	2,538	19	148	167
Principal repayments/cashflows during the year	-	(120)	(120)	-	(84)	(84)
Interest repayments/cashflows during the year	-	(54)	(54)	(2)	(36)	(38)
Interest accrued (note 11)	7	428	435	9	124	133
Balance - 30 June 2021	**278**	**9,450**	**9,728**	**125**	**2,515**	**2,640**

Maturity analysis for Lease Liabilities

	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	More than 1 year	Gross nominal amount	Total
Group	2,504	2,440	1,303	3,417	2,917	**12,581**	**9,728**
Bank	761	527	352	648	532	**2,820**	**2,640**

In millions of Nigerian Naira	Group Land	Group Buildings	Group Total	Bank Land	Bank Buildings	Bank Total
Lease liabilities						
Balance - 1 January 2020	83	1,547	1,630	83	1,026	1,109
Additions (new lease contracts) during the year	163	5,341	5,504	6	1,426	1,432
Principal repayments/cashflows during the year	(2)	(493)	(495)	-	(191)	(191)
Interest repayments/cashflows during the year	(11)	(215)	(227)	(4)	(212)	(217)
Interest accrued (note 11)	38	478	516	14	314	328
Balance - 30 december 2020	**271**	**6,658**	**6,929**	**99**	**2,363**	**2,462**

Maturity analysis for Lease Liabilities

	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	More than 1 year	Gross nominal amount	Total
Group	1,021	590	1,604	4,836	3,423	11,474	**6,929**
Bank	602	221	481	326	1,050	2,680	**2,462**

(iv) The amount represents a provision for certain legal claims. The provision charge is recognised in profit or loss within 'other operating expenses'. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 30 June 2021 The expected timing of the cashflows arising from the legal claim provision is within 1 year.

The movement in provision during the period is as follows:

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
At 1 January	252	252	147	147
Additional provisions	-	-	-	-
At 30 June	252	252	147	147
Analysis of total provisions:				
Current	252	252	147	147

(v) This represents allowance for credit loss for off-balance sheet loan commitments and financial guarantees recognised upon adoption of IFRS 9.

37 **Borrowings**

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Long Term Borrowings				
- Central Bank of Nigeria (note 37.1)	66,715	70,117	66,715	70,117
- Bank of Industry (BoI) (note 37.2)	4,201	4,879	4,201	4,879
- European Investment Bank (EIB) (note 37.3)	19,218	20,811	19,218	20,811
- Africa Trade Finance Limited	-	32,004		32,004
- African Export-Import Bank (note 37.4)	71,267	-	71,267	-
- Eurobond debt security (note 37.5)	204,696	199,256	204,696	199,256
- African Development Bank (note 37.6)	36,288	40,422	36,288	40,422
- Agence Francaise de Development (AFD) (note 37.7)	8,180	7,971	8,180	7,971
- Proparco (note 37.8)	34,938	34,048	34,938	34,048
	445,504	409,508	445,504	409,508

Short Term Borrowings				
- Sumitomo Mitsui Banking Corporation (note 37.9)	20,576	44,056	20,576	44,056
-Mashreqbank psc (note 37.10)	57,851	16,192	57,851	16,192
-Rand Merchant Bank (note 37.11)	30,863	40,438	30,863	40,438
-ABSA Bank Limited (note 37.15)	-	30,264		30,264
- Africa Trade Finance Limited (note 37.12)	10,302	-	10,302	-
- CitiBank		20,241		20,241
- African Export-Import Bank		119,567		119,567
-Abu Dhabi Commercial Bank (ADCB)		8,014		8,014
-Others		6,075		-
	119,591	**284,848**	**119,591**	**278,773**
Total Borrowings	565,095	694,355	565,095	688,280
Current	324,287	284,848	324,287	278,773
Non-current	240,808	409,508	240,808	409,508
	565,095	694,355	565,095	688,280

Movement in borrowings during the period:

In millions of Nigerian Naira				
Opening balance	694,355	758,682	688,280	744,094
Additions	117,685	487,475	117,685	472,887
Interest expense	25,073	45,506	19,931	39,435
Interest paid	(18,013)	(56,085)	(18,013)	(55,760)
Repayments (principal)	(269,393)	(582,713)	(254,805)	(556,315)
Transfer to deposit from banks	-	-		-
Exchange difference	15,388	41,490	12,017	43,939
	565,095	694,355	565,095	688,280

37.1 This represents on-lending facilities provided by the Central Bank of Nigeria (CBN):

(a) N17.699 billion of this facility represents the outstanding balance on the Commercial Agriculture Credit Scheme granted to the Bank for the sole purpose of granting loans, at subsidised rates, to the agricultural sector. Interest on the facility cannot exceed 5% per annum inclusive of all charges and is to be shared between the Bank and CBN at 4% and 1% respectively. The facility will terminate on 30 September 2025. The Bank is the primary obligor to CBN and assumes the risk of default.

(b) N35.160 billion of this facility represents the outstanding balance on the concessionary loans granted by the Central Bank of Nigeria to some State Governments. The facility attracts an interest rate of 1% and the Bank is under obligation to lend to participating states at a maximum rate of 5% per annum (inclusive of all charges). The principal is repayable monthly and the tenor of the facility is 20 years.

(c) N13.857 billion of this facility represents the outstanding balance on the loan granted by the Central Bank of Nigeria with respect to Real Sector Support Facility (RSSF) initiative to support the Federal Government's Special Fertilizer Intervention programme. The Central Bank shall lend to the Bank at 1% while the Bank shall on-lend to the customer at a maximum interest rate of 3.5% per annum, all charges inclusive. The 1% interest shall be remitted to CBN on a quarterly basis. The principal is repayable quarterly (after a one year moratorium) and the tenor of the facility is 7 years.

37.2 This represents an intervention credit granted to the Bank by the Bank of Industry (BOI) for the purpose of refinancing/restructuring existing loans to Small and Medium Scale Enterprises (SMEs), manufacturing companies and companies in the power and aviation industries. The maximum tenor of term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum, deductible at source in the first year and quarterly in arrears thereafter, is paid by the Bank under the intervention programme and the Bank is under obligation to on-lend to customers at an all-interest rate of 5% per annum. The Bank is the primary obligor to CBN/BOI and assumes the risk of default.

37.3 The $46.975million outstanding loan facility was granted under the Nigeria Private Enterprise Finance Facility extended by the European Investment Bank to a group of financial institutions located in Nigeria. The purpose of the facility is to finance capital expenditure for development of intermediation capacities and support small and medium sized enterprises in Nigeria. The facility is for a tenor of 9 years. The interest rate on the facility is six months USD LIBOR plus 337 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 36 months. Facility matures December 2025.

37.4 This represents the amount granted under a $150 million and $50 million loan facilities granted by African Export-Import Bank in November 2020 with two (2) and three (3) years tenor respectively. The facilities' Interest rate is three (3) months USD LIBOR plus 485 basis points and 316 basis points respectively. The interest repayments were on a quarterly basis while the principal repayment is due upon maturity in November 2022 and November 2023 respectively.

37.5 This represents the amortised cost of the Eurobond issued by the Bank on June 8, 2017. The $500million Notes have a tenor of 5 years with a maturity date of June 8, 2022 and a yield of 7.875%. The rate of interest (coupon) is 7.75% payable semi-annually with bullet repayment of the Principal sum at maturity.

37.6 This represents the amount granted under a $150million line of credit by African Development Bank in December 2016. The first tranche of $120million was disbursed to the Bank in December 2016 while the second tranche of $30 million was disbursed to the Bank in November 2017. The facility oustanding balance is $87.5million for a tenor of 8 years and is to be used for medium term financing and on-lending to infrastructure projects, small and medium sized enterprises and women-owned enterprises in the Federal Republic of Nigeria. The interest rate on the facility is six months USD LIBOR plus 440 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 2 years. Facility matures December 2024.

37.7 This represents the amount granted under a $20 million trade loan facility granted by Agence Francaise de Development (AFD) in May 2020. The facility is for a tenor of ten (10) years and Interest rate is six (6) months USD LIBOR plus 303 basis points. The interest repayments are payable semi-annually while the principal repayment will commence on a semi-annual basis following the 3 year grace period, final maturity is in May 2029.

37.8 This represents the amount granted under a $85 million trade loan facility granted by Proparco in April 2020. The facility is for a tenor of seven (7) years and Interest rate is six (6) months USD LIBOR plus 303 basis points. The interest repayments are payable semi-annually while the principal repayment will commence on a semi-annual basis following the 2 year grace period, final maturity is in April 2027.

37.9 This represents the outstanding balance on the $50 million trade loan facilities granted by Sumitomo Mitsui Banking Corporation in March 2021. The facility is for a tenor of 6 months and Interest rate is three (3) months USD LIBOR plus 360 basis points. The principal repayment is due upon maturity in September 2021.

37.10 'This represents the outstanding balance on the $40 million and $100 million trade loan facilities granted by Mashreq Bank in January and March 2021 respectively. The facilities are for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 375 basis points and three (3) months USD LIBOR plus 385 basis points. The interest and principal repayments are due upon maturity in July and September 2021 respectively.

37.11 This represents the amount granted under a $75 million trade finance loan facility granted by Rand Merchant Bank in March 2021. The facility is for a tenor of six (6) months and Interest rate is three (3) months USD LIBOR plus 375 basis points. The interest and principal repayments are due upon maturity in August 2021.

37.12 'This represents the outstanding balance on the $25million term loan facility arranged by Africa Trade Finance Limited, United Kingdom in February 2021. The facility is a trade-related term loan with a tenor of six (6) months and interest rate of three months USD LIBOR plus 300 basis points. The interest and principal repayments are due upon maturity in August 2021.

38 Capital and reserves

(a) Share capital

Share capital comprises:

	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
(i) Authorised - 45,000,000,000 Ordinary shares of 50k each	22,500	22,500	22,500	22,500
(ii) Issued and fully paid - 34,199,421,366 Ordinary shares of 50k each	17,100	17,100	17,100	17,100

The movement in the share capital account during the period is as follows:

In millions	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Number of shares in issue at start of the period	34,200	34,200	34,200	34,200
Number of shares in issue at end of the period	34,200	34,200	34,200	34,200

(b) Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

(c) Retained earnings

Retained earnings is the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

(d) Other Reserves

Other reserves include the following:

In millions of Nigerian Naira	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Translation reserve (note (i))	46,787	40,512	-	-
Statutory reserve (note (ii))	120,516	115,379	101,072	97,451
Fair value reserve (note (iii))	96,850	122,807	97,352	123,421
Regulatory (Credit) risk reserve (note (iv))	69,809	45,496	47,250	45,773
	333,962	324,194	245,674	266,645

(i) Translation reserve

Translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

(ii) Statutory reserve

Statutory reserve includes:

- Statutory reserve: this represents the cumulative appropriation from earnings in accordance with existing legislation that require the Bank to make an annual appropriation, In the current period, the Bank transferred N3.62 billion representing 15% (2020: 15%) of its profit after taxation to statutory reserves.

- Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves of N2.635 billion as at 30 June 2021 (December 2020: N2.635 billion) . The Bank has since suspended further appropriation to SMEEIS reserve in line with the directives of the Central Bank of Nigeria.

- Agriculture/Small and Medium Enterprises Equity Investment Scheme (AGSMEEIS) reserves of N9.938 billion as at 30 June 2021(December 2020: N9.938). The reserve was set aside in compliance with Central Bank of Nigeria's directive of April 2017.

(iii) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of investments at fair value through other comprehensive income. Such fair value changes are maintained until the investment is derecognised or impaired.

(iv) Regulatory (Credit) risk reserve

The regulatory (credit) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the various Central Banks of the various operating jurisdictions compared with the expected credit loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the expected credit loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

39 Dividends

The Board of Directors has proposed an interim dividend of N0.20 per share (30 June 2020: N0.17 per share) from the retained earnings account as at 30 June 2021.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 30 June 2021 and 31 December 2020 respectively.

Payment of dividend to shareholders is subject to withholding tax at a rate of 10%.

40 Contingencies

(i) Litigation and claims

The Bank, in the ordinary course of business is currently involved in 833 legal cases (2020: 1000). The total amount claimed in the cases against the Bank is estimated at N459.28 billion (2020: N385.07billion). The directors having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

(ii) Contingent liabilities

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk. There are no guarantees, commitments or other contingent liabilities arising from related party transactions.

In millions of Nigerian naira	**Group Jun. 2021**	**Group Dec. 2020**	**Bank Jun. 2021**	**Bank Dec. 2020**
Performance bonds and guarantees	293,734	170,988	286,766	163,793
Allowance for credit losses	(2,047)	(941)	(2,047)	(756)
Net carrying amount	291,687	170,047	284,719	163,037
Letters of credits	1,059,975	687,841	388,039	194,880
Allowance for credit losses	(4,118)	(1,866)	(1,890)	(1,607)
Net carrying amount	1,055,857	685,975	386,149	193,273
Gross amount	1,353,710	858,829	674,805	358,673
Total allowance for credit losses	(6,165)	(2,807)	(3,937)	(2,363)
Total carrying amount for performance bonds and guarantees	1,347,545	856,022	670,868	356,310

(iii) Loan commitments

Loan commitments are irrevocable commitments to provide credits under pre-specified terms and conditions. The Group's loan commitments are usually conditioned on the maintenance of a satisfactory financial standing by the customer and absence of defaults on other covenants. At the reporting date, the Group had loan commitments amounting to N87.5 billion (December 2020: N95 billion) in respect of various loan contracts.

(iii) Capital commitments

Capital commitments are irrevocable contractual commitments for the acquisition of items of property and equipment or intangible assets. At the reporting date, the Group had capital commitments amounting to N6.131 billion (December 2020: N5.247 billion) in respect of authorised and contracted capital projects.

	Group Jun. 2021	Group Dec. 2020
In millions of Nigerian naira		
Property and equipment	4,274	3,458
Intangible assets	1,857	1,789
	6,131	5,247

41 Related parties and insider related credits

United Bank for Africa Plc (UBA Plc) is the ultimate parent/controlling party of the Group. The shares of UBA Plc are listed on the Nigerian Stock Exchange and held by widely varied investors.

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures as well as key management personnel.

(a) Subsidiaries

Transactions between United Bank for Africa Plc and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements but are disclosed in the books of the Bank. The Bank's transactions and balances with its subsidiaries during the period and at period end are as follows:

(i) Cash and cash equivalents with the following subsidiaries are:

Name of Subsidiary	Nature of Balance	Jun. 2021	Dec. 2020
In millions of Nigerian naira			
UBA Sierra Leone	Money market placement	561	-
UBA Mali	Money market placement	3,665	-
UBA Kenya	Money market placement	25	4,003
UBA Liberia	Money market placement	23,308	-
UBA Ghana	Nostro balance	10,385	-
UBA Senegal	Money market placement	189	-
UBA Guinea	Money market placement	15,446	-
UBA Guinea	Nostro balance	3,859	-
UBA Burkina Faso	Money market placement	422	-
UBA Chad	Money market placement	8	-
UBA Benin	Nostro balance	208	-
UBA Congo Brazzaville	Money market placement	6	-
UBA Congo DRC	Nostro balance	1,625	-
UBA Congo DRC	Money market placement	342	-
UBA Cote D'Ivoire	Money market placement	30	-
UBA Gabon	Money market placement	28	-
UBA UK Limited	Money market placement	-	35,989
UBA UK Limited	Nostro balance	16,652	25,620
		76,760	65,612

(ii) Loan and advances

Name of Subsidiary	Type of Loan	Jun. 2021	Dec. 2020
In millions of Nigerian naira			
UBA Liberia	Term Loans	10	-
UBA Cameroun	Overdraft	-	15,978
UBA Burkina Faso	Overdraft	3,914	2,994
UBA Congo Brazzaville	Overdraft	7,644	2,888
UBA Chad	Overdraft	2,668	2,307
UBA Benin	Overdraft	1,746	1,970
UBA Senegal	Overdraft	10	183
UBA Gabon	Overdraft	23	73
UBA Liberia	Overdraft	10	-
UBA Cote D'Ivoire	Overdraft	31	-
UBA Congo Brazzaville	Overdraft	7,644	-
UBA Benin	Overdraft	1,746	-
UBA Congo DRC	Overdraft	4	-
UBA UK Limited	Overdraft	80,362	-
UBA Burkina Faso	Overdraft	3,914	-
		109,726	26,392

Term loans to subsidiaries are unsecured.

(iii) Deposits

Name of Subsidiary	**Type of Deposit**	**Jun. 2021**	**Dec. 2020**
In millions of Nigerian naira			
UBA Mali	Current	3,665	6,104
UBA Congo DRC	Current	1,958	1,709
UBA Uganda	Current	396	887
UBA Congo Brazzaville	Current	15	125
UBA Sierra Leone	Current	79	71
UBA Kenya	Current	14	60
UBA Ghana	Current	40	55
UBA Mozambique	Current	49	55
UBA Senegal	Current	39	29
UBA Guinea	Current	16	20
UBA Liberia	Current	-	20
UBA Burkina Faso	Current	3	16
UBA Benin	Current	1	12
UBA Cameroun	Current	-	8
UBA Cote D'Ivoire	Current	2	4
UBA Pension Custodian	Current	-	8
UBA Gabon	Current	1	-
UBA Sierra Leone	Current	79	-
UBA UK Limited	Current	440	-
UBA Liberia	Domicilliary	23,308	13,760
UBA Ghana	Domicilliary	10,327	6,663
UBA Guinea	Domicilliary	3,843	1,279
UBA Senegal	Domicilliary	559	798
UBA Sierra Leone	Domicilliary	482	406
UBA Benin	Domiciliary	207	339
UBA Burkina Faso	Domicilliary	419	299
UBA Uganda	Domicilliary	14,640	248
UBA Kenya	Domicilliary	12	100
UBA Cote D'Ivoire	Domicilliary	28	66
UBA Chad	Domicilliary	8	64
UBA Gabon	Domicilliary	27	78
UBA Tanzania	Domicilliary	25	35
UBA Chad	Domicilliary	8	-
UBA UK Limited	Money market deposit	10,315	22,315
UBA Ghana	Money market deposit	-	14
		71,004	55,649

		Jun. 2021	Dec. 2020
(iv) Accounts receivable from the following subsidiaries are:			
UBA Ghana	Accounts receivable	4,458	4,796
UBA Cote D'Ivoire	Accounts receivable	1,163	2,148
UBA Cameroon	Accounts receivable	1,431	1,449
UBA Burkina Faso	Accounts receivable	181	805
UBA Benin	Accounts receivable	473	971
UBA DRC Congo	Accounts receivable	538	630
UBA Zambia	Accounts receivable	775	596
UBA Gabon	Accounts receivable	825	591
UBA Congo Brazzaville	Accounts receivable	533	585
UBA Senegal	Accounts receivable	142	539
UBA Guinea	Accounts receivable	731	822
UBA Uganda	Accounts receivable	548	583
UBA Chad	Accounts receivable	590	751
UBA Liberia	Accounts receivable	219	134
UBA Sierra Leone	Accounts receivable	197	159
UBA Pension Custodian	Accounts receivable	89	69
UBA Tanzania	Accounts receivable	-	280
UBA Kenya	Accounts receivable	188	418
UBA Mali	Accounts receivable	-	184
UBA Mozambique	Accounts receivable	-	298
UBA Angola	Accounts receivable	-	14
		13,079	16,821

In millions of Nigerian naira	Jun. 2021	Dec. 2020
(v) Dividend receivable from the following subsidiaries are:		
UBA Pension Custodian	2,500	2,500
UBA Ghana	1,150	1,129
UBA Gabon	1,096	1,069
UBA Chad	901	878
UBA Sierra Leone	873	851
UBA Liberia	827	807
	7,347	7,233

	Jun. 2021	June. 2020
(ix) Internal transfer pricing charges from the following subsidiaries are:		
UBA Ghana	224	213
UBA Burkina Faso	292	286
UBA Congo Brazaville	217	109
UBA Senegal	278	236
UBA Chad	101	79
UBA Benin	133	150
UBA Cameroun	178	134
UBA Cote d' Ivoire	342	228
UBA Gabon	153	163
UBA Liberia	145	114
UBA Sierra Leone	97	99
UBA Kenya	21	21
UBA Mozambique	33	29
UBA Mali	37	39
UBA Pension	75	76
	2,324	1,975

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of UBA Plc, directly or indirectly, including any director (whether executive or otherwise) of the Bank, and their close family members. Close family members are those family who may be expected to influence, or be influenced by that individual in their dealings with UBA Plc and its subsidiaries.

Key management personnel and their close family members engaged in the following transactions with the Bank during the period:

Loans and advances to key management personnel	**Jun. 2021**	**Dec. 2020**
In millions of Nigerian Naira		
Loans and advances as at period end	291	206

	Jun. 2021	**June. 2020**
Interest income earned during the period	11	17

Loans to key management personnel are granted on the same terms and conditions as loans to other employees. Related party loans are secured over real estate, equity and other assets of the respective borrowers. No impairment losses (2020: Nil) have been recorded against related party loans.

Loans and advances to key management personnel's related persons and entities as at June 2021:

In millions of Nigerian naira

Name of company/ individual	Name of Director	Facility Type	Security	Status	Rate	Currency	Jun. 2021	Dec. 2020
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	9% - 10.5%	NGN	13,104	17,196
							13,104	17,196

	Jun. 2021	**June. 2020**
Interest income earned during the period	709	1,612

Deposit liabilities

Deposit liabilities relating to key management personnel and their related persons and entities as at end of the period is as follows:

In millions of Nigerian Naira	**Jun. 2021**	**Dec. 2020**
Deposits as at period end	702	815

	Jun. 2021	**June. 2020**
Interest expense during the period	1	15

Compensation

Aggregate remuneration to key management staff during the period is as follows:	**Jun. 2021**	**June. 2020**
In millions of Nigerian Naira		
Executive compensation	331	353
Defined contribution plan	10	10
Total benefits cost	341	363

42 Compensation to Employees and Directors

(i) The number of persons in the employment of the Group and the Bank as at period end is as follows:

(In absolute units)	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
Group executive directors	7	7	7	7
Management	88	88	65	68
Non-management	10,436	10,729	6,975	7,241
	10,531	10,824	7,047	7,316

Compensation for the above personnel (including executive directors):	Jun. 2021	June. 2020	Jun. 2021	June. 2020
In millions of Nigerian Naira				
Salaries and wages	40,574	43,115	19,664	24,315
Defined contribution plans	1,759	1,450	639	658
Terminatrion benefits	290	-	-	-
	42,623	44,565	20,303	24,973

(ii) The number of employees of the Group and the Bank, other than Directors, who received emoluments in the following ranges (excluding pension contributions) were:

(In absolute units)

	Group Jun. 2021	Group Dec. 2020	Bank Jun. 2021	Bank Dec. 2020
N300,001 - N2,000,000	4,200	4,200	2,109	2,198
N2,000,001 - N2,800,000	580	628	220	222
N2,800,001 - N3,500,000	1,484	1,516	1,190	1,257
N3,500,001 - N4,000,000	1,359	1,439	1,250	1,311
N4,000,001 - N5,500,000	912	740	740	537
N5,500,001 - N6,500,000	111	394	2	221
N6,500,001 - N7,800,000	603	564	449	452
N7,800,001 - N9,000,000	347	409	323	334
N9,000,001 - above	928	927	757	777
	10,524	10,817	7,040	7,309

(iii) Directors

In millions of Nigerian naira	Jun. 2021	June. 2020	Jun. 2021	June. 2020
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	32	50	32	50
Executive compensation	331	353	331	353
Defined contribution plan	10	10	10	10
	373	413	373	413
Fees and other emoluments disclosed above includes amounts paid to:				
The Chairman	1	1	1	1
The highest paid Director	70	70	70	70

The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

(In absolute units)

N1,000,001 - N5,000,000	10	10	10	10
N5,500,001 and above	9	9	9	9
	19	19	19	19

43 Non-audit services

During the period, the Bank's external auditors (Ernst & Young) rendered the following non-audit service to the Bank:

(i) Review of the Bank's IT Shared Service Center hosted by UBA PLC on behalf of its Subsidiaries for the purpose of generating a Service Organisation Control report. The fee paid by UBA PLC for this service was N5.375 million.

44 Compliance with banking regulations

During the period, the Bank paid the following penalty:

In millions of Nigerian Naira

	Description	Amount
1	None verification of a customer identity and delay in filing the related transaction report	13
2	Foreign exchange documentation lapses in respect of some Customers` accounts	260
	Total	**273**

45 Evaluation of the impact of COVID-19

The COVID-19 pandemic caused disruptions to global economic and social activities during the period ended 31 December 2020. However, in the period ended 30 June 2021, the global scene witnessed significant efforts at combatting the pandemic, which led to the discovery and administration of vaccines accross the globe. Most economies have also been largely re-opened, thereby leading to improved economic conditions. These have led to the recovery of most global markets as evidenced by rising crude oil and commodity prices amongst others. The Group has reviewed the current state of events 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 has also assessed on a line-by-line basis the impact of Covid-19 on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statement. Whilst the Group continues to monitor the situation, updates will be provided as more new information becomes available and necessary adjustment will be reflected in the financial statements, if required.

46 Events after the reporting date

There were no events after the reporting date that could have material effect on the financial condition of the Group as at 30 June 2021 and the profit and other comprehensive income for the period then ended which have not been adjusted or disclosed.

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 Bank's shares. The Policy undergoes periodic reviews by the Board and is updated accordingly. The Bank has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the period.

Free Float Declaration

United Bank for Africa Plc with a free float percentage of 75.79% (and a free float value of N189,315,653,139.50) as at 30 June 2021, is compliant with free float requirements for companies listed on the Premium Board of The Nigerian Stock Exchange.

47 Condensed result of consolidated subsidiaries

For the period ended 30 June 2021

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	20,060	3,662	15,283	8,282	2,626	4,724	6,695	9,370
Total operating expenses	(9,861)	(1,754)	(7,145)	(5,337)	(2,773)	(2,238)	(3,897)	(7,162)
Net impairment (loss)/gain on financial assets	(1,673)	(73)	-	1,006	(192)	(29)	217	194
Profit/(loss) before income tax	**8,526**	**1,835**	**8,138**	**3,951**	**(339)**	**2,457**	**3,015**	**2,402**
Income tax expense	(2,717)	-	(581)	(96)	(27)	-	(904)	(89)
Profit for the period	**5,809**	**1,835**	**7,557**	**3,855**	**(366)**	**2,457**	**2,111**	**2,313**
Condensed statements of financial position								
Assets								
Cash and bank balances	82,940	37,957	37,022	20,575	3,197	33,647	14,423	28,685
Financial assets at FVTPL	-	-	-	-	42,145	-	-	-
Loans and advances to customers	66,636	12,247	133,817	100,880	9,823	9,657	24,377	67,648
Investment securities	163,829	11,260	216,357	125,086	-	34,924	54,013	156,388
Other assets	16,162	12,666	5,054	10,785	5,857	1,513	7,200	3,754
Property and Equipment	4,705	683	383	884	364	1,154	4,108	2,656
Intangible assets	44	15	49	17	8	32	17	7
Deferred tax asset	217	2	334	-	1,131	-	-	-
	334,533	74,830	404,442	267,480	74,976	80,927	104,138	259,138
Financed by:								
Deposits from banks	-	-	44,161	51,529	32,784	601	-	32,489
Deposits from customers	250,837	59,480	311,155	176,951	31,662	69,096	78,862	199,990
Other liabilities	6,988	5,738	15,699	10,261	2,358	2,496	7,870	4,772
Current tax liability	-	-	-	324	-	-	898	89
Deferred tax liability	-	-	36	-	-	-	-	-
Total Equity	76,708	9,612	33,391	28,415	8,172	8,734	16,508	21,798
	334,533	74,830	404,442	267,480	74,976	80,927	104,138	259,138
Condensed cash flows								
Net cash from operating activities	58,351	9,262	33,048	32,455	(8,077)	12,172	1,037	4,437
Net cash from financing activities	2,662	579	(4,533)	(3,017)	53	(4,160)	1,370	(2,097)
Net cash from investing activities	(44,172)	1,258	(37,672)	(13,318)	(3,473)	4,934	2,147	(12,311)
Increase/(decrease) in cash and cash equivalents	**16,841**	**11,099**	**(9,157)**	**16,120**	**(11,497)**	**12,946**	**4,554**	**(9,971)**
Cash and cash equivalents at beginning of period	66,099	26,858	46,179	4,455	14,694	20,701	9,869	38,656
Cash and cash equivalents at end of the period	**82,940**	**37,957**	**37,022**	**20,575**	**3,197**	**33,647**	**14,423**	**28,685**

Condensed result of consolidated subsidiaries continued
For the period ended 30 June 2021

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	4,809	11,403	5,169	3,678	13,298	1,722	19,956	3,344	2,064
Total operating expenses	(1,667)	(8,693)	(3,339)	(2,442)	(7,618)	(1,331)	(11,265)	(662)	(2,082)
Net impairment gain/(loss) on financial assets	(4)	(139)	(92)	(26)	(272)	-	(759)	-	-
Profit before income tax	3,138	2,571	1,738	1,210	5,408	391	7,932	2,682	(18)
Income tax expense	(597)	(72)	(563)	(235)	-	(184)	(2,675)	(757)	(30)
Profit for the period	2,541	2,499	1,175	975	5,408	207	5,257	1,925	(48)
Condensed statements of financial position									
Assets									
Cash and bank balances	18,922	29,379	23,327	21,890	62,494	27,510	53,339	9,777	16,568
Loans and advances to customers	4,444	124,350	41,489	5,411	42,767	5,580	122,739	-	19,102
Investment securities	37,472	229,275	71,789	24,322	-	42	221,676	-	21,776
Other assets	334	12,322	837	5,929	4,446	102	15,751	965	1,877
Property and Equipment	1,486	3,634	1,495	2,480	1,517	587	1,830	159	603
Intangible assets	-	129	-	26	10	43	27	80	64
Deferred tax asset	-	-	-	-	-	-	-	-	-
	62,658	399,089	138,937	60,058	197,605	33,864	422,769	11,119	60,128
Financed by:									
Deposits from banks	1,028	60,027	-	11,770	46,990	4,819	21,670	-	35
Deposits from customers	41,104	296,461	107,289	36,750	88,494	19,932	334,470	-	50,343
Other liabilities	7,420	15,345	16,681	2,932	22,070	948	16,890	2,410	1,991
Current tax liability	(50)	-	559	-	-	-	2,658	1,317	(30)
Deferred tax liability	25	-	-	-	-	-	-	7	-
Total Equity	13,131	27,256	14,408	8,606	40,051	8,165	47,081	7,385	7,789
	62,658	399,089	138,937	60,058	197,605	33,864	422,769	11,119	60,128
Condensed cash flows									
Net cash from operating activities	6,080	25,072	17,817	5,424	12,647	5,628	33,540	2,022	1,230
Net cash from financing activities	2,672	(1,407)	(729)	(443)	(3,646)	1,477	(2,789)	108	(50)
Net cash from investing activities	(5,295)	(31,255)	(3,204)	(9,286)	(370)	1,987	(33,911)	7,629	(667)
(Decrease)/Increase in cash and cash equivalents	**3,457**	**(7,590)**	**13,884**	**(4,305)**	**8,631**	**9,092**	**(3,160)**	**9,759**	**513**
Cash and cash equivalents at beginning of period	15,465	36,969	9,443	26,195	53,863	18,418	56,499	18	16,055
Cash and cash equivalents at end of the period	**18,922**	**29,379**	**23,327**	**21,890**	**62,494**	**27,510**	**53,339**	**9,777**	**16,568**

Condensed result of consolidated subsidiaries continued

For the period ended 30 June 2021

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA UK Limited	SSIT	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income								
Operating income	2,221	6,836	2,092	-	-	108,200	(43,048)	212,446
Total operating expenses	(1,579)	(4,743)	(3,112)	-	-	(81,148)	37,015	(132,833)
Net impairment gain/(loss) on financial assets	5	-	(154)	-	-	(2,145)	(1)	(4,137)
Share of loss of equity-accounted investee	-	-	-	-	-	-	710	710
(Loss)/Profit before income tax	647	2,093	(1,174)	-	-	24,907	(5,323)	76,186
Income tax expense	(54)	(32)	-	-	-	(770)	(25,161)	(15,605)
(Loss)/Profit for the period	**593**	**2,061**	**(1,174)**	**-**	**-**	**24,137**	**(30,484)**	**60,581**
Condensed statements of financial position								
Assets								
Cash and bank balances	11,486	44,862	15,174	-	-	1,650,541	(178,694)	2,065,021
Financial assets at FVTPL	4,958	-	-	-	-	14,255	(138)	147,867
Derivative assets	-	-	-	-	-	47,594	-	47,594
Loans and Advances to Banks	-	-	88,663	-	-	103,139	(80,374)	151,965
Loans and advances to customers	12,653	23,534	-	-	-	1,838,967	(1,152,036)	2,634,556
Investment securities	-	-	53,866	-	-	1,414,095	(5,677)	2,830,493
Other assets	942	677	341	-	-	115,892	(26,911)	196,495
Investments in equity-accounted investee	-	-	-	-	-	2,715	2,584	5,299
Investments in Subsidiaries	-	-	-	-	-	103,275	(103,275)	-
Property and Equipment	428	773	187	-	-	133,368	3,251	166,735
Intangible assets	2	-	889	-	-	15,902	10,943	28,304
Deferred tax asset	-	-	-	-	-	21,862	17,435	40,981
	30,469	**69,846**	**159,120**	**-**	**-**	**5,461,605**	**(1,512,892)**	**8,315,310**
Financed by:								
Derivative liabilities	-	-	141	-	-	79	-	220
Deposits from banks	8,521	-	136,970	-	-	290,742	(182,591)	561,545
Deposits from customers	16,503	59,562	5,559	-	-	3,924,651	(63,577)	6,095,574
Other liabilities	701	1,283	990	-	-	215,330	(45,294)	315,879
Current tax liability	-	32	-	-	-	1,670	(148)	7,319
Subordinated liabilities	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	565,095	-	565,095
Deferred tax liability	-	-	27	-	-	-	17,062	17,157
Total Equity	4,744	8,969	15,433	-	-	464,038	(117,873)	752,521
	30,469	**69,846**	**159,120**	**-**	**-**	**5,461,605**	**(392,421)**	**8,315,310**
	-	**-**	**-**	**-**	**-**	**-**		**-**
Condensed cash flows								
Net cash from operating activities	(2,231)	3,073	4,266	-	-	346,289	(57,395)	546,147
Net cash from financing activities	99	17	94	-	-	(167,225)	(900)	(181,865)
Net cash from investing activities	(901)	62	(5,948)	-	-	(152,932)	9,804	(326,894)
Increase/(decrease) in cash and cash equivalents	**(3,033)**	**3,152**	**(1,588)**	**-**	**-**	**26,132**	**(48,491)**	**37,388**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	20,766	26,420	47,186
Cash and cash equivalents at beginning of period	14,519	41,710	16,762	-	-	433,429	(172,262)	794,594
Cash and cash equivalents at end of the period	**11,486**	**44,862**	**15,174**	**-**	**-**	**480,327**	**(194,333)**	**879,168**

47 Condensed result of consolidated subsidiaries

For the period ended 30 June 2020

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	24,624	2,251	8,718	6,516	3,932	2,530	3,926	5,883
Total operating expenses	(14,344)	(1,457)	(5,512)	(4,058)	(2,705)	(1,866)	(2,832)	(5,153)
Net impairment (loss)/gain on financial assets	(1,118)	(104)	(48)	(109)	(14)	(78)	646	171
Profit before income tax	**9,162**	**690**	**3,158**	**2,349**	**1,213**	**586**	**1,740**	**901**
Income tax expense	(2,733)	-	-	(192)	(306)	(22)	-	(54)
Profit/(loss) for the period	**6,429**	**690**	**3,158**	**2,157**	**907**	**564**	**1,740**	**847**
Condensed statements of financial position								
As at 31 December 2020								
Assets								
Cash and bank balances	66,099	26,858	46,179	4,455	14,694	20,701	9,869	38,656
Loans and Advances to Banks	-	-	9,402	7,381	-	-	-	-
Loans and advances to customers	77,037	11,146	140,862	60,598	9,897	12,642	31,549	60,705
Investment securities	119,678	12,888	178,662	111,647	38,809	40,574	56,195	143,899
Other assets	5,908	12,331	6,881	11,550	4,201	95	7,774	1,692
Property and Equipment	4,679	327	408	896	225	454	4,028	2,830
Intangible assets	49	1	47	126	10	16	62	11
Deferred tax assets	26	44	829	-	1,151	-	-	-
	273,476	63,595	383,270	196,653	68,987	74,482	109,477	247,793
Financed by:								
Deposits from banks	5,035	-	63,025	4,145	29,816	346	400	46,932
Deposits from customers	193,679	49,304	270,706	126,724	28,494	61,936	79,543	175,369
Other liabilities	6,525	6,413	19,172	37,847	2,058	1,757	17,411	3,372
Current tax liabilities	-	680	-	360	134	-	-	627
Deferred tax liabilities	-	41	395	-	-	-	-	-
Borrowings	-	-	-	-	-	4,007	-	-
Total Equity	68,237	7,157	29,972	27,577	8,485	6,436	12,123	21,493
	273,476	63,595	383,270	196,653	68,987	74,482	109,477	247,793
Condensed cash flows								
For the period ended 30 June 2020								
Net cash from operating activities	(51,486)	8,794	36,334	42,334	17,845	11,786	25,846	36,850
Net cash from financing activities	16,409	685	4,290	(838)	(486)	441	496	3,671
Net cash from investing activities	54,225	558	(59,995)	(35,754)	(26,413)	(9,137)	(12,848)	(51,900)
(Decrease)/Increase in cash and cash equivalents	**19,148**	**10,037**	**(19,371)**	**5,742**	**(9,054)**	**3,090**	**13,494**	**(11,379)**
Cash and cash equivalents at beginning of period	32,320	18,208	29,945	14,653	13,489	4,158	9,272	24,553
Cash and cash equivalents at end of period	**51,468**	**28,245**	**10,574**	**20,395**	**4,435**	**7,248**	**22,766**	**13,174**

Condensed result of consolidated subsidiaries continued

For the period ended 30 June 2020

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	3,612	8,025	3,455	2,905	8,174	943	14,882	3,088	2,149
Total operating expenses	(1,349)	(6,766)	(2,161)	(2,268)	(4,574)	(1,014)	(8,827)	(700)	(2,386)
Net impairment (loss)/gain on financial assets	-	(195)	(277)	(10)	(108)	3	729	-	-
Profit/(loss) before income tax	**2,263**	**1,064**	**1,017**	**627**	**3,492**	**(68)**	**6,784**	**2,388**	**(237)**
Income tax expense	(352)	(57)	-	(134)	-	(155)	-	-	-
Profit/(loss) for the period	**1,911**	**1,007**	**1,017**	**493**	**3,492**	**(223)**	**6,784**	**2,388**	**(237)**
Condensed statements of financial position									
As at 31 December 2020									
Assets									
Cash and bank balances	15,465	36,969	9,443	26,195	53,863	18,418	56,499	18	16,055
Financial assets held for trading	-	-	-	-	43,310	-	-	-	-
Loans and Advances to Banks	-	-	-	-	-	-	2,996	-	-
Loans and advances to customers	2,361	114,798	36,296	5,011	60,587	1,597	99,179	-	12,736
Investment securities	32,922	197,823	68,644	16,421	2	2,423	187,780	7,678	11,930
Restricted balances with central banks	-	-	-	-	-	-	-	-	-
Other assets	163	2,659	957	5,995	9,814	76	10,737	1,309	2,776
Property and Equipment	741	3,824	1,415	1,097	1,148	189	1,658	98	-
Intangible assets	-	136	21	24	7	47	184	92	-
Deferred tax assets	-	-	-	-	-	-	-	38	-
Non-current assets held for distribution	-	-	-	-	-	-	-	-	
	51,652	**356,209**	**116,776**	**54,743**	**168,731**	**22,750**	**359,033**	**9,233**	**43,497**
Financed by:									
Deposits from banks	2,960	72,462	66	5,564	35,686	3,603	11,471	-	80
Deposits from customers	31,257	253,893	92,159	38,432	86,905	12,365	282,049	-	33,641
Other liabilities	6,966	3,690	10,589	2,673	7,851	301	14,726	2,915	1,889
Current tax liabilities	-	-	-	-	-	-	6,174	953	13
Borrowings	-	-	-	-	-	-	2,068	-	-
Deferred tax liabilities	10	-	-	-	-	-	-	13	-
Total Equity	10,459	26,164	13,962	8,074	38,289	6,481	42,545	5,352	7,874
	51,652	**356,209**	**116,776**	**54,743**	**168,731**	**22,750**	**359,033**	**9,233**	**43,497**
Condensed cash flows									
For the period ended 30 June 2020									
Net cash from operating activities	6,682	102,746	21,401	12,931	37,333	173	42,937	(1,178)	5,965
Net cash from financing activities	2,054	2,867	1,684	1,175	(4,290)	(851)	7,041	(204)	456
Net cash from investing activities	(10,255)	(97,067)	(19,583)	(7,785)	(19,965)	(258)	(45,521)	2,340	(26)
(Decrease)/Increase in cash and cash equivalents	**(1,519)**	**8,546**	**3,502**	**6,321**	**13,078**	**(936)**	**4,457**	**958**	**6,395**
Cash and cash equivalents at beginning of year	9,156	11,708	12,290	18,290	17,328	10,129	22,367	3,262	3,422
Cash and cash equivalents at end of year	**7,637**	**20,254**	**15,792**	**24,611**	**30,406**	**9,193**	**26,824**	**4,220**	**9,817**

Condensed result of consolidated subsidiaries continued

For the period ended 30 June 2020

	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA UK Limited	SSIT	UBA RFS Limited	Bank	Group Adjustments	Group
In millions of Nigerian Naira									
Condensed statements of comprehensive income									
Operating income	2,099	2,932		2,707	-	-	118,120	(34,762)	196,709
Total operating expenses	(1,622)	(2,364)		(3,243)	-	-	(90,421)	33,496	(132,126)
Net impairment gain/(loss) on financial assets	8	(142)		-	-	-	(7,069)	(92)	(7,807)
Share of loss of equity-accounted investee	-	-		-	-	-	-	353	353
(Loss)/Profit before income tax	**485**	**426**	**-**	**(536)**	**-**	**-**	**20,630**	**(1,005)**	**57,129**
Income tax expense	-	-		-	-	-	(1,079)	(24,246)	(12,698)
(Loss)/Profit for the period	**485**	**426**	**-**	**(536)**	**-**	**-**	**19,551**	**(25,251)**	**44,431**
Condensed statements of financial position									
As at 31 December 2020									
Assets									
Cash and bank balances	14,519	41,710	-	16,762	-	-	1,436,822	(95,631)	1,874,618
Financial assets at FVTPL	-	-	-	-	-	-	171,058	32	214,400
Derivative assets	-	-	-	-	-	-	53,148	(2,996)	53,148
Loans and Advances to Banks	-	-	-	31,023	-	-	65,058	(38,441)	77,419
Loans and advances to customers	9,661	16,590	-	920	-	-	1,812,536	(1,142,204)	2,554,975
Investment securities	4,145	-	-	46,931	-	-	1,305,163	(3,423)	2,580,791
Other assets	686	20,606	-	415	-	-	96,524	(87,717)	115,432
Investments in equity-accounted investee	-	-	-	-	-	-	2,715	1,789	4,504
Investments in Subsidiaries	-	-	-	-	-	-	103,275	(103,275)	-
Property and Equipment	341	835	-	1,131	-	-	123,435	3,432	153,191
Intangible assets	1	-	-	932	-	-	16,237	10,897	28,900
Deferred tax assets	-	-	-	-	-	-	21,862	16,652	40,602
	29,353	**79,741**	**-**	**98,114**	**-**	**-**	**5,207,833**	**(1,440,885)**	**7,697,980**
Financed by:									
Derivative liabilities	-	-	-	-	-	-	508	-	508
Deposits from banks	4,122	629	-	69,470	-	-	121,815	(59,470)	418,157
Deposits from customers	19,807	51,359	-	6,678	-	-	3,824,143	(42,432)	5,676,011
Other liabilities	1,372	20,862	-	5,453	-	-	93,669	(109,684)	157,827
Current tax liabilities	-	-	-	-	-	-	1,478	(437)	9,982
Subordinated liabilities	-	-	-	-	-	-	-	(2,068)	-
Borrowings	-	-	-	-	-	-	688,280	-	694,355
Deferred tax liabilities	-	-	-	-	-	-	-	16,533	16,992
Total Equity	4,052	6,891	-	16,513	-	-	477,940	(121,928)	724,148
	29,353	**79,741**	**-**	**98,114**	**-**	**-**	**5,207,833**	**(319,486)**	**7,697,980**
Condensed cash flows									
For the period ended 30 June 2020									
Net cash from operating activities	(3,237)	425		9,388	-	-	309,003	(44,377)	628,495
Net cash from financing activities	669	(284)		1,912	-	-	(287,336)	(51,875)	(302,314)
Net cash from investing activities	(1,094)	(2,503)		(9,734)	-	-	(82,564)	(34,386)	(469,665)
Increase/(decrease) in cash and cash equivalents	**(3,662)**	**(2,362)**	**-**	**1,566**	**-**	**-**	**(60,897)**	**(130,638)**	**(143,484)**
Effects of exchange rate changes on cash and cash equivalents	-	-		-	-	-	54,155	44,745	98,900
Cash and cash equivalents at beginning of year	11,040	11,934		8,450	-	455	361,927	(88,885)	559,471
Cash and cash equivalents at end of year	**7,378**	**9,572**	**-**	**10,016**	**-**	**455**	**355,185**	**(174,778)**	**514,887**

OTHER NATIONAL DISCLOSURES

Value Added Statement
For the period ended 30 June 2021

	2021 N'million	%	2020 N'million	%
Group				
Gross revenue	316,036		300,610	
Interest paid	(74,563)		(86,262)	
	241,473		214,348	
Administrative overheads:				
- local	(97,662)		(93,583)	
- foreign	(9,408)		(1,674)	
Value added	**134,403**	**100**	**119,091**	**100**
Distribution				
Employees				
- Salaries and benefits	42,623	32	44,565	37
Government				
- Taxation	15,605	12	12,698	11
The future				
- Asset replacement (depreciation and amortization)	11,457	9	9,590	8
- Asset replacement (provision for losses)	4,137	3	7,807	7
- Expansion (transfer to reserves and non-controlling interest)	60,581	45	44,431	37
	134,403	**100**	**119,091**	**100**

	2021 N'million	%	2020 N'million	%
Bank				
Gross revenue	175,406		190,973	
Interest paid	(47,237)		(63,068)	
	128,169		127,905	
Administrative overheads:				
- local	(72,289)		(68,016)	
- foreign	(372)		(106)	
Value added	**55,508**	**100**	**59,783**	**100**
Distribution				
Employees				
- Salaries and benefits	20,303	37	24,973	42
Government				
- Taxation	770	1	1,079	2
The future				
- Asset replacement (depreciation and amortization)	8,153	15	7,111	12
- Asset replacement (provision for losses)	2,145	4	7,069	12
- Expansion (transfer to reserves and non-controlling interest)	24,137	43	19,551	33
	55,508	**100**	**59,783**	**100**

UNITED BANK FOR AFRICA Plc

Group Five - Period Financial Summary

Statement of financial position

In millions of Nigerian Naira

	30 June 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
ASSETS					
Cash and bank balances	2,065,021	1,874,618	1,396,228	1,220,596	898,083
Financial assets at fair value through profit or loss	147,867	214,400	102,388	19,439	31,898
Derivative Financial Assets	47,594	53,148	48,131	34,784	8,227
Loans and advances to banks	151,965	77,419	108,211	15,797	20,640
Loans and advances to customers	2,634,556	2,554,975	2,061,147	1,715,285	1,650,891
Investment securities					
- At fair value through other comprehensive income	807,553	1,421,527	901,048	1,036,653	-
- Available-for-sale	-	-	-	-	593,299
- At amortised cost	2,022,940	1,159,264	670,502	600,479	-
- Held to maturity	-	-	-	-	622,754
Other assets	196,495	115,432	139,885	63,012	86,729
Investments in equity-accounted investee	5,299	4,504	4,143	4,610	2,860
Property and equipment	166,735	153,191	128,499	115,973	107,636
Intangible assets	28,304	28,900	17,671	18,168	16,891
Deferred tax assets	40,981	40,602	43,054	24,942	29,566
TOTAL ASSETS	**8,315,310**	**7,697,980**	**5,620,907**	**4,869,738**	**4,069,474**
LIABILITIES					
Derivative liabilities	220	508	852	99	123
Deposits from banks	561,545	418,157	267,070	174,836	134,289
Deposits from customers	6,095,574	5,676,011	3,832,884	3,349,120	2,733,348
Other liabilities	315,879	157,827	107,255	120,764	98,277
Current tax liabilities	7,319	9,982	9,164	8,892	7,668
Borrowings	565,095	694,355	758,682	683,532	502,209
Subordinated liabilities	-	-	30,048	29,859	65,741
Deferred tax liabilities	17,157	16,992	16,974	28	40
TOTAL LIABILITIES	**7,562,789**	**6,973,832**	**5,022,929**	**4,367,130**	**3,541,695**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	115,815	115,815
Reserves	605,368	579,253	462,758	367,654	393,733
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	721,183	695,068	578,573	483,469	509,548
Non-controlling interests	31,338	29,080	19,405	19,139	18,231
TOTAL EQUITY	752,521	724,148	597,978	502,608	527,779
TOTAL LIABILITIES AND EQUITY	**8,315,310**	**7,697,980**	**5,620,907**	**4,869,738**	**4,069,474**

Summarized Statement of Comprehensive Income

In millions of Nigerian Naira

	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Net operating income	212,446	196,709	182,639	168,452	161,777
Operating expenses	(132,833)	(132,126)	(109,587)	(103,704)	(94,804)
Net impairment loss on loans and receivables	(4,137)	(7,807)	(3,120)	(6,732)	(9,441)
Share of profit/(loss) of equity-accounted investee	710	353	342	124	(1)
Profit before tax	**76,186**	**57,129**	**70,274**	**58,140**	**57,531**
Income tax expense	(15,605)	(12,698)	(13,535)	(14,348)	(15,192)
Profit after tax	**60,581**	**44,431**	**56,739**	**43,792**	**42,339**
Profit for the period	**60,581**	**44,431**	**56,739**	**43,792**	**42,339**
- Non-controlling interests	2,814	1,901	1,444	1,600	890
- Equity holders of the parent	57,767	42,530	55,295	42,192	41,449
Other comprehensive income for the period	(20,249)	19,684	5,341	(13,311)	10,877
Total comprehensive income for the period	**40,332**	**64,115**	**62,080**	**30,481**	**53,216**

UNITED BANK FOR AFRICA Plc

Bank Five - Year Financial Summary

Statement of financial position

In millions of Nigerian Naira	30 June 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
ASSETS					
Cash and bank balances	1,650,541	1,436,822	1,182,554	1,015,199	727,546
Financial assets at fair value through profit or loss	14,255	171,058	102,388	19,439	31,898
Derivative Financial Assets	47,594	53,148	48,131	34,784	7,911
Loans and advances to banks	103,139	65,058	99,849	15,516	19,974
Loans and advances to customers	1,838,967	1,812,536	1,503,380	1,213,801	1,173,214
Investment securities					
- At fair value through other comprehensive income	672,924	1,233,684	772,658	925,892	-
- Available for sale	-	-	-	-	423,293
- At amortised cost	741,171	71,479	73,556	84,265	-
- Held to maturity	-	-	-	-	242,185
Other assets	115,892	96,524	111,607	49,642	77,949
Investments in subsidiaries	103,275	103,275	103,275	103,777	103,777
Investments in equity-accounted investee	2,715	2,715	2,715	2,715	1,770
Property and equipment	133,368	123,435	107,448	97,502	89,285
Intangible assets	15,902	16,237	7,070	6,911	5,846
Deferred tax assets	21,862	21,862	21,862	21,862	27,178
TOTAL ASSETS	**5,461,605**	**5,207,833**	**4,136,493**	**3,591,305**	**2,931,826**
LIABILITIES					
Derivative liabilities	79	508	852	99	123
Deposits from banks	290,742	121,815	92,717	30,502	15,290
Deposits from customers	3,924,651	3,824,143	2,764,388	2,424,108	1,877,736
Current tax liabilities	1,670	1,478	722	706	1,108
Subordinated liabilities	-	-	30,048	29,859	65,741
Borrowings	565,095	688,280	744,094	657,134	502,209
Other liabilities	215,330	93,669	57,150	84,299	68,759
TOTAL LIABILITIES	**4,997,567**	**4,729,893**	**3,689,971**	**3,226,707**	**2,530,966**
EQUITY					
Share capital and share premium	115,815	115,815	115,815	115,815	115,815
Reserves	348,223	362,125	330,707	248,783	285,045
TOTAL EQUITY	464,038	477,940	446,522	364,598	400,860
TOTAL LIABILITIES AND EQUITY	**5,461,605**	**5,207,833**	**4,136,493**	**3,591,305**	**2,931,826**

Summarized statement of comprehensive income

In millions of Nigerian Naira	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Net operating income	108,200	116,061	121,146	108,737	104,655
Operating expenses	(81,148)	(88,362)	(74,445)	(72,913)	(63,932)
Net impairment loss on loans and receivables	(2,145)	(7,069)	(3,071)	(1,648)	(7,193)
Profit before tax	**24,907**	**20,630**	**43,630**	**34,176**	**33,530**
Income tax expense	(770)	(1,079)	(7,164)	(12,529)	(7,676)
Profit for the period	**24,137**	**19,551**	**36,466**	**21,647**	**25,854**
Other comprehensive income for the period	(26,069)	10,968	16,604	1,635	3,183
Total comprehensive income for the period	**(1,932)**	**30,519**	**53,070**	**23,282**	**29,037**

UNITED BANK FOR AFRICA PLC

Condensed Interim Consolidated Financial Statements for the period ended 30 September 2021

Africa's Global Bank

Tax Identification Number : 01126011-0001

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE DIRECTORS OF UNITED BANK FOR AFRICA PLC

Report on the condensed interim consolidated financial statements

We have reviewed the accompanying consolidated statement of financial position of United Bank for Africa Plc (‘’the Bank) and its subsidiaries (together ‘’the Group’’) as of 30 September 2021 and the related consolidated statements of comprehensive income, changes in equity and cashflows for the nine-month period then ended.

Management is responsible for the preparation and presentation of this interim financial information in accordance with ISA 34 – “Interim Financial Reporting” and the relevant provisions of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council of Nigeria Act No. 6, 2011 and relevant Central Bank of Nigeria circulars. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 – “Interim Financial Reporting”.

Yours faithfully,

Anthony Oputa

Anthony Oputa

FRC/2013/ICAN/00000000980

For: Ernst & Young

Lagos, Nigeria

08 November 2021

Condensed Consolidated Statements of Comprehensive Income

	Notes	Group 9 months to		Group 3 months to	
In millions of Nigerian Naira		**Sep. 2021**	**Sep. 2020**	**Sep. 2021**	**Sep. 2020**
Interest income	5	343,709	317,142	121,078	111,556
Interest income on amortised cost and FVOCI securities		341,294	315,249	120,972	110,512
Interest income on FVTPL securities		2,415	1,893	106	1,044
Interest expense	6	(114,444)	(131,120)	(39,881)	(44,858)
Net interest income		**229,265**	**186,022**	**81,197**	**66,698**
Fees and commission income	7	110,982	85,011	36,897	29,143
Fees and commission expense	8	(43,064)	(28,766)	(14,747)	(11,480)
Net fee and commission income		**67,918**	**56,245**	**22,150**	**17,663**
Net trading and foreign exchange income	9	27,329	45,721	18,227	10,513
Other operating income	10	10,334	5,796	826	2,201
Total non-interest income		**105,581**	**107,762**	**41,203**	**30,377**
Operating income		**334,846**	**293,784**	**122,400**	**97,075**
Net impairment charge on financial assets	11	(6,567)	(11,476)	(2,430)	(3,669)
Net operating income after impairment loss on loans and receivables		**328,279**	**282,308**	**119,970**	**93,406**
Employee benefit expenses	12	(66,492)	(66,617)	(23,869)	(22,052)
Depreciation and amortisation	13	(16,304)	(14,371)	(4,847)	(4,781)
Other operating expenses	14	(123,217)	(111,671)	(44,466)	(33,700)
Total operating expenses		**(206,013)**	**(192,659)**	**(73,182)**	**(60,533)**
Share of profit of equity-accounted investee	23(b)	1,088	723	378	371
Profit before income tax		**123,354**	**90,372**	**47,166**	**33,244**
Income tax expense	15	(18,757)	(13,240)	(3,152)	(542)
Profit for the period		**104,597**	**77,132**	**44,014**	**32,702**
Other comprehensive income					
Items that will be reclassified to income statement:					
Exchange differences on translation of foreign operations		840	(7,136)	840	(15,640)
Fair value changes on investments at fair value through other comprehensive income(FVOCI):					
Net fair value gains/(loss) during the period		(10,401)	22,092	13,405	20,847
Net amount transferred to the income statement		(1,247)	(11,501)	-	(11,501)
		(10,808)	**3,455**	**14,245**	**(6,294)**
Items that will not be reclassified to the income statement:					
Fair value changes on equity investments at FVOCI		(849)	9,935	55	-
		(849)	**9,935**	**55**	**-**
Other comprehensive income, net of tax		**(11,657)**	**13,390**	**14,300**	**(6,294)**
Total comprehensive income for the period		**92,940**	**90,522**	**58,314**	**26,408**
Profit attributable to:					
Owners of Parent		100,542	73,814	42,597	31,837
Non-controlling interest		4,055	3,318	1,417	865
Profit for the period		**104,597**	**77,132**	**44,014**	**32,702**
Total comprehensive income attributable to:					
Owners of Parent		90,464	83,159	56,435	18,449
Non-controlling interest		2,476	7,363	1,879	287
Total comprehensive income for the period		**92,940**	**90,522**	**58,314**	**26,408**
Basic and diluted earnings per share expressed in Naira	16	**2.94**	**2.16**	**1.25**	**0.70**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Consolidated Statements of Financial Position

As at	Notes	Group	
In millions of Nigerian Naira		Sep. 2021	Dec. 2020
ASSETS			
Cash and bank balances	17	1,750,176	1,874,618
Financial assets at fair value through profit or loss	18	43,147	214,400
Derivative assets	24	47,594	53,148
Loans and advances to banks	19	134,507	77,419
Loans and advances to customers	20	2,872,143	2,554,975
Investment securities:			
- At fair value through other comprehensive income	21	1,080,404	1,421,527
- At amortised cost	21	1,954,086	1,159,264
Other assets	22	229,838	115,432
Investment in equity-accounted investee	23	6,043	4,504
Investments in subsidiaries		-	-
Property and equipment		159,147	153,191
Intangible assets		31,804	28,900
Deferred tax assets		40,432	40,602
TOTAL ASSETS		**8,349,322**	**7,697,980**
LIABILITIES			
Derivative liabilities	24	220	508
Deposits from banks	25	552,027	418,157
Deposits from customers	26	6,084,143	5,676,011
Other liabilities	27	407,720	157,827
Current income tax liabilities	15	10,497	9,982
Borrowings	28	479,254	694,355
Deferred tax liabilities		17,181	16,992
TOTAL LIABILITIES		**7,551,043**	**6,973,832**
EQUITY			
Share capital		17,100	17,100
Share premium		98,715	98,715
Retained earnings		304,373	255,059
Other reserves		346,535	324,194
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		766,723	695,068
Non-controlling interests		31,556	29,080
TOTAL EQUITY		798,279	724,148
TOTAL LIABILITIES AND EQUITY		**8,349,322**	**7,697,980**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Approved by the board of directors on 21 October, 2021

Ugo A. Nwaghodoh
Group Chief Finance Officer
FRC/2012/ICAN/00000000272

Kennedy Uzoka

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	Share Capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the parent									
For the nine months ended 30 September 2021										
At 1 January 2021	**17,100**	**98,715**	**40,512**	**45,496**	**122,807**	**115,379**	**255,059**	**695,068**	**29,080**	**724,148**
Profit for the period	-	-	-	-	-	-	100,542	**100,542**	4,055	**104,597**
Exchange differences on translation of foreign operations	-	-	2,419	-	-	-	-	**2,419**	(1,579)	**840**
Fair value change in financial assets classified as FVOCI	-	-	-	-	(10,401)	-	-	**(10,401)**	-	**-** **10,401**
Fair value change in equity instruments classified as FVOCI	-	-	-	-	(849)	-	-	**(849)**		**-** **849**
Net amount transferred to income statement	-	-	-	-	(1,247)	-	-	**(1,247)**	-	**(1,247)**
Total comprehensive income for the period	**-**	**-**	**2,419**	**-**	**(12,496)**	**-**	**100,542**	**90,464**	**2,476**	**92,940**
Transfer between reserves	-	-	-	24,602	-	7,816	(32,418)	**-**	-	**-**
Transactions with owners										
Dividends	-	-	-	-	-	-	(18,810)	**(18,810)**	-	**(18,810)**
At 30 September 2021	**17,100**	**98,715**	**42,931**	**70,098**	**110,311**	**123,195**	**304,373**	**766,722**	**31,556**	**798,278**
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)	-	22,092	-	-	**10,911**	4,045	**14,956**
Fair value change in financial assets	-	-	-	-	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**
At 31 December 2020	**17,100**	**98,715**	**40,512**	**45,496**	**122,807**	**115,379**	**255,059**	**695,068**	**29,080**	**724,148**

Condensed Consolidated Statements of Cash Flows

For the nine months ended 30 September	*Notes*	Group Sep. 2021	Group Sep. 2020
In millions of Nigerian Naira			
Cash flows from operating activities			
Profit before income tax		**123,354**	90,372
Adjustments for:			
Depreciation of property and equipment	13	11,158	10,433
Right of use of assets depreciation	13	1,887	1,522
Amortisation of intangible assets	13	3,259	2,416
Allowance for credit loss on loans to customers	11	7,163	11,555
Allowance for credit loss / (reversals) on loans to banks	11	(8)	(910)
Write-off of loans and advances	11	2,478	3,548
Impairment charge on investment securities	11	209	156
Impairment charge on contingent liabilities	11	1,574	1,276
Impairment reversal on other assets	11	(696)	(1,447)
Recoveries on loans written-off	11	(3,948)	(2,702)
Net fair value loss on derivatives	9	5,267	(9,431)
Dividend income	10	(2,910)	(2,843)
Reversal of credit loss expense	11	(205)	-
Foreign currency revaluation loss / (gain)	9	11,200	(9,225)
Net interest income		(229,265)	(186,022)
Share of profit of equity-accounted investee		(1,088)	(723)
		(70,571)	**(92,025)**
Change in financial assets measure at FVTPL		101,696	(82,745)
Change in cash reserve balance		(33,073)	(700,454)
Change in loans and advances to banks		(56,216)	41,761
Change in loans and advances to customers		(319,849)	(336,640)
Change in money market placements		15,555	(99,959)
Change in other assets		(112,192)	115,496
Change in deposits from banks		133,800	132,718
Change in deposits from customers		403,369	1,369,344
Change in other liabilities and provisions		246,004	91,923
Interest received		341,855	317,142
Interest paid		(80,382)	(133,548)
Income tax paid		(18,242)	(15,559)
Net cash generated from operating activities		**551,752**	**607,454**
Cash flows from investing activities			
Proceeds from sale/redemption of investment securities		1,933,896	290,609
Purchase of investment securities		(2,404,376)	(395,624)
Purchase of property and equipment		(29,162)	(26,489)
Proceeds from the sale of property and equipment		315	-
Additions to Leases		(2,234)	-
Dividend received		2,910	2,843
Purchase/(Sale) of intangible assets		(2,601)	(14,358)
Net cash (used in)/generated from investing activities		**(501,568)**	**(143,019)**
Cash flows from financing activities			
Proceeds from borrowings		162,270	333,905
Repayment of borrowings		(396,633)	(377,556)
Transfer to deposit from banks		-	(116,387)
Payments of principal on leases		(2,699)	-
Interest paid on leases		(660)	(242)
Interest paid on borrowings		(22,501)	(32,554)
Dividend paid to owners of the parent		(18,810)	(33,173)
Net cash used in financing activities		**(279,032)**	**(226,007)**
Net decrease in cash and cash equivalents		(228,848)	(77,204)
Effects of exchange rate changes on cash and cash equivalents		(48,072)	(28,271)
Cash and cash equivalents at beginning of period	17	860,647	559,471
Cash and cash equivalents at end of period	17	583,727	453,996

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 2021 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 2020.
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.

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 9 months to		Group 3 months to	
	Sep. 2021	**Sep. 2020**	**Sep. 2021**	**Sep. 2020**
For the nine months ended 30 September				
5 Interest income				
In millions of Nigerian Naira				
Cash and bank balances	10,000	11,366	3,428	4,886
Loans and advances to banks	13,733	2,635	3,351	461
Loans and advances to customers:				
- To individuals				
Term loans	10,151	5,793	595	1,961
Overdrafts	3,013	3,438	4	804
- To corporates				
Term loans	142,247	137,502	58,438	48,088
Overdrafts	31,647	23,606	9,579	5,595
Investment securities				
- Treasury bills	66,758	76,925	7,402	16,854
- Bonds	63,745	53,984	38,175	31,863
	341,294	315,249	120,972	110,512
Interest income on financial assets at fair value through profit or loss				
- Bonds	2,415	261	106	67
- Promissory notes	-	1,632	-	977
Total interest income	**343,709**	**317,142**	**121,078**	**111,556**

'Interest income at amortized cost and fair value through OCI are calculated using the effective interest method.

6 Interest expense

	Group 9 months to		Group 3 months to	
In millions of Nigerian Naira	**Sep. 2021**	**Sep. 2020**	**Sep. 2021**	**Sep. 2020**
Deposits from banks	6,726	15,860	105	5,950
Deposits from customers	78,490	83,288	36,056	29,907
Borrowings	28,763	29,225	3,690	9,001
Subordinated liabilities	-	2,505	-	-
Lease liabilities	465	242	30	-
	114,444	**131,120**	**39,881**	**44,858**

Total interest expense at amortized cost are calculated using the effective interest method

7 Fees and commission income

	Group 9 months to		Group 3 months to	
In millions of Nigerian Naira	**Sep. 2021**	**Sep. 2020**	**Sep. 2021**	**Sep. 2020**
Credit-related fees and commissions[1]	11,631	8,924	4,222	3,889
Commission on turnover	2,984	1,040	995	347
Account maintenance fee	7,116	5,852	1,689	2,265
Electronic banking income	41,914	27,867	12,311	9,935
Funds transfer fee	7,816	5,503	735	1,649
Trade transactions income	13,555	13,888	3,654	4,396
Remittance fees	4,035	4,824	935	1,274
Commissions on transactional services	17,402	13,052	10,779	3,989
Pension funds custody fees	4,530	4,061	1,578	1,400
	110,982	**85,011**	**36,897**	**29,143**

[1] Credit related fees and commission income excludes amount included in determining effective interest rates on financial assets carried at amortized cost

For the nine months ended 30 September

8 Fees and commission expense

In millions of Nigerian Naira	Group 9 months to Sep. 2021	Group 9 months to Sep. 2020	Group 3 months to Sep. 2021	Group 3 months to Sep. 2020
E-Banking expense	37,155	24,237	14,662	9,725
Trade related expenses	3,222	2,149	377	774
Funds transfer expense	2,687	2,380	(292)	981
	43,064	**28,766**	**14,747**	**11,480**

9 Net trading and foreign exchange income

In millions of Nigerian Naira	Group 9 months to Sep. 2021	Group 9 months to Sep. 2020	Group 3 months to Sep. 2021	Group 3 months to Sep. 2020
Fixed income securities	8,241	7,183	6,282	2,778
Foreign exchange trading income	35,555	19,882	20,305	6,508
Foreign currency revaluation (loss)/gain	(11,200)	9,225	(8,359)	1,227
Net Fair value gain on derivatives (see note 24 (c))	(5,267)	9,431	(1)	-
	27,329	**45,721**	**18,227**	**10,513**

10 Other operating income

In millions of Nigerian Naira	Group 9 months to Sep. 2021	Group 9 months to Sep. 2020	Group 3 months to Sep. 2021	Group 3 months to Sep. 2020
Dividend income	2,910	2,843	257	226
Rental income	216	242	62	83
Other Income	7,208	2,711	507	1,892
	10,334	**5,796**	**826**	**2,201**

11 Impairment charge on loans and receivables

In millions of Nigerian Naira	Group 9 months to Sep. 2021	Group 9 months to Sep. 2020	Group 3 months to Sep. 2021	Group 3 months to Sep. 2020
Allowance for credit losses on loans and advances to customers:				
Impairment charge on loans to customers	7,163	11,555	4,461	4,597
Allowance for credit losses on loans and advances to banks:				
Impairment charge/(reversal) on loans to banks	(8)	(910)	(1,016)	(140)
Write-off on loans and advances	2,478	3,548	1,230	2,320
Recoveries on loans written-off	(3,948)	(2,702)	(3,948)	(1,157)
Impairment charge on investment securities	209	156	-	-
Impairment charge on off-balance sheet items	1,574	1,276	-	(1,332)
Impairment reversal on other assets	(696)	(1,447)	230	(619)
Reversal of credit loss expense	(205)	-	1,473	-
	6,567	**11,476**	**2,430**	**3,669**

12 Employee benefit expenses

In millions of Nigerian Naira	Group 9 months to Sep. 2021	Group 9 months to Sep. 2020	Group 3 months to Sep. 2021	Group 3 months to Sep. 2020
Wages and salaries	64,107	64,684	23,533	21,569
Defined contribution plans	2,095	1,933	336	483
Termination benefits	290	-	0	-
	66,492	**66,617**	**23,869**	**22,052**

For the nine months ended 30 September

13 Depreciation and amortisation

In millions of Nigerian Naira	Group 9 months to Sep. 2021	Group 9 months to Sep. 2020	Group 3 months to Sep. 2021	Group 3 months to Sep. 2020
Depreciation of property and equipment	11,158	10,433	3,203	3,317
Amortisation of intangible assets	3,259	2,416	1,214	1,215
Right-of-use assets depreciation	1,887	1,522	430	249
	16,304	**14,371**	**4,847**	**4,781**

For the nine months ended 30 September

14 Other operating expenses

In millions of Nigerian Naira	Group 9 months to Sep. 2021	Group 9 months to Sep. 2020	Group 3 months to Sep. 2021	Group 3 months to Sep. 2020
Banking sector resolution cost	27,821	22,417	-	-
Deposit insurance premium	10,375	8,110	3,268	2,528
Non-deposit insurance costs	3,631	2,218	2,292	799
Occupancy and premises maintenance costs	14,123	11,243	9,986	4,806
Business travels	3,383	3,800	2,040	1,352
Advertising, promotions and branding	5,676	6,187	3,289	3,433
Contract services	18,121	15,904	8,568	5,949
Communication and IT related expenses	7,790	9,311	3,527	4,377
Printing, stationery and subscriptions	5,579	4,880	3,083	1,934
Security and cash handling expenses	5,476	5,204	1,673	1,434
Fuel, repairs and maintenance	19,526	14,907	6,100	6,132
Training and human capital development	513	2,037	183	912
Donations	697	4,706	410	-
Loan recovery expenses	236	174	53	36
Penalties	273	573	(5)	8
	123,219	**111,671**	**44,466**	**33,700**

15 Income tax expense

For the Nine months ended 30 September

In millions of Nigerian Naira	Group 9 months to Sep. 2021	Group 9 months to Sep. 2020	Group 3 months to Sep. 2021	Group 3 months to Sep. 2020
(a) **Current tax expense**				
Current period	18,544	10,274	3,152	542
	18,544	10,274	3,152	542
Origination of temporary differences	213	2,966	-	-
Total income tax expense	**18,757**	**13,240**	**3,152**	**542**

(b) **Current income tax liabilities**

In millions of Nigerian Naira	Group Sep. 2021	Group Dec. 2020
Balance, beginning of period	9,982	9,164
Tax paid	(18,242)	(14,688)
Income tax charge	18,757	15,506
Balance, end of period	**10,497**	**9,982**

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16 Earnings per share

For the nine months ended 30 September	Group 9 months to Sep. 2021	Group 9 months to Sep. 2020	Group 3 months to Sep. 2021	Group 3 months to Sep. 2020
Profit attributable to owners of the parent	100,542	73,814	42,597	31,837
Weighted average number of ordinary shares outstanding	34,199	34,199	34,199	34,199
Basic and diluted earnings per share expressed in Naira	2.94	2.16	1.25	0.70

17 Cash and bank balances

In millions of Nigerian Naira	Group Sep. 2021	Group Dec. 2020
Cash	106,921	121,140
Current balances with banks	197,912	291,225
Unrestricted balances with central banks	240,215	231,533
Money market placements	68,167	126,832
Restricted balances with central banks (note (i) below)	1,136,961	1,103,888
	1,750,176	**1,874,618**

(i) Restricted balances with central banks comprise:
In millions of Nigerian Naira

Mandatory reserve deposits with central banks (note (a) below)	1,082,243	1,049,170
Special Intervention Reserve (note (b) below)	54,718	54,718
	1,136,961	**1,103,888**

(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. 2021	Group Dec. 2020
Cash and current balances with banks	304,833	412,365
Unrestricted balances with central bank	240,215	231,533
Money market placements (less than 90 days)	33,242	141,648
Financial assets at FVTPL (less than 90 days)	5,437	75,101
	583,727	**860,647**

18 Financial assets at fair value through profit or loss

In millions of Nigerian Naira	Group Sep. 2021	Group Dec. 2020
Government bonds	24,589	38,153
Promissory notes	-	75
Treasury bills (less than 90 days maturity) (note (i) below)	5,437	75,101
Treasury bills (above 90 days maturity)	13,121	101,071
	43,147	**214,400**

(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. 2021	Group Dec. 2020
Term loans:		
Gross amount	136,461	79,394
Less: Allowance for credit losses	(1,954)	(1,975)
	134,507	**77,419**

20 Loans and advances to customers

In millions of Nigerian Naira	Group Sep. 2021	Group Dec. 2020
Loans to individuals, corporate entities and other organisations		
Gross amount	2,960,063	2,666,322
Less: Allowance for credit losses	(87,920)	(111,347)
	2,872,143	**2,554,975**

21 Investment securities

In millions of Nigerian Naira	Group Sep. 2021	Group Dec. 2020
(a) At fair value through other comprehensive income		
Treasury bills	848,550	1,142,908
Bonds	101,871	150,822
Equity investments	130,014	127,797
Allowance for credit losses	(31)	-
	1,080,404	1,421,527

	Group Sep. 2021	Group Dec. 2020
(b) At amortised cost		
Treasury bills	1,221,131	716,448
Bonds	734,013	443,708
	1,955,144	1,160,156
Allowance for credit losses	(1,058)	(892)
	1,954,086	1,159,264

22 Other assets

In millions of Nigerian Naira	Group Sep. 2021	Group Dec. 2020
Electronic payments receivables	80,173	32,297
Accounts receivable	100,663	65,545
Intercompany receivables	-	-
Dividends receivable	1,330	347
Pension custody fees receivable	1,111	913
Prepayments	25,393	14,218
Recoverable taxes	5,404	5,898
Reposessed Collateral	2,617	2,755
Stock of consumables	24,259	5,131
Gross amount	**240,950**	**127,104**
Impairment loss on other assets	(11,112)	(11,672)
Carrying amount	**229,838**	**115,432**

23 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 30 September 2021. 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	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. 2021	Group Dec. 2020
Balance, beginning of period	4,504	4,144
Share of current period result	1,088	1,071
Share of foreign currency translation differences	451	(711)
Balance, end of period	6,043	4,504

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. 2021	Group Dec. 2020
Derivative assets		
Carrying value	47,594	53,148
Notional amount	541,657	541,657
Derivative liabilities		
Carrying value	220	138
Notional amount	63,592	63,592

(a) Derivative assets

In millions of Nigerian Naira

Instrument type:		
Cross-currency swaps	47,594	53,148
Foreign exchange forward contracts	-	-
	47,594	**53,148**
The movement in derivative assets is as follows:		
Balance, beginning of period	53,148	48,131
Fair value of derivatives derecognised in the period	(53,148)	(48,131)
Fair value of derivatives acquired and remeasured in the period	47,594	53,148
Balance, end of period	**47,594**	**53,148**

(b) Derivative liabilities

In millions of Nigerian Naira

	Group Sep. 2021	Group Dec. 2020
Instrument type:		
Cross-currency swaps	220	255
Foreign exchange forward contracts	-	253
	220	**508**
The movement in derivative liability is as follows:		
Balance, beginning of period	508	852
Fair value of derivatives derecognised in the period	(508)	(852)
Fair value of derivatives acquired and remeasured in the period	220	508
Balance, end of period	**220**	**508**

Derivative assets and liabilities are current.

(c) Fair value gain on derivatives	Group Sep. 2021	Group Dec. 2020
Derivative assets :		
Fair value gain on additions in the period	47,594	56,849
Fair value loss on maturities in the period	(53,148)	(48,131)
Net fair value loss / (gain) on derivative assets	**(5,554)**	**8,718**
Derivative liabilities:		
Fair value loss on additions in the period	(220)	(138)
Fair value gain on maturities in the period	508	852
Net fair value gain on derivative liabilities	**288**	**714**
Net fair value loss / (gain) on derivative assets and liabilities	**(5,266)**	**9,432**

25 Deposits from banks	Group Sep. 2021	Group Dec. 2020
In millions of Nigerian Naira		
Money market deposits	408,512	334,146
Other deposit from banks	143,515	84,011
	552,027	**418,157**
Current	552,027	418,157

26 Deposits from customers

In millions of Nigerian Naira

	Group Sep. 2021	Group Dec. 2020
Retail customers:		
Term deposits	63,604	144,720
Current deposits	622,617	815,250
Savings deposits	1,609,292	1,447,514
	2,295,513	**2,407,484**
Corporate customers:		
Term deposits	1,013,393	890,012
Current deposits	2,775,237	2,378,515
	3,788,630	**3,268,527**
Total	**6,084,143**	**5,676,011**
Current	6,079,666	5,202,226
Non-current	4,477	6,383
	6,084,143	**5,676,011**

27 Other liabilities

In millions of Nigerian Naira

Financial liabilities	Group Sep. 2021	Group Dec. 2020
Creditors and payables	274,812	85,743
Managers cheques	9,586	4,475
Unclaimed dividends	9,857	7,678
Customers' deposit for foreign trade	46,542	23,950
Lease Liabilities	9,433	6,929
	350,230	128,775
Non-financial liabilities		
Provisions for litigation claims	255	252
Allowance for credit loss for off-balance sheet items	3,943	2,807
Deferred income	401	677
Accrued expenses	52,891	25,316
	57,490	**29,052**
Total other liabilities	**407,720**	**157,827**
Non Current	9,857	7,678
Current	397,863	150,149
Total	407,720	157,827

28 Borrowings

In millions of Nigerian Naira

	Group Sep. 2021	Group Dec. 2020
Long Term Borrowings	248,387	409,508
Short Term Borrowings	230,867	284,848
	479,254	**694,355**

Movement in borrowings during the year:

In millions of Nigerian Naira

	Group Sep. 2021	Group Dec. 2020
Opening balance	694,355	758,682
Additions	162,270	487,475
Interest expense	28,763	45,506
Interest paid	(22,501)	(56,085)
Repayments(principal)	(396,633)	(582,713)
Exchange difference	12,999	41,490
	479,254	**694,355**

29 Capital and reserves

(a) Share capital

Share capital comprises:	Group Sep. 2021	Group Dec.
(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

In millions of Nigerian Naira	Group Sep. 2021	Group Dec.
Other reserves include the following:		
Translation reserve	42,931	40,512
Statutory reserve	123,195	115,379
Fair value reserve	110,311	122,807
Regulatory (Credit) risk reserve	70,098	45,496
	346,535	**324,194**

30 Dividends

The Bank paid interim dividend of N0.20 per share from retained earnings as at 30 June 2021.

31 Contingencies

(i) Litigation and claims

The Bank, in the ordinary course of business is currently involved in 899 legal cases (2020: 1000). The total amount claimed in the cases against the Bank is estimated at N598.20 billion (2020: N385.07billion). 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

(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. 2021	Group Dec. 2020
Performance bonds and guarantees	390,130	170,988
Allowance for credit losses	(1,546)	(941)
Net carrying amount	388,584	170,047
Letters of credits	915,429	687,841
Allowance for credit losses	(2,397)	(1,866)
Net carrying amount	913,032	685,975
Gross amount	1,305,559	858,829
Total allowance for credit losses	(3,943)	(2,807)
Total carrying amount for performance bonds and guarantees	1,301,616	856,022

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 reporting date, the Group had loan commitments amounting to N121.8 billion (December 2020: N95 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 reporting date, the Group had capital commitments amounting to N7.139 billion (December 2020: N5.247 billion) in respect of authorised and contracted capital projects.

In millions of Nigerian naira	**Group Sep. 2021**	**Group Dec.**
Property and equipment	5,323	3,458
Intangible assets	1,817	1,789
	7,139	**5,247**

32 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, 2021.

33 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.

34 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.

35 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.

36 Evaluation of the impact of COVID-19

The COVID-19 pandemic caused disruptions to global economic and social activities during the period ended 31 December 2020. However, in the period ended 30 September 2021, the global scene witnessed significant efforts at combatting the pandemic, which led to the discovery and administration of vaccines accross the globe. Most economies have also been largely re-opened, thereby leading to improved economic conditions. These have led to the recovery of most global markets as evidenced by rising crude oil and commodity prices amongst others. The Group has reviewed the current state of events 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 has also assessed on a line-by-line basis the impact of Covid-19 on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statement. Whilst the Group continues to monitor the situation, updates will be provided as more new information becomes available and necessary adjustment will be reflected in the financial statements, if required.

37 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.

38 Free Float Declaration

United Bank for Africa Plc with a free float percentage of 79.29% (and a free float value of N204,721,426,730.45) as at 30 September 2021, is compliant with free float requirements for companies listed on the Premium Board of The Nigerian Stock Exchange.

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Lagos Island
Lagos
Nigeria