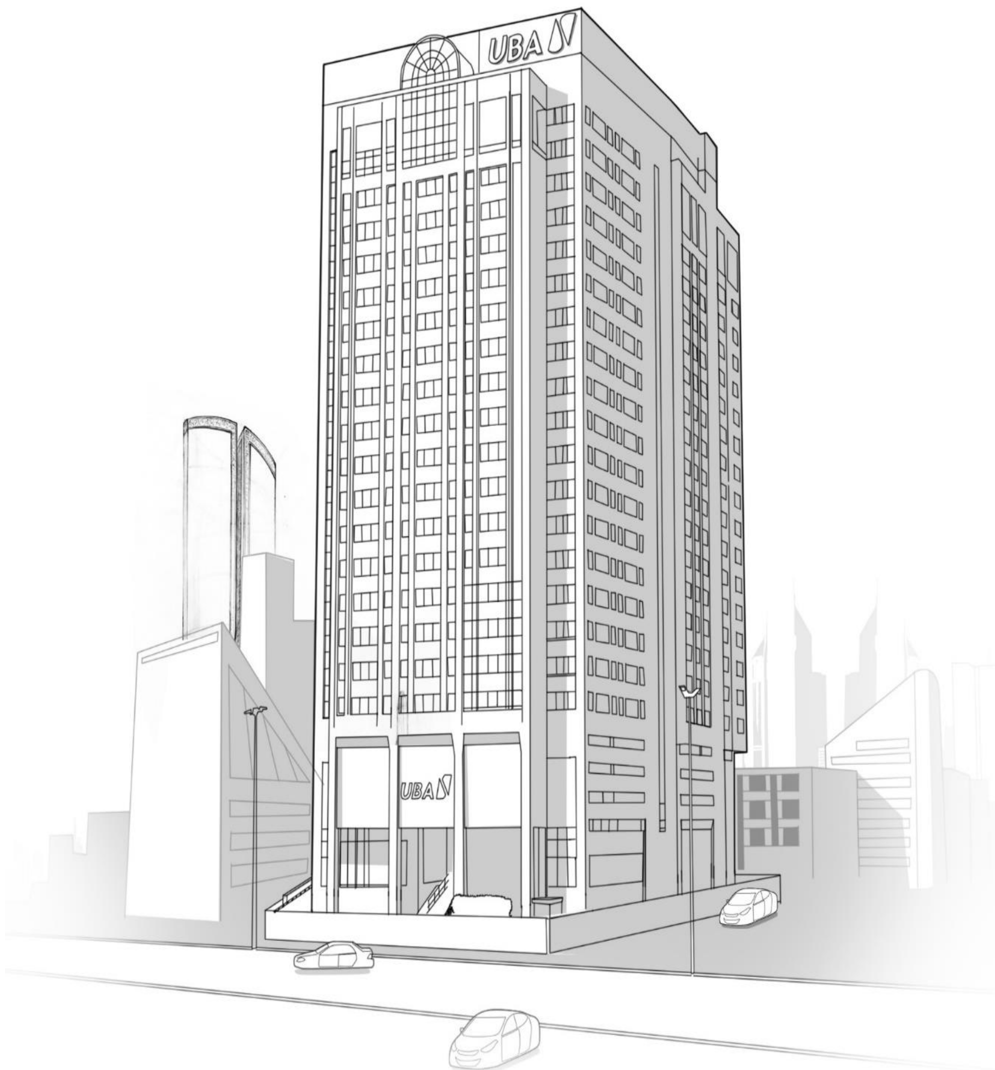
UNITED BANK FOR AFRICA PLC

Interim Consolidated Financial Statements for the period ended 31 March 2021



Africa's Global Bank

Tax Identification Number : 01126011-0001

United Bank for Africa Plc

Condensed Consolidated Statements of Comprehensive Income
For the three months ended 31 March

In millions of Nigerian Naira	***Notes***	**Group 2021**	**Group 2020**
Interest income	5	108,590	109,107
Interest income on amortised cost and FVOCI securities		108,482	106,457
Interest income on FVTPL securities		108	2,650
Interest expense	6	(34,209)	(43,690)
Net interest income		**74,381**	**65,417**
Fees and commission income	7	34,955	28,237
Fees and commission expense	8	(14,589)	(9,535)
Net fee and commission income		**20,366**	**18,702**
Net trading and foreign exchange income	9	10,469	9,145
Other operating income	10	1,432	680
Total non-interest income		**32,267**	**28,527**
Operating income		**106,648**	**93,944**
Impairment charge for credit losses on Loans	11a	(1,182)	(2,265)
Net impairment charge on other financial assets	11b	(846)	(377)
Net operating income after impairment loss on loans and receivables		**104,620**	**91,302**
Employee benefit expenses	12	(21,311)	(21,979)
Depreciation and amortisation	13	(4,848)	(4,180)
Other operating expenses	14	(38,295)	(32,498)
Total operating expenses		**(64,454)**	**(58,657)**
Share of profit /(loss) of equity-accounted investee	23(b)	415	81
Profit before income tax		**40,581**	**32,726**
Taxation charge	15	(2,426)	(2,625)
Profit for the period		**38,155**	**30,101**
Other comprehensive income			
Items that will be reclassified to income statement:			
Exchange differences on translation of foreign operations		11,212	15,398
Fair value changes on investments at fair value through other comprehensive income(FVOCI):			
Net fair value (loss)/ gain during the period		(11,142)	(30,839)
		70	**(15,441)**
Items that will not be reclassified to the income statement:			
Fair value changes on equity investments at FVOCI		-	-
Other comprehensive income, net of tax		**70**	**(15,441)**
Total comprehensive income for the period		**38,225**	**14,660**
Profit attributable to:			
Owners of Parent		35,567	28,388
Non-controlling interest		2,588	1,713
Profit for the period		**38,155**	**30,101**
Total comprehensive income attributable to:			
Owners of Parent		36,378	9,691
Non-controlling interest		1,847	4,969
Total comprehensive income for the period		**38,225**	**14,660**
Basic and diluted earnings per share expressed in Naira	16	**1.04**	**0.83**

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

United Bank for Africa Plc

Condensed Consolidated Statements of Financial Position

	Notes	Group	
As at		**Mar. 2021**	**Dec. 2020**
In millions of Nigerian Naira			
ASSETS			
Cash and bank balances	17	1,902,655	1,874,618
Financial assets at fair value through profit or loss	18	117,740	214,400
Derivative assets	24	53,148	53,148
Loans and advances to banks	19	21,127	77,419
Loans and advances to customers	20	2,733,054	2,554,975
Investment securities:			
- At fair value through other comprehensive income	21	1,683,876	1,421,527
- At amortised cost	21	971,406	1,159,264
Other assets	22	176,730	115,432
Investment in equity-accounted investee	23	4,765	4,504
Investments in subsidiaries		-	-
Property and equipment		153,423	153,191
Intangible assets		34,129	28,900
Deferred tax assets		40,285	40,602
TOTAL ASSETS		**7,892,338**	**7,697,980**
LIABILITIES			
Deposits from banks	25	380,498	418,157
Deposits from customers	26	5,788,852	5,676,011
Derivative liabilities	24	508	508
Other liabilities	27	233,588	157,827
Current income tax payable	15	2,096	9,982
Borrowings	28	707,367	694,355
Deferred tax liabilities		17,056	16,992
TOTAL LIABILITIES		**7,129,965**	**6,973,832**
EQUITY			
Share capital		17,100	17,100
Share premium		98,715	98,715
Retained earnings		290,626	255,059
Other reserves		325,005	324,194
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		731,446	695,068
Non-controlling interests		30,927	29,080
TOTAL EQUITY		762,373	724,148
TOTAL LIABILITIES AND EQUITY		**7,892,338**	**7,697,980**

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

Approved by the board of directors on 15 April, 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

United Bank for Africa Plc

Condensed Consolidated Statements of Changes in Equity

Group

In millions of Nigerian Naira	Attributable to equity holders of the parent									
	Share Capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
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	-	-	-	-	-	-	35,567	35,567	2,588	**38,155**
Exchange differences on translation of foreign operations	-	-	11,953	-	-	-	-	11,953	(741)	**11,212**
Fair value change in financial assets classified as FVOCI	-	-	-	-	(11,142)	-	-	(11,142)	-	**(11,142)**
Net amount transferred to income statement	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**11,953**	**-**	**(11,142)**	**-**	**35,567**	**36,378**	**1,847**	**38,225**
At 31 March 2021	**17,100**	**98,715**	**52,465**	**45,496**	**111,665**	**115,379**	**290,626**	**731,446**	**30,927**	**762,373**
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	-	-	-	-	-	-	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 (available-for-sale) financial assets	-	-	-	-	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 income statement	-	-	-	-	(10,577)	-	-	(10,577)	-	**(10,577)**
Total comprehensive income for the period	**-**	**-**	**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	-	-	-	-	-	-	(33,174)	(33,174)	-	**(33,174)**
At 31 December 2020	**17,100**	**98,715**	**40,512**	**45,496**	**122,807**	**115,379**	**255,059**	**695,068**	**29,080**	**724,148**

United Bank for Africa Plc

Condensed Consolidated Statements of Cash Flows

For the three months ended 31 March	***Notes***	**Group**	
In millions of Nigerian Naira			
Cash flows from operating activities			
Profit before income tax		**40,581**	**32,726**
Adjustments for:			
Depreciation of property and equipment	13	3,221	3,255
Amortisation of intangible assets	13	1,051	372
Allowance for credit loss on loans to customers	11b	1,729	2,425
Allowance for credit loss on loans to banks	11b	-	372
Write-off of loans and advances	11b	520	105
Impairment charge on other assets	11b	846	73
Net fair value gain on derivatives		-	10
Dividend income	10	(5)	-
Origination and reversal of temporary difference		381	2,894
Foreign currency revaluation gain	9	(26)	(69)
Net interest income		(74,381)	(65,417)
Share of profit of equity-accounted investee		(415)	(81)
		(26,498)	**(23,335)**
Change in financial assets measure at FVTPL		95,027	(33,948)
Change in cash reserve balance		(54,873)	(202,342)
Change in loans and advances to banks		56,292	57,955
Change in loans and advances to customers		(180,329)	(197,813)
Change in money market placements		(35,548)	(87,798)
Change in other assets		(96,044)	12,506
Change in deposits from banks		(37,659)	134,393
Change in deposits from customers		112,841	439,467
Change in other liabilities and provisions		75,761	60,580
Interest received		108,590	109,107
Interest paid		(38,091)	(42,765)
Income tax paid		(10,312)	(10,492)
Net cash generated from operating activities		**(30,843)**	**215,515**
Cash flows from investing activities			
Purchase of investment securities		(85,633)	(280,622)
Purchase of property and equipment		(3,453)	(8,357)
Dividend received		5	-
(Purchase) / sale of intangible assets		(6,278)	(11,632)
Net cash used in investing activities		**(95,359)**	**(300,611)**
Cash flows from financing activities			
Proceeds from borrowings		101,031	92,831
Repayment of borrowings		(84,579)	(32,990)
Net cash (used in)/generated from financing activities		**16,452**	**59,841**
Net decrease in cash and cash equivalents		(109,750)	(25,255)
Effects of exchange rate changes on cash and cash equivalents		45,732	90,954
Cash and cash equivalents at beginning of period	17	794,594	559,471
Cash and cash equivalents at end of period	17	730,576	625,170

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 31 March 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. Details of changes in accounting policies, where applicable during the period are disclosed in note 3.27.

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. There were no material changes in management's estimates during the period.

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.

3.4 Basis of consolidation - continued

(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.

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.

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, except for those classified at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method. 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.

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 as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.8 Net trading and foreign exchange income

Net trading income 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 Trading assets

Trading assets are those assets that 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.

Trading assets 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. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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
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.

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 cashflows 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 Deposits and debt securities issued

The Group classifies capital instruments 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.

(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 Chief Executive Officer of the Group, being the chief operating decision maker, to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. 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

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be 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 regulated by 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

Effective 1 January 2018, the Group adopted *IFRS 9 - Financial Instruments* . Subsequent upon adoption of IFRS 9, The Group's accounting policies were changed in the areas outlined below, and these new policies became applicable from 1 January 2018.

a. Classification and measurement of financial assets

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 our 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 Held-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 Held-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 loans and securities 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 evaluate if their contractual cash flows are comprised of solely payments of principal and interest. 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. Prior to our adoption of IFRS 9, Investment securities were comprised of available-for-sale securities and held-to-maturity securities.

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 our 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 net gain/(loss) on Investment securities 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. 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 gain/(loss) on Investment securities in 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, depending on our business purpose for holding the financial asset.

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in our 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 our own credit risk are recorded in Other operating income, depending on our business purpose for holding the financial liability. Upon initial recognition, if we determine 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 our debt designated as at FVTPL is recognized in net income. To make that determination, we assess whether we 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 our debt instruments designated as at FVTPL, we calculate 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 designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts, debt securities and accrued interest receivable. 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 Fair value reserve in equity.
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.
We measure the ACL 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.

• 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.

2) 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 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) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our 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 our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our 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% 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 as 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. This is in line with Central Bank of Nigeria (CBN) IFRS 9 guidelines.
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 fulfill 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 our expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macroeconomic variables used in our expected credit loss models include GDP growth rate, interbank FX rates, inflation rate, crude oil prices and population growth rate.
Our 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. Our 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.

k. Use of forward-looking information(continued)

Scenarios are designed to capture a wide range of possible outcomes and weighted according to our 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.
Our 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.
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.

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.

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. 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.
Borrowings and subordinated liabilities are included as part of financial liabilities measured at amortised cost.

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, 2021.

a) 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 commenced the assessment of impact of changes of hitherto libor rates on its books particularly as it affects the contractual cash flows of its financial and hedging instruments. The Group hope to conclude this evaluation not later than the the interim period of 30 June 2021.

b) 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.

3.30 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.

3.30(a) 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.

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 table below analyses financial instruments measured at fair value at the end of the reporting period, by the

Group:
31 March 2021
In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	18				
Government bonds		-	37,665	-	37,665
Promissory notes			75		75
Treasury bills		-	80,000	-	80,000
Derivative assets measured at fair value through profit and loss:	24	-	53,148	-	53,148
Investment securities at FVOCI	21				
Treasury bills		-	1,441,333	-	1,441,333
Bonds		-	4,725	-	4,725
Equity investments		4,021	-	126,964	130,985
Total assets		**4,021**	**1,616,945**	**126,964**	**1,747,931**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	24	-	508	-	508

31 December 2020
In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	18				
Government bonds		-	38,153	-	38,153
Promissory notes		0	75	-	75
Treasury bills		-	176,172	-	176,172
Equities					-
					-
Derivative assets measured at fair value through profit and loss:	24	-	53,148	-	53,148
					-
Investment securities at FVOCI	21				-
Treasury bills		-	1,142,908	-	1,142,908
Bonds		-	-	-	-
Equity investments		4,041	-	123,756	127,797
		4,041	**1,410,456**	**123,756**	**1,538,253**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	24	-	508	-	508

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	
For the three months ended 31 March	**2021**	**2020**
5 **Interest income**		
In millions of Nigerian Naira		
Cash and bank balances	3,369	4,647
Loans and advances to banks	325	418
Loans and advances to customers:		
- To individuals		
Term loans	1,956	694
Overdrafts	1,091	1,175
- To corporates		
Term loans	53,987	49,583
Overdrafts	9,505	8,821
Commercial Papers	8	-
Others	202	415
Investment securities		
- Treasury bills	18,979	29,726
- Bonds	19,060	10,978
	108,482	106,457
Interest income on financial assets at fair value through profit or loss		
- Bonds	105	136
- Promissory notes	3	2,514
Total interest income	**108,590**	**109,107**

6 **Interest expense**

	Group	
In millions of Nigerian Naira	**2021**	**2020**
Deposits from banks	5,641	5,202
Deposits from customers	18,510	26,633
Borrowings	10,058	10,578
Subordinated liabilities	-	1,277
	34,209	**43,690**

7 **Fees and commission income**

In millions of Nigerian Naira

	Group	
	2021	**2020**
Credit-related fees and commissions	3,384	3,077
Account maintenance fee	3,149	2,317
Electronic banking income	12,483	8,301
Funds transfer fee	2,578	1,606
Trade transactions income	3,549	4,362
Remittance fee	1,450	2,512
Commissions on transactional services	5,535	4,733
Pension funds custody fees	1,464	1,330
	34,955	**28,237**

For the three months ended 31 March

8 Fees and commission expense

In millions of Nigerian Naira	Group 2021	Group 2020
E-Banking expense	13,525	8,012
Trade related expenses	753	988
Credits-related and treasury expenses	263	483
Funds transfer expense	48	52
	14,589	**9,535**

9 Net trading and foreign exchange income

In millions of Nigerian Naira	Group 2021	Group 2020
Fixed income securities	1,102	1,946
Foreign exchange trading income	9,341	7,140
Foreign currency revaluation gain	26	69
Net fair value loss on derivatives	-	(10)
	10,469	**9,145**

10 Other operating income

In millions of Nigerian Naira	Group 2021	Group 2020
Dividend income	5	-
Rental income	106	81
Income on cash handling	1,321	599
	1,432	**680**

11 Impairment loss on loans and receivables

In millions of Nigerian Naira	Group 2021	Group 2020
11a Impairment charge for credit losses on Loans		
- Allowance for credit loss	1,729	2,425
Allowance for credit losses on loans and advances to banks:		
- Allowance for credit loss	-	372
Write-off on loans and advances	520	105
Recoveries on loans written-off	(1,067)	(637)
	1,182	**2,265**
11b Net impairment charge on other financial assets		
Net impairment charge on other financial assets	**846**	**377**
Total impairment charge	**2,028**	**2,642**

12 Employee benefit expenses

In millions of Nigerian Naira	Group 2021	Group 2020
Wages and salaries	20,626	21,270
Defined contribution plans	685	709
	21,311	**21,979**

For the three months ended 31 March

13 Depreciation and amortisation

In millions of Nigerian Naira	Group 2021	Group 2020
Depreciation of property and equipment	3,221	3,255
Amortisation of intangible assets	1,051	372
Right of use amortisation	576	553
	4,848	**4,180**

For the three months ended 31 March

14 Other operating expenses

In millions of Nigerian Naira	Group 2021	Group 2020
Banking sector resolution cost	7,441	5,604
Deposit insurance premium	3,364	2,641
Non-deposit insurance costs	867	641
Occupancy and premises maintenance cost	3,902	3,258
Business travels	1,038	1,490
Advertising,promotion and branding	1,768	1,662
Contract services	6,778	4,960
Communication and IT related expenses	2,540	2,406
Printing, stationery and subscriptions	1,655	1,099
Security and cash handling expenses	1,626	1,646
Fuel, repairs and maintenance	6,686	6,193
Training and human capital development	281	803
Loan recovery expenses	89	92
Penalties	260	3
	38,295	**32,498**

15 Taxation

For the three months ended 31 March

In millions of Nigerian Naira	Group 2021	Group 2020
(a) **Current tax expense**		
Current period	2,426	2,625
	2,426	2,625

(b) **Current tax liabilities** *In millions of Nigerian Naira*	Group Mar. 2021	Group Dec. 2020
Balance, beginning of period	9,982	9,164
Tax paid	(10,312)	(14,688)
Income tax charge	2,426	15,506
Balance, end of period	**2,096**	**9,982**

16 Earnings per share

For the three months ended 31 March	Group Mar. 2021	Group Mar. 2020
Profit attributable to owners of the parent	35,567	28,388
Weighted average number of ordinary shares outstanding	34,199	34,199
Basic and diluted earnings per share expressed in Naira	1.04	0.83

17 Cash and bank balances

In millions of Nigerian Naira	Group Mar. 2021	Group Dec. 2020
Cash	122,869	121,140
Current balances with banks	296,009	291,225
Unrestricted balances with central banks	179,972	231,533
Money market placements	145,044	126,832
Restricted balances with central banks (note (i) below)	1,158,761	1,103,888
	1,902,655	**1,874,618**

(i) Restricted balances with central banks comprise:
In millions of Nigerian Naira

Mandatory reserve deposits with central banks (note (a) below)	1,104,043	979,732
Special Intervention Reserve (note (b) below)	54,718	54,718
	1,158,761	**1,034,450**

(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 Mar. 2021	Group Dec. 2020
Cash and current balances with banks	418,878	412,365
Unrestricted balances with central bank	179,972	231,533
Money market placements (less than 90 days)	58,259	75,595
Financial assets at FVTPL (less than 90 days)	73,468	75,101
	730,576	**794,594**

18 Financial assets at fair value through profit or loss

In millions of Nigerian Naira	Group Mar. 2021	Group Dec. 2020
Government bonds	37,665	38,153
Promissory notes	75	75
Treasury bills (less than 90 days maturity) (note (i) below)	73,468	75,101
Treasury bills (above 90 days maturity)	6,532	101,071
	117,740	**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 Mar. 2021	Group Dec. 2020
Term loans:		
Gross amount	23,102	79,394
Less: Allowance for credit losses	(1,975)	(1,975)
	21,127	**77,419**

20 Loans and advances to customers

In millions of Nigerian Naira	Group Mar. 2021	Group Dec. 2020
Loans to individuals, corporate entities and other organisations		
Gross amount	2,844,642	2,666,322
Less: Allowance for credit losses	(111,588)	(111,347)
	2,733,054	**2,554,975**

21 Investment securities

In millions of Nigerian Naira	Group Mar. 2021	Group Dec. 2020
(a) At fair value through other comprehensive income		
Treasury bills	1,441,333	1,142,908
Bonds	106,833	150,822
Commercial Papers	4,725	-
Equity investments	130,985	127,797
	1,683,876	1,421,527

(b) At amortised cost		
Treasury bills	398,323	716,448
Bonds	573,975	443,708
	972,298	1,160,156
Allowance for credit losses	(892)	(892)
	971,406	1,159,264

22 Other assets

In millions of Nigerian Naira	Group Mar. 2021	Group Dec. 2020
Electronic payments receivables	61,190	32,297
Accounts receivable	67,198	65,545
Intercompany receivables	-	-
Dividends receivable	-	347
Pension custody fees receivable	554	913
Prepayments	35,109	14,218
Recoverable taxes	7,043	5,898
Stock of consumables	15,400	5,131
Repossessed collaterals	2,755	2,755
Gross amount	**189,249**	**127,104**
Impairment loss on other assets	(12,519)	(11,672)
Carrying amount	**176,730**	**115,432**

23 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 31 March 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	% of ownership interest	Nature of the relationship	Measurement method
UBA Zambia Bank Limited	49	Associate	Equity method

(b) Movement in investment in equity-accounted investee

In millions of Nigerian Naira	Group Mar. 2021	Group Dec. 2020
Balance, beginning of period	4,504	4,143
Share of current period result	415	1,072
Share of foreign currency translation differences	(154)	(711)
Balance, end of period	4,765	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 Mar. 2021	Group Dec. 2020
Derivative assets		
Carrying value	53,148	53,148
Notional amount	529,782	529,782
Derivative liabilities		
Carrying value	508	508
Notional amount	77,923	77,923

25 Deposits from banks

In millions of Nigerian Naira	Group Mar. 2021	Group Dec. 2020
Money market deposits	310,303	334,146
Due to other banks	70,195	84,011
	380,498	**418,157**
Current	380,498	418,157

26 Deposits from customers

In millions of Nigerian Naira	Group Mar. 2021	Group Dec. 2020
Retail customers:		
Term deposits	55,170	144,720
Current deposits	416,605	815,250
Savings deposits	1,506,870	1,447,514
	1,978,645	**2,407,484**
Corporate customers:		
Term deposits	952,647	890,012
Current deposits	2,857,560	2,378,515
	3,810,207	**3,268,527**
Total	**5,788,852**	**5,676,011**
Current	5,783,538	5,669,628
Non-current	5,314	6,383
	5,788,852	**5,676,011**

27 Other liabilities

In millions of Nigerian Naira

Financial liabilities	Group Mar. 2021	Group Dec. 2020
Creditors and payables	140,310	85,743
Managers cheques	8,126	4,475
Unclaimed dividends	7,678	7,678
Customers' deposit for foreign trade	29,917	23,950
Accrued expenses	37,078	25,316
Lease Liabilities	7,140	6,929
	230,249	154,091

	Group Mar. 2021	Group Dec. 2020
Non-financial liabilities		
Provisions for litigation claims	252	252
Allowance for credit loss for off-balance sheet items *	2,809	2,807
Deferred income	278	677
	3,339	**3,736**
Total other liabilities	**233,588**	**157,827**

28 Borrowings

In millions of Nigerian Naira

	Group Mar. 2021	Group Dec. 2020
Long term borrowings	707,367	694,355
	707,367	**694,355**

Movement in borrowings during the year:

In millions of Nigerian Naira

	Group Mar. 2021	Group Dec. 2020
Opening balance	694,355	758,682
Additions	101,031	487,475
Interest expense	10,058	45,506
Interest paid	(13,940)	(56,085)
Repayments(principal)	(84,579)	(582,713)
Exchange difference	442	41,490
	707,367	**694,355**

29 Capital and reserves

(a) **Share capital**

Share capital comprises:

	Group Mar. 2021	Group Dec. 2020
(i) Authorised - 45,000,000,000 Ordinary shares of 50k each	22,500	22,500
(ii) Issued and fully paid - 34,199,421,366 Ordinary shares of 50k each	17,100	17,100

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

(b) **Share premium**

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

(c) **Retained earnings**

Retained earnings is the carried forward recognised income net of expenses plus current year profit attributable to shareholders.

(d) **Other Reserves**

Other reserves include the following:

In millions of Nigerian Naira	Group Mar. 2021	Group Dec. 2020
Translation reserve	52,465	40,512
Statutory reserve	115,379	115,379
Fair value reserve	111,665	122,807
Regulatory (Credit) risk reserve	45,496	45,496
	325,005	**324,194**

30 Dividends

No dividend is declared in respect of the three month period ended 31 March 2021 (31 March 2020: Nil).

31 Contingencies

(i) Litigation and claims

The Bank, in the ordinary course of business is currently involved in 851 legal cases (Dec.2020: 1,000). The total amount claimed in the cases against the Bank is estimated at N349.27 billion (Dec.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. There were no material litigation settlements during the period.

(ii) Contingent liabilities

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk. There are no guarantees, commitments or other contingent liabilities arising from related party transactions.

In millions of Nigerian naira	Group Mar. 2021	Group Dec. 2020
Performance bonds and guarantees	171,865	170,988
Allowance for credit losses	(943)	(941)
Net carrying amount	170,922	170,047
Letters of credits	492,058	687,841
Allowance for credit losses	(1,866)	(1,866)
Net carrying amount	490,192	685,975
Gross amount	663,923	858,829
Total allowance for credit losses	(2,809)	(2,807)
Total carrying amount for performance bonds and guarantees	661,114	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 balance sheet date, the Group had loan commitments amounting to N115 billion (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 balance sheet date, the Group had capital commitments amounting to N5.664 billion (2020: N5.247billion) in respect of authorised and contracted capital projects.

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 31 March, 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

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	Penalties relating to operation of account of some customers	**260**

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.

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

Following the financial crisis, the reform and replacement of Interbank Offered Rates (IBORs) used as benchmark interest rates, has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. To transition existing contracts and agreements that reference LIBOR to relevant Alternate Reference Rates (ARR), adjustments for term differences and credit differences might need to be applied to the ARRs, to enable the benchmark rates to be economically equivalent on transition. Our Group treasury is managing the group’s LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced floating-rate debt and the associated instruments. However, the change in reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications which we are currently assessing.

In accordance with the transition provisions, the Group plans to effect any required amendments in its year-end financial statements.

38 Securities Trading Policy

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

39 Free Float Declaration

United Bank for Africa Plc with a free float percentage of 81.32% (and a free float value of N196,065,750,541) as at 31 March 2021, is compliant with free float requirements for companies listed on the Premium Board of The Nigerian Stock Exchange.