UNITY BANK PLC
Unaudited Financial Statements
30 June 2021

1. Corporate Information

Unity Bank Plc provides Banking and other financial services to corporate and individual customers. Such services include but not limited to granting of loans and advances, corporate Banking, retail Banking, consumer and trade finance, international Banking, cash management, electronic Banking services and money market activities.

Unity Bank is a Public Limited Liability company incorporated in Nigeria to carry on the business of Banking. The Bank's shares are listed on the Nigerian Stock Exchange. Its registered office is at 42, Ahmed Onibudo Street, Victoria Island, Lagos.

The Financial Statements for the period ended 30 June 2021 were authorized for issue in accordance with a resolution of the Board of Directors on the 26 July 2021.

Statement of Compliance & Basis of preparation

This financial statements have been prepared on a historical cost basis, except for Fair Value through OCI investments, derivative financial instruments, other financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss. The financial statements have been prepared in accordance with IAS34 'Interim Financial Reporting', its interpretation issued by the International Accounting Standards and adopted by the Financial Reporting Council of Nigeria.

The financial statements have been prepared in accordance with the going concern principle under the historical cost basis except for financial intruments at Fair Value through Other Comprehensive Income (FVOCI).

Presentation of financial statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) are presented.

Functional and presentation currency

The Bank's functional currency (Nigerian Naira) is adopted as the presentation currency for the financial statements. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest thousand.

Use of estimate and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

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

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated and
separate financial statements are described in note 5.
- Note 3.2(II): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described as follows:

- Note 3.2 (vi): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

- Note 5.2.4: measurement of the fair value of financial instruments with significant unobservable inputs. (level 3)

- Note 3.11(ii): recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

(a) impairment losses on loans and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).
Several significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk.
- Determining the credit risk grades.
- Generating the term structure of the probability of default.
- Determining whether credit risk has increased significantly.
- Incorporation of forward-looking information.
- Establishing Banks of similar financial assets for the purposes of measuring ECL.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2.

(b) determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques as described in note 5.2.5. 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.
The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
Level 2: Valuation techniques based on observable inputs, either directly - i.e., as prices - or indirectly - i.e. derived from prices. This category includes instruments such as forward contracts, swaps etc. valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where 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 instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

2. Changes in Accounting Policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2019. The Bank has not earlier adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendment to IAS 1 and IAS 8

In October 2018, the IASB issued the definition of 'material'. The amendments which became effective in the annual reporting periods starting from 1st January 2020 are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. In IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the revised definition of 'material'
is quoted below:
"An information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity"
The amendments laid emphasis on five (5) ways material information can be obscured. These include:
- If the language regarding a material item, transaction or other event is vague or unclear;
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- If dissimilar items, transactions or other events are inappropriately aggregated;
- If similar items, transactions or other events are inappropriately disaggregated; and
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The Bank has taken into consideration the new definition in the preparation of its financial statement.

3. Summary of significant accounting policies

3.1. Foreign currency translation
The financial statements are presented in Nigeria Naira (₦). Nigeria Naira (₦) is both the functional and presentation currency.

(i) Transactions and balances
Transactions in foreign currencies are initially recorded at the functional (Naira) currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the reporting date. All differences arising on non–trading activities are taken to 'Other operating income' in the income statement.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transactions. Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange difference on non-monetary items accounted for based on the classification of the underlying item.

3.2. Financial Assets and Liabilities
I. Recognition
The Bank on the date of origination or purchase recognizes loans, debt and equity securities, deposits at the fair value of consideration paid. For non-revolving facilities, origination date is the date the facility is disbursed while origination date for revolving facilities is the date the line is availed. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities, are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

II. Classification and Measurement
Initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss. Financial assets include both debt and equity instruments.

Financial assets are classified into one of the following measurement categories:
· Amortised cost
· Fair Value through Other Comprehensive Income (FVOCI)
· Fair Value through Profit or Loss (FVTPL) for trading related assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

Business Model Assessment
Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether
- how the performance of assets in a portfolio is evaluated and reported to Bank heads and other key decision makers within the Bank's
- the risks that affect the performance of assets held within a business model and how those risks are managed;
- how compensation is determined for the Bank's business lines' management that manages the assets; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

Management determines the classification of the financial instruments at initial recognition. The business model assessment falls under

- Business Model 1(BM1): Financial assets held with the sole objective to collect contractual cash flows;
- Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cash flows and selling; and
- Business Model 3 (BM3): Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These are basically

The Bank may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows

- When the Bank sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk. The Bank considers sale of financial assets that may occur in BM1 to be infrequent if the sales is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the financial year.

- Where these sales are infrequent even if significant in value. A Sale of financial assets is considered infrequent if the sale is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.

- Where these sales are insignificant in value both individually and in aggregate, even if frequent. A sale is considered insignificant if the portion of the financial assets sold is equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.

- When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not
- Other reasons: The following reasons outlined below may constitute 'Other Reasons' that may necessitate selling financial assets from the BM1 category that will not constitute a change in business model:
- Selling the financial asset to realize cash to deal with unforeseen need for liquidity (infrequent).
- Selling the financial asset to manage credit concentration risk (infrequent).
- Selling the financial assets as a result of changes in tax laws (infrequent).
- Other situations also depends upon the facts and circumstances which need to be judged by the management

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms

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

The Bank holds a portfolio of long-term fixed rate loans for which it has the option to propose a revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates are part of the contractually agreed terms on inception of the loan agreement, therefore the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

a) Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in Interest income in the Statement of profit or loss. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach.

Loans and debt securities measured at amortized cost are presented net of allowance for credit losses (ACL) in the statement of financial position.

b) Financial assets measured at FVOCI

Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive Income (OCI). Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Statement of Comprehensive Income. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Comprehensive Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of Profit or Loss using the effective interest rate method.

c) Financial assets measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of P or L as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Statement of Comprehensive Income.

c) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized as part of Non-interest income in the Income Statement. The Bank can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer term investment purposes. The FVOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the statement of comprehensive income.

Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Statement of profit or loss on sale of the security.

d) Financial liabilities

Financial liabilities are classified into:

- Amortised cost
- Fair Value through Profit or Loss (FVTPL)

f) Financial Liabilities at fair value through profit or loss

Financial liabilities accounted for at fair value through profit or loss fall into two categories: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss on inception.

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

Financial liabilities are designated at FVTPL when either the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required. For liabilities designated at fair value through profit or loss, all changes in fair value are recognized in Non-interest income in the Statement of profit or loss, except for changes in fair value arising from changes in the Bank's own credit risk which are recognized in OCI. Changes in fair value of liabilities due to changes in the Bank's own credit risk, which are recognized in OCI, are not subsequently reclassified to the Statement of profit or loss upon derecognition/extinguishment of the liabilities.

f) Financial Liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost

III. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. A change in the Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations such as:

· Significant internal restructuring or business combinations; for example an acquisition of a private asset management company that might necessitate transfer and sale of loans to willing buyers, this action will constitute changes in business model and subsequent reclassification of the Loan held from BM1 to BM2 Category

· Disposal of a business line i.e. disposal of a business segment

· Any other reason that might warrant a change in the Bank's business model as determined by management based on facts and circumstances.

The following are not considered to be changes in the business model:

· A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)

· A temporary disappearance of a particular market for financial assets.

· A transfer of financial assets between parts of the Bank with different business models.

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model.

IV. Modification of financial assets and liabilities

a. Financial assets

When the contractual terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortized cost'. If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank will consider the following non-exhaustive criteria.

Quantitative criteria

A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, 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.

In addition to the above, the Bank shall also consider qualitative factors as detailed below.

Qualitative criteria

Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan, i.e. substantial modification,

· The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower

· Roll up of interest into a single bullet payment of interest and principal at the end of the loan term

· Conversion of a loan from one currency to another currency Other factor to be considered:

· Extension of maturity dates

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

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

· If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

b. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

De-recognition of financial instruments

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

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

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

VI. Impairment of Financial Assets

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

- Amortized cost financial assets;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments and financial assets measured at FVTL are not subjected to impairment under the standard.

Expected Credit Loss Impairment Model (ECL Model)

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assesment based on changes in credit quality since initial recognition.

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

Measurement of Expected expected credit losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

• PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

• 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.

• Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9.

• EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

• LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

To estimate expected credit loss for off balance sheet exposures, credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. It is a factor that converts an off balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off balance sheet exposures to determine the EAD and the ECL impairment model for financial assets is applied on the EAD to determine the ECL on the off balance sheet exposures.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

The Bank relies on a broad range of forward looking information as economic inputs, such as:

GDP growth, crude oil prices, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

Multiple forward-looking scenarios

The Bank determines allowance for credit losses using three probability-weighted forward looking scenarios. The Bank considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Bank prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), Nigeria Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria (CBN), Financial Markets Dealers Quotation (FMDQ), and Trading Economics.

The Bank estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD) – Normal, Upturn and Downturn, which in turn is used in the estimation of the multiple scenario ECLs. The 'normal case' represents the most likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region.

The Bank adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages.

The quantitative models considers deterioration in the credit rating of obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors considers information such as expected forbearance, restructuring, exposure classification by licensed credit bureau etc.

A backstop is typically used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 or stage 3 as the case may be except there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

Definition of Default and Credit Impaired Financial Assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter Bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.
- Others include death, insolvency, breach of covenants, etc.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.
In addition, loans that are more than 90 days past due are considered impaired except for certain specialized loans (Project Finance, Object Finance and Real Estate Loans as specified by the Central Bank of Nigeria) in which the Bank has rebutted the 90 DPD presumptions in line with the CBN Prudential Guidelines.

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

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value.

However, the loss allowance is disclosed and is recognised in the fair value reserve.

VII. Write-off

The Bank writes off an impaired financial asset (and the related impairment allowance), either partially or in full, no reasonable expectation of recovery as set out below. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- The Bank's recovery method is foreclosing collateral and the value of the collateral is such that there is reasonable expectation of recovering the balance in full.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialed by the approving authority.

A write-off constitute a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

VIII. Offsetting financial instruments

Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or Bankruptcy of the company or the counterparty.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a Bank of similar transactions such as in the Bank’s trading activity.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

(h) Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as amortised cost, fair value through other comprehensive income.

3.4. Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expense

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Bank's right to receive payment is established. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Other operating income'.

(ii) Fee and commission income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period.

Loan commitment and processing fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

(iii) Net trading income comprises gains less losses related to assets and liabilities. It includes all realized and unrealized gains and/or losses on revaluation of FCY denomincated assets and liabilities..

(iv) Other Operating Income: income relate mainly to transaction and service fees, which are recognised as the services are rendered.

(v) Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established. Usually, this is the exdividend date for quoted equity securities. Dividends are presented in other income based on the underlying classification of the equity investment.

3.5. Cash and cash equivalents

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.

3.6. Property and Equipment

Property and equipment (including equipment under operating leases where the Bank is the lessor) is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation which commences when the asset is available for use is calculated using the straight–line method to write down the cost of Property and Equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Buildings………………………………. 50 years
- Computer equipments... ………..…….5 years
- Property & Equipments………………..5 years
- Motor Vehicles…………… ………….. 4 years
- Furniture & fittings…..........................5 years
- Lease hold Improvement ....Over the remaining life of the lease

Land is is not depreciated. Work in progress is also not depreciated.

Property and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

3.7. Intangible assets

The Bank's other intangible assets include the value of computer softwares.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least each financial year–end. 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 method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

· Computer software 5 years

3.8. Impairment of non–financial assets

The Bank 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 Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash–generating unit's (CGU) 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.

3.9. Employee benefits

Defined contribution pension plan

The Bank operates a defined contribution pension plan in line with the Pension Reform Act, 2014. The plan is funded by contributions from the Bank and the employees. The Bank has no further payment obligations once the contributions have been paid. Contribution payable is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

Short term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank 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.

3.10. Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

3.11. Taxes

Income tax expense comprises current tax (company income tax, tertiary education tax National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. The Bank had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- National Information Technology Development Agency levy is computed on profit before tax
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year)

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12

(ii) Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

Minimum tax is determined based on the sum of:

- the highest of; 0.25% of revenue of N500,000, 0.5% of gross profit, 0.25% of paid up share capital and 0.5% of net assets; and
- 0.125% of revenue in excess of N500,000.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

The Bank offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, there is a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

(ii) Deferred tax

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:

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Bank. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.12. Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are reported in the financial statements as contingent assets.

3.13. Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

3.14. Segment reporting

The Bank's prepared its segment information based on geographical segments as its primary reporting segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments. The Bank operated Two (2) geographical segments in addition to the Head Office which are: North and South Bank.

The Managing Director/CEO reviews the returns from each segment to make decisions about resources allocated to each segment and assess its performance and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.15. Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Where there are shares that could potentially affects the numbers of share issued, those shares are considered in calculating the diluted earnings per share. There are currently no share that could potentially dilute the total issued shares.

3.16. Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

3.16. Loans and advances

Loans and advances' captions in the statement of financial position include:

3.17. Investment securities

The 'investment securities' caption in the statement of financial position includes:

• debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

• debt securities measured at FVOCI; and

• equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

• interest revenue using the effective interest method;

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

3.18. Financial guarantee contracts

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

Financial guarantee liabilities are initially recognised at their fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium. Financial guarantees are included within other liabilities.

3.19. Leases

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

UNITY BANK PLC
Statement of Profit or Loss & Other Comprehensive Income
For The 6 Months Ended 30 June 2021

	Notes	6 Months 30 June 2021 Unaudited N'000	6 Months 30 June 2020 Unaudited N'000	Changes %
Gross Income		**23,609,005**	22,862,670	3%
Interest and similar income	**1**	**20,273,944**	19,787,087	2%
Interest and similar expense	**2**	**(10,406,121)**	(10,727,415)	-3%
Net interest income		**9,867,823**	9,059,673	9%
Fee and commission income	**3**	**3,073,102**	2,544,520	21%
Net fee and commission income		**3,073,102**	2,544,520	21%
Net Trading Income	**4**	**(104,108)**	30,342	-443%
Other operating income	**5**	**366,067**	500,721	-27%
		261,959	531,062	-51%
Total operating income		**13,202,884**	12,135,255	9%
Credit loss expense	**6**	**719,706**	(310,963)	-331%
Net operating income		**13,922,590**	11,824,292	18%
Personnel expenses	**7**	**(5,374,072)**	(5,252,961)	2%
Depreciation of property and equipment	**14b**	**(941,275)**	(659,722)	43%
Amortisation of intangible assets	**15b**	**(24,758)**	(21,941)	13%
Other operating expenses	**8**	**(6,080,196)**	(4,769,257)	27%
Total operating expenses		**(12,420,301)**	(10,703,880)	16%
Profit before tax		**1,502,288**	1,120,412	34%
Taxation		**(120,183)**	(89,633)	34%
Profit for the period		**1,382,105**	1,030,779	34%
Other Comprehensive Income				
Items Reclassifiable to Profit or Loss				
Profit for the period		**1,382,105**	1,030,779	34%
Net loss on available for sale financial assets		**(7,843,159)**	(816,505)	861%
Total comprehensive income for the period, net of tax		**(6,461,054)**	214,274	-3115%
Earnings Per Share(Basic) Annualized		**11.82 Kobo**	8.82 Kobo	

UNITY BANK PLC

Statement of Profit or Loss & Other Comprehensive Income

For The 3 Months Ended 30 June 2021

	3 Months 30 June 2021 Unaudited N'000	3 Months 30 June 2020 Unaudited N'000	Changes %
Gross Income	**12,322,520**	10,497,251	17%
Interest and similar income	**10,605,304**	8,779,645	21%
Interest and similar expense	**(5,542,094)**	(4,989,521)	11%
Net interest income	**5,063,209**	3,790,123	34%
Fee and commission income	**1,471,839**	370,477	297%
Net fee and commission income	**1,471,839**	370,477	297%
Net Trading Income	**(475)**	(254,810)	-100%
Other operating income	**245,852**	1,601,939	-85%
	245,377	1,347,129	-82%
Total operating income	**6,780,425**	5,507,729	23%
Credit loss expense	**489,931**	(295,057)	-266%
Net operating income	**7,270,356**	5,212,673	39%
Personnel expenses	**(2,690,732)**	(2,379,486)	13%
Depreciation of property and equipment	**(468,896)**	(266,595)	76%
Amortisation of intangible assets	**(11,823)**	(12,674)	-7%
Other operating expenses	**(3,380,896)**	(2,007,565)	68%
Total operating expenses	**(6,552,347)**	(4,666,319)	40%
Profit before tax	**718,009**	546,354	31%
Taxation	**(57,441)**	(43,708)	31%
Profit for the period	**660,568**	502,645	31%
Other Comprehensive Income			
Items Reclassifiable to Profit or Loss			
Profit/(Loss) for the period	**660,568**	502,645	31%
Net gain/(loss) on available for sale financial asset	**(408,253)**	(858,813)	-52%
Total comprehensive income for the period, net of tax	**252,316**	(356,168)	-171%

STATEMENT TO THE NIGERIAN STOCK EXCHANGE AND THE SHAREHOLDERS ON THE EXTRACT OF THE UNAUDITED RESULTS OF UNITY BANK PLC FOR THE SIX MONTHS ENDED 30 JUNE 2021.

The Board of Directors of Unity Bank Plc is pleased to present an extract of the unaudited financial statements for the six months ended 30 June 2021

Statement of Financial Position

In thousands of Naira	Notes	**30 June 2021**	31 December 2020	% Changes
Assets				
Cash and balances with central banks	**9**	110,296,838	99,266,770	11%
Due from banks	**10**	39,134,466	33,065,169	18%
Net Loans and advances to customers	**11**	246,904,222	202,080,855	22%
Financial investments – FVOCI	**12**	61,541,300	62,839,611	-2%
Financial investments – Amortised Cost	**12**	60,327,145	64,379,307	-6%
Other assets	**13**	7,308,217	8,324,417	-12%
Property and equipment	**14**	21,733,633	21,915,364	-1%
Intangible assets	**15**	124,077	148,836	-17%
TOTAL ASSETS		**547,369,898**	492,020,329	11%
Liabilities and Equity				
Liabilities				
Due to customers	**17**	318,785,295	356,615,192	-11%
Due to Other Banks	**18**	123,789,612	106,699,353	16%
Debt issued and other borrowed funds	**19**	325,739,009	264,873,635	23%
Current tax liabilities	**20**	562,085	499,184	13%
Other liabilities	**21**	60,362,718	38,741,646	56%
Employee benefit liabilities	**22**	2,029	1,115	82%
Total liabilities		**829,240,748**	767,430,125	8%
Equity				
Issued share capital	**23**	5,844,669	5,844,669	0%
Share premium	**24**	10,485,871	10,485,871	0%
Statutory reserve	**25**	12,750,174	12,750,174	0%
Retained earnings	**26**	(371,340,271)	(372,722,376)	0%
Non distributable regulatory risk reserve	**26**	51,859	51,859	0%
Other reserves	**27**	60,336,848	68,180,007	-12%
Total equity		**(281,870,850)**	(275,409,796)	2%
Total liabilities and equity		**547,369,898**	492,020,329	11%

The account was approved by the Board of Directors on 26 July 2021. The Board expects that barring unforeseen circumstances, the results would improve materially following initiatives already set in motion.

Ebenezer Kolawole
Chief Financial Officer
FRC/2013/ICAN/00000001964

Tomi Somefun
Managing Director/CEO
FRC/2013/ICAN/00000002231

UNITY BANK PLC
Statement of Changes in Equity
for The 6 Months Ended 30 June 2021

	Issued Capital N'000	Share Premium N'000	Statutory Reserves N'000	Accumulated Deficit N'000	Non-distributable Regulatory Reserve N'000	Other Reserves N'000	Totals N'000
At 1 January 2020	**5,844,669**	**10,485,871**	**12,437,215**	**(374,443,951)**	**0**	**66,820,308**	**(278,855,888)**
Profit/(Loss) for the period	-	-	-	2,086,393	-	-	**2,086,393**
Transfer to Statutory Reserve	-	-	312,959	(312,959)	-	-	**-**
Transfer to Non Distributable Reserve	-	-	-	(51,859)	51,859	-	**-**
Net reclassification adjustment of realised net gains to profit or loss	-	-	-	-	-	4,509,300	**4,509,300**
Transfer to CBN - AGSMEIS Reserve	-	-	-	-	-	-	**-**
Other comprehensive income	-	-	-	-	-	(3,149,601)	**(3,149,601)**
Reclassification of Prior Year AFS Reserve	-	-	-	-	-		**-**
At 31 December, 2020	**5,844,669**	**10,485,871**	**12,750,174**	**(372,722,376)**	**51,859**	**68,180,007**	**(275,409,796)**
Profit/(Loss) for the period	-	-	-	**1,382,105**	**-**	**-**	**1,382,105**
Transfer from/to retained earnings	-	-	-	**-**	**-**	-	**-**
Share Reconstruction	-	-	-	**-**	**-**	**-**	**-**
Other comprehensive income	-	-	-	**-**	**-**	(7,843,159)	**(7,843,159)**
At 30 June 2021	**5,844,669**	**10,485,871**	**12,750,174**	**(371,340,271)**	**51,859**	**60,336,848**	**(281,870,850)**

UNITY BANK PLC
Statement of Cash Flows
For the 6 Months Ended 30 June 2021

	30 June 2021	31 December 2020
	N'000	N'000
Profit before tax	1,502,288	2,223,194
Adjustment for non cash items:		
Impairment charges on debt instruments	(719,706)	618,659
Impairment charges on other assets	-	(3,199,073)
Trading loss on financial instrument		4,509,297
Employee benefit charge for the year	265,411	609,387
Depreciation of property and equipment	941,275	1,695,656
Amortisation of intangible assets	24,758	47,223
Gain on disposal of property and equipment	-	(8,923)
Write off of property and equipment	-	11,854
Gains from sale of investments	-	(1,261,455)
Interest Income	(20,273,944)	(39,119,457)
Interest Expense	10,406,121	21,372,315
Dividend Income	-	(85,875)
	(7,853,797)	(12,587,196)
Changes in operating assets		
Net (increase)/ decrease in Loans and advances	(44,103,662)	(99,291,731)
Net (increase)/ decrease in Other assets	1,016,200	(2,330,710)
Net (increase)/ decrease in CBN - AGSMEIS	(104,350)	(169,150)
	(43,191,811)	(101,791,591)
Changes in operating liabilities		
Net increase/ (decrease) in deposit from customers	(37,829,897)	97,802,482
Net increase in due to other banks	17,090,259	(2,439,328)
Net increase/ (decrease) in Other liabilities	21,621,986	16,681,137
	882,348	112,044,291
Cash generated from operations	(50,163,260)	(2,334,495)
Income tax paid	(57,282)	(258,923)
Interest received	20,273,944	34,191,055
Interest paid	(10,406,121)	(15,416,796)
Dividend income	-	85,875
Payment on employee contribution plan	(265,411)	(614,603)
Net cash flows from/(used in) operating activities	(40,618,129)	15,652,113
Investing activities		
Purchase of property and equipment	(759,544)	(1,659,316)
Purchase of intangible assets	(0)	(59,858)
Proceeds from sale of property and equipment	-	8,923
Acquisition of investment securities at FVOCI	(6,973,396)	(130,135,918)
Proceeds from disposal of financial instrument at FVOCI	-	155,831,744
Acquisition of investment securities at amortised cost	4,052,162	(33,220,011)
Net cash flows from/(used in) investing activities	(3,680,778)	(9,234,436)
Financing activities:		
Proceeds from loans and borrowings	139,587,588	100,554,445
Repayment of borrowing	(78,722,215)	(22,904,750)
Net cash flows from /(used in) financing activities	60,865,374	77,649,695
Net increase/(decrease) in cash and cash equivalents	16,566,466	84,067,372
Cash and cash equivalents at 1 January	132,511,976	48,444,604
Cash and cash equivalents at 30 June	149,078,442	132,511,976

UNITY BANK PLC **Notes to the financial statements**	**30 June 2021** **Unaudited** **N'000**	30 June 2020 Unaudited N'000	31 December 2020 Audited N'000
1 Interest and similar income			
Placement with Banks	**494,366**	981,037	1,232,816
Loans and advances to customers	**15,154,961**	10,968,956	23,004,488
Financial investments – FVOCI	**1,088,415**	5,253,821	9,118,098
Financial investments – amortised costs	**3,536,203**	2,583,274	5,764,055
	20,273,944	19,787,087	39,119,457
2 Interest and similar expense:			
Due to banks	**5,087,628**	4,992,656	10,172,386
Due to customers	**2,263,106**	4,295,372	7,263,921
Debt issued and other borrowed funds	**3,055,388**	1,439,386	3,920,218
Interest expense on lease liability	**-**	-	15,791
	10,406,121	10,727,415	21,372,315
3 Fees and commission income			
Credit related fees and commission	**455,529**	609,451	1,039,968
Account Maintenance Fee	**850,815**	597,298	1,358,721
E-Banking Income	**1,571,598**	1,274,210	2,642,572
Other fees and commission	**195,159**	63,561	177,335
Fees and commission income	**3,073,102**	2,544,520	5,218,596
4 Trading Income			
Foreign Exchange Trading Income	**(104,108)**	30,342	(3,817,048)
	(104,108)	30,342	(3,817,048)
5 Other Operating Income			
Dividend Income	**-**	-	85,875
Gains from sale of financial investments	**130,242**	295,016	1,261,455
Rental Income	**-**	-	112,109
Gain on disposal of PPE	**-**	-	8,923
Transactional Income	**235,825**	205,705	719,905
	366,067	500,721	2,188,267
6 Impairment losses			
Credit loss expense	**67,493**	313,963	(2,580,414)
Recoveries	**(787,199)**	(3,000)	(1,546,918)
Credit loss expense	**(719,706)**	310,963	(4,127,332)
7 Personnel expenses			
Wages and salaries	**5,108,661**	5,001,761	9,799,608
Pension costs – Defined contribution plan	**265,411**	251,200	609,387
	5,374,072	5,252,961	10,408,995
8 Other operating expenses			
Advertising and marketing	**275,318**	182,292	390,841
Professional fees	**171,561**	137,997	303,371
Rental charges payable under operating leases	**1,437**	245,882	16,547
Regulatory expenses*	**1,763,746**	1,417,202	2,951,496
Administrative expenses	**3,868,134**	2,785,884	7,426,965
	6,080,196	4,769,257	11,089,220

* Regulatory expenses include NDIC premium and the Banking Sector resolution sinking fund contributions.

UNITY BANK PLC Notes to the financial statements	30 June 2021 Unaudited N'000	30 June 2020 Unaudited N'000	31 December 2020 Audited N'000
9 Cash and balances with central bank			
Cash on hand	**9,721,755**	8,679,410	6,855,423
Current account with the Central Bank of Nigeria	**4,196,079**	484,149	1,280,987
Deposits with the Central Bank of Nigeria	**95,932,842**	86,644,788	90,788,548
CBN - AGSMEIS ACCOUNT	**446,162**	172,662	341,812
	110,296,838	95,981,008	99,266,770
10 Due from banks			
Placements with banks and discount houses	**26,989,091**	41,976,413	21,984,267
Balances with banks within Nigeria	**2,511,816**	2,202,184	1,797,629
Balances with banks outside Nigeria	**9,661,911**	9,945,929	9,311,625
	39,162,818	54,124,526	33,093,521
Less: Allowance for impairment losses	(28,352)	(353,559)	(28,352)
	39,134,466	53,770,966	33,065,169
11 Loans & Advances			
By Product Type			
Loans & Advances - Discounted Investments			
Loans & Advances - Overdrafts	**71,446,243**	14,412,915	27,058,063
Loans & Advances - Term Loans	**179,645,957**	120,866,487	179,147,481
Less: Allowance for impairment losses	**(4,187,978)**	(3,797,848)	(4,124,689)
	246,904,222	131,481,553	202,080,855
12 Financial investments			
12b Fair Value Through OCI (FVOCI)			
Debt securities - bills	**41,344,251**	86,561,301	40,157,360
Debt securities - bonds	**19,024,935**	12,430,995	21,510,137
	60,369,186	98,992,296	61,667,497
Equities	**1,172,114**	650,095	1,172,114
	1,172,114	650,095	1,172,114
Financial investments – FVOCI	**61,541,300**	99,642,391	62,839,611
Less: Allowance for impairment	**-**	-	-
	61,541,300	99,642,391	62,839,611
12d Amortised Cost			
Government debt securities (amortised costs)	**60,327,145**	36,654,291	64,379,307
Less: Allowance for impairment	**-**	(73,783)	-
	60,327,145	36,580,508	64,379,307
13 Other assets			
Prepayments	**2,896,517**	1,784,557	437,658
Fraud suspense	**270,045**	384,463	250,127
Stationery stocks	**282,038**	265,504	243,952
SME forex allocation receivable	**2,600,304**	-	2,600,304
Account receivables	**299,684**	3,590,568	761,468
Settlement receivables	**7,372,512**	10,460,731	10,443,790
	13,721,100	16,485,822	14,737,299
Less:			
Allowance for impairment on other assets	**(6,412,883)**	(10,291,233)	(6,412,883)
	7,308,217	6,194,589	8,324,417

a. Included in settlement receivables are outstanding reconciling items on nostro reclassed to other assets totaling N4.6billion (2020: N4.6billion). The amount has been subjected to full impairment while reconciliation of the aged open items in the nostro accounts is on going.

UNITY BANK PLC

Notes to the financial statements

	30 June 2021 Unaudited N'000	30 June 2020 Unaudited N'000	31 December 2020 Audited N'000
14 Property and equipment			
Furn & Fittings:			
Cost	**3,489,670**	3,455,715	3,466,777
Accummulated Depreciation	**(3,416,815)**	(3,373,285)	(3,397,203)
Net Book value	**72,854**	82,430	69,574
Land			
Cost	**415,550**	415,550	415,550
Accummulated Depreciation	**-**	-	-
Net Book value	**415,550**	415,550	415,550
Buildings			
Cost	**24,642,820**	24,612,289	24,637,896
Accummulated Depreciation	**(7,595,247)**	(7,139,830)	(7,369,048)
Net Book value	**17,047,572**	17,472,459	17,268,848
Motor Vehicles			
Cost	**5,043,504**	5,227,243	5,303,634
Accummulated Depreciation	**(3,869,371)**	(3,699,850)	(3,946,214)
Net Book value	**1,174,133**	1,527,393	1,357,420
Plant & Equipment			
Cost	**15,792,612**	14,958,036	15,411,721
Accummulated Depreciation	**(14,112,965)**	(13,964,498)	(14,039,754)
Net Book value	**1,679,647**	993,538	1,371,967
Right of Use			
Cost	**1,811,842**	1,444,267	1,714,330
Accummulate Depreciation	**(1,210,819)**	(510,211)	(970,900)
Net Book value	**601,023**	934,056	934,056
Capital Work in Progress	**742,854**	756,429	688,575
Total Property and Equipment			
Cost	**51,938,852**	50,869,529	51,638,483
Accummulated Depreciation	**(30,205,218)**	(28,687,675)	(29,723,119)
Property and equipment	**21,733,633**	22,181,854	21,915,364
14b Current Depreciation Charge			
Furn & Fittings	**19,754**	29,256	53,128
Buildings	**457,880**	236,966	927,131
Motor Vehicles	**249,543**	188,773	434,879
Plant & Equipment	**214,098**	204,727	280,518
	941,275	659,722	1,695,656
15 Intangible assets			
Computer Software			
Cost	**3,442,663**	3,384,580	3,442,663
Accummulated Amortisation	**(3,318,585)**	(3,268,001)	(3,293,827)
Net Book value	**124,077**	116,580	148,836
15b Amortisation charge for the Period			
Computer Software	**24,758**	21,941	47,223
	24,758	21,941	47,223
16 Deferred tax			
Deferred tax assets	**-**	-	-

UNITY BANK PLC

Notes to the financial statements

	30 June 2021 Unaudited N'000	30 June 2020 Unaudited N'000	31 December 2020 Audited N'000
17 Due to customers			
Analysis by type of account:			
Demand	**148,399,637**	97,459,361	130,226,089
Savings	**83,424,536**	72,234,140	83,041,254
Time deposits	**45,618,567**	96,843,825	97,487,077
Domiciliary	**41,342,555**	39,934,978	45,860,772
	318,785,295	306,472,305	356,615,192
18 Due to other banks	**123,789,612**	105,508,011	106,699,353
	123,789,612	105,508,011	106,699,353
19 Debt issued and other borrowed funds			
Other Long Term Loans OTHER ABP	**97,540,725**	83,162,429	115,712,195
Other Long Term Loans RIFAN	**166,475,256**	120,759,573	88,995,503
Other Long Term Loan-Afrexim Bank	**9,784,672**	13,161,857	9,467,308
CBN Loan	**51,938,356**	50,000,000	50,698,630
	325,739,009	267,083,859	264,873,636
20 Current tax liabilities			
Current tax payable	**562,085**	630,919	499,184
21 Other liabilities			
Accounts payable	**4,133,508**	8,777,670	3,918,132
Bankers payment and branch drafts	**1,142,919**	1,057,609	1,420,060
Deferred fees	**66,267**	77,289	72,641
Accruals	**2,762,102**	944,570	1,772,416
Accrual for Banking Resolution Fund	**12,339,135**	10,405,267	11,372,201
Magin on letters of credit	**19,190,135**	18,432,784	12,281,539
Collection Accounts	**15,575,734**	3,317,621	4,137,539
Settlement Payable	**3,694,215**	1,106,317	2,276,126
Impairment on Contingent	**1,342,728**	1,640,001	1,342,728
Lease Liability	**115,974**	350,442	148,263
	60,362,718	46,109,570	38,741,646
22 Retirement benefit plan			
Opening defined contribution obligation	**2,029**	2,463	1,115
	2,029	2,463	1,115
23 Issued capital and reserves			
120,000,000,000 ordinary shares of 50 kobo each	**60,000,000**	60,000,000	60,000,000
Ordinary shares			
Issued and fully paid:			
11,689,337,942 ordinary shares of 50k each	**5,844,669**	5,844,669	5,844,669
24 Share premium	**10,485,871**	10,485,871	10,485,871
25 Statutory reserve	**12,750,174**	12,437,215	12,750,174
26 Retained earnings	**(372,722,376)**	(374,443,951)	(374,443,951)
Profit for the period	**1,382,105**	1,030,779	2,086,393
Transfer from retained earnings To Non-Distributable Regulatory Reserve & Statutory Reserve	**(51,859)**	-	(364,818)
	(371,340,271)	(373,413,172)	(372,722,376)

UNITY BANK PLC Notes to the financial statements	30 June 2021 Unaudited N'000	30 June 2020 Unaudited N'000	31 December 2020 Audited N'000
27 Other reserves			
Fair value Reserve	**(4,379,856)**	1,287,098	3,463,302
Share Reconstruction Reserve	**67,103,925**	67,103,925	67,103,925
Reserve for SMIEIS and CBN AGSMIEIS	**612,781**	612,781	612,781
Transactions with Shareholders	**(3,000,000)**	(3,000,000)	(3,000,000)
	60,336,849	66,003,802	68,180,007
28 Contingents			
Contingents Assets	**127,489,543**	79,119,690	99,698,417
Contingent Liabilities	**(127,489,543)**	(79,119,690)	(99,698,417)

29 STATEMENT OF COMPLIANCE

The financial statements and accompanying notes have been drawn up in compliance with IAS 34

30 OTHER DISCLOSURES

The same accounting policies and methods of computation are followed in the interim financial statements as were used in last audited annual financial statements of the Bank.

The Bank prepares interim financial statements for publication and submission to the Securities and Exchange Commission (SEC) and Nigeria Stock Exchange (NSE) on a quarterly basis.

There are no events after the reporting date which could have had a material effect on the interim financial statements as at 30 June 2021.

Also, in accordance with the requirements of Rule 2.0 of the Free Float Rules on Self-Assessment and Self-Regulation as issued by the NSE, the shareholding pattern of the Bank is shown below;

Shareholding Analysis

The shareholding pattern of the Bank as at 30 June 2021 is as stated below:

Range	No. Of Shareholders	Units
1 - 9999	56,610	56,092,561
10000 - 50000	14,622	100,429,708
50001 - 100000	3,948	70,468,245
100001 - 500000	3,857	178,165,463
500001 - 1000000	1,120	84,455,144
1000001 - 50000000	72	145,871,225
50000000 - 100000000	16	120,526,859
100000001 - 500000000	48	2,546,550,410
500000001 - 1000000000	3	1,852,359,484
1000000001 - 500000000000	3	6,534,037,353
TOTAL	**80,299**	**11,688,956,452**

The shareholding pattern of the Bank as at 30 June 2020 is as stated below:

Range	No. Of Shareholders	Units
1 - 9999	56,590	56,092,561
10000 - 50000	14,602	100,429,708
50001 - 100000	3,908	70,468,245
100001 - 500000	3,852	178,165,463
500001 - 1000000	1,120	84,455,144
1000001 - 50000000	72	145,871,225
50000000 - 100000000	16	120,526,859
100000001 - 500000000	48	2,546,550,410
500000001 - 1000000000	3	1,852,359,484
1000000001 - 500000000000	3	6,534,418,843
TOTAL	**80,214**	**11,689,337,942**

With a free float percentage of 30.6% as at 30 June 2021 (June 2020: 30.6%), the Bank is compliant with the Exchange's free float requirements for complanies listed on the Main Board.