

UNITY BANK PLC

Annual Report
for the year ended 31 December 2021

UNITY BANK PLC

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UNITY BANK PLC

CORPORATE INFORMATION

Directors

Aminu Babangida	- Chairman
Tomi Somefun	- MD/CEO
Oluwafunsho Obasanjo	- Non Executive Director
Sam N. Okagbue	- Non Executive Director (Independent)
Hafiz Mohammed Bashir	- Non Executive Director
Yabawa Lawan Wabi, mni	- Non Executive Director
Temisan Tuedor	- Executive Director
Ebenezer Kolawole	- Executive Director
Usman Abdulqadir	- Executive Director

Company Secretary

Alaba Williams
FRC/2020/002/00000020510

Registered Office

Unity Bank Plc
Plot 42, Ahmed Onibudo Street
Victoria Island
Lagos

Independent Auditor

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos
www.kpmg.com/ng

Tax Advisors

Ijewere & Co
(Chartered Tax Advisory)
Itoya House, 126 Lewis Street
P. O Box 8713
Lagos, Nigeria
FRC/2015/ICAN/00000011189

Registrars office

Unity Registrars Limited
25, Ogunlana Drive
Surulere
Lagos
FRC/2014/CIBN/00000007827

Bank's Registered Number

94524

Bank's Tax Identification Number

00797699-0001

UNITY BANK PLC
DIRECTOR'S REPORT
For the year ended 31 December 2021

The Directors present their report on the affairs of Unity Bank Plc ("the Bank") together with the financial statements and Independent Auditor's report for the period ended the year ended 31 December 2021.

a. Representation

The Board of Directors represents all shareholders and acts in the best interest of the Bank. Each Director represents the Bank's shareholders regardless of the manner in which he/she was appointed. Each Director undertakes not to seek, nor to accept, any benefit liable to compromise his/her independence.

b. Legal form

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited company on 27th April, 1987 with the name Intercity Bank Limited. It was granted license on 28th October, 1987 to carry on the business of commercial banking and commenced full banking business operation on 28th October, 1988. The Bank was converted into a Public Limited Liability Company on 8th September, 1992. Following the consolidation reforms introduced and driven by the Central Bank of Nigeria in 2004, the Bank after its merger with eight other Banks, changed its name to Unity Bank Plc on 30th December, 2005 and its shares are currently quoted on the Nigerian Stock Exchange.

c. Principal activity

The principal activity of the Bank is the provision of 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.

d. Business review and future development

The Bank carried out banking activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and the prospects for the ensuing year is contained in the Managing Director's report that will be presented in the annual report.

e. Property and equipment

Information relating to the changes in property and equipment of the Bank during the year is provided in note 21 of the financial statement. In the opinion of the Directors, the fair value of the Bank's property and equipment is not less than the value shown in the accounts and are in line with the related statement of accounting policy of the Bank.

f. Operating results

The table below summarises the financial performance of the Bank in the year under review:

	Dec-21 N'000	Dec-20 N'000
Gross earnings	50,284,345	46,526,320
Profit before tax	3,332,134	2,223,194
Minimum tax expense	(124,264)	(114,678)
Income tax expense	(34,616)	(22,123)
Profit after tax	<u>3,173,254</u>	<u>2,086,393</u>
Profit attributable to shareholders	3,173,254	2,086,393
Earnings per share		
Basic and diluted earnings per share (Kobo)	27.15	17.85

g. Dividends

The Bank did not declare any dividend during the year (2020: Nil)

h. Director's shareholding

The Directors who held office during the year, together with their direct and indirect interests in the issued share capital of the Bank as recorded in the register of directors' shareholding and/or as notified by the directors for the purposes of section 301 of the Companies and Allied Matters Act 2020 and the listing requirements of the Nigerian Stock Exchange are as stated below:

Directors holdings	31-Dec-2021			31-Dec-2020			
	Name Of Directors	Direct Holdings	Indirect Holdings	%	Direct Holdings	Indirect Holdings	%
	Aminu Babangida ¹	NIL	648,472,967	5.54%	NIL	648,472,967	5.54%
	Oluwafunsho Obasanjo ²	NIL	926,104,410	7.92%	NIL	926,104,410	7.92%
	Hafiz Mohammed Bashir	510,000	NIL	-	510,000	NIL	-
	Sam N. Okagbue	NIL	NIL	-	NIL	NIL	-
	Yabawa Lawan Wabi ³	NIL	4,000,845,460	34.22%	NIL	4,002,702,685	34.24%
	Tomi Somefun	NIL	NIL	-	NIL	NIL	-
	Temisan Tuedor	NIL	NIL	-	NIL	NIL	-
	Ebenezer Kolawole	NIL	NIL	-	NIL	NIL	-
	Usman Abdulqadir	NIL	NIL	-	NIL	NIL	-

¹ El-Amin Nig. Limited. And B-Sha Limited

² Tempo Food & Packing Limited, Obasanjo Holdings, Alarab Properties Limited, Agro Mixed Nigeria Limited, Ibad Limited

³ Asset Management Corporation of Nigeria (AMCON)

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DIRECTOR'S REPORT
For the year ended 31 December 2021

i. Directors interest in contracts

For the purpose of section 303 of the Companies and Allied Matters Act 2020, all contracts with related parties during the year were conducted at arm's length.

Information relating to related parties transactions are contained in Note 48 to the financial statements

j. Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2021 is as stated below:

Range	No Of Shareholders	Unit
1 - 9999	55,690	56,092,561
10000 - 50000	14,552	100,429,708
50001 - 100000	3,706	70,468,245
100001 - 500000	3,753	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 - 5000000000	3	6,534,418,843
TOTAL	78,963	11,689,337,942

The shareholding pattern of the Bank as at 31 December 2020 is as stated below:

Range	No Of Shareholders	Unit
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 - 5000000000	3	6,534,418,843
TOTAL	80,299	11,689,337,942

k. Substantial interest in shares

According to the register of members as at 31 December 2021, no shareholder held more than 5% of the issued share capital of the Bank except the following:

Shareholder	No of Shares held	Shareholding (%)
ASSET MANAGEMENT CORPORATION OF NIGERIA (AMCON)	4,000,845,460	34.22%
PANAFRICAN CAPITAL NOMINEE	1,480,614,483	12.67%
LIGHTHOUSE CAPITAL LIMITED	1,053,199,290	9.01%
IBAD LIMITED	717,722,190	6.14%
EL-AMIN (NIG.) LTD	615,889,636	5.27%
TOTAL	7,868,271,059	67.31%

According to the register of members as at 31 December 2020, no shareholder held more than 5% of the issued share capital of the Bank except the following:

Shareholder	No of Shares held	Shareholding (%)
ASSET MANAGEMENT CORPORATION OF NIGERIA (AMCON)	4,002,307,585	34.24%
PANAFRICAN CAPITAL NOMINEE	1,480,614,483	12.67%
THOMAS A. ETUH	1,053,199,290	9.01%
IBAD LIMITED	717,722,190	6.14%
EL-AMIN (NIG.) LTD	615,889,636	5.27%
TOTAL	7,869,733,184	67.33%

l. Acquisition of own shares

The Bank did not purchase its own shares during the year (2020: Nil).

m. Corporate Social Responsibility (CSR)

For the period ended 31 December 2021, the Bank expended the sum of ₦658.95 million, (December 2020 – ₦144.95 million) on various CSR Commitments. CSR commitments usually cover the fields of Education/Capacity Building, Trade Promotions, Value Reorientation, Professional Developments, Community Interventions, Sports and Health as follows:

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DIRECTOR'S REPORT
For the year ended 31 December 2021

The schedule of the CSR as at 31st December 2021 is as stated below:

SN	Details of expenditure	Category	Amount (N'000)
1	POLICE EQUIPMENT FUNDS	Community Intervention	500,000
2	NIGERIAN POLICE - RENOVATIONS	Community Intervention	79,828
3	CHARTERED INSTITUTE OF BANKERS (CIBN)	Professional Development	40,000
4	KWARA STATE UNIVERSAL BASIC EDUCATION	Education	16,125
5	LAGOS STATE ECONOMIC SUMMIT	Education	10,000
6	LOCAL GOVERNMENT STAFF PENSIONS BOARD TRAINING	Training	10,000
7	DO-ESTDOT INTERNATIONAL SCHOOL	Education	2,000
8	GIRLS CHILD CONCERN ACADEMY	Education	1,000
TOTAL			658,953

The schedule of the CSR as at 31st December 2020 is as stated below:

SN	Details of expenditure	Category	Amount (N'000)
1	OYO STATE GOVERNMENT	Health	10,000
2	ONDO STATE GOVERNMENT	Health	10,000
3	JIGAWA STATE GOVERNMENT - COVID-19 SUPPORT	Health	3,000
4	FEDERAL MINISTRY OF HEALTH - COVID-19 INTERVENTION	Health	100,000
5	TANGLANG PRIMARY SCHOOL GOMBE	Education	1,000
6	NIGERIAN CHAMBER OF COMMERCE	Professional Development	500
7	LOCAL GOVERNMENT STAFF PENSIONS BOARD TRAINING	Training	10,000
8	ASSBIFI LOCAL INTERVENTION PROGRAM	Professional Development	2,500
9	CHARTERED INSTITUTE OF BANKERS (CIBN)	Professional Development	2,500
10	MULTIPLE STATES BOREHOLE PROJECT	Community Intervention	5,454
TOTAL			144,954

n. Human Resources

Commitment to Equal Employment Opportunity

The Bank is committed to maintaining positive work environment and to conduct business in a positive professional manner by consistently ensuring equal employment opportunity to all irrespective of gender.

Directors and staff analysis by gender are given in the tables below:

(a) Analysis of total employees

	31 DECEMBER 2021		31 DECEMBER 2020	
	Number	Percentage	Number	Percentage
Employees				
Male	1007	62%	986	62%
Female	625	38%	609	38%
	1,632	100%	1,595	100%

(b) Analysis of Board and top management staff

i Board members (Executive and Non-Executive Directors)

	31 DECEMBER 2021		31 DECEMBER 2020	
	Number	Percentage	Number	Percentage
Male	6	67%	6	67%
Female	3	33%	3	33%
	9	100%	9	100%

ii Top Management staff (AGM-GM)

	31 DECEMBER 2021		31 DECEMBER 2020	
	Number	Percentage	Number	Percentage
Male	15	88%	15	88%
Female	2	12%	2	12%
	17	100%	17	100%

(c) Further analysis of Board and top management staff

	31 DECEMBER 2021					
	Male		Female		Total	
Assistant General Managers	3	75%	1	25%	4	100%
Deputy General Managers	9	90%	1	10%	10	100%
General Managers	3	100%	0	0%	3	100%
Board Members (NEDs)	3	60%	2	40%	5	100%
Board Members (EDs ex MD/CEO)	3	100%	0	0%	3	100%
Managing Director/CEO	0	0%	1	100%	1	100%
	21		5		26	

UNITY BANK PLC
DIRECTOR'S REPORT
For the year ended 31 December 2021

31 DECEMBER 2020						
	Male		Female		Total	
Assistant General Managers	3	75%	1	25%	4	100%
Deputy General Managers	9	90%	1	10%	10	100%
General Managers	3	100%	0	0%	3	100%
Board Members (NEDs))	3	60%	2	40%	5	100%
Board Members (EDs ex MD/CEO)	3	100%	0	0%	3	100%
Managing Director/CEO	0	0%	1	100%	1	100%
	21		5		26	

Employment of Disabled Persons

The Bank continues to maintain a policy of giving fair consideration to the application for employment made by disabled persons with due regard to their abilities and aptitudes. The Bank's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, efforts are made to ensure that their employment with the Bank continues and appropriate training arranged to ensure that they fit into the Bank's working environment.

Health, Safety and Welfare at Work

The Bank enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly and employees are aware of existing regulations. The Bank provides subsidies to all levels of employees for transportations, housing, lunch and also medical expenses both for staff and their immediate families. Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises.

The Bank operates both a Group Personal Accident and the Workmen's Compensation Insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the amended Pension Reform Act 2014.

Employee Involvement and Training

The Bank is committed to keeping employees fully informed as much as possible regarding the Bank's performance and progress and seeking their opinion where practicable on matters which particularly affect them as employees. In accordance with the Bank's policy of continuous development, training is carried out at various levels and employees are nominated to attend both local and international courses. These are equally complemented Formal and informal channels are also employed in communicating with employees with an appropriate two-way feedback mechanism. Incentive schemes designed to encourage involvement of employees in the Bank's performance are implemented whenever appropriate.

o. Whistle Blowing

Pursuant to the requirements of the new code of corporate governance, the Bank has set up both electronic (On both its external website and internal portals) and manual (Visible whistle blowing boxes across all its locations) mechanisms to ensure its compliance.

p. Statutory Audit Committee

Pursuant to the requirements of the Companies and Allied Matters Act (CAMA) 2020, the Bank has in place a Statutory Audit Committee comprising three Non-Executive Directors and three representatives of Shareholders as follows:

1	Sunday Akinniyi (Shareholder's representative)	-	Member
2	Ahmed U Ndanusa (Shareholder's representative)	-	Member
3	Funke Titilayo Shodeinde (Shareholder's representative)	-	Member
4	Sam N. Okagbue (Independent Director)	-	Member
5	Oluwafunsho Obasanjo (Non-Executive Director)	-	Member
6	Yabawa Lawan Wabi mni (Non-Executive Director)	-	Member

q. Disclosure of customer complaints in financial statements for the period ended 31 December 2021.

	NUMBER		AMOUNT CLAIMED (N'000)		AMOUNT REFUNDED (N'000)	
	31 DEC	31 DEC	31 DEC	31 DEC	31 DEC	31 DEC
	2021	2020	2021	2020	2021	2020
Pending complaints brought	5	6	2,556,364	1,173,568		-
Received complaints	77,467	64,584	7,529,193	2,150,311		-
Resolved complaints	77,465	64,585	7,360,896	767,515	583,082	391,801
Complaints carried forward	7	5	2,724,660	2,556,364		-

There were no complaints received and resolved by the Bank in other currencies for the year ended 31 December 2021 (2020: Nil).

UNITY BANK PLC
DIRECTOR'S REPORT
For the year ended 31 December 2021

r. **Events after the reporting date**

There are no events after the reporting date, which could have had material effect on the financial position of the Bank as at 31 December 2021 and the profit and other comprehensive income for the period ended at that date.

s. **Auditors**

Messers KPMG professional services having satisfied the relevant corporate governance rules on their tenor in office, have indicated their willingness to continue in office as auditors to the Bank in accordance with section 401 of the Companies and Allied Matters Act of Nigeria 2020. A resolution will be proposed at the Annual General Meeting to authorise the directors to determine their remuneration.

BY ORDER OF THE BOARD



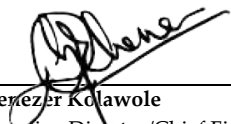
Alaba Williams
FRC/2020/002/0000020510
Company Secretary
Unity Bank Tower
Plot 42, Ahmed Onibudo Street
Victoria Island, Lagos.

Dated this 30th day of March 2022

UNITY BANK PLC
Statement of Corporate Responsibility for the Financial Statements
For the year ended 31 December 2021

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/CEO and Chief Financial Officer, hereby certify the financial statements of Unity Bank Plc for the year ended 31 December 2021 as follows:

- a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2021.
- b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
- c) That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 December 2021.
- d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to Unity Bank Plc is made known to the officer by other officers of the companies, during the year ended 31 December 2021.
- e) That we have evaluated the effectiveness of the Bank's internal controls within 90 days prior to the date of audited financial statements, and certify that the Bank's internal controls are effective as of that date.
- f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
- g) That we have disclosed the following information to the Bank's Auditors and Audit Committee:
 - (i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data, and have identified for the Bank's auditors any material weaknesses in internal controls, and
 - (ii) there is no fraud that involves management or other employees who have a significant role in the Bank's internal control.



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



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

UNITY BANK PLC
CORPORATE GOVERNANCE REPORT
For the year ended 31 December 2021

COMPLIANCE STATUS

In the opinion of the Board of Directors, during the year under review, the Bank complied with the following Codes of Corporate Governance:

- a. The Central Bank of Nigeria (CBN) issued Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014.
- b. The Securities and Exchange Commission (SEC) issued Code of Corporate Governance for public companies.
- c. The National Code of Corporate Governance for Public Companies which became effective in January 2019.

SHAREHOLDERS' MEETING

The shareholders remain the highest decision making body of Unity Bank Plc, subject however to the provisions of the Memorandum and Articles of Association of the Bank, and other applicable legislation. At the Annual General Meetings (AGM), decisions affecting the Management and strategic objectives of the Bank are taken through a fair and transparent process. Such AGMs are attended by the shareholders or their proxies and proceedings at such meetings are monitored by members of the press and representatives of the Nigerian Stock Exchange, Central Bank of Nigeria, Nigeria Deposit Insurance Commission, Corporate Affairs Commission, Securities and Exchange Commission and the Bank's statutory auditors.

OWNERSHIP STRUCTURE

At inception, the public sector ownership within the Bank was more than the regulatory threshold of 10%, the Bank had between 2006 to 2010 reduced the public sector from 70% to 30.40%.

The Bank through the 2014 Capital Raising exercise (vide Rights Issue and Private Placement) diluted the percentage of public sector shareholding in the Bank from 30.40% as at September 3, 2014 to 8.91% as at December 31, 2014. The public sector ownership currently stands at 8.28% as at 31 December 2021.

By so doing the Bank has complied fully with Clause 5:1:2 of the revised Central Bank of Nigeria (CBN) Code of Corporate Governance.

BOARD OF DIRECTORS

The Board of Directors consists of the Chairman, Managing Director/Chief Executive Officer (MD/CEO), Executive Directors (EDs), Non-Executive Directors (Non-EDs) and Independent Directors. The Directors have diverse background covering Economics, Agricultural Economics, Management, Accounting, Psychology, Information Technology, Public Administration, Law, Engineering, and Business Administration. These competences have impacted on the Bank's stability and growth.

The office of the Chairman of the Board is distinct and separate from that of the Managing Director/Chief Executive Officer and the Chairman does not participate in running the daily activities of the Bank. There are no family ties within the Board members.

We confirm that the Chairman of the Board is not a member of any Board Committee and appointment to the Board is made by the shareholders at the Annual General Meeting upon the recommendation of the Board of Directors.

MEMBERSHIP OF THE BOARD OF DIRECTORS

Memberships of the Board of Directors during the year ended 31 December 2021 were as follows:

S/N	Director's Name	Position Held within the Board
1	Aminu Babangida	Board Chairman
2	Oluwafunsho Obasanjo	Non Executive Director
3	Sam N. Okagbue	Independent Director
4	Yabawa Lawan Wabi, mni	Non Executive Director
5	Hafiz Mohammed Bashir	Non Executive Director
6	Tomi Somefun	Managing Director/CEO
7	Temisan Tuedor	Executive Director
8	Ebenezer Kolawole	Executive Director
9	Usman Abdulqadir	Executive Director

STANDING BOARD COMMITTEES

The Board carried out its oversight responsibilities through five (5) standing Committees whose terms of reference it reviews regularly. All the Committees have clearly defined terms of reference, which set out their roles, responsibilities and functions, scope of authority and procedures for reporting to the Board. In Compliance with Code No. 6 on industry transparency, due process, data integrity and disclosure requirement, the Board had in place the following Committees and reporting structures through which its oversight functions were performed:

- 1 Board Risk Management & Audit Committee;
- 2 Board Credit Committee;
- 3 Board Finance and General Purpose Committee;
- 4 Board Governance & Nominations Committee.
- 5 Statutory Audit Committee

BOARD RISK MANAGEMENT AND AUDIT COMMITTEE

The Board Risk Management & Audit committee has oversight functions over the Bank's internal control systems, financial reporting, disclosure policies and practices and insulating the Bank from operational and lending risks. The Committee is responsible for overseeing on behalf of the Board and shareholders.

- The integrity of financial reporting
- The soundness and adequacy of the Bank's internal control systems
- The independence, qualification and performance of internal and external auditors
- Entrenching a culture of good corporate governance
- Overseeing the overall Risk Management of the Bank;
- Reviewing periodically, Risk Management objectives and other specific Risk Policies for consideration of the full Board;

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CORPORATE GOVERNANCE REPORT
For the year ended 31 December 2021

- Evaluating the Risk Rating Agencies, Credit Bureau and other related Service Providers to be engaged by the Bank;
- Approving the internal Risk Rating Mechanism;
- Reviewing the Risk Compliance reports for Regulatory Authorities;
- Reviewing and approving exceptions to The Bank's Risk Policies;
- Review of policy violations on Risk issues at Senior Management Level;
- Certifying Risk Reports for Credits, Operations, Market/Liquidity subject to limits set by the Board;
- Evaluating the risk profile and risk management plans for major projects and new ventures to determine the impact on the
- Ensuring compliance with global best practice standards as required by the Regulators.
- Monitoring the market, Operational, Reputational, Liquidity, Compliance, Strategic, Legal and other Risks as determined by
- Any other oversight functions as may, from time to time, be expressly requested by the Board.

REPORTING

The Board Risk Management and Audit Committee shall report its Committee business to the Board.

MEMBERSHIP

The Committee is chaired by an independent director and comprises of a total number of Seven (7) members including One (1) Independent Director, Two (2) Executive Directors and the MD/CEO as follows:

1)	Sam N. Okagbue (Independent Director)	Chairman
2)	Oluwafunsho Obasanjo (Non-Executive Director)	Member
3)	Yabawa Lawan Wabi, mni (Non-Executive Director)	Member
4)	Hafiz Mohammed Bashir (Non-Executive Director)	Member
5)	Managing Director/CEO	Member
6)	ED, Risk Management & Compliance	Member
7)	ED, Finance & Operations	Member

Executive Directors are excused from the meeting when considering Audit Reports.

BOARD CREDIT COMMITTEE

The Board Credit Committee is charged with the responsibility of evaluating and or approving all credits beyond the powers of Management from =N= 750 Million to =N=1 Billion for fund based facilities and from=N=1.5 Billion to =N=2 Billion for non fund facilities. The following are its terms of reference:

ROLES

The Role of the Committee is:

- i. Oversee Management's establishment of policies and guidelines, to be adopted by the Board
- ii. Articulating the Bank's tolerances with respect to credit risk, and overseeing Management's administration of, and compliance with, these policies and guidelines.
- iii. Oversee Management's establishment of appropriate systems (including policies, procedures, management and credit risk stress testing) that support measurement and control of credit risk.
- iv. Periodic review of Management's strategies, policies and procedures for managing credit risk, including credit quality administration, underwriting standards and the establishment and testing of provisioning for credit losses.
- v. Overseeing the administration of the Bank's credit portfolio, including Management's responses to trends in credit risk, credit concentration and asset quality.
- vi. Coordinate as appropriate its oversight of credit risk with the Board Risk Management Committee in order to assist the Committee in its task of overseeing the Bank's overall management and handling of risk.
- vii. Evaluate and or approve all credits beyond the powers of the Executive Management.
- viii. Ensure that a qualitative and profitable Credit Portfolio exist for the Bank.
- ix. Evaluate and recommend to the Board all credits beyond the Committee's powers.
- x. Review of credit portfolio within its limit in line with set objectives.
- xi. Review of classification of credit advances of the Bank based on prudential guidelines on quarterly basis.
- xii. Approving the restructuring and rescheduling of credit facilities within its powers;
- xiii. Write-off and grant of waivers within powers delegated by the Board;
- xiv. Review and monitor the recovery of non-performing insider related loans.

MEMBERSHIP

The Committee has seven (7) members comprising of four (4) Non-Executive Directors and three (3) Executive Directors as follows:

i.	Oluwafunsho Obasanjo (Non Executive Director)	Chairman
ii.	Sam N. Okagbue (Independent Director)	Member
iii.	Yabawa Lawan Wabi, mni (Non Executive Director)	Member
iv.	Hafiz Mohammed Bashir (Non Executive Director)	Member
v.	Managing Director/CEO	Member
vi.	ED, Risk Management & Compliance	Member
vii.	ED, South Bank	Member

BOARD FINANCE AND GENERAL PURPOSE COMMITTEE

The Finance & General Purpose Committee of the Board has oversight function on capital and operational expenditures of the Bank as well as staff matters. Its terms of reference are as follows:

- 1 Periodic review of the Bank’s Strategic Plans inclusive of required Organisational Structure to drive the plans;
- 2 Review of the Bank’s Annual Budget and on quarterly basis, Budget variances.
- 3 Measuring actual performance against budget by reviewing Management accounts and operating results
- 4 Hire, Fire and Promote staff of Principal Manager grade and recommendations on such issues of staff on grades of AGM and above to the Board;
- 5 Monitor compensation arrangements to ensure that the Bank is attracting and retaining highly qualified staff through competitive salary and benefits, programmes and awards;
- 6 Review long range planning for Top and Senior Management development and succession;
- 7 Review the recommendation of Management for the total size and distribution of the Annual incentive Bonus and approve such amounts or recommend to the Board.

MEMBERSHIP

The Committee comprises Seven (7) Members and the Chairman is a Non-Executive Director. The Membership of the Committee is as follows:

1	Hafiz Mohammed Bashir	Chairman
2	Oluwafunsho Obasanjo	Member
3	Sam N. Okagbue	Member
4	Yabawa Lawan Wabi, mni	Member
5	Managing Director/CEO	Member
6	ED, Finance & Operations	Member
7	ED, South Bank	Member

BOARD GOVERNANCE & NOMINATIONS COMMITTEE (BG&NC)

The BG&NC concentrates on Board Compensations and Appointment matters with the following terms of Reference and Membership:

Functions

- The Committee shall consider matters relating to the composition of the Board and Board Committees.
- The Committee shall handle matters relating to Board remunerations and appointment.
- The Committee shall determine the remuneration, incentive arrangements and benefits of the Chairman of the Board.
- The Committee shall determine the incentive arrangements and benefits of the Executive and Non-Executive Directors of the Bank within the limits imposed by Regulatory Authorities.
- The Committee shall determine the remuneration of executive Directors.
- Review and submit to the full Board, recommendations concerning renewal of Executive Directors’ contract, their compensation plans and perquisites and ensure that their packages are competitive.
- The Committee shall recommend any proposed change(s) to the Board.
- The Committee shall keep under review the need for appointments and prepare a description of the specific experience and abilities needed for each Board appointment, consider candidates for appointment as either Executive or Non-Executive Directors and recommend such Appointments to the Board.
- Review the tenor of Non-Executive Directors on the Board and Board Committee assignments and other commitments to the Bank.
- Recommend to the Board renewal of appointment of Executive/Non Executive Directors at the end of their 1st and 2nd term of office based on the outcome of review of Directors performance.
- Advise the Board on succession planning regarding the roles of the Chairman, Chief Executive Officer and Executive
- Advise the Board on the contents of the Directors Annual Remuneration Report to shareholders.
- To obtain outside or other independent professional advice from third parties with relevant experience in connection with the matters within the Committee’s Terms of Reference and establish the selection criteria and to select, appoint and set the terms of payment for any “Remuneration Consultant” engaged by the Committee to advise it.
- To consider and decide on such matters as the Board may refer to it.
- To establish the criteria for Board and Board Committee Memberships.
- To review candidates’ qualifications and any potential conflict of interest.
- To assess the contribution of Directors in connection with their re-nomination and make recommendations to the Board.
- To prepare a job specification for the Chairman’s position, including an assessment of time commitment required of the candidate;
- To periodically evaluate the skills, knowledge and experience required on the Board
- To make recommendations on experience required by Board Committee Members, Committee Appointments and Removal, Operating Structure, Reporting and other Committee Operational matters;
- To provide input to the Annual Report of the Bank in respect of Directors’ compensation;
- To ensure that the Board evaluates itself on an Annual basis;
- To review and make recommendations to the Board for approval of the Bank’s organizational structure and any proposed amendments.
- Establish and maintain remuneration, recruitment, retention, incentive and termination policies and practices for Senior Management Staff in line with best practice and the highest standard of Corporate Governance.
- The remuneration policies of the Bank in general.
- Recommending to the Board policies and processes for effective and dynamic leadership and governance.
- Advising and recommending board education, training, retreats, and orientation for new members.
- Ensuring that the Bank maintains remuneration and incentive policies and practices that are competitive, fair, and in line with best practice in order to attract and retain good hands.

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- Recommend a Board succession plan to allow for orderly and smooth succession on the Board.
- The Committee shall ensure that the remuneration of Executives and Board members align with the long term interest of the Bank and its shareholders.
- The Committee shall ensure that the level of remunerations is sufficient to attract, retain and motivate executive officers of the Bank which shall be balanced against the Bank's interest in not paying excessive remuneration.

MEMBERSHIP

The Committee shall comprise of a minimum of four (4) members made up of only Non-Executive Directors with the expertise and independence to carry out their responsibilities and duties effectively. The Membership of the Committee is as follows:

· Yabawa Lawan Wabi, mni	Chairman
· Oluwafunsho Obasanjo	Member
· Sam N. Okagbue	Member
· Hafiz Mohammed Bashir	Member

STATUTORY AUDIT COMMITTEE

The Statutory audit committee has oversight functions over the Bank's internal control systems, financial reporting, disclosure policies and practices. This comprise of equal number of Shareholders representative and Board Members not exceeding six (6). The function of the committee is to ensure:

- The integrity of financial reporting
- The soundness and adequacy of the Bank's internal control systems
- The independence, qualification and performance of internal and external auditors
- Entrenching a culture of good corporate governance

The Committee's terms of reference are defined under the following;

General

- Ensure that there is an open avenue of communication between the Internal Auditors and the Board and confirm the Auditors' respective authority and responsibilities.
- Oversee and appraise the scope and quality of the audits conducted by the Internal and External Auditors.
- Review annually, and if necessary propose for formal Board adoption, amendments to the Committee's terms of reference.

Financial Statement

- Review the Bank's annual, half year and quarterly financial results, and other published information to satisfy itself that they meet all statutory requirements, Securities & Exchange Commission (SEC) requirements, appropriate Financial Reporting Standards and, that there are no unsettled issues of significance between the Management and the Internal Auditors which could affect the truth and fairness of the Statements.
- Review annually the accounting policies of the Bank and make recommendations to the Board.

Internal Audit

- Review and assess the annual internal audit plan.
- Receive and review on quarterly basis, Internal Auditors Reports of the Bank, especially reports on efficiency, cost control and budgetary prudence.
- Review and monitor Management's responsiveness to the findings and recommendations of the Internal Auditors.
- Review the Bank's internal financial controls and risk management systems and submit these reviews and its recommendations to the Board.
- Consider and review with the external auditors the adequacy of the Bank's systems of internal control (including computerized information systems) and the integrity of the Bank's Financial Statement and its accounts.
- Review promptly all material Reports on the Bank from the internal auditors.
- Ensure that appropriate action is taken on issues arising from such reports.
- Review the activities, resources, organizational structure and the operational effectiveness of internal audit, and where appropriate, make recommendations to the Board.

External Audit

- The Committee shall meet with both the external Auditors and Chief Financial Officer of the Bank to review the scope of the proposed audit for the year and the procedures to be utilized.
- Review with the external auditor and Management, material accounting and financial reporting policies, practices and procedures used by the Bank.
- Review and discuss both with Management and the External Auditor, audited financial statement and other key financial disclosures prior to their release.
- Oversee the independence, qualifications and performance of the Bank's external auditors.
- Consider proposals for the appointment and compensation of External Auditors.

Whistle Blowing

- Review arrangements by which staff/stakeholders/general public may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Committee will ensure that arrangements are in place for the proportionate and independent investigation and follow-up of such matters.
- Global best practice however requires that a direct channel of communication is established between the whistle blower and the authority to take action (Investigate or cause to be investigated the matter being blown). The direct channel should be through the Board Audit Committee.

UNITY BANK PLC
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Regulatory Reports

- Examine CBN/NDIC examination Reports, Management responses and make recommendations.
- Receive regular reports on significant litigation and financial commitments and potential liability (including tax) issues that have a material impact on the Bank's financial condition or reputation.

Reporting

- The Statutory Audit Committee shall report its Committee business to the Board.

MEMBERSHIP

The Committee comprises of a total number of Six (6) members made up of three (3) Shareholders representative and three (3) Non-Executive Directors

1 Sunday B Akinniyi (Shareholder's representative)	Chairman
2 Funke T. Shodeinde (Shareholder's representative)	Member
3 Ahmed U. Ndanusa (Shareholder's representative)	Member
4 Yabawa Lawan Wabi, mni (Non-Executive Director)	Member
5 Sam N. Okagbue (Independent Director)	Member
6 Oluwafunsho Obasanjo (Non-Executive Director)	Member

REMUNERATION OF DIRECTORS

The Shareholders, at the Bank's Annual General Meeting, set and approve the annual remuneration of members of the Board of Directors. The annual emoluments of the Directors are stated in Note 33c of the Financial Statement.

ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

The table below shows the frequency of meetings of the Board of Directors and Board Committees, as well as Members' attendance from January 1, 2021 to December 31, 2021.

BOARD MEETING DATES AND ATTENDANCE OF DIRECTORS FOR 2021:

	Board	Board Credit Committee	Board Risk management & Audit Committee	Board Governance & Nomination Committee	Statutory Audit Committee	Board Finance & General Purpose Committee
Date of meetings	23/02/2021	18/02/2021	17/02/2021	18/02/2021	08/02/2021	19/02/2021
	27/05/2021	25/05/2021	24/03/2021	28/04/2021	24/03/2021	26/05/2021
	05/07/2021	10/08/2021	24/05/2021	24/05/2021	10/05/2021	11/08/2021
	13/08/2021	16/11/2021	09/08/2021	09/08/2021	02/08/2021	17/11/2021
	19/11/2021		15/11/2021	15/11/2021	08/11/2021	
			23/11/2021		23/11/2021	
Number of Meetings	5	4	6	5	6	4
Mr. Aminu Babangida	5	N/A	N/A	N/A	N/A	N/A
Oluwafunsho Obasanjo	5	4	6	5	3	4
Sam N. Okagbue	5	4	6	5	6	4
Yabawa Lawan Wabi, mni	5	4	6	5	6	4
Hafiz Mohammed Bashir	5	4	6	5	N/A	4
Tomi Somefun	5	4	4	N/A	N/A	4
Temisan Tuedor	5	4	N/A	N/A	N/A	4
Ebenezer A. Kolawole	5	N/A	4	N/A	N/A	4
Usman Abdulquadir	5	4	4	N/A	N/A	N/A

INTERNAL AUDIT

The Bank has separate staff within the internal audit function separate from operational and management Internal control Charter for its internal audit exercise. The Charter isolates and insulates the Internal Audit Division from the control and influence of the Executive Management so as to independently review the Bank's operations. Under the Charter, the Internal Auditors' report is submitted directly to the Statutory Audit Committee.

EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee (EXCO) reviews and approves credit facilities up to its limit and an amount above its limit goes to the Board Credit Committee for review and approval. The Committee meets once a month or as the need arises.

Membership of the Executive Management Committee (EXCO) is made up of the Managing Director/Chief Executive Officer as Chairman with all Executive Directors as Members.

FUNCTIONS OF THE COMMITTEE

The Committee is charged with the responsibility of evaluating and or approving all credits beyond the powers of the Managing Director from =N=251Million to =N=750 Million for fund based facilities and =N=1.5 Billion for non fund facilities. The following are its terms of reference:

- Overseeing and monitoring the day-to-day operations of the Bank.
- Consideration of budget proposal and recommendation of same to the Finance & General Purpose Committee of the Board (F&GPC).
- Monitoring of the Bank's Management Accounts and Operating Results with a view to ensure that the Bank attains its budget.
- Establishment and maintenance of the Bank's relationship with other banks which include: opening bank accounts, establishing the mandate and list of authorized signatories for the operation of such accounts, acceptance of banking facilities within defined limits.
- Consideration of Staff issues that include employment, promotion and discipline of defined cadre of staff.

UNITY BANK PLC
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- Make recommendations to the F & GPC on recruitment, promotion and discipline of staff of Principal Manager grade level and above.
- Approval of capital expenditure within the monetary limits set by the Board.
- Evaluation and approval of credits within approval limits set by the Board.
- Evaluation and recommendation of all credits beyond its powers to the Board Credit Committee or the Board.
- Write-off and grant of waivers within powers delegated to it by the Board.
- Recommendation of write-off and waivers above its limit to the Board Credit Committee or the Board.
- Monitoring the overall risk management of the Bank.
- Formulation of policies necessary for the successful running of the Bank.
- Such other matters as may be specifically delegated to the Committee by the Board.
- Reports on its activities to the Board.

ASSETS AND LIABILITY COMMITTEE (ALCO)

The Assets and Liability Committee meets bi-monthly to consider the financial position of the Bank. It manages the Assets and Liabilities of the Bank, measures the performance of same within budgetary limits and assesses regulatory compliance in this regard.

MEMBERSHIP

Membership of the Assets and Liability Committee (ALCO) is as follows:

Chairman:	Executive Director, South
Members:	Executive Director, Finance & Operations
	Executive Director, Risk Management & Compliance
	DH, Risk Management
	Head, Lagos & West
	Head, Abuja & Central
	Head, Loan Recovery
	Treasury Group
Secretary	

FUNCTIONS OF THE ASSETS AND LIABILITY COMMITTEE

- Ensure optimal liquidity and pricing;
- Identify & shore up weak points in the Bank's Assets and Liability profiles;
- Identify opportunities in the economy.

MANAGEMENT IT STEERING COMMITTEE

Membership of the Management IT Steering Committee is as follows:

Chairman:	Group Head, IT & Operations Directorate
Members:	Executive Director, Finance & Operations
	Executive Director, Risk Management & Compliance
	Head, Lagos & West
	Head, Abuja & Central
	Head, Information Technology
	DH, Risk Management
	Group Head, Internal Control
	Group Head, Internal Audit
	Information Technology Department
Secretary:	

FUNCTIONS OF THE MANAGEMENT IT STEERING COMMITTEE ARE AS FOLLOWS:

- IT Policy formulation
- Alignment to the Banks strategy
- Ensure project direction and milestones monitoring
- Budgetary authority

MANAGEMENT CREDIT COMMITTEE

The Management Credit Management Committee oversees the establishment and management of written policy on the overall Credit Management system. It provides guidelines and standards to administer the acceptance and on-going management of all risks. The Committee also ensures compliance with established policies through periodic review of credits, on periodic basis, the Committee re-evaluates the Bank's credit risk portfolio to accommodate major changes in the internal and external factors. The Committee meets monthly and renders report to the Executive Management Committee through its Secretariat.

MEMBERSHIP

The Committee has the following membership:

Chairman:	Executive Director, South
Members:	Executive Director, Risk Management & Compliance
	Executive Director, Finance & Operations
	Head, Lagos & West
	Head, Abuja & Central
	Head, Enterprise Risk Management;
	Group Head, Legal & Compliance;
	Group Head, Internal Audit;
	Group Head, Operations & IT;
	Group Head, Internal Group;
Secretary:	Risk Management Group

FUNCTIONS OF THE COMMITTEE:

- Establish the Bank's credit risk profile and manage the profile to be in line with the Bank's risk appetite.
- Review and ensure the adequacy of credit risk management framework bank-wide.
- Ensure appropriate pricing of the Bank's activities in line with their risk profile.
- Ensure the implementation of risk-based pricing model and risk adjusted performance management system bank-wide.
- Review periodic credit risk reports with a view to making necessary remedial recommendations.
- Review adequacy of controls bank-wide.
- Review the credit risk profile of new products, projects, new branches and make recommendations for Management approval or decline of same.
- Review adequacy of business continuity and contingency plans bank-wide.
- Monitor implementation of remedial actions by concerned departments.
- Recommend risk-financing counterparties to Management for consideration

RISK MANAGEMENT

The Board of Directors and Management of Unity Bank Plc are committed to establishing and sustaining best practices in Risk Management in line with international practice. For this purpose, the Bank operates a centralized Risk Management and Control Division, with responsibility to ensure that the Risk Management processes are implemented in compliance with Policies approved by the Board of Directors.

The Board of Directors determines the Bank's goals, in terms of risk, by issuing a Risk Policy. The Policy both defines acceptable levels of risk for day-to-day operations as well as the Bank's willingness to incur risk, weighed against the expected rewards. The Risk Policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and managing these risks proactively in a cost effective manner. It is a top-level integrated approach to events identification, analysis, assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different risk area of Credit, Market and Operational Risks.

The evolving nature of Risk Management practices and the dynamic character of the banking industry necessitate regular review of the effectiveness of each Enterprise Risk Management component. In the light of this, the Bank's Enterprise Risk Management Framework is subject to continuous review to ensure effective Risk Management. The review is done in either or both of the following ways:

- Continuous self evaluation and monitoring by the Risk Management and Control Division in conjunction with Internal Control; and
- Independent evaluation by External Auditors and Examiners.

Implementation of Code of Corporate Governance

In compliance with sections of the code, the Bank has established a Compliance Division with responsibilities of implementing Code of Corporate Governance in addition to monitoring compliance of the Money Laundering requirements.

- In compliance with section 5.3.1 of the code of Corporate Governance, we have established an alert menu on our web site where all stakeholders can access and provide useful information or grievances on any issues that directly and /or indirectly affect them or the Bank.
- The Chairman of the Board does not serve as Chairman/Member of any of the Board Committees;
- The Bank's organizational chart approved by CBN reflects clearly defined lines of responsibility and hierarchy;
- The Bank also has in place, a system of internal control, designed to achieve efficiency, effectiveness of operations, reliability of and regulations at all levels of financial reporting and compliance with applicable laws.

Security Trading Policy

In compliance with section 14 of Nigerian Stock Exchange (NSE) amended rules, the Bank has developed a security trading policy and it is being adhered to by the Board, management and staff.

UNITY BANK PLC

**Statement of Directors' Responsibilities in Relation to the Financial Statements
For the year ended 31 December 2021**


The Board of directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act (CAMA) 2020, Financial Reporting Council of Nigeria Act, 2011, Banks and other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.


The directors have made assessment of the Bank's ability to continue as a going concern and have no reason to believe that the Bank will not remain a going concern other than as disclosed in note 35 of the financial statements.

The financial statements of the Bank for the period ended 31 December 2021 was approved by the Directors on the 30th March 2022.

On behalf of Directors of the Bank;



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



Aminu Babangida
Chairman
FRC/2018/IODN/00000018507

UNITY BANK PLC

Report of the Statutory Audit Committee for the period ended 31 December 2021

To the members of Unity Bank Plc

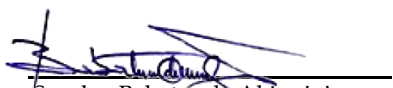
In accordance with the provisions of section 404 of the Companies and Allied Matters Act (CAMA) 2020, we confirm that the accounting and reporting policies of the Bank conformed with the Statutory requirement and agreed ethical practices.

In our opinion, the scope and planning of both the internal and external audits for the period ended 31 December 2021 were adequate. We have also received, reviewed and discussed the auditor's findings on management matters. We are totally in agreement with the External Auditors findings and expressed our views on these matters to Management.

The Committee reviewed the Audit Report on insider related-party transactions and was satisfied with management responses thereon.

The internal control system of the Bank was also being constantly and effectively monitored.

Dated 30th March 2022



Sunday Babatunde Akinniyi
Chairman, Statutory Audit Committee
FRC/2013/ICAN/00000003623

- | | |
|------------------------------|----------|
| 1. Sunday Babatunde Akinniyi | Chairman |
| 2. Funke Titilayo Shodeinde | Member |
| 3. Ahmed Umar Ndanusa | Member |
| 4. Yabawa Lawan Wabi, mni | Member |
| 5. Sam N. Okagbue | Member |



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Unity Bank Plc.**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Unity Bank Plc (the Bank), which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position as at 31 December 2021;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 35 of the financial statements, which indicates that as at 31 December 2021, the Bank's total liabilities exceeded its total assets by ₦276 billion and the Bank did not meet the required minimum Capital Adequacy Ratio (CAR) of 10% and the minimum capital requirement of ₦25 billion for a national bank as required by the Central Bank of Nigeria (CBN). As stated in Note 35, these events and conditions, along with other matters as set forth in Note 35, indicate that a material uncertainty exists that may cast significant doubt about the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Registered in Nigeria No BN 986925

Partners:

Adegoke A. Oyelami	Ayodele H. Othiwiwa	Joseph O. Tegbe	Olanike I. James	Tayo I. Ogungbenro
Adékunle A. Elebute	Bolanle S. Afolabi	Kabir O. Okunlola	Olufemi A. Babem	Termitope A. Onitiri
Adetola P. Adeyemi	Chibuzor N. Anyanechi	Lawrence C. Amadi	Olumide O. Olayinka	Tolulope A. Odukale
Adewale K. Ajayi	Chineme B. Nwigbo	Martins I. Arogie	Olusegun A. Sowande	Uzodinma G. Nwankwo
Ajibola O. Olomola	Elijah O. Oladunmoye	Mohammed M. Adama	Olutoyin I. Ogunlowo	Victor U. Onyenkpa
Akinyemi Ashade	Goodluck C. Obi	Nneka C. Eluma	Oluwafemi O. Awotoye	
Ayobami L. Salami	Ibitomi M. Adepoju	Olabimpe S. Afolabi	Oluwatoyin A. Gbagi	
Ayodele A. Soyinka	Ijeoma T. Emezie-Ezigbo	Oladimeji I. Salaudeen	Oseme J. Obaloje	



Key Audit Matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report

Expected Credit Loss on Loans and Advances to Customers

The determination of expected credit loss (ECL) allowance requires the application of certain financial indices which are estimated from financial data obtained from within and outside the Bank as inputs, into complex financial models. The approach used in estimating the ECL allowance on loans and advances to customers is based on whether there is a significant increase in credit risk on the loan portfolio. Where there is evidence of a significant increase in credit risk on loans and advances to customers, the ECL allowance is estimated from losses expected to result from default events over the life of the loans. Where there is no evidence of significant increase in credit risk for loans and advances to customers, the ECL allowance is recognized based on an estimate of the losses expected to result from default events within 12 months after the reporting date. The estimate of the expected credit losses is an output of the model, with the key assumptions being the:

- Possibility of a loan becoming past due and subsequently defaulting; and
- Rate of recovery on the loans that are past due and in default.

The Bank incorporates forward-looking information into the measurement of ECL allowance. This includes assumptions of the impact of changes in the economic environment on the calculation of ECLs of loans and advances.

The ECL allowance on loans and advances to customers is considered to be of most significance in the audit due to the high level of subjectivity, judgments and assumptions applied by management in estimating the impact of key assumptions on the recoverability of loan and advances to customers, including the application of industry knowledge and future economic conditions in arriving at the level of credit loss required.

How the matter was addressed in our audit

Our procedures included the following:

- We evaluated the design, implementation and operating effectiveness of the key controls over the impairment assessment process.
- We assessed whether the staging of loans and advances on a sample basis used in the ECL allowance measurement was consistent with the Bank's impairment policy manual
- We assessed the appropriateness of the Bank's determination of significant increase in credit risk and the resultant classification of loans into the various stages by examining the performance of the loans and advances on a sample basis. For loans and advances which have shown a significant increase in credit risk, we evaluated the level of past due obligations and qualitative factors such as available industry information about the obligors to determine whether the Bank should make an estimate based on the losses expected to result from default events within a year or defined default events over the life of the facilities.
- We also agreed significant loans and advances to relevant documentation such as loan agreements, repayment schedules and the bank statements.
- With the assistance of our financial risk management specialists, we tested the key data and assumptions for the data input into the ECL model used by the Bank and the reasonableness of the expected credit loss charged by:
 - Challenging the reasonableness of the Bank's ECL methodology, considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible



outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic condition.

- Assessing the appropriateness of the Bank's forward-looking assumptions by assessing management's assumptions with publicly available information from external sources.
- Assessing the appropriateness of the approach and significant assumptions for determining the Probability of Default (PD) and Loss Given Default (LGD) used by the Bank in its ECL calculation by determining whether the data applied from external sources are aligned with the generally available data; and
- Re-performing the calculations of impairment allowance for loans and advances as at 31 December 2021 using the Bank's impairment model.

The Bank's accounting policy on impairment and related disclosures on credit risk are shown in notes 3.2 and 18 of these financial statements

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Directors' Report, Corporate Governance Report, Report of the Statutory Audit Committee, Statement of Directors' Responsibilities in Relation to the Financial Statements, and Other National Disclosures which we obtained prior to the date of this auditors' report but does not include the financial statements and our auditor's report thereon.

Other information also includes Financial Highlight, Executive Summary, Profile of the Board of Directors, Report of the Board and Management Board Evaluation Report, Principal Officers, Corporate Social Responsibility Report, Branch Network Information, Product Information, Electronic Channels and Shareholder Information and the notice of Annual General Meeting together the "Outstanding reports", which are expected to be made available to us after that date.

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Statutory Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Statutory Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
- iii. The Bank's statement of financial position and statement of profit or loss and other comprehensive income¹ are in agreement with the books of account and returns.



Compliance with Section 26 (3) of the Banks and Other Financial Institutions Act, 2020 and Central Bank of Nigeria circular BSD/1/2004

- i. The Bank paid penalties in respect of contravention of the Banks and Other Financial Institutions Act, 2020 during the year ended 31 December 2021. Details of penalties paid are disclosed in note 38 to the financial statements.
- ii. Related party transactions and balances are disclosed in note 33 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

A handwritten signature in blue ink, appearing to read 'A. Ashade'.

Akinyemi Ashade, FCA
FRC/2013/ICAN/00000000786
For: KPMG Professional Services
Chartered Accountants
6 May, 2022
Lagos, Nigeria



UNITY BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 N'000	2020 N'000
Interest income	6	43,181,558	39,119,457
Interest expense	7	(23,127,004)	(21,372,315)
Net interest income		20,054,554	17,747,142
Fee and commission income	8	6,117,070	5,218,596
Fee and commission income		6,117,070	5,218,596
Net trading loss	9	(1,307,675)	(3,817,048)
Other operating income	10	985,717	2,188,267
		(321,958)	(1,628,781)
Total operating income		25,849,665	21,336,957
Net remeasurment of ECL allowance on financial assets	11	2,563,927	4,127,332
Net operating income		28,413,592	25,464,289
Personnel expenses	12	(10,536,510)	(10,408,996)
Depreciation of property and equipment	21	(1,934,263)	(1,695,656)
Amortisation of intangible assets	22	(50,905)	(47,223)
Other operating expenses	13	(12,559,781)	(11,089,219)
Total operating expenses		(25,081,458)	(23,241,095)
Profit before tax		3,332,134	2,223,194
Minimum tax expense	14	(124,264)	(114,678)
Income tax expense	14	(34,616)	(22,123)
Profit after tax		3,173,254	2,086,393
Profit for the year		3,173,254	2,086,393
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss:</i>			
Fair value movements on equity instruments at FVOCI	31	3,678,162	505,315
<i>Items that are or may be reclassified to profit or loss:</i>			
Net reclassification adjustment of realised losses (debt securities) to profit or loss	31	-	4,509,300
Net changes in fair value on Debt securities at FVOCI during the year	31	(7,595,075)	(3,654,916)
Other comprehensive income for the year, net of tax		(3,916,913)	1,359,699
Total comprehensive income for the year, net of tax		(743,659)	3,446,092
Earnings per share			
Basic earnings per share (kobo)	15	27.15	17.85
Diluted earnings per share (kobo)	15	27.15	17.85

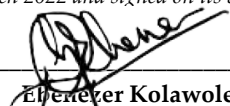
The accompanying notes are an integral part of these financial statements.

UNITY BANK PLC


STATEMENT OF FINANCIAL POSITION

		31 DECEMBER 2021	31 DECEMBER 2020
	Notes	N'000	N'000
Assets			
Cash and balances with Central Bank	16	68,608,050	99,266,770
Due from banks	17	36,980,421	33,065,169
Loans and advances to customers	18	269,269,716	202,080,856
Investment Securities:			
At fair value through other comprehensive income	19a	52,129,755	62,839,611
Debt instruments at amortised cost	19b	71,896,064	64,379,307
Property and equipment	21	22,668,390	21,915,364
Intangible assets	22	145,734	148,836
Other assets	20	17,170,625	8,324,417
Deferred tax assets	23	-	-
Total assets		538,868,755	492,020,329
Liabilities			
Due to other banks	24	143,321,585	106,699,353
Deposits from customers	25	322,284,567	356,615,192
Borrowings	26	309,185,582	264,873,635
Current tax liabilities	27	463,865	499,184
Other liabilities	28	39,765,666	38,741,646
Employee benefit liabilities	29	945	1,115
Total liabilities		815,022,210	767,430,125
Equity			
Share capital	30	5,844,669	5,844,669
Share premium	30	10,485,871	10,485,871
Statutory reserve	30	13,226,162	12,750,174
Accumulated deficit	30	(371,734,695)	(372,722,376)
Non distributable Regulatory Risk Reserve	30	1,761,444	51,859
Other reserves	31	64,263,095	68,180,007
Total equity		(276,153,455)	(275,409,796)
Total liabilities and equity		538,868,755	492,020,329

The accompanying notes are an integral part of these financial statements. The financial statements were approved by the Board of directors for issue on the 30th March 2022 and signed on its behalf by:


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


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


 Aminu Babangida
 Chairman
 FRC/2018/IODN/00000018507

UNITY BANK PLC
STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2021

	Share Capital N'000	Share Premium N'000	Statutory Reserves N'000	Accumulated Deficit N'000	Non distributable Regulatory Risk Reserve N'000	Other Reserves N'000	Total equity N'000
At 1 JANUARY 2021	5,844,669	10,485,871	12,750,174	(372,722,376)	51,859	68,180,007	(275,409,796)
Profit for the year	-	-	-	3,173,254	-	-	3,173,254
Transfer to Statutory Reserve	-	-	475,988	(475,988)	-	-	-
Transfer from non distributable reserve	-	-	-	(1,709,585)	1,709,585	-	-
Other comprehensive income	-	-	-	-	-	(3,916,913)	(3,916,913)
At 31 DECEMBER 2021	5,844,669	10,485,871	13,226,162	(371,734,695)	1,761,444	64,263,095	(276,153,455)
At 1 JANUARY 2020	5,844,669	10,485,871	12,437,215	(374,443,951)	-	66,820,308	(278,855,888)
Profit for the year	-	-	-	2,086,393	-	-	2,086,393
Transfer to Statutory Reserve	-	-	312,959	(312,959)	-	-	-
Transfer from non distributable reserve	-	-	-	(51,859)	51,859	-	-
Net reclassification adjustment of realised net gains to profit or loss	-	-	-	-	-	4,509,300	4,509,300
Other comprehensive income	-	-	-	-	-	(3,149,601)	(3,149,601)
At 31 DECEMBER 2020	5,844,669	10,485,871	12,750,174	(372,722,376)	51,859	68,180,007	(275,409,796)

UNITY BANK PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

		2021 N'000	2020 N'000
Cash flows from operating activities	Notes		
Profit after tax		3,173,254	2,086,393
Minimum tax		124,264	114,678
Tax expense		34,616	22,123
Profit before tax		3,332,134	2,223,194
Adjustment for non cash items:			
Impairment charges on debt instruments	11	(1,570,765)	618,659
Impairment (writeback)/charge on other assets	11	382,911	(3,199,073)
Trading loss on financial instrument	9	-	4,509,297
Employee benefit charge for the year	29	528,610	609,387
Depreciation of property and equipment	21	1,934,263	1,695,656
Amortization of intangible assets	22	50,905	47,223
Gain on disposal of property and equipment	39i	(51,128)	(8,923)
Write off of property and equipment	39i	25,272	10,827
Gains from sale of investments	10	(102,329)	(1,261,455)
Interest income	6	(43,181,558)	(39,119,457)
Interest expense	7	23,127,004	21,372,315
Divided income	10	(96,710)	(85,875)
		(15,621,391)	(12,588,224)
Changes in operating assets			
Net increase in loans and advances	39(a)	(66,263,355)	(99,291,731)
Net increase in other assets	39(b)	(9,259,364)	(2,330,711)
Net increase in CBN - AGSMSEIS Account	39(k)	(104,350)	(169,150)
		(75,627,069)	(101,791,591)
Changes in operating liabilities			
Net (decrease)/increase in deposit from customers	39(d)	(35,541,297)	97,802,483
Net increase/(decrease) in due to other banks	39(e)	36,097,532	(1,740,698)
Net increase in other liabilities	39(f)	279,131	16,383,864
		835,366	112,445,648
Cash used from operations		(90,413,094)	(1,934,166)
Income tax paid	27	(194,199)	(258,924)
Interest received	39(g)	40,901,079	34,191,055
Interest paid	39(h)	(14,714,269)	(16,115,426)
Divided income	10	96,710	85,875
Payment on employee contribution plan	29	(528,780)	(614,603)
Net cash flows (used in)/generated from operating activities		(64,852,553)	15,353,812
Cash flows from investing activities			
Purchase of property and equipment	39(c)	(2,796,923)	(1,659,316)
Purchase of intangible assets	22	(47,802)	(59,858)
Proceeds from disposal of property and equipment	39(i)	80,958	20,777
Acquisition of investment securities at FVOCI	19a	(64,046,857)	(130,135,918)
Proceeds from disposal of financial instrument at FVOCI	19a	70,839,800	155,831,744
Net acquisition of investment securities at amortised cost	19c	(4,321,871)	(33,220,011)
Net cash flows used in investing activities		(292,695)	(9,222,582)
Cash flows from financing activities:			
Borrowings			
Proceeds from loans and borrowings	26	175,592,410	100,554,445
Repayment of borrowing	26	(137,485,612)	(22,904,750)
Net cash flows from financing activities		38,106,798	77,649,695
Net (decrease)/ increase in cash and cash equivalents		(27,038,450)	83,780,925
Cash and cash equivalents at 1 January		132,225,529	48,444,604
Cash and cash equivalents at year end	39(j)	105,187,079	132,225,529

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

UNITY BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Corporate Information

Unity Bank Plc provides Banking and other financial services to corporate and individual customers. Such services include but are 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.

Statement of Compliance & Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements comply with Companies and Allied Matters Act (CAMA) 2020, Banks and Other Financial Institutions Act (BOFIA) 2020, Financial Reporting Council of Nigeria (FRCN) Act 2011 and other relevant Central Bank of Nigeria (CBN) circulars.

The financial statements have been prepared in accordance with the going concern principle under the historical cost basis except for financial instruments 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. The financial statements were authorised for issue by the board of directors on 30th March 2022.

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.

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 32: contingent liabilities - recognition and measurement of contingencies, key assumptions about the likelihood and magnitude of an outflow of resources.

Judgements:

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in Financial statements is included in the following notes:

Note 5.2: establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

Note 5.2.4: 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 assets are SPPI on the principal amount outstanding.

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 2021. The Bank has not earlier adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

UNITY BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Below is a list of interpretations and amendments that were effective for the first time in 2021 but do not have a significant impact on the Bank:

- i. Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (the Phase 2 amendments) became effective on 1 January 2021.
- ii Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

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) Foreign currency transactions

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 Financial 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 of contractual cash flows, selling financial assets or both. The Bank assesses business model at a portfolio level reflective of how Banks of assets are managed together to achieve a particular business objective. For the assessment of business model the Bank takes into consideration the following factors:

UNITY BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Business Model 1 (BM1) - These are primarily assets held at amortised cost which include retail and corporate loans and advances to customers and certain debt instrument at amortised cost. These financial assets are held in a separate portfolio for long term yield. These debt securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Business Model 2 (BM2) - Other debt securities are held by the Bank in a separate portfolio to meet everyday needs. The bank seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. that return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. the Bank considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Business Model 3 (MB3) - financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are held to collect contractual cash flows nor held to both collect contractual cash flows and to sell financial assets.

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 of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- 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) 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:

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 using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from Banks or customers, other borrowed funds, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

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. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. For example, if the Bank decides to shut down the retail business segment on 31st January 2019, the reclassification date will be 1 February 2019 (i.e. the first day of the entity's next reporting period), the Bank shall not engage in activities consistent with its former business model after 31st January, 2019. Gains, losses or interest previously recognised are not be restated when reclassification occurs.

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, are:

- 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.

V. 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.

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 assessment 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 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 'credit impaired' 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 initialled 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

Effective interest rate:

Interest income and interest expense are recognised in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounted future cash payments or receipts through the expected life of the financial instrument to:

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

When calculating effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are 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 financial liability.

Amortised cost and gross carrying amount:

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. the 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance

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Presentation:

Interest income and interest expense calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instrument measured at FVOCI;
- interest expense on financial liabilities measured at amortised cost;
- other interest income presented in the statement of profit or loss and OCI includes interest income on lease receivable
- interest expense on lease liabilities

Interest income and expense on all trading assets and liabilities are considered to be incidental to the bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

(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 denominated 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 equipment... ..5 years
- Property & Equipment.....5 years
- Motor Vehicles..... 4 years
- Furniture & fittings.....5 years
- Lease hold ImprovementOver the remaining life of the lease

Land 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.

Considering the current economic realities occasioned by the Covid-19 pandemic, the Finance Act, 2020 provided that minimum tax be determined based on 0.25% of Gross turnover less franked investment income for tax returns prepared for 2020 and 2021 Year of Assessment (YOA).

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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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.

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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.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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 affect 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. Loans and advances

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

loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

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;
- ECL and reversals; and
- foreign exchange gains and losses.

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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.

4.0. Standards and Interpretations not yet effective (but available for early adoption) for a 31 December 2021 year-end

The following standards and interpretations had been issued but were not mandatory for annual reporting period ended on 31 December 2021. The Bank has not early adopted the under listed standards in preparing the financial statements as it plans to adopt them at their respective effective dates if applicable.

(i) Classification of Liabilities as current or non-current - Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

The effective date is 1 January 2023.

The impact of this amendment on the Banks financial statements is currently under assessment.

(ii) Onerous Contracts - Cost of Fulfilling Contract Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The effective date is 1 January 2022.

The Bank has no contracts as at the reporting dates to which the amendments apply.

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(iii) Annual Improvements to IFRS Standards 2018-2020

The following improvements were finalised in 2020:

- IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for de-recognition of financial liabilities.
- IFRS 16 Leases - To remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The effective date is 1 January 2022.

The impact of this amendment on the Banks financial statements is currently under assessment.

(iv) Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The effective date is 1 January 2023.

The impact of this amendment on the Bank's financial statements is currently under assessment.

vi) Definition of Accounting Estimates – Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The effective date is 1 January 2023.

The impact of this amendment on the Bank's financial statements is currently under assessment.

vi) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- o right-of-use assets and lease liabilities, and
- o decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable.

The effective date is 1 January 2023.

The impact of this amendment on the Bank's financial statements is currently under assessment.

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4 Segment information

The Bank prepares its segment information based on geographical segments as its primary reporting segment. A geographical segment is engaged in providing products and/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 in 2021 operated two geographical segments - North and South Bank - and the Corporate office.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits and losses which in certain respects, are measured differently from operating profits or losses in the financial statements. Management primarily relies on growth in deposit and profit before taxes as performance measures. The Chief Executive Officer/Managing Director (being the chief operating decision maker) reviews the internal management reports of each segment at least quarterly.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties. No revenue from transactions with a single external customer or counter-party amounted to 10% or more of the Bank's total revenue in 2020 or the year ended 31 December 2021.

The following table presents income and profit and certain asset and liability information regarding the Bank's operating segments:

31 December 2021	South N'000	North N'000	Corporate Office N'000	Total N'000
Segmented results				
Revenue	14,799,639	14,531,783	19,645,248	48,976,670
Operating profit before tax	1,962,717	2,226,339	(856,922)	3,332,134
Income Tax			(158,880)	(158,880)
Profit for the year	1,962,717	2,226,339	(1,015,802)	3,173,254
Segment assets	95,875,542	242,151,375	200,841,837	538,868,755
Segment Liabilities	221,088,398	295,105,195	298,828,617	815,022,210
31 December 2020	South N'000	North N'000	Corporate Office N'000	Total N'000
Segmented results				
Revenue	13,577,650	13,331,911	15,799,711	42,709,272
Operating profit before tax	1,800,658	2,042,513	(1,619,977)	2,223,194
Income Tax			(136,801)	(136,801)
Profit for the year	1,800,658	2,042,513	(1,756,778)	2,086,393
Segmented assets and liabilities				
Segment assets	87,959,213	222,157,225	181,903,891	492,020,329
Segment liabilities	221,088,398	295,105,195	251,236,532	767,430,125

UNITY BANK PLC

STATEMENT OF PRUDENTIAL ADJUSTMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5.1 Statement of Prudential adjustments

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

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

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

(i) if prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve account to a "regulatory risk reserve".

(ii) if prudential provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

In the guidelines to IFRS implementation, the Central Bank of Nigeria (CBN) directed banks to maintain a regulatory credit risk reserve in the event that the impairment on loans determine using the CBN prudential guideline is higher than the impairment determined using IFRS principles.

The reconciliation of the impairment based on IFRS standards and the CBN prudential guidelines provision is shown below.

	Notes	2021 N'000	2020 N'000
Loans and advances			
Impairment per CBN Prudential Guidelines (A)		12,424,030	11,960,511
Loans & advances			
Specific Impairment		55,251	1,876
Collective impairment		5,448,779	4,128,356
Other Assets		6,920,000	7,830,279
Impairment allowance as Per IFRS 9 (B)		10,662,586	11,908,652
Due from Banks	17	28,352	28,352
Loans and advances to customers	18	3,199,184	4,124,689
Off balance sheet	28	609,010	1,342,728
Other assets	20	6,826,040	6,412,883
Amount Required in Non Distributable Reserve (A > B)		1,761,444	51,859

COMPARISON OF IFRS WITH PRUDENTIAL GUIDELINES (PG) CLASSIFICATION

		2021 N'000	2020 N'000
Gross loans and advances to customers	18	272,468,900	206,205,544
Credit impaired loans (IFRS)		105,854	69,330
Non performing loans (PG)		118,236	1,876
IFRS NPL Ratio (%)		0.04%	0.03%
PG NPL Ratio (%)		0.04%	0.001%

5.2 FINANCIAL RISK MANAGEMENT

a. APPROACH TO RISK MANAGEMENT

Unity Bank recognizes the importance of risk management practices in the achievement of its overall strategic objectives. The Bank has an effective risk governance structure and an experienced risk team. Its risk management structure facilitates maximization of opportunities, mitigation of potential threats and timely decision making.

The Bank realizes that effective risk management is fundamental to achieving financial soundness. To this end, risk management has become an integral part of our strategy. A major target is to create a homogeneous risk awareness culture throughout the institution. This will help all staff to collectively own risk.

Risk management style is well defined to create a balance between corporate oversight and actual risk management functions with a focus on the three lines of defence below:



The management of the Bank is committed to constantly creating, implementing and sustaining practices in risk-management that will take the bank to new heights. The Board of Directors determines overall risk objectives, issues and/or approve risk policies in line with the Bank’s overall objectives and risk appetite. The said polices define acceptable levels of risk levels and a pathway for assessment and treatment where necessary.

Enterprise Risk-Management (ERM) framework encompasses all other risk management policies, since ERM in the aggregate of identifying risks, assessing the risk inherent and the opportunities therein and actively managing these risks in a cost-effective manner.

The Bank risk management process originates from establishing a context to monitoring and reporting as shown below:

1. Establishing a context

This is done by considering the following:

- The environment within which the organization operates (Organizational context)
- The objectives, core activities and operations of the Bank (Strategic context)

2. Identification of risks

This is basically done by classifying the risks into core financial, physical, ethical or legal. It also involves determining what can happen, when it could happen and where it could happen.

3. Evaluation of risk

It involves analysing likelihood and consequences of risks identified

4. Treatment of risks

The decision point of whether to avoid the risk, transfer the risk or accept and mitigate the risk.

5. Reporting and monitoring of risks

Communication, monitoring and review ensure that the important information generated by the risk management process is captured, used and maintained.

b. TRAININGS

Reducing unacceptable performance variability, aligning and integrating the varying Risk Management, building confidence on investment, community and stakeholders, enhancing corporate governance, successfully responding to a challenging business environment and aligning strategy with corporate culture led the Bank along the path of training its’ Board of Directors and Executive Management on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) bearing in mind the statutory and regulatory industry best practice.

c. GOVERNANCE STRUCTURE

The Bank instituted best practice corporate governance structures around its risk management practice and functions. Details of the Board and Management Standing Committees are as set out in the corporate governance report section.



d. POLICIES AND PROCEDURES

The Board through its committees provides guidance and strategic direction for the management of risk across the Bank. This is achieved through provision of policies for risk management and other key areas.

The Executive Management then transforms the strategies and policies into processes. They also set the order for the execution of the policies and processes.

The Internal Audit Group has a validation role against all these processes instituted by Management. They are also responsible for the review of Risk Management functions to ensure that processes are in line with the Risk Management Policy.

Risk Management policies and systems are reviewed periodically, (at least once in 3 years). This is to ensure that the Bank is abreast with the dynamic nature of the regulatory environment and in line with global best practices.

e INTERNAL CONTROL

Broadly, the Internal Control Group performs the role of safeguarding the Bank’s assets. The process of performing this function also entails ensuring the reliability and integrity of all financial transactions.

The Group also ensures internal compliance with statutory and regulatory regulations as it affects the Bank. Compliance to the State Laws as it affects the operations of the Bank is also within the ambit of the Group.

The Internal Control Group also monitors the operational efficiency of the organization and ensures compliance to internal provisions as it affects the operational and financial activities of the organization amongst others. These responsibilities are driven by the deployment of the relevant anti-fraud tools and effective monitoring of activities in line with extant Laws and Internal processes.

Internal Audit Group is set up to independently examine and evaluate various operations and systems of control to determine the effectiveness of the risk management practices of the bank, verify whether acceptable policies and procedures are followed, legislative requirements and established standards are met, resources are efficiently and economically used and planned tasks are accomplished effectively.

In providing assurance to Management and Board of Directors, Internal Audit Group on a time to time basis review activities of Branches, Regions, Zones and Head Office Departments in order to provide independent analysis, appraisals, advice and recommendations concerning the activities reviewed.

The objective of adding value by providing assurance to all levels of Management is achieved by:

- Assessing the bank's enterprise risk management strategies and its effectiveness.
- Ensuring compliance with the Bank's system, Policies and Procedures, Plans, Statutory Requirements and Regulations which could have a significant impact on operations.
 - Reviewing operations or programs to ascertain whether results are consistent with the Bank's established objectives and goals and whether the operations or programs are being carried out as planned.
- Appraising the relevance, reliability and integrity of management, financial and operating data and reports, including the electronic information system.
- Ensuring adequate security and protection of access rights on all platforms across the Bank

The independence of the Internal Audit Group is key to effectively deliver on its mandate. To maintain the independence of the Internal Audit Group, the under listed is consistently maintained in Unity Bank:

Unity Bank Internal Audit Group shall be directly responsible to the Statutory Audit Committee (SAC) / Board Audit Committee (BAC) of the Bank and be independent of any other section, branch or officer.

It shall have no executive or managerial powers, functions or duties except those relating to internal audit and control.

It shall have no direct operational responsibility or authority over any of the activities audited.

It shall not be responsible for the detailed development or implementation of new systems and procedures or engage in any other activity that may impair judgment.

Finally, the extent and frequency of internal audits will depend upon varying circumstances such as results of previous audits, relative risk associated with activities, materiality, the adequacy of the system of internal control, and resources available to Internal Audit Group.

In addition, the Internal Audit Group is also responsible for the independent review and internal validation of the ICAAP report.

f KEY RISK EXPOSURES

This report focused on the material risk for which we had capacity to measure. Some of the risks considered include the following

Credit Risk
Market Risk
Liquidity Risk

5.2.1 CREDIT RISK

It is the likelihood that a borrower or counterparty will fail to meet his/her obligations according to the agreed terms thereby resulting in a loss for the Bank.

The Bank's primary business is that of financial intermediation hence credit risk forms a major part of its risk assets portfolio. The standardized approach was used to measure the credit capital requirement.

a. Credit Risk Measurement and Management

Exposure to credit risk is considered the largest risk in most financial institutions. It therefore attracts adequate attention and resources for a proactive and effective management.

Credit risk arises when an obligor fails to meet with the terms and conditions specified and agreed in a trading or loan contract or when its ability to perform such obligations is impaired. This may arise not only when an obligor or borrower defaults in payment of a loan or settlement but also when his repayment capability dwindles.

Credit risk event occur from activities both on and off Balance Sheet engagements which include trade or project finance, interbank transactions, foreign exchange, bonds, guarantees, commitment and settlement transactions.

Credit Risk Management is a full-fledged group headed by General Manager. The Department is under the Enterprise Risk Management Directorate which is headed by an Executive Director.

The Bank operates a policy of clear separation of business powers as business officers involved in Credit approvals do not have powers to approve disbursement of Credits as this resides in the control officers in Risk Management Directorate.

The Responsibilities of the Department Include:

- a. Planning of the credit portfolio of the Bank.
 - b. Review of all credit proposals at various levels before consideration for approval.
 - c. Review of Credit Policies and Procedures from time to time and issue Credit Circulars on matters bothering on credit performance.
 - d. Monitor the use of delegated business powers and recommend sanctions for abuse.
- b. Other Key Objectives for Credit Risk Management include:
1. Deliberately manage its risk asset portfolio to ensure that the risk of concentration to any sector or individual customer is minimized and ensuring portfolio flexibility and liquidity.
 2. Ensure exposure to any industry or customer is determined by the regulatory guidelines, internal policies and procedures, debt service capability and balance sheet management.
 3. Extend credit to only suitable and well identified customers who have complied with the "Know Your Customer" KYC principle and meet the "Risk Assets Acceptance Criteria" RAAC of the Bank.
 4. Credits are to be extended to customers where the source of repayment is known and can be ascertained but not for speculative purposes and where the purpose and destination of funds are not disclosed.
 5. Ensure that primary source of repayment for each credit is from an identifiable cash flow from the counterpart's normal business operations or other financial arrangements. Realization of security remains a fall back option.
 6. Adoption of a pricing model that reflects variation in the risk profile of various exposures to ensure that higher risks are compensated by higher returns.
 7. Ensure that the quantum of exposure and quality and value of collateral required are determined based on the risk profile of the counter party.
 8. Avoid all conflict of interest situations and report all insider related credits to appropriate body.

c. Credit Risk Rating

The Risk Rating Approach is to assign two Risk Ratings to each existing or prospective borrowing customer of the bank based on the Credit Risk Assessment of:

- i. The Customer's business and;
- ii. The facility security and structure.

The Risk Rating obtained in (i) above will be referred to as the Customer Quality Rating (CQR) while the rating obtained in (ii) above will be referred to as the Facility Risk Rating (FRR). Each borrowing customer of Unity Bank will have both ratings rendered in the frequency indicated below.

d. FREQUENCY OF RATING

Each borrowing customer of Unity Bank will be rated (CQR and FRR) at least once every 12 (twelve) months; within six months of the customer's financial year end. This is merely a minimum requirement.

In practice however, Lending officers and their supervisors will be expected to review and risk rate each borrowing customer at the following events:

- A. During the appraisal of any Credit request, renewals, increases, reductions, restructures, new lines or material change in the terms of an existing facility.
- B. Once information is received or suspected about a material change in the business condition, internal arrangements or other circumstances or industry in which a borrowing customer operates.
- C. When there is a material change in the Credit facility or the circumstances affecting the Credit facility such as a change in the structure of the Credit change in the Security change in the circumstances of a bank that is part of the syndication etc.
- D. Any material change in regulations affecting the customer or the customer's industry.

e. Credit Approval Limits

The Bank operates a decentralized Delegation of Business Powers, approved by the Board of Directors which delegated powers to the following bodies:

- Board of Directors
- Board Credit Committee
- Executive Management Committee and
- The Managing Director.

Exposure to credit risk is considered the largest risk in most financial institutions. It therefore attracts adequate attention and resources for a proactive and effective management.

f. Maximum exposure to credit risk

Loans & advances to customers at amortised cost

In thousands of Naira	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount	111,669,660	160,693,386	105,854	272,468,900
ECL allowance	(1,547,941)	(1,650,231)	(1,012)	(3,199,184)
	110,121,719	159,043,155	104,842	269,269,716

	2020			
	Stage 1	Stage 2	Stage 3	Total
	95,898,079	110,238,135	69,330	206,205,544
	(2,452,829)	(1,671,856)	(4)	(4,124,689)
	93,445,251	108,566,279	69,326	202,080,856

Debt instruments at amortised cost

In thousands of Naira	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross exposures	71,896,064	-	-	71,896,064
Impairment allowance	-	-	-	-
Carrying amount	71,896,064	-	-	71,896,064

	2020			
	Stage 1	Stage 2	Stage 3	Total
	64,379,307	-	-	64,379,307
	-	-	-	-
	64,379,307	-	-	64,379,307

Debt instruments at FVOCI

In thousands of Naira	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross exposures	47,279,478	-	-	47,279,478
Impairment allowance	-	-	-	-
Carrying amount	47,279,478	-	-	47,279,478

	2020			
	Stage 1	Stage 2	Stage 3	Total
	61,667,497	-	-	61,667,497
	-	-	-	-
	61,667,497	-	-	61,667,497

Cash and balances with Central Bank

In thousands of Naira	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross exposures	68,608,050	-	-	68,608,050
Impairment allowance	-	-	-	-
Carrying amount	68,608,050	-	-	68,608,050

	2020			
	Stage 1	Stage 2	Stage 3	Total
	98,924,958	-	-	98,924,958
	-	-	-	-
	98,924,958	-	-	98,924,958

Due from banks

In thousands of Naira	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross exposures	37,008,773	-	-	37,008,773
Impairment allowance	(28,352)	-	-	(28,352)
Carrying amount	36,980,421	-	-	36,980,421

	2020			
	Stage 1	Stage 2	Stage 3	Total
	33,065,169	-	-	33,065,169
	(28,352)	-	-	(28,352)
	33,036,817	-	-	33,036,817

Other assets

In thousands of Naira	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross exposures	5,039,098	-	16,981,820	22,020,918
Impairment allowance	-	-	(6,826,040)	(6,826,040)
Carrying amount	5,039,098	-	10,155,779	15,194,877

	2020			
	Stage 1	Stage 2	Stage 3	Total
	5,039,098	-	9,016,592	14,055,690
	-	-	(6,412,884)	(6,412,883)
	5,039,099	-	2,603,708	7,642,807

Financial guarantees and letters of credit

In thousands of Naira	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross exposures	109,209,420	-	-	109,209,420
Impairment allowance	(609,010)	-	-	(609,010)
Carrying amount	108,600,409	-	-	108,600,409

	2020			
	Stage 1	Stage 2	Stage 3	Total
	99,698,417	-	-	99,698,417
	(1,342,728)	-	-	(1,342,728)
	98,355,689	-	-	98,355,689

5.2 CREDIT ANALYSIS

The following tables set out the credit quality of financial assets measured at amortised cost and FVOCI debt instrument without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts, for loan commitments and financial guarantee contracts, the amount in the table represents the amounts committed or guaranteed, respectively

2021	12-month PD Ranges	Stage 1	Stage 2	Stage 3	Purchased Credit Impaired	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Loans and Advances to Banks						
Rating 1- 6: Strong	-	37,008,773	-	-	-	37,008,773
Rating 7: Satisfactory	-	-	-	-	-	-
Rating 8 -10: Higher risk	-	-	-	-	-	-
Rating 11-12: Credit-impaired	-	-	-	-	-	-
Gross Carrying Amount	-	37,008,773	-	-	-	37,008,773
Loss Allowance	-	(28,352)	-	-	-	(28,352)
Carrying Amount	-	36,980,421	-	-	-	36,980,421
Loans and Advances to Customers						
Rating 1- 6: Strong	-	111,669,660	160,693,386	-	-	272,363,046
Rating 7: Satisfactory	-	-	-	-	-	-
Rating 8 -10: Higher risk	-	-	-	105,854	-	105,854
Rating 11-12: Credit-impaired	-	-	-	-	-	-
Gross Carrying Amount	-	111,669,660	160,693,386	105,854	-	272,468,900
Loss Allowance	-	(1,547,941)	(1,650,231)	(1,012)	-	(3,199,184)
Carrying Amount	-	110,121,719	159,043,155	104,842	-	269,269,716
Debt Securities at Amortised Cost						
Rating 1- 6: Strong	-	71,896,064	-	-	-	71,896,064
Rating 7: Satisfactory	-	-	-	-	-	-
Rating 8 -10: Higher risk	-	-	-	-	-	-
Rating 11-12: Credit-impaired	-	-	-	-	-	-
Gross Carrying Amount	-	71,896,064	-	-	-	71,896,064
Loss Allowance	-	-	-	-	-	-
Carrying Amount	-	71,896,064	-	-	-	71,896,064
Debt Securities at FVOCI						
Rating 1- 6: Strong	-	47,279,478	-	-	-	47,279,478
Rating 7: Satisfactory	-	-	-	-	-	-
Rating 8 -10: Higher risk	-	-	-	-	-	-
Rating 11-12: Credit-impaired	-	-	-	-	-	-
Gross Carrying Amount	-	47,279,478	-	-	-	47,279,478
Loss Allowance	-	-	-	-	-	-
Carrying Amount	-	47,279,478	-	-	-	47,279,478
2020						
2020	12-month PD Ranges	Stage 1	Stage 2	Stage 3	Purchased Credit Impaired	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Loans and Advances to Banks						
Rating 1- 6: Strong	-	33,093,521	-	-	-	33,093,521
Rating 7: Satisfactory	-	-	-	-	-	-
Rating 8 -10: Higher risk	-	-	-	-	-	-
Rating 11-12: Credit-impaired	-	-	-	-	-	-
Gross Carrying Amount	-	33,093,521	-	-	-	33,093,521
Loss Allowance	-	(28,352)	-	-	-	(28,352)
Carrying Amount	-	33,065,169	-	-	-	33,065,169
Loans and Advances to Customers						
Rating 1- 6: Strong	-	95,000,538	110,238,135	-	-	205,238,672.98
Rating 7: Satisfactory	-	-	-	-	-	-
Rating 8 -10: Higher risk	-	-	-	966,871	-	966,871
Rating 11-12: Credit-impaired	-	-	-	-	-	-
Gross Carrying Amount	-	95,000,538	110,238,135	966,871	-	206,205,544
Loss Allowance	-	(2,452,829)	(1,671,856)	(4)	-	(4,124,689)
Carrying Amount	-	92,547,709	108,566,279	966,867	-	202,080,856

Debt Securities at Amortised Cost

Rating 1- 6: Strong	-	64,379,307	-	-	-	64,379,307
Rating 7: Satisfactory	-	-	-	-	-	-
Rating 8 -10: Higher risk	-	-	-	-	-	-
Rating 11-12: Credit-impaired	-	-	-	-	-	-
Gross Carrying Amount	-	64,379,307	-	-	-	64,379,307
Loss Allowance	-	-	-	-	-	-
Carrying Amount	-	64,379,307	-	-	-	64,379,307

Debt Securities at FVOCI

Rating 1- 6: Strong	-	61,667,497	-	-	-	61,667,497
Rating 7: Satisfactory	-	-	-	-	-	-
Rating 8 -10: Higher risk	-	-	-	-	-	-
Rating 11-12: Credit-impaired	-	-	-	-	-	-
Gross Carrying Amount	-	61,667,497	-	-	-	61,667,497
Loss Allowance	-	-	-	-	-	-
Carrying Amount	-	61,667,497	-	-	-	61,667,497

g. Impairment of financial assets

IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss model under IAS 39. Key changes in the Bank's accounting policy for impairment of financial assets are listed below.

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortised cost, FVOCI, loan commitment and financial guarantee contracts. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

ii) Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognised. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

iii) Stage 3: Lifetime ECL - credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Bank's methodology for specific provisions remains unchanged. For financial assets that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Bank uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank expects to receive. The amount of the loss is recognised using an allowance for credit losses account

The Bank considers its historical loss experience and adjusts this for current observable data. In addition, the Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgment to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the life time or stage 3 of the ECL bucket, the Bank would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from life time ECL (Stage 2) to 12- months ECL (Stage 1). In addition to 90 days probationary period above, the Bank also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from lifetime ECL (Stage 3) to 12 months ECL (Stage 1).

The following tables show reconciliations from the opening to the closing balance of loss allowance by class of financial instrument.

	Cash and bank balances	Debt instrument at amortised	Debt instrument at FVOCI	Loans and Advances	Other Assets	Perf. Bonds, Guarantees and LCs	Total
31 December 2021							
<i>In thousands of Naira</i>							
Opening balance of the ECL allowance	28,352	-	-	4,124,689	6,412,883	1,342,728	11,908,652
Remeasurement during the year	-	-	-	(925,505)	382,911	(733,718)	(1,276,312)
Foreign Exchange movement	-	-	-	-	30,246	-	30,246
Closing balance	28,352	-	-	3,199,184	6,826,040	609,010	10,662,586

31 December 2020

	Cash and bank balances	Debt instrument at amortised	Debt instrument at FVOCI	Loans and Advances	Other Assets	Perf. Bonds, Guarantees and LCs	Total
<i>In thousands of Naira</i>							
Opening balance of the ECL allowance	353,559	-	-	2,896,088	9,877,605	1,640,001	14,767,252
Remeasurement during the year	(325,207)	-	-	1,228,601	(3,199,073)	(297,273)	(2,592,951)
Write offs	-	-	-	-	(265,648)	-	(265,648)
Closing balance	28,352	-	-	4,124,689	6,412,883	1,342,728	11,908,652

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

h. Concentration of credit risk by Industry

At 31 December 2021

Loans and advances to customer

Industry Type	Gross Loans & Advances		Expected Credit Loss		Net Loans & Advances	
	N'000	%	N'000	%	N'000	%
Agriculture	246,609,438	90.51%	3,027,402	94.63%	243,582,036	90.46%
Construction	430,619	0.16%	-	0.00%	430,619	0.16%
Education	766,384	0.28%	18,604	0.58%	747,780	0.28%
Finance and Insurance	36,141	0.01%	0	0.00%	36,141	0.01%
General	6,161,495	2.26%	5,721	0.18%	6,155,774	2.29%
General Commerce	283,086	0.10%	563	0.02%	282,523	0.10%
Government	9,709,312	3.56%	16,153	0.50%	9,693,160	3.60%
Infotainment	1,011	0.00%	0	0.00%	1,011	0.00%
Manufacturing	7,118,626	2.61%	123,139	3.85%	6,995,487	2.60%
Oil and Gas	747,382	0.27%	4,891	0.15%	742,491	0.28%
Power and Energy	221,772	0.08%	672	0.02%	221,100	0.08%
Professional Services	61,933	0.02%	7	0.00%	61,926	0.02%
Transportation	55,922	0.02%	911	0.03%	55,011	0.02%
Utilities	265,781	0.10%	1,120	0.04%	264,661	0.10%
TOTAL	272,468,901	100.00%	3,199,184	100%	269,269,717	100.00%

At 31 December 2020

	Gross Loans & Advances		Expected Credit Loss		Net Loans & Advances	
	N'000	%	N'000	%	N'000	%
Agriculture	179,345,352	86.97%	3,806,499	92.29%	175,538,854	86.87%
Education	623,660	0.30%	5,044	0.12%	618,617	0.31%
Finance and Insurance	209,266	0.10%	302	0.01%	208,964	0.10%
General	4,721,680	2.29%	106,486	2.58%	4,615,195	2.28%
General Commerce	16,252	0.01%	21	0.00%	16,230	0.01%
Government	10,625,452	5.15%	14,213	0.34%	10,611,239	5.25%
Health Care	10,223	0.00%	114	0.00%	10,109	0.01%
Manufacturing	7,847,614	3.81%	110,961	2.69%	7,736,653	3.83%
Oil and Gas	2,537,830	1.23%	58,348	1.41%	2,479,482	1.23%
Power and Energy	134,885	0.07%	20,962	0.51%	113,923	0.06%
Transportation	47,813	0.02%	1,723	0.04%	46,090	0.02%
Real Estate	85,516	0.04%	17	0.00%	85,499	0.04%
TOTAL	206,205,544	100.00%	4,124,689	100.0%	202,080,856	100.00%

Other financial assets

31 December 2021	Cash and bank	Debt instrument	Debt	Other assets	Guarantees
	balances	at amortised cost	instrument at		and LCs
	FVOCI				
	N'000	N'000	N'000	N'000	N'000
Financial institution	105,142,310	-	-	-	-
Government	-	54,373,603	47,279,478	-	-
General	-	-	-	15,194,878	108,600,409
Total	105,142,310	54,373,603	47,279,478	15,194,878	108,600,409
31 December 2020	Cash and bank	Debt instrument	Debt	Other assets	Guarantees
	balances	at amortised cost	instrument at		and LCs
	FVOCI				
	N'000	N'000	N'000	N'000	N'000
Financial institution	131,990,128	-	-	-	-
Government	-	47,759,573	61,667,497	-	-
General	-	-	-	7,642,807	98,355,689
Total	131,990,128	47,759,573	61,667,497	7,642,807	98,355,689

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

i. Amount Arising from ECL

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- a backstop of 30 days past due;
- a quantitative test based on movement in PD;
- qualitative indicators; and

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

Corporate exposures	Retail exposures	All exposures
<ul style="list-style-type: none"> — Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes — Data from credit reference agencies, press articles, changes in external credit ratings (where applicable) — Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities 	<ul style="list-style-type: none"> — Internally collected data on customer behaviour – e.g. transaction dynamics and post disbursements activities in the account. — External data from credit reference agencies, including industry-standard credit scores (where applicable) 	<ul style="list-style-type: none"> — Payment record — this includes overdue status as well as a range of variables about payment ratios — Utilisation of the granted limit — Requests for and granting of forbearance — Existing and forecast changes in business, financial and economic conditions

The table below provides an indicative mapping of how the Bank's internal credit risk grades relate to PD and, for the Corporate portfolio, to the external credit ratings of S&P. The weighted-average PD is calculated based on the carrying amounts of the assets in each range.

Corporate Portfolio

The corporate portfolio of the Bank is comprised of loans and advances to Banks, large corporates, public sector entities, sovereigns and other businesses

Grading	12-month weighted-average PD	External rating
Grades 1–6: Strong	0.06	AAA to B
Grades 7–12: Weak to Non Investment grade	1.00	CC to D

Retail

The retail portfolios are comprised of personal loans (e.g. staff loans, car loans, Traders Revolving Overdraft Facility (TROF) & other short term loans) and MSME loans. The weighted average PD is based on historical performance of the various sectors in the portfolio.

	12-month weighted- average PD	
Retail Portfolio	0.05	AAA to B

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by sector and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date.

As a general indicator, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling:

- the remaining lifetime PD is determined to have increased by more than 50% of the corresponding amount estimated on initial recognition; or
- the absolute change in annualised lifetime PD since initial recognition is greater than 500 basis points (bp).

In addition, irrespective of the relative increase since initial recognition, the credit risk of an exposure is deemed not to have increased significantly if the change in annualised lifetime PD since initial recognition is 500 bp or less.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences.

The Bank identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed based on the estimation of PDs and consideration of qualitative factors, each of which are designed to reflect forward-looking information, on an individual instrument basis as described above. However, if the Bank identifies a key driver that is not considered in the individual assessment on a timely basis, then the Bank will evaluate whether there is reasonable and supportable information that enables it to make an additional assessment on a collective basis with respect to all or some of a portfolio. This may lead to the Bank concluding that a segment or proportion of a portfolio has undergone a significant increase in credit risk.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment of interest or/and principal has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When the contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms. The Bank's probation period is a consecutive period of three (3) months or 90 days of performance.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
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Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one optimistic and one downturn scenario. The base scenario is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF), and selected private-sector and academic forecasts.

The scenario probability weightings applied in measuring ECL are as follows.

at 31 December	2021			2020		
	Upside	Base	Downside	Upside	Base	Downside
Scenario probability weighting	15%	75%	10%	15%	75%	10%

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

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 and credit risk and credit losses.

The key drivers for credit risk for corporate and retail portfolios are: GDP growth, inflation rates, interest rates, crude oil prices, unemployment rates and exchange rates. For exposures to specific industries and/or regions, the key drivers also include relevant commodity and/or real estate prices.

The Bank estimates each key driver for credit risk over the active forecast period of three years. This is followed by a period of mean reversion of between two and four years, depending on the product and geographical market.

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios over the five-year forecast period. A The assumptions represent the absolute percentage for interest rates and unemployment rates and year-on-year percentage change for GDP.

At 31 December 2021	Exchange Rate	Crude Oil	Inflation rate	GDP Changes	Interest rate	Unemployment Rate
Base economic assumptions						
5-year average	372.37	\$ 62.32	14.06%	4.03%	13.40%	21.64%
Peak*	435.00	\$ 83.62	18.72%	4.52%	29.80%	27.10%
Upside economic assumptions						
5-year average	297.89	\$ 74.78	11.24%	3.22%	10.72%	17.31%
Peak*	348.00	\$ 100.34	14.98%	3.62%	23.84%	21.68%
Downside economic assumptions						
5-year average	446.84	\$ 49.86	16.87%	4.84%	16.08%	25.97%
Peak*	522.00	\$ 66.90	22.46%	5.42%	35.76%	32.52%

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
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At 31 December 2020	Exchange Rate	Crude Oil	Inflation rate	GDP Changes	Interest rate	Unemployment Rate
Central economic assumptions						
5-year average	285.87	\$ 55.91	12.90%	0.68%	11.91%	18.56%
Peak*	410.25	\$ 79.18	18.45%	4.74%	29.80%	27.10%
Upside economic assumptions						
5-year average	228.70	\$ 67.09	10.32%	0.54%	9.53%	14.85%
Peak*	328.20	\$ 95.02	14.76%	3.79%	23.84%	21.68%
Downside economic assumptions						
5-year average	343.04	\$ 44.73	15.48%	0.82%	14.29%	22.27%
Peak*	492.30	\$ 63.34	22.14%	5.69%	35.76%	32.52%

The Bank has updated its economic forecasts used as an input into ECL as at 31 December 2021 taking current macro economic variables into consideration.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 to 5 years.

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

The table below shows the loss allowance on loans and advances to corporate and retail customers assuming each forward-looking scenario (e.g. central, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements.

As at 31 December	2021			
	Upside	Base	Downside	Probability-weighted
Gross exposure (in millions of Naira)				
Corporate	268,408	268,408	268,408	268,408
Retail	4,061	4,061	4,061	4,061
Loss allowance (in millions of Naira)				
Corporate	3,416	3,337	3,561	3,197
Retail	3	2	3	2
Proportion of assets in Stage 2				
Corporate	160,866	160,866	160,866	160,866
Retail	7	7	7	7

As at 31 December	2020			
	Upside	Base	Downside	Probability-weighted
Gross exposure (in millions of Naira)				
Corporate	200,375	200,375	200,375	200,375
Retail	5,831	5,831	5,831	5,831
Loss allowance (in millions of Naira)				
Corporate	3,416	3,337	3,561	3,400
Retail	728	711	759	724
Proportion of assets in Stage 2				
Corporate	109,429	109,429	109,429	109,429
Retail	-	-	-	-

COVID-19 considerations

Existing contractual arrangements may be modified as a result of government assistance programmes. The Bank considered the need to update our accounting policies to account for such changes and how they have applied judgement in assessing whether a modification is determined to be substantial.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 46(J)(vii)). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

The methodology for estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for lending collateralised by property, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which may include:

- instrument type;
- credit risk grade;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular Bank remain appropriately homogeneous.

Post-model adjustments

Post-model adjustments (PMAs) are short-term adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement.

The Bank has internal governance frameworks and controls in place to assess the appropriateness of all PMAs. The aim of the Bank is to incorporate these PMAs into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

The Bank did not make any post model adjustments for the year ended 31 December 2021 (2020: Nil)

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy

UNITY BANK PLC

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	2021			
	Stage 1	Stage 2	Stage 3	Total
Due from Banks				
Balance at 1 January	28,352	-	-	28,352
Transfer to Stage 1				-
Transfer to Stage 2				-
Transfer to Stage 3				-
Net remeasurement of loss allowance	-			-
New financial assets originated or purchased				-
Financial assets that have been derecognised				-
Write-offs				-
Unwind of discount				-
Foreign exchange and other movements				-
Balance at 31 December	28,352	-	-	28,352

	2020			
	Stage 1	Stage 2	Stage 3	Total
Due from Banks				
Balance at 1 January	353,559	-	-	353,559
Transfer to Stage 1				-
Transfer to Stage 2				-
Transfer to Stage 3				-
Net remeasurement of loss allowance	(325,208)			(325,208)
New financial assets originated or purchased				-
Financial assets that have been derecognised				-
Write-offs				-
Unwind of discount				-
Foreign exchange and other movements				-
Balance at 31 December	28,352	-	-	28,352

	2021				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
Loans and advances to customers at amortised cost*					
Balance at 1 January	2,452,829	1,671,856	4	-	4,124,689
Transfer to Stage 1	(12)	12	-	-	-
Transfer to Stage 2	-	671,861	(671,861)	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	(910,845)	(2,401,504)	672,865	-	(2,639,484)
New financial assets originated or purchased	888,444	1,727,239	4	-	2,615,687
Financial assets that have been derecognised	(882,475)	(19,233)	-	-	(901,708)
Write-offs	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance at 31 December	1,547,941	1,650,231	1,012	-	3,199,184

	2020				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
Loans and advances to customers at amortised cost*					
Balance at 1 January	1,064,921	1,158,253	672,914	-	2,896,088
Transfer to Stage 1	(12)	12	-	-	-
Transfer to Stage 2	-	671,861	(671,861)	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	1,381,951	(1,866,276)	(1,053)	-	(485,378)
New financial assets originated or purchased	888,444	1,727,239	4	-	2,615,687
Financial assets that have been derecognised	(882,475)	(19,233)	-	-	(901,708)
Write-offs	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance at 31 December	2,452,829	1,671,856	4	-	4,124,689

The loss allowance on debt investment securities at FVOCI is not recognised in the statement of financial position because the carrying amount of such securities is their fair value.

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	2021	2020
	Total	Total
Debt investment securities at amortised cost		
Balance at 1 January	-	73,783
Net remeasurement of loss allowance	-	(73,783)
New financial assets originated or purchased	-	-
Foreign exchange and other movements	-	-
Balance at 31 December	-	-
Cash and cash equivalents		
Balance at 1 January	28,352	353,559
Net remeasurement of loss allowance	-	(325,208)
Net decrease in cash and cash equivalents	-	-
Foreign exchange and other movements	-	-
Balance at 31 December	28,352	28,352
Loan commitments and financial guarantee contracts		
Balance at 1 January	1,342,728	1,640,001
Net remeasurement of loss allowance	(733,718)	(297,273)
New loan commitments and financial guarantees issued	-	-
Foreign exchange and other movements	-	-
Balance at 31 December	609,010	1,342,728

The following table provides a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and
- the ‘impairment losses on financial instruments’ line item in the consolidated statement of profit or loss and other comprehensive income.

2021							
	Loans and advances to banks at amortised cost	Loans and advances to customers at amortised cost	Debt investment securities at FVOCI	Cash and cash equivalents	Loan commitments and financial guarantee contracts	Other Assets	Total
Net remeasurement of loss allowance	-	(925,505)	88,458	-	(733,718)	382,911	(1,187,854)
Recoveries of amounts previously written off		(1,376,072)					(1,376,072)
Impairment losses on financial instrument recognised in profit or loss	-	(2,301,577)	88,458	-	(733,718)	382,911	(2,563,927)
2020							
	Loans and advances to banks at amortised cost	Loans and advances to customers at amortised cost	Debt investment securities at FVOCI	Cash and cash equivalents	Loan commitments and financial guarantee contracts	Other Assets	Total
Net remeasurement of loss allowance	(325,207)	1,228,601	12,538	-	(297,273)	(3,199,073)	(2,580,414)
Recoveries of amounts previously written off		(1,546,918)					(1,546,918)
Impairment losses on financial instrument recognised in profit or loss	(325,207)	(318,317)	12,538	-	(297,273)	(3,199,073)	(4,127,332)

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers.

	2021	2020
Credit-impaired loans and advances to customers at 1 January	69,330	966,871
Transferred to not-credit-impaired during the year	36,524	(897,541)
Credit-impaired loans and advances to customers at 31 December	105,854	69,330

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iv. Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances, loan commitments, financial guarantees and investment securities is shown below.

	Cash and Bank Balances	Due from Banks	Loans and advances to customers	Debt securities at amortised cost 2021	Debt securities at Fair Value 2021	Total 2021
Carrying amount	68,608,050	37,008,773	272,468,901	71,896,064	47,279,478	497,261,266
Amount committed/guaranteed			-			-
Concentration by sector						
Corporate:						
Agriculture			246,609,438			246,609,438
Construction			430,619			430,619
Education			766,384			766,384
Finance and Insurance	68,608,050	37,008,773	36,141			105,652,964
General			6,161,495			6,161,495
General Commerce			283,086			283,086
Government			9,709,312	71,896,064	47,279,478	128,884,854
Infotainment			1,011			1,011
Manufacturing			7,118,626			7,118,626
Oil and Gas			747,382			747,382
Power and Energy			221,772			221,772
Professional Services			61,933			61,933
Transportation			55,922			55,922
Utilities			265,781			265,781
	68,608,050	37,008,773	272,468,901	71,896,064	47,279,478	497,261,266

	Cash and Bank Balances	Due from Banks	Loans and advances to customers	Debt securities at amortised cost 2020	Debt securities at Fair Value 2020	Total 2020
Carrying amount	99,266,770	33,065,169	206,205,544	64,379,307	61,667,497	464,584,287
Amount committed/guaranteed			-			-
Concentration by sector						
Corporate:						
Agriculture			179,345,352			179,345,352
Construction			-			-
Education			623,660			623,660
Finance and Insurance	99,266,770	33,065,169	209,266			132,541,205
General			4,721,680			4,721,680
General Commerce			16,252			16,252
Government			10,625,452	64,379,307	61,667,497	136,672,255
Health Care			10,223			10,223
Manufacturing			7,847,614			7,847,614
Oil and Gas			2,537,830			2,537,830
Power and Energy			134,885			134,885
Transportation			47,813			47,813
Real Estate			85,516			85,516
	99,266,770	33,065,169	206,205,544	64,379,307	61,667,497	464,584,287

v. Offsetting financial assets and financial liabilities

The disclosures set out in the following tables include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The 'similar agreements' include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements. 'Similar financial instruments' include derivatives, sale-and-repurchase agreements, reverse sale-and-repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the following tables unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements (see (ii)) do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Bank receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- sale-and-repurchase, and reverse sale-and-repurchase, agreements;
- and — securities lending and borrowing.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

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5.2.2 MARKET RISK

The Bank sees market risk as loss in on and off – balance sheet positions arising from changes in market prices or the potential to experience economic loss due to negative fluctuations or adverse movements of market factors.

a Identification

Unity Bank market risk exposures are largely interest and exchange rate induced. The Bank currently does not play in the Commodity and Equity trading spaces.

Interest rate risk: The interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates. The bank identifies the IRR in the positions or financial contracts held in the regulatory trading book exposed to fair value revaluation associated with movements in market interest rates and the analysis of MPC meeting outcomes and other CBN circulars as it impacts the bank.

Foreign exchange risk: This is a risk of loss resulting from the difference between assumed and actual foreign exchange rates whether it is a long position or short position. The bank identifies its Foreign exchange risk through its trading portfolio or Net Open Position between assets and liabilities held in foreign currency.

The Bank's Market Risk management is a part of the Enterprise Risk Management function responsible for the day to day management which entails risk identification, measurement, monitoring, controlling and reporting.

The market risk management aligns its process with the Bank's strategy and Board appetite guided by operational policies

Price risk: This is the risk of a decline in the value of a security or an investment portfolio excluding a downturn in the market, due to multiple factors. The Bank's price risk is subject to regular monitoring by the Enterprise Risk Management department. The Bank's exposure to price risk volatility is its investment in financial securities as listed below:

	Note	2021 N'000	2020 N'000
Investment securities at FVOCI - Treasury bills	19	24,740,229	40,157,360
Investment securities at FVOCI - Bonds	19	22,539,249	21,510,137
Investment securities at FVOCI - Quoted equities	19	29,520	29,520
		<u>47,308,998</u>	<u>61,697,017</u>

b Concentrations of currency risk: Financial Instruments

The table below shows an analysis of assets and liabilities analysed according to their currencies:

As at 31 December 2021		Naira N'000	Dollar N'000	Pound N'000	Euro N'000	Total N'000
	Notes					
Assets						
Cash and balances with central banks	16	67,201,167	1,281,578	16,629	108,677	68,608,050
Due from banks	17	9,163,560	27,283,106	197,639	336,116	36,980,421
Loans and advances to customers	18	269,269,716	-	-	-	269,269,716
Debt instruments at FVOCI	19(ai)	47,279,478	-	-	-	47,279,478
Equity instruments at FVOCI	19(ai)	4,850,277	-	-	-	4,850,277
Debt instruments at amortised cost	19b	71,896,064	-	-	-	71,896,064
Other assets*	20	15,194,878	-	-	-	15,194,878
		<u>484,855,140</u>	<u>28,564,684</u>	<u>214,268</u>	<u>444,793</u>	<u>514,078,884</u>
Liabilities						
Due to other banks	24	143,321,585	-	-	-	143,321,585
Deposits from customers	25	275,912,611	46,093,019	128,578	150,359	322,284,567
Debt issued and other borrowed funds	26	300,820,197	8,365,385	-	-	309,185,582
Other liabilities**	28	39,130,849	-	-	-	39,130,849
		<u>759,185,242</u>	<u>54,458,404</u>	<u>128,578</u>	<u>150,359</u>	<u>813,922,583</u>
Gap		(274,330,102)	(25,893,720)	85,690	294,434	(299,843,699)
Sensitivity to rate changes		Impact on p/l				
+6% increase		-	(1,553,623)	5,141	17,666	(1,530,816)
-6% decrease		-	1,553,623	(5,141)	(17,666)	1,530,816

* Other assets excludes prepayments, stationary stocks, and other stocks which do not qualify as financial assets

** Other liabilities excludes deferred fees and ECL allowance on contingents which do not qualify as financial liabilities

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As at 31 December 2020

		Naira N'000	Dollar N'000	Pound N'000	Euro N'000	Total N'000
Assets						
Cash and balances with central banks	16	97,859,887	1,281,578	16,629	108,677	99,266,770
Due from banks	17	5,248,307	27,283,107	197,639	336,116	33,065,169
Loans and advances to customers	18	202,080,855	-	-	-	202,080,855
Debt instruments at FVOCI	19(ai)	61,667,497	-	-	-	61,667,497
Equity instruments at FVOCI	19(ai)	1,172,114	-	-	-	1,172,114
Debt instruments at amortised cost	19b	64,379,307	-	-	-	64,379,307
Other assets*	20	7,642,807	-	-	-	7,642,807
		440,050,773	28,564,684	214,268	444,793	469,274,518
Liabilities						
Due to other banks	24	106,699,353	-	-	-	106,699,353
Deposits from customers	25	310,754,419	45,581,836	128,578	150,359	356,615,192
Debt issued and other borrowed funds	26	255,406,328	9,467,308	-	-	264,873,635
Other liabilities**	28	37,326,277	-	-	-	37,326,277
		710,186,377	55,049,143	128,578	150,359	765,514,457
Gap		(270,135,604)	(26,484,459)	85,690	294,434	(296,239,939)
Sensitivity to rate changes						Impact on PL
+6% increase		-	(1,589,068)	5,141	17,666	(1,566,260)
-6% decrease		-	1,589,068	(5,141)	(17,666)	1,566,260

* Other assets excludes prepayments, stationary stocks, and other stocks which do not qualify as financial assets

** Other liabilities excludes deferred fees and ECL allowance on contingents which do not qualify as financial liabilities

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c. Interest Rate Risk

The table below shows an analysis of interest bearing assets and liabilities analysed according to when they are expected to be settled. The interest repricing gap table analyses the full term structure of interest rate mis matches within the Bank's balance sheet based on the maturity date if fixed rate.

As at 31 December 2021

		Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	Over 3 Years	Total
	note	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Assets								
Due from banks	17	33,064,630	3,915,791	-	-	-	0	36,980,421
Loans and advances to customers	18	1,102,589	50,843,316	14,182,239	175,776,651	14,116,206	13,248,716	269,269,716
Debt instruments – FVOCI	19a	4,516,976	9,448,450	3,523,957	4,545,318	768,662	28,676,297	51,479,660
Financial investments – Amortised Cost	19b	3,872,232	3,412,558	10,237,671	-	11,719,399	42,654,204	71,896,064
Total assets		42,556,427	67,620,116	27,943,867	180,321,969	26,604,267	84,579,217	429,625,861
Liabilities								
Due to other banks	24	46,686,482	-	-	96,635,103	-	-	143,321,584
Due to customers	25	258,736,208	48,670,463	8,306,259	5,369,121	1,202,516	-	322,284,567
Borrowings	26	-	-	-	50,698,630	250,121,568	8,365,384	309,185,582
Total liabilities		305,422,690	48,670,463	8,306,259	152,702,854	251,324,084	8,365,384	774,791,733
Net Financial Instruments		(262,866,263)	18,949,653	19,637,608	27,619,115	(224,719,818)	76,213,834	(345,165,872)
Sensitivity to rate changes								
+5% net increase in yield		13,143,313	(947,483)	(981,880)	(1,380,956)	11,235,991	(3,810,692)	17,258,294
		(13,835,066)	997,350	1,033,558	1,453,638	(11,827,359)	4,011,254	(18,166,625)

As at 31 December 2020

		Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	Over 3 Years	Total
		N'000	N'000	N'000	N'000	N'000	N'000	N'000
Assets								
Due from banks	17	5,892,145	27,833,131	-	-	-	-	33,725,276
Loans and advances to customers	18	23,099,798	4,997,785	72,778,949	82,475,313	11,787,028	11,186,638	206,325,511
Debt Instruments – FVOCI	19a	8,383,610	21,595,452	3,333,301	7,173,762	2,115,498	19,587,893	62,189,516
Financial investments – Amortised Cost	19b	-	15,519,734	-	1,100,000	2,508,026	45,251,547	64,379,307
Total assets		37,375,553	69,946,102	76,112,250	90,749,076	16,410,552	76,026,078	366,619,610
Liabilities								
Due to other banks	24	6,500,000	-	-	100,000,000	-	-	106,500,000
Due to customers	25	258,968,190	95,490,317	1,575,908	420,852	-	-	356,455,267
Debt issued and other borrowed funds	26	-	-	-	50,698,630	204,707,698	9,467,308	264,873,636
Total liabilities		265,468,190	95,490,317	1,575,908	151,119,482	204,707,698	9,467,308	727,828,902
Net Financial Instruments		(228,092,637)	(25,544,215)	74,536,342	(60,370,406)	(188,297,146)	66,558,770	(361,209,292)
Sensitivity to rate changes								
+5% net increase in yield		11,404,632	1,277,211	(3,726,817)	3,018,520	9,414,857	(3,327,938)	18,060,465
-5% net decrease in yield		(12,004,876)	(1,344,432)	3,922,965	(3,177,390)	(9,910,376)	3,503,093	(19,011,015)

5.2.3 LIQUIDITY RISK MANAGEMENT

The Board and Senior Management have a major stake in the liquidity management of Unity Bank. Within its oversight function, the Board sets clear liquidity management strategy, policies and procedures aligned with the Bank's overall business objectives. It further keeps a tab on Management's compliance with the Bank's liquidity risk management strategy. To this end, it seeks to know on a regular basis the liquidity position of the Bank while providing support in various forms feasible to Management in meeting the liquidity risk management objectives.

The supervisory function of Management spans from the Liquidity Risk Management framework which has strong emphasis diversification of deposit base, practical contingency funding plan and an effective strategy for foreign currency liquidity risk.

The other Management responsibilities include:

- Through its Strategic Asset and Liability Management Committee and other relevant organs, Management ensures a robust implementation of the Bank's liquidity risk management strategy, policies and procedures.
- Management informs the Board of the Bank's liquidity risk position regularly and proactively.
- Management informs the Board about any material potential positive or adverse change in the Bank's liquidity risk profile. The report incorporates actions taken or being taken and the assistance required from the Board to redress the situation or take advantage of the positive change.

The key players in the management of Liquidity risk and their functions are:

1. Asset Liabilities Committee
2. Treasury Group
3. Market & Liquidity Risk Department
4. The Business Units

a Asset Liabilities Committee (ALCO)

ALCO is responsible for managing the Bank's liquidity risk generally rendering reports to that effect. The frequency of such reports is normally monthly except where an emergency situation demands. A review of the liquidity position stirs recommendations to Management.

ALCO also monitors implementation of approved strategies whilst making reports to the MD/CEO on the level of compliance

b Maturity profile of assets and liabilities

The table below shows the undiscounted cash flows on the Bank's financial assets and financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow/(outflow) disclosed in the table is the contractual undiscounted cash flow on the financial assets, liability and commitments.

31 December 2021	Note	Carrying Amount N'000	Up to 1	1 to 3	3 to 6	6 to 12	1 to 3	Over 3	Nominal
			Month	Months	Months	Months	Years	Years	inflow/ (outflow) N'000
Assets									
Cash and balances with central banks	16	68,608,050	7,805,508	-	-	-	60,356,381	446,162	68,608,050
Due from banks	17	36,980,421	33,103,653	3,917,200	-	-	-	0	37,020,854
Loans and advances to customers	18	269,269,716	1,102,589	50,843,316	14,182,239	175,776,651	14,116,206	13,248,716	279,857,781
Debt & Equity instruments at FVOCI	19a	52,129,755	4,516,976	9,448,450	3,523,957	5,195,413	768,662	28,676,297	52,129,755
Debt instruments at amortised cost	19a	71,896,064	3,872,232	3,412,558	10,237,671	-	11,719,399	42,654,204	71,896,064
Other assets*	20	15,194,878	15,194,878	-	-	-	-	-	15,194,878
Total assets		514,078,884	65,595,835	67,621,524	27,943,867	180,972,064	86,960,648	85,025,379	524,707,382
Liabilities									
Due to other banks	24	143,321,585	46,686,482	-	-	96,635,103	-	-	145,456,727
Deposit from customers	25	322,284,567	258,736,208	48,670,463	8,306,259	5,369,121	1,202,516	-	322,284,567
Borrowings	26	309,185,582	-	-	-	50,698,630	250,121,568	8,365,384	309,185,582
Other liabilities**	28	39,130,849	39,130,849	-	-	-	-	-	39,130,849
Total liabilities		813,922,583	344,553,539	48,670,463	8,306,259	152,702,854	251,324,084	8,365,384	816,057,726
Gap		(299,843,699)	(278,957,704)	18,951,061	19,637,608	28,269,210	(164,363,437)	76,659,995	(291,350,344)

* Other assets excludes prepayments, stationary stocks, and other stocks which do not qualify as financial assets

** Other liabilities excludes deferred fees and ECL allowance on contingents which do not qualify as financial liabilities

To address this gap, the Bank is in the process of a recapitalization exercise. The inflow of capital would introduce funds for assets generation that can be properly matched.

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31 December 2020	Note	Carrying Amount	Up to 1	1 to 3	3 to 6	6 to 12	1 to 3	Over 3 Nominal	
Assets		N'000	Month	Months	Months	Months	Years	Years inflow/(outflow)	
			N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and balances with central banks	16	99,097,619	8,136,410	-	-	-	90,788,548	172,662	99,097,619
Due from banks	17	42,161,166	14,310,670	27,850,495	-	-	-	-	42,161,166
Loans and advances to customers	18	202,080,856	23,099,798	4,997,785	72,778,949	82,475,313	11,787,028	11,186,638	206,325,511
Debt instruments at FVOCI	19a	62,839,611	8,383,610	21,595,452	3,333,301	7,823,857	2,115,498	19,587,893	62,839,611
Debt instruments at amortised cost	19a	64,379,307	-	15,519,734	-	1,100,000	2,508,026	45,251,547	64,379,307
Other assets*	20	7,642,807	7,642,807	-	-	-	-	-	7,642,807
Total assets		478,201,364	61,573,294	69,963,466	76,112,250	91,399,171	107,199,100	76,198,739	482,446,020
Liabilities									
Due to other banks	24	106,699,353	6,500,000	-	-	100,000,000	-	-	106,500,000
Due to customers	25	356,455,267	258,968,190	95,490,317	1,575,908	420,852	-	-	356,455,267
Borrowings	26	264,873,636	-	-	-	50,698,630	204,707,698	9,467,308	264,873,636
Other liabilities**	28	37,326,277	37,326,277	-	-	-	-	-	37,326,277
Total liabilities		765,354,532	302,794,467	95,490,317	1,575,908	151,119,482	204,707,698	9,467,308	765,155,179
Gap		(287,153,168)	(241,221,172)	(25,526,851)	74,536,342	(59,720,311)	(97,508,598)	66,731,431	(282,709,158)

* Other assets excludes prepayments, stationary stocks, and other stocks which do not qualify as financial assets

** Other liabilities excludes deferred fees and ECL allowance on contingents which do not qualify as financial liabilities

Maturity Profile of Contingents

The table below shows an analysis of contingents analysed according to when they are expected to be recovered or settled:

	Up to 1	1 to 3	3 to 6	6 to 12	Over 1	Total
	Month	Months	Months	Months	Year	
	N'000	N'000	N'000	N'000	N'000	N'000
31 December 2021						
Performance Bonds & Guarantees	10,399,535	4,166,942	23,247,113	3,490,576	53,210,842	94,515,008
Letters of credit	749,814	-	13,944,598	-	-	14,694,412
	11,149,349	4,166,942	37,191,711	3,490,576	53,210,842	109,209,420
31 December 2020						
Performance Bonds & Guarantees	113,299	3,396,966	10,194,738	7,643,528	44,826,660	66,175,192
Letters of credit	21,094,821	2,583,372	9,845,033	-	-	33,523,225
	21,208,120	5,980,338	20,039,771	7,643,528	44,826,660	99,698,417

Liquidity Reserves

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other Banks and holds unencumbered assets eligible for use as collateral with Central Banks (these amounts are referred to as the 'Bank's liquidity reserves').

The following table sets out the components of the Bank's liquidity reserves:

	2021		2020	
	Carrying	Fair Value	Carrying	Fair Value
	Amount		Amount	
Cash on hand	6,240,566	6,240,566	6,855,423	6,855,423
Current account with the Central Bank of Nigeria	1,564,941	1,564,941	1,280,987	1,280,987
Due from banks	36,980,421	36,980,421	33,065,169	33,065,169
Investment Securities:				
At fair value through other comprehensive income	47,279,478	47,279,478	61,667,497	61,667,497
Debt instruments at amortised cost	71,896,064	71,896,064	64,379,307	64,379,307
	163,961,471	163,961,471	167,248,383	167,248,383

5.2.4 Fair value of financial instruments

a Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the bank's estimate of assumptions that a market participant would make when valuing the instruments.

b Financial investments –Fair Value through OCI

Financial investments –Fair Value through OCI financial assets valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities. These assets are valued using models that use both observable and un-observable data. The un-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

c Determination of fair value and fair value hierarchy

The bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2021	Level 1	Level 3	Total
Financial assets	N'000	N'000	N'000
Financial investments –FVOCI			
Treasury bills	24,268,547	-	24,268,547
Government bonds	23,010,930	-	23,010,930
Equity investment	-	4,850,277	4,850,277
	47,279,477	4,850,277	52,129,754
31 December 2020	Level 1	Level 3	Total
Financial assets	N'000	N'000	N'000
Financial investments - FVOCI			
Treasury bills	39,685,678	-	39,685,678
Government bonds	21,981,818	-	21,981,818
Equity investment	-	1,172,114	1,172,114
	61,667,496	1,172,114	62,839,610

d Level 3 fair value measurements

i Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

31 December 2021	FVOCI	Total
	Equity instruments	carrying amount
	N'000	N'000
Balance at 1 January	1,172,114	1,172,114
Total gains or losses:		
in OCI	3,678,162	3,678,162
Balance at 31 December	4,850,276	4,850,276

31 December 2020	FVOCI equity instruments N'000	Total carrying amount N'000
Balance at 1 January	650,095	650,095
Total gains or losses: in OCI	505,315	505,315
Purchases	16,704	16,704
Balance at 31 December	<u>1,172,114</u>	<u>1,172,114</u>

e Valuation of unquoted equities

The Bank has investment in unquoted equities. The Bank adopted the Discounted Cash flow (DCF) Technique in estimating the fair value of its investment in unquoted equities, a technique acceptable under IFRS 13 fair value measurement. The fair has been classified as level 3 in the fair value hierarchy.

The key parameters and assumptions used in the valuation are as follows:

Step 1: A five-year forecast of the free cash flow to the firm (FCFF) for each of the equity investments was made.

Step 2: The yearly FCFF forecasts were discounted to present value using the companies WACC.

Step 3: The terminal value at year five was estimated by dividing the compounded (with 'g') year five FCFF by the capitalization rate.

Step 4: The terminal value was discounted to present value using each company's WACC.

Step 5: The fair value was obtained by adding the present value of the five-year FCFF obtained in step (2) above to the present value of terminal value obtained in step (4) above.

Step 6: The fair value of the Bank's investment in each of the unquoted equity investments was derived by multiplying the Bank's percentage holding in the investee by the fair value obtained in step (5).

The significant unobservable inputs in the valuation method include:

- Five year forecast of the free cash flows to the firm.
- The discounting factor which include each companies' WACC.

Generally, a change in any of the unobservable input as listed above will impact on the estimated fair values for these instruments.

Valuation Assumptions - Discounted Cash flow

Risk free rate is the 11.63% yield on 10-year Federal Government of Nigeria Bond, risk premium of 10.63% and beta of 0.71 assumed based on trend analysis.

Sensitivity analysis – Equity Price Risk (unquoted equity investment)

<i>In thousands of Naira</i>	Increase	Decrease
Risk free rate (1% movement)	13.60%	11.60%
Risk premium (1% movement)	12.60%	10.60%

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5.2.4 Fair value of financial instruments (cont'd)

Set out below is a comparison, by class, of the carrying amounts and fair values of the bank's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

		31 DECEMBER 2021		31 DECEMBER 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
		N'000	N'000	N'000	N'000
Financial assets					
Cash and balances with central bank	16	68,608,050	68,608,050	99,266,770	99,266,770
Due from banks	17	36,980,421	36,980,421	33,065,169	33,065,169
Loans and advances to customers	18	269,269,716	272,468,900	202,080,856	206,205,544
Other Assets*	20	15,194,878	15,194,878	7,642,807	7,642,807
Financial investments – Amortised Costs	19a	71,896,064	66,144,379	64,379,307	27,187,702
		461,949,129	459,396,628	406,434,908	373,367,992
Financial liabilities					
Deposit from customers	25	322,284,567	322,284,567	356,615,192	356,615,192
Due to Other Banks	24	143,321,585	143,321,585	106,699,353	106,699,353
Borrowings	25	309,185,582	309,185,582	264,873,635	264,873,635
Other liabilities**	28	39,130,849	39,130,849	37,326,277	37,326,277
		813,922,583	813,922,583	765,514,456	765,514,456

* Other assets excludes prepayments, stationary stocks, and other stocks which do not qualify as financial assets

d Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread.

Fair Value of financial assets attributable to changes in credit risk.

In respect of the net gain on financial assets (Debt Securities), recognised in equity, the fair value changes are attributable to changes in market interest rate and not the credit risk of the issuer.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5.2.5 Classification of financial assets and financial liabilities

See accounting policies in Notes 3(II)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2021		FVOCI debt instruments N'000	FVOCI equity instruments N'000	Amortised cost N'000	Total carrying amount N'000
	Note				
Cash and balances with					
Central Bank	16	-	-	68,608,050	68,608,050
Due from banks	17	-	-	36,980,421	36,980,421
Loans and advances to					
customers	18	-	-	269,269,716	269,269,716
Investment Securities	19(ai)	47,279,478	4,850,277	71,896,064	124,025,818
Other assets*	20	-	-	15,194,878	15,194,878
Total financial assets		47,279,478	4,850,277	461,949,129	514,078,883
Due to other banks	24	-	-	143,321,585	143,321,585
Deposits from customers	25	-	-	322,284,567	322,284,567
Debt issued and other					
borrowed funds	26	-	-	309,185,582	309,185,582
Other liabilities**	28	-	-	39,130,849	39,130,849
		-	-	813,922,583	813,922,583
31 December 2020		FVOCI debt instruments N'000	FVOCI equity instruments N'000	Amortised cost N'000	Total carrying amount N'000
	Note				
Cash and balances with					
Central Bank	16	-	-	99,266,770	99,266,770
Due from banks	17	-	-	33,065,169	33,065,169
Loans and advances to					
customers	18	-	-	202,080,855	202,080,855
Investment Securities	19(ai)	61,667,497	1,172,114	64,379,307	127,218,917
Other assets*	20	-	-	7,642,807	7,642,807
Total financial assets		61,667,497	1,172,114	406,434,907	469,274,518
Due to other banks	24	-	-	106,699,353	106,699,353
Deposits from customers	25	-	-	356,615,192	356,615,192
Debt issued and other					
borrowed funds	26	-	-	264,873,636	264,873,636
Other liabilities**	28	-	-	37,326,277	37,326,277
Total financial liabilities		-	-	765,514,457	765,514,457

* Other assets excludes prepayments, stationary stocks, and other stocks which do not qualify as financial assets

** Other liabilities excludes deferred fees and ECL allowance on contingents which do not qualify as financial liabilities

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5.2.6 Responding to COVID 19 pandemic:

The Bank responded to COVID 19 pandemic in the following areas:

Credit risk:

In response to the COVID 19 pandemic, Board and Management Risk Management Committee did the following:

- had more frequent meetings to review new contracts considering specifically the impact of the pandemic on the industry and the client business operations. Meetings were conducted using online platforms to comply with the directives of the Government on the management of the pandemic.
- Directed the continuous monitoring the economic environment and customers of the Bank in response to COVID 19 pandemic and taking action to limit exposure to customers that are severely impact. No customer with significant impact was identified.
- directed the reviews the credit rating of its customers and establishes whether a downgrade in risk rating was necessary. No such action became necessary
- update the macro economic indices and the scaler facts to reflect the actual and expected impact of COVID 19 pandemic on each of the loan customer
- Provided an option of a temporary extension of credit terms to customers who may have been impacted by the pandemic.

Market Risk

The Bank's Risk Management Strategy was not significantly changed due to the CoVID 19 pandemic. However, the Bank budget was flexed in 2021 to incorporate any impact the pandemic may have on the business operations of the Bank.

Government Assistance

The Bank did not receive any assistance from the Government by way of palliatives or bridge funding. However, the Bank continued to support the Government's efforts to making loans available to the economy through the Anchor Borrowers program (ABP) schemes. The Bank received funds for on lending to farmers during the year. See further details in note 26.

Other matters:

The Bank continued to carry out it activities as required while keeping in view the requirements of the Government team on managing the Pandemic. Staff were engaged optimally with no changes in staff strength and staff remuneration except during the normal operations of the Bank. The Bank ensures that there was minimal disruption to service by activating its disaster management plan which included initiatives such as remote work capabilities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 N'000	2020 N'000
6 Interest income		
Placement with Banks	707,889	1,232,816
Loans and advances to customers	33,074,564	23,004,488
Financial investments – FVOCI (see (a) below)	1,910,730	9,118,098
Financial investments – amortised costs (see (b) below)	7,488,376	5,764,055
	43,181,558	39,119,457

Total interest income are calculated using the effective interest rate method.

	2021 N'000	2020 N'000
a Financial investments – FVOCI		
Treasury bills	1,910,730	9,118,098
	1,910,730	9,118,098

	2021 N'000	2020 N'000
b Financial investments – amortised cost		
Treasury Bills	1,880,378	1,447,390
Bonds - Amortised cost	5,607,998	4,316,665
	7,488,376	5,764,055

	2021 N'000	2020 N'000
7 Interest expense:		
Due to banks	11,739,350	10,172,386
Deposits from customers	5,119,733	7,263,921
Other borrowed funds (see note 26)	6,256,751	3,920,218
Interest expense on lease liability	11,171	15,791
	23,127,004	21,372,315

Total interest expense are calculated using the effective interest rate method reported above.

	2021 N'000	2020 N'000
8 Fees and commission income		
Credit related fees and commission	1,069,816	1,039,968
Account Maintenance Fee	1,664,947	1,358,721
E-banking income (see note 8b)	3,043,946	2,642,572
Other fees and commission	338,361	177,335
	6,117,070	5,218,596

a Fees and commission income from contracts with customers is measured based on the consideration specified in the contracts with the customer. The Bank recognises revenue when it transfers control over a service to the customer. The Bank provides banking services to retail and corporate customers including account management, provision of overdraft facilities, foreign currency transactions, credit card and similar services. Fees for on going account management are charged to the customers account on a monthly basis. Transaction based fees are charged when the transaction occurs while service fees are charged when the customer has enjoyed the benefits. The Bank reviews rates periodically in line with the requirements of the primary regulator's (CBN) rate guide.

b E-banking income comprises income from ATM transactions, cards issuance and transaction income and other transactional income including alert, mobile banking, collections etc. The Bank focused on developing efficiencies in this areas and this had a significant impact on revenues.

The analysis of E-banking income is as follows:

	2021 N'000	2020 N'000
ATM income	2,062,099	1,903,071
Cards Income	334,561	224,323
Transactions income	647,286	515,177
	3,043,946	2,642,572

	2021 N'000	2020 N'000
9 Net trading losses		
FX trading gain	181,744	257,975
Foreign exchange (loss)/gain	(1,489,419)	434,274
Securities trading losses	-	(4,509,297)
Net trading loss on financial instruments	(1,307,675)	(3,817,048)

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10 Other operating income	2021	2020
	N'000	N'000
Dividend income	96,710	85,875
Gains from sale of financial assets	102,329	1,261,455
Rental income	86,342	112,109
Gain on disposal of property and equipment	25,857	8,923
Tax credit (b)	551,950	-
Transactional income (a)	122,529	719,905
	985,717	2,188,267

(a) Included as transactional income includes income recognised for services rendered such as Cash handling, Account statement, Cheque books issuance that the Bank provided to its customers during the year.

(b) Withholding tax credit was received from Federal Inland Revenue Service (FIRS) during the year.

11 Remeasurements of ECL allowance on financial assets	2021	2020
	N'000	N'000
Due from banks (See note 17)	-	(325,207)
Loans & advances (see note 18(d))	(925,505)	1,228,601
FVOCI Debt securities	88,458	12,538
Contingents (see note 28)	(733,718)	(297,273)
	(1,570,765)	618,659
Recoveries on amounts previously written off (see note (a) below)	(1,376,072)	(1,546,918)
Credit loss expense	(2,946,837)	(928,259)
Other assets (see note 20)	382,911	(3,199,073)
Total impairment writeback	(2,563,927)	(4,127,332)

(a) Amount represents recoveries of delinquent loans previously written off. The Bank shall intensify its recovery efforts to recoup its legacy non performing loans.

Analysis of impairment by stage allocation

31 December 2021

<i>In thousands of Naira</i>	12 months ECL	Lifetime ECL not- credit impaired	Lifetime ECL - credit impaired	Total
Due from banks	-	-	-	-
Loans & advances	(904,888)	(21,624)	1,008	(925,505)
Financial instruments	88,458	-	-	88,458
Contingents	(733,718)	-	-	(733,718)
Other assets	-	-	382,911	382,911
	(1,550,148)	(21,624)	383,919	(1,187,854)
Recoveries				(1,376,072)
Total impairment writeback				(2,563,926)

31 December 2020

<i>In thousands of Naira</i>	12 months ECL	Lifetime ECL not- credit impaired	Lifetime ECL - credit impaired	Total
Due from banks	(325,207)	-	-	(325,207)
Loans & advances	1,387,908	513,603	(672,910)	1,228,601
Financial instruments	12,538	-	-	12,538
Contingents	(297,273)	-	-	(297,273)
Other assets	-	-	(3,199,073)	(3,199,073)
	777,966	513,603	(3,871,983)	(2,580,414)
Recoveries				(1,546,918)
Total impairment writeback				(4,127,332)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Personnel expenses	2021	2020
	N'000	N'000
Salary and allowances	10,007,900	9,799,608
Pension costs – Defined contribution plan (See note 29)	528,610	609,387
	10,536,510	10,408,996
13. Other operating expenses		
Advertising and marketing	450,029	390,841
Professional fees	149,445	303,371
Rental charges	16,986	16,547
Banking Sector Resolution Funds (AMCON Levy)	2,958,594	1,789,953
NDIC insurance premium	1,637,872	1,161,543
Administrative (see note 13a below)	7,346,856	7,426,965
	12,559,781	11,089,219
13a. Administrative	2021	2020
	N'000	N'000
AGM expenses	35,159	45,000
Audit fees (iv)	77,000	65,000
Fuel & motor running expenses	127,840	98,083
Printing and stationery	189,721	144,739
Bank charges & subscription	315,197	351,923
Donations	670,916	144,954
General insurance	234,086	241,777
Legal expenses	341,442	958,351
Local & foreign travels	236,354	197,143
Electricity & power expenses	374,273	359,274
Cash & Currency management expense	465,708	433,751
Facility maintenance & management expenses	233,351	302,589
Directors fees, allowances & expenses	232,466	238,777
Repair & maintenance expenses	639,049	497,422
Diesel expenses	475,703	343,179
Security & safety management expenses	660,161	643,847
IT and related expenses	746,120	803,781
Back Duty taxes paid	35,377	283,016
Interest Reversals (i)	183,764	370,937
Office related expenses (ii)	415,844	549,531
AMCON Clawback expense	271,307	-
Other expenses (iii)	386,018	353,891
	7,346,856	7,426,965

- i. Interest reversals: This relates to interest concessions received by customers from prior year(s) transactions.
- ii. Office related expenses includes items such as office provision & toiletries, entertainment expenses, telephone and related subscriptions, newspapers and periodicals.
- iii. Included as part of other expenses items relating to rates, levies & fees incurred by the bank in the normal cause of business but have not been classified into any of the sub classes above.
- iv. The auditors have not been engaged or been paid in/for any other non-audit activity other than as has been disclosed above.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

14 Tax Expenses	2021 N'000		2020 N'000	
Minimum income tax				
Minimum income tax	124,264		114,678	
	124,264		114,678	
NITDA levy	27,527		22,012	
NASENI Levy	6,950		-	
Police Trust Fund levy	139		111	
	34,616		22,123	
Total tax expense	158,880		136,801	
	2021 N'000	%	2020 N'000	%
Reconciliation of effective tax rate				
Profit before income tax	3,332,134		2,223,194	
Minimum tax	124,264	4%	114,678	5%
Tax calculated at domestic rate applicable in Nigeria (30%)	999,640	30%	666,958	30%
Tax effect of adjustments on taxable income				
Non-deductible expenses	211,888	6%	3,288,328	148%
Tax exempt income	(3,393,225)	-102%	(5,344,733)	-240%
NITDA levy	27,527	1%	22,012	1%
Temporary differences for which no deferred tax was recognised	2,181,697	65%	1,504,125	68%
NASENI Levy	6,950	0%	-	0%
Police trust fund levy	139	0%	111	0%
Total tax expense	158,880	5%	136,801	6%

15. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date. While diluted earnings per share is computed by dividing the net profit for the year attributable to ordinary shareholders by fully diluted shares (i.e. including the impact of stock options, grants and convertible bonds) outstanding at the reporting date. The Bank as at the end of the period did not have any stock options, grants and convertible bonds.

	2021 N'000	2020 N'000
Net profit attributable to ordinary shareholders for basic earnings:	3,173,254	2,086,393
Weighted average number of ordinary shares for basic earnings per share:	11,689,338	11,689,338
Basic earnings per ordinary share	27.15	17.85

Diluted earnings per ordinary share

The Bank has no dilutive instruments. As a result, dilutive earnings per share is the same as the basic earnings per ordinary share.

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 N'000	2020 N'000
16 Cash and Balances with Central Bank		
Cash on hand	6,240,566	6,855,423
	<u>6,240,566</u>	<u>6,855,423</u>
Current account with the Central Bank of Nigeria	1,564,941	1,280,987
Deposits with the Central Bank of Nigeria	60,356,381	90,788,548
CBN - AGSMEIS Account	446,162	341,812
	<u>68,608,050</u>	<u>99,266,770</u>
Current	68,161,888	98,924,958
Non-Current	446,162	341,812
	<u>68,608,050</u>	<u>99,266,770</u>

Deposits with the Central Bank of Nigeria represent mandatory reserve deposits and are not available for use in the bank's day-to-day operations. There was no impaired cash asset in the year.

	2021 N'000	2020 N'000
17 Due from banks		
Placements with banks and discount houses	27,837,729	21,984,267
Balances with banks within Nigeria	1,645,304	1,797,629
Balances with banks outside Nigeria	7,525,740	9,311,625
	<u>37,008,773</u>	<u>33,093,521</u>
Less: remeasurement of ECL allowance (see note 17(a))	(28,352)	(28,352)
	<u>36,980,421</u>	<u>33,065,169</u>
Current	36,980,421	33,065,169
Non-Current	-	-
	<u>36,980,421</u>	<u>33,065,169</u>

Balance due from banks have been assessed for impairment using the expected credit loss (ECL) model as required under IFRS 9.

	2021 N'000	2020 N'000
a Movement in impairment allowance		
At 1 January	28,352	353,559
Impairment writeback for the year	-	(325,207)
At 31 December	<u>28,352</u>	<u>28,352</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 N'000	2020 N'000
18 Loans and advances to Customers		
<i>a i. Direct Loans and advances to</i>		
Government lending	11,478,414	11,478,414
Corporate lending	5,148,772	5,148,772
Consumer lending	4,744,118	2,524,571
	21,371,304	19,151,757
<i>ii. On-lending facilities</i>	251,097,596	187,053,787
Gross Loans & Advances (including On-lending)	272,468,900	206,205,544
Less: Allowance for impairment losses	(3,199,184)	(4,124,689)
	269,269,716	202,080,856
Current	241,904,794	183,351,845
Non-Current	27,364,922	18,729,011
	269,269,716	202,080,856

b Collaterals held & other Credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table stratify credit exposures from loans and advances to customers by ranges of loan to value (LTV) ratio. LTV is calculated as the ratio of the gross loan amount to the value of the collateral. The valuation of the collateral excludes any adjustment for obtaining and selling this collateral. For credit-impaired loans, the value of collateral is based on the most recent appraisals.

The Bank may take collateral in form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Loan to value ratio is as follows

31 December 2021

	Exposure	Value of collateral	LTV ratio
Cash	10,092,149	12,733,004	79%
Secured against real estate	4,382,092	16,532,403	27%
Otherwise secured	257,994,659	257,994,659	100%
	272,468,900	287,260,066	95%

31 December 2020

	Exposure	Value of collateral	LTV ratio
Cash	13,236,232	17,333,280	76%
Secured against real estate	2,675,847	13,306,026	20%
Otherwise secured	190,293,465	190,293,465	100%
	206,205,544	220,932,771	93%

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 N'000	2020 N'000
c Loans and advances to customers by Maturity		
0 to 30 days	1,022,886	2,774,855
1 -3 months	1,576,662	2,388,186
3-6 months	1,050,608	767,423
6-12 Months	2,812,526	2,847,453
Over 12 Months	14,908,622	10,373,839
Total Loans & advances	21,371,304	19,151,757
	2021 N'000	2020 N'000
On-lending		
0-6 Months	62,477,988	22,935,791
6-12 Months	172,964,124	151,519,419
Over 12 Months	15,655,484	12,598,577
Total On lending	251,097,596	187,053,787
Gross Loans (Including On-Lending)	272,468,900	206,205,544
d Reconciliation of impairment allowance for loans and advances to customers		
	2021 N'000	2020 N'000
At 1 January	4,124,689	2,896,088
(Writeback)/Charge for the year (see note 11)	(925,505)	1,228,601
At 31 December	3,199,184	4,124,689

e Concentration of credit risk

Credit risk concentration is determined by management on the basis of geography and Industry
The geographical concentration of risk asset are shown below

Region	2021 N'000	2020 N'000
South South	1,106,597	4,866,868
South West	19,277,124	20,857,288
South East	2,088,166	2,088,166
North West	14,506,947	33,933,059
North Central	207,430,184	102,448,351
North East	28,059,882	42,131,779
	272,468,900	206,325,511

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

19 Investments Securities	2021 N'000	2020 N'000
(ai) Fair Value through OCI		
Debt Instruments		
Debt securities - treasury bills	24,740,229	40,157,360
Debt securities - government bonds	22,539,249	21,510,137
	47,279,478	61,667,497
Equity investments		
Quoted equities	29,520	29,520
Unquoted equities	4,820,757	1,142,594
	4,850,277	1,172,114
	52,129,755	62,839,611

The debt instrument at fair value through other comprehensive income includes treasury bills of N1.8 billion and FGN bond of N12.7 billion pledged as collateral for placement with foreign bank and as collateral for clearing and settlement account respectively.

(aia) Movement in investment securities at FVOCI

31 December 2021

	N'000	N'000	N'000
	Debt instruments	Equities	Total
Balance beginning of the year	61,667,497	1,172,114	62,839,611
Fair value changes during the year	(7,595,075)	3,678,162	(3,916,913)
Purchase of investments securities at FVOCI	64,046,857	-	64,046,857
Redemption/disposal of debt securities	(70,839,800)	-	(70,839,800)
Balance, end of the year	47,279,478	4,850,276	52,129,755

31 December 2020

	N'000	N'000	N'000
	Debt instruments	Equities	Total
Balance beginning of the year	86,611,960	650,095	87,262,055
Fair value changes during the year	768,066	505,315	1,273,381
Purchase of investments securities at FVOCI	130,119,215	16,703	130,135,918
Redemption/disposal of debt securities	(155,831,744)	-	(155,831,744)
Balance, end of the year	61,667,497	1,172,114	62,839,611

	2021 N'000	2020 N'000
Current	22,684,796	41,136,220
Non-Current	29,444,959	21,703,391
	52,129,755	62,839,611

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 N'000	2020 N'000
b Debt instruments at amortised costs		
Government debt securities	71,896,064	64,379,307
Remeasurement of ECL allowance	-	-
	71,896,064	64,379,307
	2021 N'000	2020 N'000
Current	17,522,461	16,619,734
Non-Current	54,373,603	47,759,573
	71,896,064	64,379,307
c Movement in financial instrument at amortised cost		
	2021 N'000	2020 N'000
Balance, beginning of the year	64,379,307	29,209,131
Net acquisition of financial instruments during the year	4,321,871	33,220,011
Interest Income	7,488,376	5,764,055
Interest received	(4,293,490)	(3,813,890)
	71,896,064	64,379,307
20 Other assets		
<i>Non financial assets</i>		
Prepayments	1,673,017	437,658
Stationery stocks	302,730	243,952
	1,975,747	681,610
<i>Financial assets</i>		
Account receivables (d)	1,879,166	1,011,595
SME forex allocation receivable (c)	2,600,304	2,600,304
Settlement receivables (see note (a) below)	17,541,448	10,443,790
	22,020,918	14,055,690
Less: remeasurement of ECL allowance	(6,826,040)	(6,412,883)
Net financial assets	15,194,878	7,642,807
Total other assets	17,170,625	8,324,417
Current	17,170,625	8,324,417
Non-Current	-	-
	17,170,625	8,324,417

a. Included as part of Settlement receivables are outstanding reconciling items on nostro reclassified to other assets totalling N4.4 billion (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.

b. Movement in remeasurement of ECL allowance was as follows:

	2021 N'000	2020 N'000
Balance, beginning of the year	6,412,883	9,877,604
Impairment Charge for the year (see Note 11)	382,911	(3,199,073)
Amount written off	-	(265,648)
Foreign exchange movement	30,246	-
Balance year end	6,826,040	6,412,883

This represents the amount receivable from the CBN on the SME Funding carried out in 2017. the Directors are of the opinion that the amount is not doubtful of recovery, accordingly, no impairment has been recognised.

Included as part of Account receivables is an amount of N1.4billion (2020: N0.25 billion) which relate to operational losses incurred during the year on unauthorised transfers made by third parties. Necessary impairments have been made and the charge to expense.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**
21 Property and equipment

	Land N'000	Building N'000	ROU Building N'000	Motor Vehicle N'000	Property & Equipment N'000	Furniture & Fittings N'000	Work in Progress N'000	Total N'000
Cost:								
At 01 January 2021	415,550	24,637,896	1,714,330	5,303,634	15,411,721	3,466,777	688,575	51,638,484
Additions	-	59,508	404,222	446,841	979,671	78,376	828,306	2,796,923
Disposals	-	-	-	(326,147)	(146,094)	-	-	(472,240)
ROU lease liability terminated	-	-	(54,532)	-	-	-	-	(54,532)
Reclassifications	-	9,130	-	-	10,944	9,665	(29,739)	-
Write off	-	-	0	(116,025)	-	-	-	(116,025)
At 31 December 2021	415,550	24,706,534	2,064,020	5,308,303	16,256,242	3,554,818	1,487,142	53,792,610
Depreciation and impairment:								
At 01 January 2021	-	7,369,048	970,900	3,946,214	14,039,754	3,397,203	-	29,723,120
Additions	-	452,603	478,148	499,322	468,855	35,336	-	1,934,263
Disposals	-	-	-	(326,146)	(142,131)	-	-	(468,276)
Written off	-	-	-	(64,887)	-	-	-	(64,887)
At 31 December 2021	-	7,821,651	1,449,049	4,054,503	14,366,478	3,432,539	-	31,124,220
Net book value:								
At 01 January 2021	415,550	17,268,849	743,429	1,357,419	1,371,967	69,574	688,575	21,915,364
At 31 December 2021	415,550	16,884,883	614,971	1,253,799	1,889,763	122,279	1,487,142	22,668,390

	Land N'000	Building N'000	ROU Building N'000	Motor Vehicle N'000	Property & Equipment N'000	Furniture & Fittings N'000	Work in Progress N'000	Total N'000
Cost:								
At 01 January 2020	415,550	24,523,631	1,444,267	4,712,911	14,759,691	3,441,633	736,546	50,034,230
Additions	-	83,024	493,161	577,912	659,625	25,144	43,549	1,882,415
Disposals	-	-	-	-	(44,235)	-	-	(44,235)
Reclassifications	-	-	(223,099)	-	-	-	-	(223,099)
Reclass out of PPE	-	31,241	-	12,811	36,640	-	(80,693)	-
Reclassifications/WO	-	-	-	-	-	-	(10,827)	(10,827)
At 31 December 2020	415,550	24,637,896	1,714,330	5,303,634	15,411,721	3,466,777	688,575	51,638,484
Depreciation and impairment:								
At 01 January 2020	-	6,902,606	510,211	3,511,335	13,802,444	3,344,075	-	28,070,671
Additions	-	466,442	460,689	434,879	280,518	53,128	-	1,695,656
Disposals	-	-	-	-	(43,207)	-	-	(43,207)
At 31 December 2020	-	7,369,048	970,900	3,946,214	14,039,754	3,397,203	-	29,723,120
Net book value:								
At 01 January 2020	415,550	17,621,025	934,057	1,201,576	957,247	97,558	736,546	21,963,559
At 31 December 2020	415,550	17,268,848	743,430	1,357,420	1,371,968	69,574	688,575	21,915,364

There were no impairment losses on any class of property and equipment during the year (December 31, 2020: Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 31, 2020: Nil).

All property and equipment are non-current. None of the Bank's assets were financed from borrowings, consequently no borrowing cost has been capitalized as part of asset cost.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

22 Intangible assets

	Computer Software		Computer Software	
	N'000		N'000	
	2021	2021	2020	2020
Cost:				
At 01 January	3,442,663	3,442,663	3,382,805	3,382,805
Additions:				
Internally Developed	-	-	-	-
External Purchase	47,802	47,802	59,858	59,858
At 31 December	3,490,465	3,490,465	3,442,663	3,442,663
Amortisation and impairment:				
At 01 January	3,293,827	3,293,827	3,246,604	3,246,604
Amortisation	50,905	50,905	47,223	47,223
Disposals/Write offs	-	-	-	-
At 31 December	3,344,732	3,344,732	3,293,827	3,293,827
Net book value:				
At 31 December	145,734	145,734	148,836	148,836
At 1 January	148,836	148,836	136,201	136,201

There were no impairment losses on any intangible asset during the year (December 31, 2020: Nil)

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (December 31, 2020: Nil).

All intangible assets are non-current. None of the Bank's assets were financed from borrowings, consequently no borrowing cost has been capitalized as part of asset cost.

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. Deferred taxes

2021	2020
N'000	N'000
-	-

The Bank's deferred tax asset which principally arose from allowable loss, unutilized capital allowance and stage 3 impairment allowance on credit-impaired financial instruments is N47.8billion as at 31 December 2021 (2020: N41.5 billion).

Although the deferred tax arising from unrelieved losses are carried forward indefinitely and are available to be utilized in future when the bank is in taxable profit position, the Directors are of the opinion that it is uncertain when the Bank will have taxable profit against which the deferred tax can be utilized.

Details of the unrecognised deferred tax are as follows:

At 31 December	2021		2020	
	Gross Amount N'000	Tax effect N'000	Gross Amount N'000	Tax effect N'000
Property and equipment	(16,906,278)	(5,071,883)	(15,169,485)	(4,550,846)
Impairment allowance on loans and advances to customers	3,199,184	959,755	3,247,843	974,353
Impairment allowance on other assets	6,854,392	2,056,318	1,241,225	372,368
Unrelieved losses	117,496,814	35,249,044	113,437,425	34,031,227
Unutilised capital allowance	47,880,836	14,364,251	35,657,371	10,697,211
	158,524,948	47,557,484	138,414,378	41,524,314

24 Due to other banks

Due to other banks comprise of:
Takings from banks (note 24b)

2021	2020
N'000	N'000
143,321,585	106,699,353
143,321,585	106,699,353
143,321,585	106,699,353
-	-
143,321,585	106,699,353

Current

Non-Current

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24b. Due to other banks (continued)	2021 N'000	2020 N'000
Takings from banks		
First Bank of Nigeria Plc	96,500,000	100,000,000
Keystone Bank	-	1,000,000
Polaris Bank	-	5,500,000
Greenwich Merchant Bank	15,400,000	-
Paralex Bank	2,200,000	-
Central Bank of Nigeria	28,696,885	-
Accrued interest	524,700	199,353
	143,321,585	106,699,353
25 Deposit from customers		
a Analysis by type of account:		
	2021 N'000	2020 N'000
Demand deposits	126,813,600	130,226,089
Savings deposits	85,550,652	83,041,254
Time deposits	63,548,359	97,487,077
Domiciliary deposits	46,371,956	45,860,772
	322,284,567	356,615,192
b Analysis by type of depositors		
Government	22,626,661	27,105,003
Corporate	205,584,658	230,437,488
Individuals	94,073,248	99,072,700
	322,284,567	356,615,192
c Analysis by maturity		
0-30 days	258,736,208	258,968,190
31-90 days	48,670,463	70,485,983
91-180 days	8,306,259	1,575,908
181-365 days	5,369,121	420,852
over 365 days	1,202,516	25,164,259
	322,284,567	356,615,192
Current	321,082,051	331,450,933
Non-Current	1,202,516	25,164,259
	322,284,567	356,615,192

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

26 Borrowings

	2021 N'000	2020 N'000
CBN short term loan (see note 26(b))	50,698,630	50,698,630
Borrowings from Bank of Industry/CBN (see note 26 (c))	250,121,568	204,707,698
Borrowings from AFREXIM (see noted (d))	8,365,385	9,467,308
	309,185,583	264,873,636

Movement in debt and other borrowed funds during the year is as follows:

2021	CBN Short Term Loan N'000	Bank of Industry/CBN N'000	AFREXIM N'000	Totals N'000
At 1 January	50,698,630	204,707,698	9,467,308	264,873,635
Additions during the year	-	175,592,410	-	175,592,410
Interest capitalised	2,500,000	3,126,790	629,961	6,256,751
Unrealised exchange loss	-	-	500,348	500,348
Repayments	(2,500,000)	(133,305,330)	(1,680,282)	(137,485,612)
At 31 December	50,698,630	250,121,568	8,365,385	309,185,582

Movement in debt and other borrowed funds during the year is as follows:

2020	CBN Short Term Loan N'000	Bank of Industry/CBN N'000	AFREXIM N'000	Totals N'000
At 1 January	50,000,000	120,742,223	12,561,500	183,303,724
Additions during the year	-	100,266,495	-	100,266,495
Interest capitalised	698,630	2,290,873	930,715	3,920,218
Unrealised exchange loss	-	-	287,949	287,949
Repayments	-	(18,591,893)	(4,312,856)	(22,904,750)
At 31 December	50,698,630	204,707,698	9,467,308	264,873,635

	2021 N'000	2020 N'000
Current	50,698,630	50,698,629
Non Current	258,486,952	214,175,006
	309,185,582	264,873,635

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

b Central Bank of Nigeria Short Term Loan

This represents short term borrowings obtained from the Central Bank of Nigeria to meet working capital requirements.

c Bank of Industry/ CBN

The amount represents funding obtained from the Bank of Industry which are simultaneously lent out to customers as loans. Disbursements have been made and form part of the bank's total loan portfolio. The Bank bears the credit risks on the loans granted and is under obligation to repay to the lenders.

In additions, the Bank received N175.59 billion from the CBN during the year, being on lending facilities to qualifying individuals and institutions as part of the Federal Government's initiative to providing single digit interest rates for the sector. The total sum of N133 billion has been disbursed and has been included in our on-lending facilities in note 18.

d AFREXIM Loan

This represents a term loan facility obtained from African Export-import Bank for a tenor of seven years, which qualifies it as Tier II capital. Interest is payable quarterly. The facility will bear interest at a rate per annum equal to LIBOR +5.45% (6.45%). The facility was secured over the permitted accounts, the charge over FGN Treasury and a security assignment bills valued at USD45 million deed whereby Unity Bank will assign to AFREXIM all securities taken from its clients benefitting from this facility.

The terms of the loan from AFREXIM was modified in prior year. The modification included a change in the interest rate from LIBOR +5.45% to LIBOR + 6.76% with a maturity period of 7 years from the loan modification date of 31 December 2019.

	2021 N'000	2020 N'000
27. Current tax liabilities		
Current tax		
At the beginning of the year	499,184	621,306
Charge for the year (see note 14)	158,880	136,801
Payments made during the year	(194,199)	(258,923)
Balance at the end of the year	463,865	499,184
Current	463,865	499,184
Non-Current	-	-
	463,865	499,184

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 N'000	2020 N'000
28 Other liabilities		
<i>Non financial liabilities</i>		
Deferred fees	25,806	72,641
ECL allowance on contingents (see (a) below)	609,010	1,342,728
	634,816	1,415,369
<i>Financial liabilities</i>		
Bankers payment and branch drafts	1,239,185	1,420,060
Lease liabilities (see (b) below)	104,883	148,263
Other accrued expenses	753,844	921,620
Provision for litigations (see (d) below)	529,857	850,796
Accrual for Banking Resolution Fund (see (c) below)	14,330,639	11,372,201
Settlements payable	2,708,010	2,276,126
Margin on letters of credit	11,509,865	12,281,539
Collection Accounts	3,080,566	4,137,539
Accounts payable	4,874,001	3,918,132
	39,130,850	37,326,277
Total other liabilities	39,765,666	38,741,646
Current	31,176,283	29,270,605
Non-Current	8,589,383	9,471,041
	39,765,666	38,741,646

a. Movement in ECL allowance on contingents during the year

	2021 N'000	2020 N'000
Balance, beginning of the year	1,342,728	1,640,001
Movement during the year (note 11)	(733,718)	(297,273)
Balance, end of the year	609,010	1,342,728

b. Lease liability

The Bank leases a number of branch and office premises. The leases typically run for a period between 1 – 15 years, with an option to renew the lease after that date. For some leases, payments are renegotiated with sufficient regularity to reflect market rentals.

i Right-of-use assets

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment (See note 21b).

	Branch & Office Premises 2021 N'000	Branch & Office Premises 2020 N'000
Balance at 1 January	743,430	934,056
Depreciation Charge for the year	(478,148)	(460,689)
Additions	404,222	493,161
ROU terminated	(54,532)	(223,099)
Balance as at 31 December	614,971	743,430

ii Lease liability

The net carrying amount of leased assets as at 31 December 2021, included within property and equipment is N614.9 million (2020: N743.4 million)

The Bank's exposure to liquidity risk as a result of leases are monitored by the Bank's enterprise risk management unit. When measuring the lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rates. The weighted- average rate applied is 11.92% (2020: 11.92%).

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	2021 N'000	2020 N'000
iii Amounts Recognised in profit or loss		
Interest on lease liability (see note 7)	11,171	15,791
Depreciation of ROU assets (see note 21)	478,148	460,689
	489,319	476,480
c. This relates to AMCON sinking fund contribution calculated in line with the AMCON Amendment Act 2015.		
d. The Bank has made provision for some litigation cases. The Bank is still contesting the cases at higher courts and believe that the decisions will be overturned.		
29 Employee benefit liabilities		
Defined contribution plan		
A defined contribution plan is a pension plan under which the bank pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The total expense charged to income of N528 million represents contributions paid to these plans by the bank at rates specified in the Bank's collective agreement with Staff. The rates are currently higher than rates advised by the pension act at 12.5% and 8% for employers and employees contribution respectively.		
	2021 N'000	2020 N'000
Balance, beginning of the year	1,115	6,331
Charge for the year (note 12)	528,610	609,387
Payment to Pension Fund Administrators (PFAs)	(528,780)	(614,603)
Balance, end of the year	945	1,115
Current	945	1,115
Non-Current	-	-
	945	1,115
30. Share capital	2021 N'000	2020 N'000
<i>i. Authorised share capital</i>		
120,000,000,000 ordinary shares of 50 kobo each (2018. - 120,000,000,000 ordinary shares of 50 kobo each)	60,000,000	60,000,000
<i>ii. Issued and fully paid share capital</i>		
At 1 January: 11,689,337,942 ordinary shares of 50k each	5,844,669	5,844,669
As at year end: 11,689,337,942 ordinary shares of 50k each	5,844,669	5,844,669
<i>b Share Premium</i>		
At 1 January	10,485,871	10,485,871
As at year end	10,485,871	10,485,871
c. Statutory reserve: This reserve represents the cumulative appropriation from general reserves/earnings in line with Nigerian banking regulations that require the Bank to make an annual appropriation in reference to specific rules. Section 16(1) of the Bank and Other Financial Institutions Act of 1991 (amended), stipulates that an appropriation of 30% of profit after tax be made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital. In the current year. The Bank transferred 15% of its 'profit after tax' to statutory reserves.		
d. Accumulated deficit: Accumulated deficit represent undistributed losses, net of statutory appropriations attributable to the ordinary shareholders.		
e. Regulatory Risk Reserve: Regulatory reserve for credit risk: This reserve represents the cumulative difference between the loan loss provision determined per the Prudential Guidelines and the allowance/reserve for loan losses as determined in line with the principles of IFRS 9.		

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

31. Other reserves

	Fair Value Reserve N'000	Share reconstruction reserve N'000	CBN AGSMEIS Reserve N'000	Reserve for SMEIS N'000	Other Capital reserves (restated) N'000	Total N'000
At 1 January 2020	2,103,603	67,103,925	172,662	440,119	(3,000,000)	66,820,308
Reclassification of realized fair value loss on debt securities to profit or loss	4,509,300					4,509,300
Fair value gain on debt instruments	(3,654,916)	-	-	-	-	(3,654,916)
Fair value gain on equity instruments	505,315	-	-	-	-	505,315
	1,359,699	-	-	-	-	1,359,699
At 31 December 2020	3,463,302	67,103,925	172,662	440,119	(3,000,000)	68,180,007
At 1 January 2021	3,463,302	67,103,925	172,662	440,119	(3,000,000)	68,180,007
Fair value gain/(loss) on debt instruments	(7,595,075)	-	-	-	-	(7,595,075)
Fair value gain on equity instruments	3,678,162	-	-	-	-	3,678,162
	(3,916,912)	-	-	-	-	(3,916,913)
At 31 December 2021	(453,611)	67,103,925	172,662	440,119	(3,000,000)	64,263,094

Fair Value Reserve

Fair Value Reserves comprises changes in the fair value of financial assets through OCI

Share Reconstruction Reserve

The Bank, in 2015, at an extraordinary general meeting resolved to implement a share capital reconstruction scheme with the objective of increasing the market value of existing shareholders by compressing (reducing) the units held by each share holder to one (1) share for every ten (10) held. Consequently, the issued and fully paid share capital was restructured from N58,446,689,710 to N5,844,668,971. The amount by which the share capital was reduced was transferred to the share capital reconstruction reserve. This increased the Share reconstruction balance from N14,501,904,000 in 2006 to N67,103,924,739 in 2015.

CBN AGSMEIS Reserve

In April 2017, the Central Bank of Nigeria issued guidelines to govern the operations of the Agriculture/Small and Medium Enterprises Scheme (AGSMIES), which was established to support the Federal Government's efforts at promoting agricultural businesses and Small and Medium Enterprises (SMEs) as vehicles for achieving sustainable economic development and employment generation.

SMIEIS (Small and Medium Scale Enterprises) Reserve

The SMIEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed Banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guidelines (amended by CBN Letter dated 11 July 2006), the contributions will be 10% of the profit after tax and shall continue after the first 5 years but the Banks' contributions shall thereafter reduce to 5% of profit after tax. The small and medium scale industries equity investment scheme reserves are non distributable. However, this is no longer mandatory.

Other capital reserve

Reserve relates to transactions with shareholders. The Central Bank of Nigeria (CBN) had in 2018 debited the Bank with the amount of N3 billion being deduction for interest due to AMCON from other core shareholders of the bank as stipulated in the shares purchase agreement between AMCON and the core shareholders dated 15 September 2014. The amount will only be realised at the disposal of AMCON's interest in the shares of the Bank.

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

32 Contingent Liabilities

a Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing.

The Bank in the ordinary course of business is presently involved in 788 litigation suits: 186 cases instituted by the Bank and 429 cases instituted against the Bank. The total amount claimed in the cases against the Bank is estimated at N90.6 billion (2020: N90.7 billion) The distribution of all litigations is shown below. The directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect other than the provision of N529 million (2020: N850million) made in note 28. The Bank is not aware of any other pending to threatened claims or litigations.

Cases	2021 Volume	2020 Volume
Civil cases against the bank	429	435
Civil cases by the bank	186	201
Civil appeals against the bank	75	53
Civil appeals by the bank	72	80
Garnishee order absolute being contested by the Bank	26	21
	788	790

b Contingent Liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees and letters of credit.

Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the bank.

Letters of credit and guarantees (including standby letters of credit) commit the bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. contingent liabilities are:

	2021 N'000	2020 N'000
Performance Bonds and Guarantees	94,515,007	66,175,192
Letters of credit	14,694,412	33,523,225
	109,209,420	99,698,417

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2021

33 Related party disclosures
Transactions with key management personnel of the Bank

The Bank's key management personnel, and persons connected with them, are considered to be related parties for disclosure purposes. The definition of key management personnel includes close members of the family of key personnel and any entity over which key management personnel exercises control. The key management personnel have been identified as the executive and non-executive directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Bank.

Transactions with key management personnel of the Bank were as follows

	2021 N'000	2020 N'000
Deposits (Note 33(a))		
Currently serving Directors (Note 33(a)(i))	55,475	77,382
Common Directorship (Note 33(a)(ii))	14,227,595	23,816
Total related party deposits	14,283,070	101,199
Loans and advances (Note 33b)		
Currently serving Director	-	-
Common Directorship	5,348,163	7,550,262
Total related party loans	5,348,163	7,550,262

a. The details of the directors deposits as at 31 December are shown below:

	2021 N'000	2020 N'000
i Serving Directors		
Aminu Babangida	3,833	12,005
Hafiz Mohammed Bashir	5,371	4,785
Oluwafunsho Obasanjo	19,185	13,982
Sam N. Okagbue	14,337	20,871
Tomi Somefun	7,609	8,369
Tuedor Temisan	825	1,290
Yabawa Lawan Wabi, <i>nni</i>	1,401	12,546
Ebenezer Kolawole	2,860	3,188
Usman Abdulqadri	54	346
	55,475	77,382
Deposit from entities with common ii directorship		
	Relationship	
TAK Integrated Agric Solutions Limited	Former Chairman	261
TAK Agro & Chemical Limited	Former Chairman	14,206,524
Practoil Limited	Former Chairman	364
Living Spring Agro Limited	Former Director	20,445
		14,227,595
Total related party deposits		101,199

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

b Loans and advances to key management personnel as at 31 December 2021

S/N	Borrower	Related interest	Relationship to Bank	Facility type	Performing =N=	Non performing =N=	Balance
1	TAK INTEGR.AGRIC.SOLUTION.LTD.	THOMAS ETUH	FORMER DIRECTOR	TERM LOAN	5,005,823,656	-	5,005,823,656
2	TAK INTEGR.AGRIC.SOLUTION.LTD.	THOMAS ETUH	FORMER DIRECTOR	TERM LOAN	342,339,801	-	342,339,801
Total loans and advances to related parties					5,348,163,457	-	5,348,163,457

Loans and advances to key management personnel as at 31 December 2020

	Borrower	Related interest	Relationship to Bank	Facility type	Performing =N=	Non performing =N=	Balance
1	TAK INTEGR.AGRIC.SOLUTION.LTD.	THOMAS ETUH	FORMER DIRECTOR	TERM LOAN	5,415,511,552	-	5,415,511,552
2	TAK AGRO & CHEMICALS LTD	THOMAS ETUH	FORMER DIRECTOR	TERM LOAN	6,666,917	-	6,666,917
3	PRACTOIL LIMITED	BOLA SHAGAYA	FORMER DIRECTOR	OVERDRAFT	16,446,708	-	16,446,708
4	KASHTON CONCEPTS NIGERIA LTD	HAKHEEM SHAGAYA	FORMER DIRECTOR	OVERDRAFT	2,111,636,361	-	2,111,636,361
Total loans and advances to related parties					7,550,261,537	-	7,550,261,537

c Remuneration paid to Non Executive Directors

Fees
Sitting Allowances
Other director expenses

The highest paid director

The number of directors who received fees and other emoluments(excluding pension contributions)
N5,000,001 and above

	2021 N'000	2020 N'000
Fees	160,000	160,000
Sitting Allowances	38,600	37,150
Other director expenses	33,865	41,627
	232,465	238,777
The highest paid director	41,400	41,400
	Number	Number
The number of directors who received fees and other emoluments(excluding pension contributions) N5,000,001 and above	9	9
	9	9

d Transactions with shareholders (Asset Management Company of Nigeria)

Other capital reserve
Accrual for Banking sector resolution fund
Expenses relating to Banking sector resolution fund

	2021 N'000	2020 N'000
Other capital reserve	3,000,000	3,000,000
Accrual for Banking sector resolution fund	14,330,639	11,372,201
Expenses relating to Banking sector resolution fund	2,958,594	1,789,953

c Disclosure on Directors' Remuneration

The disclosure on Directors' Remuneration is made pursuant to the Governance Codes and Regulations issued by the Central Bank of Nigeria and the Nigerian Stock Exchange and the Securities & Exchange Commission.

The Bank has a formal Board Remuneration Policy which is consistent with its size and scope of operations. The Policy focuses on ensuring sound corporate governance practices as well as sustained and long-term value creation for shareholders. The policy aims to achieve the following amongst others

- a. Motivate the Directors to promote the right balance between short and long term growth objectives of the Bank while maximizing shareholders' return.
- b. Enable the Bank attract and retain Directors with integrity, competence, experience and skills to deliver the Bank's strategy;
- c. Promote compliance with global regulatory trends and governance requirements, with emphasis on long-term sustainability;
- d. Align individual rewards with the Bank's performance, the interests of shareholders, and a prudent approach to risk management;
- e. Ensure that remuneration arrangements are equitable, transparent, well communicated, easily understood, aligned with the interest of shareholders and adequately disclosed.

Executive Directors' Remuneration:

Executive remuneration at Unity Bank Plc is structured to provide a solid basis for succession planning and to attract, retain and motivate the right calibre of staff required to achieve the Bank's business objectives.

The Board sets operational targets consisting of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance for the Executives at the beginning of each year. Executive compensation is therefore tied to specific deliverables on a fixed pay basis. Fixed pay includes basic salary, transport, housing and other allowances.

The Board Corporate Governance Committee (a Committee comprised of only Non- Executive Directors) makes recommendations to the Board on all matters relating to Directors' remuneration. The Executive Directors are not involved in decisions on their own remuneration.

Please see the table below for the key elements of Executive Directors' remuneration

Element	Description	Payment Mode	Other Details
Base Pay/Salary	This is a fixed pay (guaranteed cash) which is not dependent on performance. It comprises basic salary and all cash allowances paid to the Executive Director.	Monthly/Annually	Salaries for all roles are determined with reference to applicable relevant market practices
Other Benefits	These are the non-monetary compensation provided to the Executive Director, such as official car, club and professional membership subscription.	Actual items are provided or the cash equivalent for one year is given.	Review periodically in line with contract of employment

Review of the various remuneration elements means the re-appraisal of the elements to ensure that they are competitive and reflective of industry expectations. They do not necessarily refer to an increment or reduction in the value of the benefits.

Non-Executive Directors Remuneration

Non-Executive Directors' remuneration is structured to conform to prevailing regulations and is set at a level that is at par with market developments, reflects their qualifications, the contributions required and the extent of their responsibilities and liabilities.

Non-Executive Directors are paid an annual fee in addition to reimbursable expenses incurred in the course of their role as Board members, where not provided directly by the Bank. The annual fee is approved by Shareholders at the Annual General Meeting and is paid quarterly in arrears, with subsequent

They also receive a sitting allowance for each meeting attended by them but do not receive any performance incentive payments.

Please see the table below for the key elements of Non-Executive Directors' remuneration arrangements:

Element	Description	Payment Mode	Other Details
Annual Fees	Reflect market value of individuals and their role within the Bank	Quarterly	Reviewed periodically on need basis subject to shareholder approval at the Annual General Meeting.
Sitting Allowances	To recognize the responsibilities of the Non-executive Directors To encourage attendance and participation at designated committees assigned to them	Per meeting	Reviewed periodically on need basis subject to shareholder approval at the Annual General Meeting.

The Bank periodically benchmarks its remuneration practices against peer organizations whose business profiles are similar to that of the Bank

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
34 Other employee and directors disclosures	Number	Number

a The average number of persons employed by the Bank during the year was as follows:

Executives	4	4
Management	17	17
Non-management	1,611	1,574
	1,632	1,595

b Compensation for the above staff (excluding Bank directors) include:	2021	2020
	N'000	N'000

Salaries and wages	10,007,900	9,799,608
Pension costs:		
Defined contribution plans	528,610	609,387
	10,536,510	10,408,996

c The number of employees of the Bank, other than directors, who received emoluments in the following ranges (excluding pension contributions), were:

	2021	2020
	Number	Number
N300,000 and below	-	-
N300,001 - N2,800,000	-	47
N2,800,001 - N3,500,000	662	556
N3,500,001 - N4,000,000	360	362
N4,000,001 - N5,500,000	173	174
N5,500,001 - N6,500,000	132	141
N6,500,001 - N7,800,000	120	116
N7,800,001 - N9,000,000	74	81
N9,000,001 and above	111	118
	1,632	1,595

35 Going Concern

The Bank made a profit after tax of N3.1 billion for the year ended 31 December 2021. (2020: profit after tax N2.1 billion). As at that date, the Bank's total liabilities exceeded its total assets by N276 billion (2020: N275 billion) and the capital adequacy stood at -86.18% (2020: -101.29%). The Bank therefore did not meet the minimum capital requirement and the CAR as stipulated by the Central Bank of Nigeria (CBN) for a Bank with a National banking license which is 10%. The directors acknowledge that material uncertainty remains over the timing of the recapitalisation of the Bank. However, the Directors has reached an advanced stage with both local and multinational investors in the fund mobilisation for the Bank.

The Directors are confident that they would be able to recapitalise the Bank upon the upturn of economic activities within the next one year. Based on this, the directors have a reasonable expectation that the Bank will continue in operational existence for the foreseeable future and as such realise its assets and settle its liabilities in the normal course of business. Accordingly, these financial statements have been prepared based on accounting policies applicable to a going concern.

36 Capital Management

- a The Bank's process for assessing and managing the impact of capital on its business plans on present and future regulatory capital communications is an important aspect of its strategic planning. The Bank's Capital Adequacy is reviewed at each periodic review date to ensure that it meets regulatory requirements and standard of international best practices.

The Bank's capital is Tier 1 (Core Capital) consists of essentially share capital and reserves created by appropriations of retained earnings over the years. Tier 2 capital is composed of long term borrowings for financial planning and other non qualifying Tier 1 reserves to the limit allowable.

The primary objectives of the Bank's capital management policy is to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholder's value. The Bank's capital requirements have been deficient as reflected in its negative capital adequacy ratio computations reported at (86.18%) and (101.47%) for the years ended 31 December 2021 and 2020 respectively.

To address this deficiency, the Bank is in the process of a recapitalization exercise. Discussions are with prospective investors who have indicated interests to inject substantial capital into the Bank are at various stages. Whilst the capital raising exercise has been diversified to engage several strategic investors, deliberate actions were taken by the Bank to strictly extract commitment following the review of capacity, investment funding availability and strong poise and strategic alignment to the long-term vision and aspirations of the Bank that form the basis to invest in Unity Bank.

In the ongoing capital raising exercise, the Bank has considered a variety of classes of investors, including local and foreign, internal and new investors, individual and institutional investors, amongst other options. However, all prospective investors are required to demonstrate financial and business capacity, impeccable reputation and potential to add strategic value towards achieving the Bank's strategic goals and vision.

b Forbearances

i Financial accommodation from the CBN

Unity Bank Plc was also granted by the Central Bank of Nigeria a short term financial accommodation of N50 billion to augment working capital requirements with a maturity date of 19 September 2022 (see note 26).

UNITY BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Capital Adequacy Ratio

The Bank presents details of its regulatory capital resources in line with the Central Bank of Nigeria's guidance on Pillar I Capital requirements.

	2021 N'000	2021 N'000	2020 N'000	2020 N'000
	Full impact of IFRS 9 transition	Adjusted impact of IFRS 9 transition	Full impact of IFRS 9 transition	Adjusted impact of IFRS 9 transition
Regulatory capital				
Tier 1 capital				
Share capital	5,844,669	5,844,669	5,844,669	5,844,669
Share premium	10,485,871	10,485,871	10,485,871	10,485,871
Share Reconstruction	67,103,925	67,103,925	67,103,925	67,103,925
Statutory Reserves	13,226,162	13,226,162	12,437,215	12,437,215
SMEIES Reserves	440,119	440,119	440,119	440,119
CBN AGSMEIS Reserve	172,662	172,662	172,662	172,662
Other reserves	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Accumulated deficit	(371,734,695)	(371,734,695)	(374,443,951)	(374,443,951)
IFRS 9 Transitional Adjustment	-	-	-	496,340
Total qualifying Tier 1 capital	(277,461,287)	(277,461,287)	(280,959,494)	(280,463,154)
Less:				
Intangible assets	145,734	145,734	(148,836)	(148,836)
Deferred Tax Assets	-	-	-	-
Adjusted total qualifying tier 1 Capital	(277,607,021)	(277,607,021)	(281,108,330)	(280,611,990)
Tier 2 capital				
Revaluation Reserve	(453,611)	(453,611)	(2,136,107)	(2,136,107)
Total qualifying Tier 2 Capital	(453,611)	(453,611)	(2,136,107)	(2,136,107)
Total Qualifying Capital	(278,060,632)	(278,060,632)	(283,244,437)	(282,748,097)
Risk - weighted assets:				
Risk Weighted Amount for credit risk	243,444,832	243,444,832	220,626,487	220,626,487
Risk Weighted Amount for operational risk	43,412,131	43,412,131	44,636,281	44,636,281
Risk Weighted Amount for market risk	35,782,602	35,782,602	13,876,664	13,876,664
Total risk-weighted assets	322,639,564	322,639,564	279,139,432	279,139,432
Ratio	-86.18%	-86.18%	-101.47%	-101.29%

Transitional arrangements treatment of IFRS 9 expected credit loss for regulatory purposes by Banks in Nigeria

During the year ended 31 December 2018, the Central Bank of Nigeria (CBN) issued a circular to provide guidance on the treatment of ECL provisions for regulatory purpose and introduce a four-year transitional arrangement to cushion the effect on tier 1 regulatory capital. The summary of the guidance is as follows:

1. Utilisation of Regulatory Risk Reserve (RRR) to cushion the impact of IFRS 9 ECL Provisions on Transition Date In order to cushion the impact of IFRS 9 on regulatory capital banks are required, in the first instance, to apply the balance in their RRR to reduce the additional ECL provisions to be recognized in the opening retained earnings on January 1, 2018. The amount to be deducted from RRR shall be limited to the excess of ECL provisions over the IAS 39 provisions on the transition date. Accordingly, banks are required to effect appropriate accounting entries to reflect the transfer from RRR to the retained earnings.

2. Transitional Arrangement of the ECL Accounting Provisions for Regulatory Capital Purpose where the additional IFRS 9 ECL provision as stated in (1) above is higher than the balance in RRR, Banks are required to amortise the excess in line with the transitional arrangements provided by CBN. For the purpose of the transitional arrangement, the excess of the ECL provisions over IAS 39 provisions adjusted for the RRR is termed "Adjusted Day One Impact", using the Static Approach. This approach requires banks to hold static the Adjusted Day One Impact and amortise on a straight-line basis over the four-year transition period by writing back to the Tier 1 capital as indicated in the table below. The Adjusted Day On Impact for the Bank was N2.48billion.

Period	Provisions to be written back	%	BANK
Year 0 (January 1, 2019)	4/5 of Adjusted Day One Impact	80%	1,985,361.57
Year 1 (December 31, 2019)	3/5 of Adjusted Day One Impact	60%	1,489,021.18
Year 2 (December 31, 2020)	2/5 of Adjusted Day One Impact	40%	992,680.78
Year 3 (December 31, 2021)	1/5 of Adjusted Day One Impact	20%	496,340.39
Year 4 (December 31, 2022)	Nil	0%	-

NOTES TO THE ACCOUNT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

37 Events after reporting date

There were no other significant events after the reporting date that could affect the reported amount of assets and liabilities as of the reporting date.

38 Contraventions

The Bank contravened certain extant regulatory provisions during the year. The details of such contraventions and the penalties paid are shown below:

Nature of Contravention and penalty paid	Regulatory Agency	2021	2020
		N'000	N'000
Penalty IRO 2020 Risk Assets Exam	CBN	4,000	-
Penalty for contravening CBN directive on loan offer agreement	CBN	2,000	-
Penalty on Late response to customer complaints	CBN	2,000	-
Various contraventions following AML/CFT Examination	CBN	-	15,000
Penalty On Staff Promotion	CBN	-	14,000
Late filing of 2017 Statement & 2018 Q1, Q2, Q3 Accounts	SEC	9,000	6,000
		17,000	35,000

39 Statement of cash flow workings		2021	2020
Notes		N'000	N'000
(a) Loans & advances to customer			
Net loans, beginning of the year	18	202,080,856	104,017,725
Impairment write-back/(loss) on loans and advances	11	925,505	(1,228,601)
Movement for Cash Flow Statement		66,263,355	99,291,731
Net loans, end of the year	18	269,269,716	202,080,856
(b) Changes in other assets			
Gross amount, beginning of the year	20	14,737,300	12,406,590
Movement for cash flow purposes		9,259,364	2,330,710
Gross amount end, of the year	20	23,996,665	14,737,300
(c) Purchase of PPE			
Property, Plant and Equipment	21	2,392,701	1,389,254
ROU Asset	21	404,222	493,161
Acquisition of PPE		2,796,923	1,882,414
(d) Deposits from customers			
At 1 January	25	356,615,192	257,691,182
Interest payable at the end of the year (see note 39 (h) below)		1,210,672	1,121,527
Movement for Cash Flow Statement		(35,541,297)	97,802,483
At 31 December	25	322,284,567	356,615,192
(e) Due to Other Banks			
At 1 January	24	106,699,353	108,240,698
Interest payable as at year end (see note 24b)		524,700	199,353
Movement for Cash Flow Statement		36,097,532	(1,740,698)
At 31 December	24	143,321,585	106,699,353
(f) Other liabilities			
At 1 January	28	38,741,646	22,044,718
Impairment write back on contingents (see note 11)	11	733,718	297,273
Interest expense on lease liability		11,171	15,791
Movement for Cash Flow Statement		279,131	16,383,864
At 31 December	28	39,765,666	38,741,646
(g) Interest received			
Interest recognised in the statement of profit or loss	6	43,181,558	39,119,457
Interest receivable, beginning of the year		4,928,402	1,281,186
Interest receivable, end of the year		(7,208,882)	(4,928,402)
Movement for Cash Flow Statement		40,901,079	35,472,241
(h) Interest paid			
Interest expense	7	23,127,004	21,372,315
Interest capitalised on borrowings	26	(6,256,751)	(3,920,218)
Interest payable:			
Deposit liabilities		(1,210,672)	(1,121,527)
Due to Banks	24	(524,700)	(199,353)
Interest payable, beginning of the year		(409,442)	-
Interest expense on lease liability	7	(11,171)	(15,791)
Interest paid during the year		14,714,269	16,115,426
(i) a. Disposal of property and equipment			
Cost	21	472,240	44,235
Accumulated Depreciation	21	(468,276)	(43,207)
Gain on disposal		51,128	19,750
Proceeds from sale	a	55,092	20,777
b. Write off of property and equipment			
Cost	21	116,025	10,827
Accumulated Depreciation	21	(64,887)	-
Loss on disposal		(25,272)	(10,827)
Proceeds from sale	b	25,866	-
Proceed on Disposal (total)	a+b	80,958	20,777
Gain on disposal of Property and Equipment	10	25,857	8,923
(j) Cash and cash equivalent reported in the statement of cash flow			
Cash on hand	16	6,240,566	6,855,423
Current account with CBN	16	1,564,941	1,280,987
Deposits with the Central Bank of Nigeria	16	60,356,381	90,788,548
Due from other banks	16	37,008,773	33,093,521
Impact of foreign exchange on cash balances	39(i)	16,418	207,050
		105,187,079	132,225,529
(k) Changes in other balances with CBN			
<i>AGSMEIS Account</i>			
At 1 January	16	341,812	172,662
Movement for cash flow purposes		104,350	169,150
At 31 December	16	446,162	341,812
(l) Adjustment for non-cash exchange differences			
Unrealised exchange difference on borrowings	26	(500,348)	(287,949)
Net impact of foreign exchange on cash balances	39(j)	16,418	207,050
		(483,930)	(80,899)

**OTHER NATIONAL DISCLOSURES - STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021		2020	
	N'000	%	N'000	%
Gross earnings	50,284,345		46,526,320	
Interest expense	(23,127,004)		(21,372,315)	
	27,157,341		25,154,005	
Bought in materials and services				
Local	(12,559,781)		(11,089,219)	
Net Impairment losses on financial assets	2,563,927		4,127,332	
	17,161,487	100	18,192,117	100
Applied to pay:				
<i>Employees:</i>				
Wages, salaries and pensions	10,536,510	66	10,408,996	72
<i>Government</i>				
Taxes	158,880	1	136,801	1
To be retained in the business for expansion and future wealth creation:				
Depreciation	1,934,263	12	1,695,656	12
Amortisation	50,905	0	47,223	0
Profit for the year	3,173,254	20	2,086,393	15
	15,853,812	100	14,375,069	100

Value Added is the additional wealth created by the efforts of the Bank and its Employees. The statement shows the allocation of the wealth amongst employees, government, capital providers and that retained in the business for expansion and future wealth creation.

UNITY BANK PLC

OTHER NATIONAL DISCLOSURES - FIVE YEAR FINANCIAL SUMMARY STATEMENT OF FINANCIAL POSITION

	31 DECEMBER	31 DECEMBER			
	2021 N'000	2020 N'000	2019 N'000	2018 N'000	2017 N'000
Assets				<i>Restated</i>	<i>Restated</i>
Cash and balances with Central Bank	68,608,050	99,266,770	14,209,138	9,340,372	5,675,461
Due from banks	36,980,421	33,065,169	33,725,276	32,062,650	15,620,573
Loans and advances to customers	269,269,716	202,080,856	104,017,725	44,096,959	8,958,127
Financial investments – held-for-trading	-	-	-	76,662,150	58,703,358
Debt instruments at fair value through other comprehensive income	52,129,755	62,839,611	87,262,055	-	-
Equity instruments at fair value through other comprehensive income	-	-	-	25,660,268	20,271,961
Financial investments – available-for-sale pledged as collateral	-	-	-	-	-
Financial investments – held-to-maturity	-	-	-	-	-
Debt instruments at amortised cost	71,896,064	64,379,307	29,209,131	-	-
Other assets	17,170,625	21,915,364	21,963,559	20,602,236	4,114,322
Property and equipment	22,668,390	148,836	136,201	80,866	21,501,055
Goodwill and other intangible assets	145,734	8,324,417	2,528,985	2,295,340	112,324
Deferred tax assets	-	-	-	-	-
TOTAL ASSETS	538,868,754	492,020,329	293,052,070	210,800,841	134,957,181
Liabilities and Equity					
Liabilities					
Due to other banks	143,321,585	106,699,353	108,240,698	100,347,202	42,957,842
Due to customers	322,284,567	356,615,192	257,691,182	247,630,264	252,310,468
Borrowings	309,185,582	264,873,635	183,303,723	126,211,139	80,546,363
Current tax liabilities	463,865	499,184	621,306	501,187	710,127
Other liabilities	39,765,666	38,741,646	22,044,718	20,451,210	29,303,657
Employee benefit liabilities	945	1,115	6,331	34,493	44,810
Total liabilities	815,022,210	767,430,125	571,907,958	495,175,495	405,873,267
Equity					
Issued share capital	5,844,669	5,844,669	5,844,669	5,844,669	5,844,669
Share premium	10,485,871	10,485,871	10,485,871	10,485,871	10,485,871
Statutory reserve	13,226,162	12,750,174	12,437,215	11,929,737	11,929,737
Retained earnings	(371,734,695)	(372,722,376)	(374,443,951)	(377,319,662)	(367,417,645)
Non Distributable Regulatory Reserve	1,761,444	51,859	-	-	-
Other reserves	64,263,095	68,180,007	66,820,308	64,684,730	68,241,281
Total equity	(276,153,455)	(275,409,796)	(278,855,888)	(284,374,654)	(270,916,086)
Total liabilities and equity	538,868,751	492,020,329	293,052,070	210,800,841	134,957,181

UNITY BANK PLC

OTHER NATIONAL DISCLOSURES - FIVE YEAR FINANCIAL SUMMARY

PROFIT OR LOSS

	31 DECEMBER	DECEMBER			
	2021	2020	2019	2018	2017
	N'000	N'000	N'000	N'000	N'000
Total operating income	25,849,665	21,336,957	25,132,625	19,117,960	54,473,045
Operating expenses	(25,081,458)	(23,241,095)	(19,568,590)	(20,713,169)	(24,460,756)
Impairment losses	2,563,927	4,127,332	(1,921,923)	(5,958,492)	(44,254,863)
Profit before taxation	3,332,134	2,223,194	3,642,112	(7,553,701)	(14,242,574)
Current taxation	(158,880)	(136,801)	(258,923)	(141,619)	(356,030)
Deferred taxation	-	-	-	-	(319,334)
Profit/(Loss)after taxation	3,173,254	2,086,393	3,383,189	(7,695,320)	(14,917,938)
	3,173,254	2,086,393	3,383,189	(7,695,320)	(14,917,938)
Earnings per share (basic)	27.15	17.85	28.94	(65.83)	(127.62)