

UBA

Pensions

2019 Annual Report



UBA PENSIONS CUSTODIAN LIMITED

Safe Haven for Pension Assets



Our Vision

What we strive to achieve

Our vision is to be the leading Pension Custodian Service Provider.

Our Mission

What we exist to do

To create a safe haven for pension assets and deliver world-class custodian services, using skilled and highly-motivated staff, state-of-the-art technology and a stakeholder approach in the conduct of our business.

Our Core Values

Enterprise

- ✓ own the talk
- ✓ go the extra mile, solve the problem
- ✓ show initiative
- ✓ break barriers
- ✓ be innovative

Excellence

- ✓ be responsive and passionate
- ✓ surpass customer's expectations always
- ✓ maintain quality standards
- ✓ be meticulous - make it simple always
- ✓ be professional - integrity, friendly and genuine

Execution

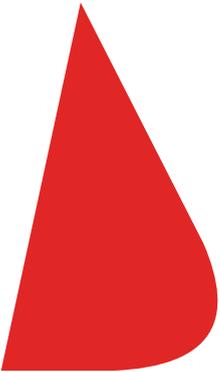
- ✓ get it done
- ✓ get it done now
- ✓ get it done very well...always have the end in mind

TABLE OF CONTENTS

3	Chairman's Statement
7	CEO's Statement
10	Our Board of Directors
12	Our Management Team
16	Corporate Information
17	Corporate Governance Report
24	Report of the Directors
28	Statement of Directors' Responsibilities
29	Report of the Audit And Risk Management Committee
30	Risk Management
32	Independent Auditor's Report
35	Statement of Profit or Loss and Other Comprehensive Income
36	Statement of Financial Position
37	Statement of Changes in Equity
38	Statement of Cashflows
39	Notes to the Financial Statements
68	Statement of Value Added
69	Five Years Financial Summary
71	Tournaments & Sports



“ I would like to assure our esteemed clients that you will always be our priority. Given our mutual growth philosophy, we are committed to supporting your efforts towards growing market share and deepening pension penetration in the country. We will continue to invest in people and technology to ensure we continuously deliver superior service to you, at all times ”



Victor Osadolor
Chairman - Board of Directors
FRC/2016/ICAN/00000013923

CHAIRMAN'S STATEMENT

Dear Esteemed Shareholders,

On behalf of the Board of Directors of UBA Pensions Custodian Limited, I am pleased to present our Company's Annual Reports and Financial Statement for the year ended 31 December 2019.

N2.45TN
UP BY **19%**

**Pension Asset
Under Custody**

N5.53BN
UP BY **4%**

Profit Before Tax

3%

Shareholders Fund

Fellow Shareholders, may I seek your indulgence to start this report with an appreciation to our esteemed clients, whose patronage and loyalty have been our motivation for excellence over the years. We reckon our clients' patronage is a privilege; hence we value it dearly and do not take their loyalty for granted. We remain committed to our pledge of delivering excellent service, as we continue to invest in requisite new technologies and human capital to innovate and sustainably drive our mutual growth. I would also like to commend fellow Directors on the Board of our company for their selfless service and tenacity towards delivering on the vision and mission of this great Institution.

Distinguished Shareholders, I will summarily review the business environment as a background to my report on the Company's strategic achievements and broader governance during the 2019 financial year. In addition, I would discuss our outlook for 2020 and beyond.

The Business Environment

Global growth faltered to barely 2.9% in 2019 (compared to 3.6% in 2018), due partly to the U.S. – China trade war, uncertainties around Brexit execution, regional and national social tensions, amongst other events that undermined economic activities. Whilst

commodity prices were relatively stable, global consumption eased, thus waning primary and industrial productions. Notwithstanding the general elections, which adversely impacted global investor sentiment for Nigerian assets, the Country recorded USD23.99billion capital inflows, some 42.7% year-on-year growth. Albeit, the capital inflow was driven mainly by foreign portfolio investments, which accounted for 68.2% of the inflows, as foreign direct investments remained weak, representing 3.9% of the imported capital. More broadly, the economy expanded 2.27% in the year, compared to 1.91% in 2018, reinforcing sustained recovery of the Nigerian economy, following the 2016 recession. Reflecting the relative calm in the oil-producing Niger Delta region, oil output expanded 4.59%, compared to the paltry 0.97% growth recorded in 2018. This feat in oil sector growth can be explained by the increased oil production of over 2mbpd and relative price stability.

The Monetary Policy Committee (MPC) prioritized economic growth, as reflected in the accommodative policy in the year. The Committee lowered the benchmark interest rate by 50bps to 13.5%, a measure aimed at stimulating credit and lowering the cost of debt for both corporates and the government. Complementarily, the Central Bank of Nigeria (CBN) set a minimum loan-to-deposit threshold

CHAIRMAN'S STATEMENT**CONTD.**

of 60% for banks, which was subsequently increased to 65%. This measure of the CBN, coupled with the restriction of non-bank local investors from open market operations (OMO) and other moral suasions were aimed at spurring credit expansion and ultimately economic growth. Notwithstanding the speculative pressure on the Naira and the 13% year -on-year decline in external reserve to USD38.3billion as at December 2019, the CBN's special market interventions buoyed foreign currency supply and stabilized the local currency around the N360/USD corridor at the Investors and Exporters window. More so, the fiscal closure of the land borders, sustenance of the forty-three items designated as "not valid for FX" and some import substitution initiatives subdued foreign currency demand. Headline inflation eased to an average of 11.39% (from 12.15% in 2018), however, it closed at 11.98% in December 2019 due to stronger household demand during the yuletide season.

The equity market remained bearish, with the Nigerian Stock Exchange All Share Index shedding 17.8% in the year, as both foreign and domestic investors continued to sell-off equities. The sovereign yield curve eased, with the most decline in yield seen on the short end of the curve, as the yield on treasury bills halved – yield on the one-year treasury bill was barely 6.35% in December 2019, compared to an average of 12.7% in the corresponding period of 2018.

Given the broad return profile of the two major asset classes – equities and fixed income instruments, pension assets recorded modest return, thus undermining the potential growth in assets. More so, relatively weak job statistics and modest remittance from both the private and public sectors limited asset growth. Nonetheless, overall pension assets grew 18% year-on-year to N10.22 trillion as at December 2019, reinforcing the resilience of the industry and validating our constructive outlook, particularly as we are upbeat on the prospect of the micro pension, which is aimed at integrating the informal

segment of the economy into the contributory pension scheme. The year also marked the second phase of the regulation-induced 3-year fee reduction, thus lowering the operating margin of participants in the industry – custodians and fund administrators.

Enhancing Capacities...Investing for Growth

I am delighted to report that we have successfully deployed a new core custody application, Microsoft Dynamics NAV, which has enhanced our capacity to better serve the market. This technology ranks us as the first pension custodian to have an end to end system in the industry. Beyond the improved turnaround time of our operations and robust analytics capabilities, this new core application has strengthened our ability to remotely serve the market seamlessly during this pandemic. More importantly, this new technology puts UBA Pensions in a stronger footing to onboard more clients and support our existing partners in the drive for micro pension penetration. I applaud the management for the successful and seamless migration from our previous core application to this enhanced system, which has emboldened us to drive our vision of being the industry leader. This, amongst other technology investments, will ensure that we always deliver excellent service to our clients and broader industry stakeholders. In complementing this technology investment, we are reinvigorating our focus and investment in human capital, as people remain pivotal to the successful execution of our corporate strategy.

Driving Efficiencies to Sustain Superior Returns

Amidst the regulatory-induced fee reduction, our Company grew both top - and bottom-lines. Having grown assets under custody by 19% to N2.45 trillion, we closed the year with a Profit Before Tax of N5.53 billion, some 4% growth over 2018 performance. Despite the inflationary environment, operating expenses was 4% lower, compared to 2018 financial year, a testament to Management's commitment to our cost efficiency

CHAIRMAN'S STATEMENT

CONTD.

initiatives. Thus, the cost-to-income ratio eased 200bps year-on-year to 19%, ranking as one of the lowest in the industry.

In line with our philosophy, we maintained a liquid balance sheet, with over 89% of assets invested in liquid, low-risk financial instruments. Also, the shareholders fund grew 3% in the year, as we continued to grow the equity base through internally generated capital.

Dividend: Committed to Delivering Superior Returns to Shareholders

Following the declaration of the Board of Directors, the Pension Commission approved an interim dividend of N1.80 for every ordinary share of N1.00 each for the 2019 financial year (2018: N1.67K). This corporate action, which amounts to a total interim dividend of N3.60 billion will be presented to shareholders for ratification at this Annual General Meeting. The consistent growth in dividend is an affirmation of our commitment to sustainably grow shareholder value, by delivering superior return over the long term.

Excellent Service Delivery

As a member of the UBA Group, our theme for 2019 was 3 E's; Enterprise, Excellence and Execution. Excellent service delivery is pivotal in sustaining earnings growth and growing market share, as a leading custodian in the market. The deployment of a new ERP application has enhanced our operational efficiency, reducing our turnaround time and increasing our capacity, with better customer experience.

2020 Outlook

Notwithstanding new challenges presented by the COVID-19 pandemic, we remain optimistic on our growth prospect, especially as we focus on leveraging our enhanced service delivery and customer engagement

capabilities in gaining market share. Our new end-to-end custody application has empowered us to facilitate straight-through processing for our client, with enhanced reporting tool. We are geared towards supporting our clients through this challenging time, even as we take all relevant precautions to protect the lives of our staff, clients and the public. We would sustain our cost efficiency discipline to preserve the business' profitability amidst the challenges of this pandemic.

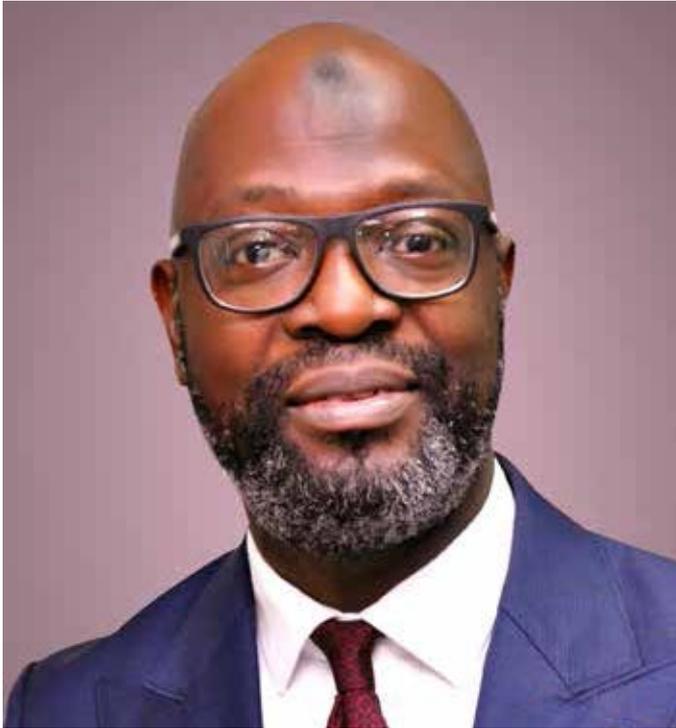
Appreciation

At this time, I would like to thank the National Pension Commission for the progressive initiatives and proactive regulation of the industry. We are committed to supporting the initiatives of the Commission towards deepening the market and providing financial security for the Nigerian labour force. I would like to thank the Executive Management and staff, who have worked relentlessly through the year to ensure that we deliver on our strategic objectives for the year. I do hope that you will remain committed to the vision of this great company, as I assure you of the Board's commitment to your career growth. I applaud your dedication to service and loyalty to the firm's vision. Please let us do more! Once again, I would like to assure our esteemed clients that you will always be our priority. Given our mutual growth philosophy, we are committed to supporting your efforts towards growing market share and deepening pension penetration in the country. We would continue to invest in people and technology to ensure we continuously deliver superior service to you, at all times.

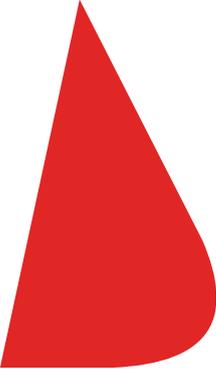
Thank you.

Victor Osadolor

Chairman, Board of Directors.



“ Overall, we closed the 2019 financial year with a profit before tax (PBT) of N5.53 billion, some 4% growth over the PBT of N5.30 billion recorded in the 2018 financial year. Our profit after tax translates to 72% and 34% return on average equity and return on average assets, respectively. These impressive performance metrics, which highlight UBA Pensions, as one of the most profitable financial services firm in Nigeria, reinforce our ability to sustainably deliver superior returns to shareholders over the long term ”



Bayo Yusuf

Bayo Yusuf
Managing Director / CEO
FRC/2015/CIIN/00000010809

CEO's STATEMENT

Distinguished Shareholders,

I am delighted to present our Annual Reports and Audited Financial Statements for the 2019 financial year.

N11.23BN
UP BY **3%**

Total Asset

72%

**Return On
Average Equity**

34%

**Return On
Average Assets**

It is exciting that 2019 was a positive financial year for us at UBA Pensions, amidst all the odds of our operating environment. Reflecting the resilience of our business model, strong governance and Board oversight, diligent and tenacious execution of our strategy, and more importantly our clients' commitment to mutual growth, we grew Asset under Custody (AuC) by 19% to N2.45 trillion as at 31 December 2019, outperforming the industry and reinforcing our market share gain. It is satisfying that our AuC represented 24% of the industry's asset of N10.22 trillion as at December 2019, having grown 18% year-on-year from N8.64trillion as at December 2018.

Permit me to briefly review the operating environment before I give a detailed account of our performance in the year and more importantly our key strategic objectives and outlook.

Global and Domestic Operating Environment

The global economy grew 2.9% in 2019, retreating from the 3.6% growth recorded in 2018, as uncertainties arising from the U.S.-China trade tensions, Brexit impasse and increased social unrest across regions undermined economic activities in both developed and emerging markets. More so, varying country-specific challenges waned economic growth in developing countries, thus reflecting the overall weakness of the world's economy in the year.

Notwithstanding the general elections in Nigeria, economic recovery was sustained, with the Gross Domestic Product (GDP) growing 2.27% in the year, compared to 1.91% in 2018. More so, the economy grew 2.55% in the last quarter of the year, the fastest quarterly growth since the 2016 recession.

The relatively stronger growth in Nigeria was bolstered by the oil sector, thanks to improved oil production of >2million

barrels per day and modest price rally. The non-oil sector remained relatively weak, partly due to the uncertainties occasioned by the general elections.

Albeit, the inflationary pressure eased, with headline inflation averaging 11.39% in the year, some 76basis points improvement from the 12.15% average inflation recorded in 2018. The local currency, Naira, remained stable around the N362/USD at the Investors and Exporters window, as the Central Bank of Nigeria (CBN) complemented autonomous supplies to the market. The Federal Government also closed the land borders to stem incessant smuggling and import abuse, thereby undermining foreign currency demand at the parallel market. The monetary policy authority eased the benchmark interest rate by 50bps to 13.5%, as part of measures to lower the cost of borrowing and stimulating credit flows, requisite for economic growth. More importantly, the administrative measures of the Central Bank, including the restriction of non-bank local investors from open market operations (OMO) led to a notable decline in the sovereign yield environment. Notably, yields on the one-year treasury bills eased some 600ps from 12.4% to barely 6.39% by year-end. Notwithstanding the lower yield environment, the risk-off sentiment towards equity persisted, as reflected in the 17.8% plunge in the Nigerian All-Share Index.

The Pension Industry - Growing Stronger

The industry asset grew 18% year-on-year to N10.22 trillion, buoyed by the strong accretion to Fund III and Fund IV, which grew 23.8% and 19.4% respectively. The growth in industry assets is reflective of increased penetration, return on funds and resilient monthly remittance for existing contributors in both private and public sectors. The pension fund remains overweight on FGN Securities, which represented 71.9% of overall assets as at December 2019, though slightly

CEO'S STATEMENT

CONTD.

lower to the 73.1% asset allocation in the 2018 financial year, following restricted access to OMO. Whilst the industry's asset allocation to quoted domestic equities also waned to 5.4% (from 7.0% in 2018), money market attracted more funds, with 11.5% asset allocation, mainly reflective increased fund placement with banks.

It is noteworthy that 2019 marked the second phase of the accelerated three-year reduction in custody fee, which the regulator aims at enhancing overall return to fund contributors. It is satisfying to report that we mitigated the impact of this regulation through sustained growth in assets under custody. We are optimistic about future growth in assets, as we collaborate with our clients to deepen micro pension penetration. More so, we expect a steady recovery of the Nigerian economy to improve employment statistics and enhance pension compliance in both the private and public sectors.

I would like to note a few of the industry events and developments during the 2019 financial year:

- a. The formal launch of the Micro Pension Plan by His Excellency, President Muhammadu Buhari GCFR on 28 March, 2019. This initiative is aimed at providing pension services to self-employed persons in the informal sector and employees of organizations, with less than three staff.
- b. Deployment of the Enhanced Contributor Registration System (ECRS). This new system would improve the registration and issuance of Personal Identification Number (PIN) and the overall effectiveness of pension administration in the country.
- c. The Pension Commission continued to strengthen their oversight functions and investment in capacity building. Precisely, the Commission organized a conference for Directors of companies within the industry to enhance corporate governance knowledge and practice within the industry.
- d. The Securities and Exchange Commission (SEC) restricted capital market operators from sharing income earned from their services with non-SEC registered individuals and/or corporates, thus discouraging pension fund administrators from receiving commission on capital market transactions.
- e. The Pension Commission revised the guidelines on provisions for Pensions Protection Fund, in a bid to ensure that adequate provisions are made, in line with the approved management fee.
- f. The Commission issued an addendum to the guidelines on appointment of Directors and Senior Management Staff, with focus on strengthening the

control functions of Compliance, Internal Control/Audit and Risk departments. The addendum provides that a candidate for head of department must have a minimum of 10 years cognate post-qualification experience, out of which at least 8 years must have been in the financial sector and 4 years in top management position.

- g. The Commission revised the provision for processing of death benefits, directing pension fund administrators to enhance their internal controls and ensure proper investigations are carried out on the documents submitted by the Next of Kin or beneficiaries of the deceased before submission to the Commission. The PFAs are to conduct searches at the Probate Registry to ensure the genuineness of the documents.

Key Strategic Objectives

We had a two-prong strategy in 2019, as we focused on **growing the business** and **enhancing operational efficiency**. More precisely, we set out to achieve the following strategic objectives:

1. To be the top-tier Pension Fund Custodian in Nigeria across all relevant key performance indicators, including assets under custody, revenue, cost-to-income (CIR) and profit before tax (PBT).
2. To drive a robust pension collection and benefit payment platform across the industry.
3. To consolidate our position as a leading pension custody service provider.
4. To consistently deliver excellent customer service and be the industry reference for superior customer satisfaction.
5. To enhance our IT infrastructure, with the ultimate objective of driving end-to-end process efficiencies.
6. To make UBA Pensions Custodian Limited the preferred custodian of choice for our customers, employees, and other stakeholders.

It is my pleasure to report that we made good strides across all these strategic objectives during the financial year. Having built a solid foundation through requisite investments in people and technology, I am more than ever optimistic about the prospect of our business and our ability to lead the industry.

Financial Performance Highlight

Notwithstanding the lower fee structure, we grew top-line by 2% year-on-year to N6.84 billion, compared to N6.69 billion in 2018. The revenue growth was buoyed

CEO's STATEMENT

CONTD.

by increased assets under custody and enhanced treasury operation. Amidst declining yield environment, we improved on the investment portfolio yield and grew investment income. More importantly, we remained committed to our cost efficiency initiatives, with sustained improvement in our cost-to-income ratio (CIR). Defying the inflationary pressure, we reduced operating expenses by 4% year-on-year, thus delivering a 300bps improvement in CIT to 18%, from 21% recorded in 2018FY.

Overall, we closed the 2019 financial year with a profit before tax (PBT) of N5.53 billion, some 4% growth over the PBT of N5.30 billion recorded in the 2018 financial year. Our profit after tax translates to 72% and 34% return on average equity and return on average assets, respectively. These impressive performance metrics, which highlight UBA Pensions, as one of the most profitable financial services firm in Nigeria, reinforce our ability to sustainably deliver superior returns to shareholders over the long term.

Notably, we maintained a strong and liquid balance sheet during the year. The total asset grew 3% year-on-year to N11.23billion, compared to a balance sheet size of N10.34billion as at December 2018. The shareholders' fund also grew 3% to N5.26billion, from N5.09bn in 2018.

Looking Ahead...2020 Strategic Outlook

It has been a challenging start to the year, as the COVID-19 pandemic and its attendant impacts continue to ravage the global economy. Whilst governments across the world, including Nigeria, have been proactive in taking measures to mitigate the economic impact of this crisis, the consensus is for the global economy to slip into recession in the quarters ahead. The International Monetary Fund projects that global economy would shrink 3.0% in 2020 and expects Nigeria's GDP to contract 3.4%, as both oil and non-oil sectors wane.

Following the index case in Nigeria and consequential "lockdown" measures taken by the government to stem the spread of the virus, we seamlessly initiated our business continuity plan, which has ensured full-service delivery to our clients since the outbreak of this pandemic. It is my pleasure that we are leveraging the payoffs from our investments in people and new technologies at this challenging time, as we are able to enhance our service delivery to clients and other stakeholders, despite operating remotely. These efficiency gains are particularly enhanced by our new core custody application (Microsoft Dynamics NAV), which went live in November 2019.

That been said, we are upbeat on the pension industry, particularly our business. We would continue to extract efficiency gains from our new technology. More so, I am excited by the strong foundation we have laid over the

past few years and I am confident in our collective ability to consolidate on these past gains. We will continue to innovate to better serve our clients and deliver on our objective of being the preferred pension fund custodian in the country. The safety of pension assets is our utmost priority; we would continue to make relevant investments to deliver on our pledge of safeguarding the industry's assets.

Appreciation

I would like to thank all our clients, who are the bedrock behind our performance. We always assure you of our commitment to delivering excellent service which is pertinent to our mutual growth. I sincerely appreciate our regulator, the Pension Commission for the progressive reforms and positive oversight on the industry. Whilst we remain resolute in pioneering impactful initiatives for the growth of our clients and broader interest of the industry, we would continue to support the Commission's drive towards deepening pension penetration and improving industry standards.

On behalf of my colleagues, I would like to thank the Board of Directors for the unflinching support and commitment to excellence. I must note that our performance reflects the Board's oversight, particularly in ensuring strict adherence to global best practices in corporate governance. To my colleagues, the Lions and Lionesses, I say thanks for your tenacity and loyalty to the organization.

My special appreciation goes to our esteemed Shareholders, who have entrusted the company to my colleagues and I. We appreciate the confidence you have in us and we reiterate our commitment to delivering superior returns to you, at all times.

Concluding remarks

We will continue to innovate to better serve our clients and deliver on our objective of being the preferred pension fund custodian in the country. The safety of pension assets is our utmost priority; we would continue to make relevant investments to deliver on our pledge of safeguarding the industry's assets.

Once again, I would like to assure our Shareholders that we are strongly committed to diligently executing our strategic goals by striving for excellence and delivering the best of service to our customers. As a responsible corporate institution and a strategic stakeholder in the pension industry, we would continue to support forward-looking initiatives aimed at growing the pension industry and developing the broader Nigerian economy.

Thank you.

Bayo Yusuf

Managing Director/Chief Executive Officer

OUR BOARD OF DIRECTORS



VICTOR OSADOLOR
(Chairman)

Victor Osadolor is the Group Deputy Managing Director, United Bank for Africa Plc and doubles as the Chief Executive Officer for UBA Africa overseeing the Bank's operations in 19 African countries. He is also the Chairman of UBA Pension Custodians Limited and a Non-Executive Director of Africa Finance Corporation (AFC). As the CEO, UBA Africa, Victor is responsible for developing and executing strategies designed to actualize UBA's Pan African Bank aspiration.

Until his appointment as the Group Deputy Managing Director of UBA Plc, Victor served as Group Director, Heirs Holdings limited between 2014 and 2015. Prior to this, Victor was at different times between 2012 and 2014, the Chief Operating Officer for Corporate and Investment Banking as well as the Chief Strategist for Ecobank Transnational Incorporated (ETI). In these capacities, Victor worked out of Johannesburg South Africa and Lome Togo. He had also served in different Executive management roles at Standard Trust Bank and UBA Capital. Victor started his career 30 years ago as an auditor with Coopers & Lybrand (Now Pricewaterhouse Coopers).

Victor holds a second class (upper division) B.Sc (Hons) degree in Accounting from the University of Benin. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), an alumnus of Harvard Business School's Advanced Management Program (AMP) and an honorary life member of the Chartered Institute of Bankers of Nigeria (CIBN).

Victor Osadolor is an avid reader, loves playing chess and happily married with children.



BAYO YUSUF
(Managing Director)

Bayo is an Associate of the Chartered Insurance Institute of Nigeria and a Graduate of Actuarial Science from University of Lagos. He worked with H. Clarkson, Edu and Partners in various capacities in its Pension and Actuarial Services Department where he served as a co-opted civilian member in the Pension Committee set up by the Federal Military Government in November 1994 to review the Nigerian Armed Forces Pension Scheme.

He joined UBA Capital and Trust Limited in January 1995 where he worked for seven years before he left as Head, Corporate Pensions to join NAL Asset Management & Trustees Limited as the pioneer Head of Pensions in February 2002.

He returned to UBA Capital & Trust Limited as Head, Trust Resources Department in April 2004, a position he held before he was seconded to UBA Pensions Custodian Limited in August 2005 where he occupied the position of Group Head, Custody Services.

Bayo has attended several local and International courses and is an Alumnus of the prestigious Manchester Business School, UK and Lagos Business School.



AWELE ELUMELU
(Non-Executive Director)

Awele Elumelu holds an MBBS from the University of Benin and an MSC from the London School of Hygiene and Tropical Medicine. She has been involved in the Nigerian private sector for the past 10 years.

Her working career spans over 18 years with experience in several areas of Medicine and Business Development. She was appointed into the Board of UBA Pensions in 2009.



**DR. TUKUR B.
INGAWA**

(Independent Non-Executive Director)

Dr. Tukur Bello Ingawa, retired Federal Permanent Secretary, is a contemporary civil servant combining the best skills and abilities required to drive a modern public service. He has served as Secretary to the State Government, Permanent Secretary/Director General in a number of Ministries and Departments, Commissioner for Finance, Director of boards of companies and also as Secretary to the ICPC.

Before he joined the Board in March, 2013 he had served as Permanent Secretary in the Ministry of Works Housing and Urban Development and the Ministry of Police Affairs; from where he retired in September, 2012. Dr Ingawa obtained his Doctorate degree at the University of London, United Kingdom and was a lecturer at the Bayero University Kano.

He has attended several courses both local and International and is an alumnus of the prestigious Harvard Business School and Stanford Business School with many publications to his name. He is a recipient of the National Honours Award of "Officer of the Order of the Niger" OON, and the National Institute for Policy and Strategic Studies, Kuru, Jos.



**ABBAS J.
MOHAMMED**

(Independent Non-Executive Director)

Mr. Mohammed Abbas Jega is a Chartered Accountant, and holds first degree in Accounting and a Master degree in Business Administration from Ahmadu Bello University, Zaria.

He began his career with the Sokoto State Ministry of Finance, Budget and Economic Planning.

Subsequently, he moved into the Banking industry, with stints at Bank of Credit and Commerce International (Nig.) Limited; Intercity Bank Plc; First Interstate Bank Plc and Unity Bank Plc.

He was at different times an Executive Director with Afribank Plc., and Asset Management Corporation of Nigeria.

A member of the Institute of Directors Nigeria, he holds the traditional title of Ajiyan Gwandu (Treasurer, Gwandu Emirate).



**UCHE
IKE**

(Non-Executive Director)

Uche is the Group Chief Risk Officer, a Chartered Accountant, with an MBA from the University of Benin.

He has been with the Group since 2006 and has served in a number of prominent roles, first as Group Head of Operations in South and South East Banks and then for a period of five years, as General Manager at the Bank's New York branch.

Uche has over 27 years of banking experience.



**PATRICK
OMOIGHE**

(Executive Director)

Patrick graduated with a Second Class Upper degree in Agrico-Economics from the University of Ibadan in 1988, and went on to acquire two Masters Degrees in Business Administration (University of Benin, 1995) and in Banking and Finance (Bayero University, Kano 2004). Patrick is also a Fellow of the Institute of Chartered Accountants of Nigeria, Chartered Institute of Taxation and Institute of Credit Administration; and an Associate of the Institute of Cost and Management Accountants of Nigeria.

He started his career with Binder Balogun Badejo & Co as an Auditor, and spend 6 years in Audit Consulting before joining UBA (Standard Trust Bank) in 1998. He has over 20 years of banking experience in Operations, Insurance, Audit & Risk Management, Financial and Internal Controls.

At various times he held the position of Head of Audit & Control, Chief Internal Auditor and then Regional Audit & Control Manager for East & Southern African Countries covering Kenya, Uganda, Tanzania, Mozambique & Zambia. Prior to joining UBA Pensions, he was the Group's Internal Control Coordinator for UBA Anglophone Countries, where he had responsibility for ensuring effective discharge of control functions in several subsidiaries.

He joined UBA Pensions as an Executive Director, in charge of Operations and Information Technology in March 2017.

Patrick is happily married with children.

OUR MANAGEMENT TEAM



BAYO YUSUF
(Managing Director)

Bayo is an Associate of the Chartered Insurance Institute of Nigeria and a Graduate of Actuarial Science from University of Lagos. He worked with H. Clarkson, Edu and Partners in various capacities in its Pension and Actuarial Services Department where he served as a co-opted civilian member in the Pension Committee set up by the Federal Military Government in November 1994 to review the Nigerian Armed Forces Pension Scheme.

He joined UBA Capital and Trust Limited in January 1995 where he worked for seven years before he left as Head, Corporate Pensions to join NAL Asset Management & Trustees Limited as the pioneer Head of Pensions in February 2002.

He returned to UBA Capital & Trust Limited as Head, Trust Resources Department in April 2004, a position he held before he was seconded to UBA Pensions Custodian Limited in August 2005 where he occupied the position of Group Head, Custody Services.

Bayo has attended several local and International courses and is an Alumnus of the prestigious Manchester Business School, UK and Lagos Business School.



PATRICK OMOIGHE
(Executive Director)

Patrick graduated with a Second Class Upper degree in Agric-Economics from the University of Ibadan in 1988, and went on to acquire two Masters Degrees in Business Administration (University of Benin, 1995) and in Banking and Finance (Bayero University, Kano 2004). Patrick is also a Fellow of the Institute of Chartered Accountants of Nigeria, Chartered Institute of Taxation and Institute of Credit Administration; and an Associate of the Institute of Cost and Management Accountants of Nigeria.

He started his career with Binder Balogun Badejo & Co as an Auditor, and spend 6 years in Audit Consulting before joining UBA (Standard Trust Bank) in 1998. He has over 20 years of banking experience in Operations, Insurance, Audit & Risk Management, Financial and Internal Controls.

At various times he held the position of Head of Audit & Control, Chief Internal Auditor and then Regional Audit & Control Manager for East & Southern African Countries covering Kenya, Uganda, Tanzania, Mozambique & Zambia. Prior to joining UBA Pensions, he was the Group's Internal Control Coordinator for UBA Anglophone Countries, where he had responsibility for ensuring effective discharge of control functions in several subsidiaries.

He joined UBA Pensions as an Executive Director, in charge of Operations and Information Technology in March 2017.

Patrick is happily married with children.



CHRIS OJIEBU
(Chief Compliance Officer)

Chris Ojiebu, LL.M, BL, MBA, a Barrister & Solicitor of the Supreme Court of Nigeria. He was called to the Nigerian Bar in 1992 after obtaining a Bachelor of Laws Degree from the University of Benin in 1991.

Chris has been involved in active Legal Practice with reputable Law Firms and was Head of Corporate Trust, UBA Trustees Limited before joining UBA Pensions.

He has also attended several professional courses and training programmes at various levels and an alumnus of the Senior Management Programme of Lagos Business School.



RASHIDAH ADEKOLA
(Chief Financial Officer)

Rashidah Adekola holds BSc and MSc degrees in Geography from Obafemi Awolowo University Ile-Ife and University of Ibadan, Ibadan, respectively. She is also an Associate Member of both the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Taxation of Nigeria.

She has over 25 years' experience in Audit, Banking Operations, Internal Control and Finance and has worked as CFO, UBA Liberia; Regional Finance Officer, UBA West Africa1; and CFO, UBA Anglophone Africa.



**TOMI
AJAYI**

(Head, Business Development)

Tomi has almost two decades of experience in the financial services industry - Banking and Pensions Custody. She joined UBA Pensions in 2006, and is responsible for managing the business development and clients' services desk.

Tomi's experience covers the following areas; credit appraisal and management, customer relationship and crisis management as well as business development.

She is a Chartered Accountant (ACCA) and a graduate of Mathematics & Statistics and Masters of Risk Management (MRM) both from the University of Lagos. Tomi is an alumnus of the Senior Management Programme (SMP) of the Lagos Business School, where she is also studying for an Executive Masters in Business Administration (EMBA).



**ABIODUN
ADEDOKUN**

(Head, Internal Control)

Biodun is an Associate of the Institute of Chartered Accountants of Nigeria and a graduate of Applied Accounting.

He has over 18 years of accounting and audit experience. Biodun had worked with Steyr Nigeria Limited, BDO Professional Services, Lafarge Africa Plc and First Pension Custodian Limited where he occupied positions in various capacities before joining UBA Pensions in 2008.

He has attended several trainings and he is an alumnus of Lagos Business School.



**DANIEL
WAJUIHIAN**

(Chief Risk Officer)

Daniel is the Chief Risk Officer of UBA Pensions Custodians Ltd. His career has been in Law, Estate management, Corporate Banking, Branch Business Development and Risk Management.

He has worked in a number of reputable institutions, including Access Bank, NNB International Bank and United Bank for Africa. He holds Bachelor's and Master's Degrees in Law from Edo State University and University of Lagos, respectively.



**ROTIMI
LAWAL**

(Head Contribution Administration)

Rotimi Lawal is a Fellow of the Institute of Chartered Accountants of Nigeria and an Associate Member of the Chartered Institute of Taxation. He is an alumnus of Lagos Business School and also a Banking/Finance graduate.

Rotimi Lawal has over 20 years substantial audit/accounting experience gained from working in UBA branch audit, UBA Head Office audit, Africa Prudential Registrars Plc, United Assets Management Limited, Petroleum Trust Fund and professional audit firms.

OUR MANAGEMENT TEAM

CONTD.



KEHINDE OGUNTUYI
(Head, Safe Keeping)

Kehinde Oguntuyi holds a Bachelor’s degree in Finance from University of Ilorin, and an MBA from University of Ado Ekiti, Ekiti. He has attended various professional trainings including the Senior Management Program (SMP) at the Lagos Business School.

Kehinde started his career with Afribank Plc as a Teller Control before he joined Lordsfield Limited where he worked as Administrative/Account Officer. He later moved to Teams Communications Limited as Account/Administrative Officer

He is currently Head, Safekeeping Department of UBA Pensions. He had previously worked for 5 years as Head of Contribution Department.



LAWUYI OLADAPO
(Head, Resources)

Dapo has 15 years’ experience in the financial services sector, which has seen him perform in Operations, Retail Marketing, Human Resources and Corporate Services.

He holds an MBA (Master’s in Business Administration) in Human Resource Management and a combined honours first degree in History and Sociology both from the Obafemi Awolowo University, Ile-Ife, Osun State.

He started his carrier with Standard Trust Bank Plc which later emerged as United Bank for Africa Plc. He is currently Head, Resources of UBA Pensions Custodian Limited.



MUIDEEN OKUNOLA
(Head Trade Settlement, Benefit Administration and Corporate Actions)

Muideen Okunola oversees Trade Settlement, Benefit Administration and Corporate Actions.

He hold a B.sc in Accounting from Obafemi Awolowo University. He is an Associate Member of the Institute of Chartered Accountant of Nigeria.

He has over 17years experience in various areas such as Financial Reporting, Audit, Investment Performance and Operations



...benefits paid as at when due

CORPORATE INFORMATION

DIRECTORS, PROFESSIONAL ADVISERS

Directors

Victor Osadolor	-	Chairman
Bayo Yusuf	-	Managing Director/CEO
Patrick Omoighe	-	Executive Director
Awele Elumelu	-	Non-Executive Director
Tukur Ingawa	-	Independent Non-Executive Director
Abbas Mohammed	-	Independent Non-Executive Director
Uche Ike	-	Non-Executive Director

Secretary

Temitope Hassan

Registered Head Office

57 Marina
Lagos

Registered Business Office

22B Idowu Taylor Street
Victoria Island, Lagos

Abuja Liaison Office

18, Adetokunbo Ademola Crescent
(2nd Floor) Wuse II, Abuja

Auditors

Deloitte & Touche
Civic Towers
Plot GA 1, Ozumba Mbadiwe
Avenue, Victoria Island
P.O. Box 965, Marina
Lagos, Nigeria

Bankers

United Bank for Africa (UBA) Plc.
Marina, Lagos

Rc Number

636081

Website

www.ubapensions.com

Telephone

+(234) -1- 2718000-4

Email

ubapensions@ubagroup.com

Board Evaluation

Consultant

PricewaterhouseCoopers(PwC Nigeria)
252E, Muri Okunola Street,
Victoria Island, Lagos

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

The Board of UBA Pensions Custodian Limited is committed to high standards of corporate governance and devotes significant efforts, to identify and formalize best practices. The Company's strategic corporate governance practices and activities during the year ended 31 December 2019 are highlighted in this report.

Board Structure & Composition

The Board of UBA Pensions Custodian Limited as at 31 December, 2019 was composed of seven (7) members as follows:

S/N	MEMBERS	ROLE
1	Mr. Victor Osadolor	Chairman
2	Mr. Bayo Yusuf	MD/CEO
3	Dr. Awele Elumelu	Non-Executive Director
4	Dr. Tukur Ingawa OON	Independent Non-Executive Director
5	Mr. Abbas Mohammed	Independent Non-Executive Director
6	Mr. Uche Ike	Non-Executive Director
7	Mr. Patrick Omoighe	Executive Director

The Board's structure is governed by the Company's Board Charter and the National Pension Commission's Code of Corporate Governance. The Board has an appropriate mix of skills, experience, and diversity that are relevant to the Company's strategy, governance, and custody business, which strengthen its effectiveness.

Comprehensive guidelines, policies and procedures have been formulated by the Board in support of the Company's corporate governance framework including the "Board Governance & Committee Charter", "Code of Corporate Governance", "Conflict of Interest Policy", "Internal Control Plan", "Corporate Policy on Communication", "Whistleblowing Policy", "Succession Planning Policy and Procedure", "Risk Management Framework" and the terms of reference for various Board committees. The foregoing documents are reviewed regularly by the Board and the relevant Board Committees are updated in line with the amendments of applicable legislations and rules as well as the current market practices.

The Board also gives close attention to the IT transformation project which led to the deployment of Microsoft Dynamics NAV 2017 Enterprise Resource Management System as the Company's operating software, and other strategic initiatives as key drivers of the Company's business.

Relationships on the Board

- The Chairman and the Managing Director roles are distinct and held by individuals who do not have any family ties, thereby ensuring that no one individual has unfettered powers of decision making.
- The posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.

CORPORATE GOVERNANCE REPORT**CONTD.**

- Both Independent Non-Executive Directors on the Board have not been employed by the Company or its associated companies, are not shareholders of the Company nor accepting any compensation from the Company or any of its related companies other than compensation for Board services.
- Members of the Board have diverse experience and there is balance of skills and knowledge.
- At each regular Board meeting, executive directors of the Company make presentations to the Board on various aspects, including the business performance, financial performance, corporate governance, and outlook, etc. A written report reviewing all the key operational aspects of the Company is provided to the directors before each meeting commences, to enable them to make informed decisions for the benefit of the Company.
- In accordance with the provisions of the Company's Conflict of Interest Policy, a director, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered.

Changes in the Structure & Composition of Board

There were no changes in the composition of the Board and Committees during the period under review.

The Roles & Responsibilities of the Board

The Board of UBA Pensions met four times during the review period. The Board provided overall guidance and policy direction to Management in the areas of strategic direction, policy formulation,

decision making and general oversight duties. The duties of the Board are as follows:

- Setting out the vision and mission of the Company and ensuring that it has an appropriate strategy, and the organisational structure and capacity to achieve them.
- Ensuring that there is an effective Management team in place and monitoring and evaluating its performance on an on-going basis.
- Reviewing the Company's operations against its set objectives.
- Ensuring adequate control and satisfactory financial performance of both the Company and the PFA Fund.
- Monitoring and ensuring compliance with all relevant laws and regulations.
- Ensuring that the Company has an adequate risk management framework and a sound system of internal controls in place.
- Undertaking a formal and rigorous evaluation of its own performance and those of its Committees and individual members, on an annual basis, pursuant to the requirements of the National Pension Commission.
- Establishing the relevant Board Committees, each with written terms of reference.
- Setting out a formal schedule of matters specifically reserved for its decision to ensure adequate oversight of the Company.

Directors Participation at Meetings

Directors of the Company play an active role by participating in the Company's meetings through the contribution of their professional opinions and active participation in discussions. The attendance record of each of the directors for the Board meetings, the Board Committees' meetings, and the Annual General Meeting held during the 2019 Financial Year is listed as follows:

CORPORATE GOVERNANCE REPORT

CONTD.

Board of Directors - Composition & Meetings Attendance

S/N	MEMBERS	13 MARCH	14 JUNE	19 SEPT	18 DEC	14 JUNE (AGM)
1	Mr. Victor Osadolor (Chairman)	✓	✓	✓	✓	✓
2	Mr. Bayo Yusuf	✓	✓	✓	✓	✓
3	Dr. Awele Elumelu	✓	✓	✓	✓	✓
4	Dr. Tukur Ingawa OON	✓	✓	✓	x	✓
5	Mr. Abbas Mohammed	✓	✓	✓	✓	✓
6	Mr. Uche Ike	✓	✓	✓	✓	✓
7	Mr. Patrick Omoighe	✓	✓	✓	✓	✓

*Apology

Delegation of Authority by the Board to Board Committees

To ensure efficiency and effectiveness, the Board delegates some of its functions, duties and responsibilities to its Board Committees without abdicating its oversight role. The Committees of the Board as at 31 December, 2019 were as follows:

- Finance & General Purposes Committee
- Audit & Risk Management Committee
- Nominations Committee

Below is a schedule of the Board Committees with their composition and a summary of their Terms of Reference:

Board Finance & General Purposes Committee - Terms of Reference:

- Discharge the Board's responsibilities with regards to strategic direction and budgeting, oversight on financial matters and the performance of the Company.
- Review company policies of financial and general nature, and make financial and investment decisions within its approved limits on behalf of the Board.
- Formulate the strategy of the Company and make recommendations to the Board accordingly.
- Consider and approve the IT governance framework and extra budgetary expenditure above the limits of Executive Management.

Finance & General Purposes Committee - Composition & Meetings Attendance

S/N	MEMBERS	12 MARCH	13 JUNE	18 SEPT	17 DEC
1	Mr. Uche Ike (Chairman)	✓	✓	✓	✓
2	Mr. Bayo Yusuf	✓	✓	✓	✓
3	Dr. Awele Elumelu	✓	✓	✓	✓
4	Mr. Abbas Mohammed	✓	✓	✓	✓
5	Mr. Patrick Omoighe	✓	✓	✓	✓

CORPORATE GOVERNANCE REPORT

CONTD.

Board Audit & Risk Management Committee - Terms of Reference:

- To assist the Board of directors in fulfilling its oversight responsibilities in regards to audit and control, and ensure that an effective system of financial and internal control is in place.
- To monitor and assess the overall integrity of the financial statements and disclosures on the financial condition and results of the company.
- To monitor and evaluate on a regular basis the qualifications, independence and performance of the External auditors and the Internal control department.
- Safeguard the assets and income of the Company and monitor processes designed to ensure compliance by the Company in all respect with legal and regulatory requirements.
- Review various risks that the Company is exposed to that may have a significant impact on the financial statements, the Company's compliance policies, Audit Reports including Whistle Blowing Reports and any significant reports or inquiries received from Management, Regulators or Government Agencies.

Audit & Risk Management Committee - Composition & Meetings Attendance

S/N	MEMBERS	12 MARCH	13 JUNE	18 SEPT	17 DEC
1	Dr. Tukur Ingawa OON (Chairman)	✓	✓	✓	✗
2	Mr. Uche Ike	✓	✓	✓	✓
3	Mr. Abbas Mohammed	✓	✓	✓	✓
4	Dr. Awele Elumelu	✓	✓	✓	✓

*Apology

Board Nominations Committee - Terms of Reference:

- Propose candidates to the Board for all Board positions (both executive and non-executives) and establish procedures for the nomination of Directors; and advise and recommend to the Board the composition of the Board, and evaluate the skills of members of the Board.
- Advise the Board on corporate governance standards and policies and recommend the remuneration of Directors to the Board for approval.
- Review all human resources and governance policies for the Company, and approve recruitments, promotions, redeployments and disengagements for the Company for staff members on Senior grade levels.
- Recommend the organizational structure of the Company to the Board for approval.
- Organize Board and Board Committees inductions and trainings and evaluate and appraise the performance of the Board and Board Committees and its members annually.

Nominations Committee - Composition, Role & Meetings Attendance

S/N	MEMBERS	12 MARCH	13 JUNE	18 SEPT	17 DEC
1	Dr. Awele Elumelu (Chairman)	✓	✓	✓	✓
2	Mr. Victor Osadolor	✓	✓	✓	✓
3	Dr. Tukur Ingawa (OON)	✓	✓	✓	✗
4	Mr. Uche Ike	✓	✓	✓	✓

*Apology

CORPORATE GOVERNANCE REPORT

CONTD.

Material Transactions Requiring Board Approval

The following transactions require Board approval under the Company's internal guidelines:

- Approving and reviewing corporate strategy
- Approving annual budgets and business plans
- Setting performance objectives
- Approving policies
- Approving major capital expenditures, acquisitions and divestments

The Process of Selection & Appointment of New Directors to the Board

The criteria for the appointment of members to the Board are laid down in the Board Governance Charter and is a formal, transparent and rigorous process. New members are selected based on the National Pension Commission's Guidelines for Appointment to Board and Top Management Positions in PFAs and PFCs, GL/APPT/01 and other extant guidelines as well as interest and relevant skills and experience among others.

The process of Board appointments is not concluded until the nominees are duly approved by the National Pension Commission (PenCom) and ratified by Shareholders at the Company's Annual General Meeting.

Board effectiveness/ Annual Board Appraisal

The Board recognizes that regular evaluations of its performance are essential to good corporate governance and Board effectiveness. Pursuant to the relevant provisions of the National Pension Commission's Code of Corporate Governance for Licensed Pension Operators and best practice, the Board engaged an Independent Consultant (Messrs. PricewaterhouseCoopers -PWC) to conduct a formal and rigorous evaluation of its own performance and that of its Committees and individual directors.

The Board appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities and assesses the effectiveness of the Board as a whole,

and the contribution of each Board Committee and each individual director to the success of the Board.

In 2019, Messrs. PricewaterhouseCoopers' appraisal of the Board indicated that UBA Pensions' corporate governance practices were largely in compliance with the key provisions of the PenCom's Code of Corporate Governance.

Induction and Development

Upon appointment to the Board, Directors are provided with comprehensive induction training to ensure that they have a thorough understanding of the Company's operations and governance policies as well as their role and responsibilities. Each director receives a director's manual which contains the Board's terms of reference, an overview of Directors' responsibilities, the Guidelines on Conduct and information on other key governance issues.

As part of the continuous professional development for its directors to develop and refresh their knowledge and skills, necessary for the performance of their duties, training programs are organized to help Directors keep abreast of current trends and issues facing the Company and the pension industry.

In 2019, directors participated in Eight (8) Board knowledge sessions (including one (1) by PenCom) organized to enrich their understanding of the latest industry/market trends and developments.

Corporate Governance Practices

UBA Pensions strives to improve its governance practices and prides itself in its openness and transparency.

During the year under review, the Board continued to give due attention to matters of corporate governance, corporate strategies, and the future growth and viability of the Company in the very dynamic business environment while providing guidance and support to Management in pursuit of its corporate objectives.

The Board met a total of four (4) times (a meeting per quarter) during the year and the Board

CORPORATE GOVERNANCE REPORT**CONTD.**

deliberated on various matters within its mandate. It approved several policy documents including the Conflict of Interest Policy, and considered the issues arising from its Regulatory Routine Examination Reports and other Compliance Issues, Internal Control, Risk Management, Human Capital Management, Financial Performance and the monitoring and implementation of the Company's Strategy Plan amongst others.

Below are some of the governance practices instituted in the Company:

- The MD/CEO and Executive Director are not members of the Board Committees responsible for remuneration, audit, nominations or governance.
- No Director currently provides professional services to the Company.
- The Board exercises responsibility, leadership, enterprise, integrity and judgment in directing the organisation so as to achieve its objective.
- The Board acts in the best interest of its shareholders and other stakeholders on the basis of transparency, accountability and equity.
- All Directors participate in periodic, relevant, continuing education program to update their knowledge and skills and keep them informed of new developments in the Company's business and operating environment.
- The meetings of the Board, Board Committees and the Shareholders meetings are scheduled one year in advance. Board papers are sent to Directors one week before the meeting, the agenda is clear and matters are dealt with expeditiously.
- The Company has various Management Committees to assist Management in the day-to-day running of the Company namely the Executive Management, IT Steering Committee, Change Management Committee, and Operations & Customer Service Committees. Ad-Hoc Committees are constituted from time to time to deal with specific matters.
- The Company has a Whistle-blowing Facility and a Compliance Communication Program which have the assurance of confidentiality and is further monitored by the National Pensions Commission.
- Directors have access to Management through the Company Secretariat and have the liberty to engage independent Consultants at the expense of the Company if required.
- The Independent Directors represent strong independent voices on the Board and are free from relationships and circumstances with the Company, Management, or substantial Shareholders.
- New members to the Board are formally inducted to familiarize them with the Company's Strategic Plan, operations, business environment, fiduciary responsibilities, and senior management.

Strategic Planning

The Board reserves at least one day per year to discuss the strategic long-term plan of the Company. During the period under review, the Board had a full-day strategy meeting, facilitated by Financial Derivatives Company Limited to identify and assess the opportunities and challenges that the Company might face and to develop a planned course of action for the Company to generate sustainable long-term value for Shareholders. A 3-year strategic plan for 2020-2022 was formulated with key strategic initiatives covering Customers, Financials, Internal Processes, and Learning & Growth.

The Adequacy of Internal Control

The Audit & Risk Management Committee is vested with the responsibility of overseeing the effectiveness and adequacy of internal control systems. It is also responsible for ensuring the adequacy and effectiveness of risk management. Quarterly Internal Control Reports which include financial performance, operational and compliance controls and risk management are presented to the Audit & Risk Management Committee by the Head of Internal Control and significant items are highlighted to the Board for notification, approval or resolution.

CORPORATE GOVERNANCE REPORT**CONTD.****Remuneration of Directors**

Each of the Company's directors is entitled to directors' fees which are determined by the Board with the authorization granted by the shareholders at the Company's annual general meetings. Furthermore, the Company ensures that remuneration paid to its Directors complies with the provisions of the National Pension Commission's Code of Corporate Governance for Licensed Pension Operators.

In compliance with Section 5.3.1 of the Code, the Company makes disclosures of remuneration paid to its Directors as follows:

PACKAGE	TYPE	DESCRIPTION	TIMING
Basic Salary	Fixed	This is part of the gross salary for the Executive directors only. It reflects the pension industry competitive salary package and the extent to which Company's objectives have been met for the financial year	Paid monthly during the financial year
13th month salary	Fixed	This is part of the gross salary for the Executive directors only. It reflects the pension industry competitive salary package and the extent to which Company's objectives have been met for the financial year	Paid in a month in the financial year
Directors Fees	Fixed	This is paid bi-annually to Non-Executive Directors	Paid Bi-annually
Sitting Allowance	Fixed	Sitting allowance are paid to the Non-Executive Directors only for attending Board and Board Committee meetings	Paid after each meeting

REPORT OF THE DIRECTORS OF UBA PENSIONS CUSTODIAN LIMITED

In compliance with the Companies & Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Directors of UBA Pensions Custodian Limited are pleased to present to Shareholders the audited Financial Statements of the Company for the year ended 31 December 2019.

CORPORATE STRUCTURE AND BUSINESS

UBA Pensions Custodian Limited (UBA Pensions) is a private company and was incorporated in September 2005 in line with the Pension Reform Act 2004 (as amended 2014), and is a wholly-owned subsidiary of UBA Plc.

The Company is licensed to carry on the business of custody of pension fund and assets and to hold and deal with such fund and assets to the exclusive order of the Pension Fund Administration(s) for the benefit of the account holders with the Pension Fund Administrator(s), in accordance with the directive given by the National Pension Commission and in conformity with the Pension Reform Act 2014.

The Company's registered business office is 22B, Idowu Taylor Street, Victoria Island, Lagos. It has arms-length dealings with Pensions Funds Administrators and other stakeholders in the Pensions industry with formal and transparent procedures and processes.

OPERATING RESULTS

	31 December 2019 N'000	31 December 2018 N'000
Gross earnings	6,839,856	6,689,941
Profit before taxation	5,525,147	5,313,395
Income tax expense	(1,752,697)	(1,383,944)
Profit for the year after taxation	3,772,450	3,929,451
Profit attributable to shareholders	3,772,450	3,929,451
Basic earnings per share (Kobo)	189	196

ANALYSIS OF SHAREHOLDING

The Share capital is N2,000,000,000 divided into 2,000,000,000 ordinary shares of N1.00 each.

UBA Pensions is a wholly owned subsidiary of UBA Plc. The Company has two shareholders, namely United Bank for Africa Plc with 99.99% and Bili Odum, with 0.01% of the total paid-up Capital. The authorized and paid-up Capital of the Company remained at N2 Billion.

REPORT OF THE DIRECTORS OF UBA PENSIONS CUSTODIAN LIMITED

CONTD.

INTERIM DIVIDEND

During the year, the Directors approved an interim dividend of N3.60 billion (2018: N3.34billion) to be paid to Shareholders. The interim dividend is yet to be approved by the National Pension Commission and would be ratified by members at the Annual General Meeting. The interim dividend has been included as a liability in these financial statements and is subject to a withholding tax at the appropriate tax rate.

DIRECTORS

The following were Directors of the Company who served during the year under review:

BOARD MEMBERS

S/N	DIRECTOR	ROLE
1	Mr. Victor Osadolor	Chairman
2	Mr. Bayo Yusuf	MD/CEO
3	Dr. Awele Elumelu	Non-Executive Director
4	Dr. Tukur Ingawa (OON)	Independent Non-Executive Director
5	Mr. Abbas Mohammed	Independent Non-Executive Director
6	Mr. Uche Ike	Non-Executive Director
7	Mr. Patrick Omoighe	Executive Director

FIXED ASSETS

Details of changes in fixed assets during the year are shown in the note to the financial statements on page 41. In the opinion of Directors, the market value of the Company's properties is not less than the value shown in the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

In compliance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004 the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and the profit or loss for that year. In so doing they ensure that:

- i. Adequate internal control procedures are instituted to safeguard the assets, prevent and detect frauds and other irregularities;

- ii. Proper accounting records are maintained;
- iii. Applicable accounting standards are adhered to;
- iv. Suitable accounting policies are adopted and consistently applied;
- v. Judgments and estimates made are reasonable and prudent and;
- vi. The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

DIRECTORS' INTERESTS

The Directors are not shareholders of the Company.

EMPLOYMENT & EMPLOYEES

UBA Pensions Custodian Limited had a total of 80 staff as at 31 December, 2019 comprising of 2 executive management, 5 senior management staff, 14 supervisors and 59 professionals.

Innovation, teamwork and cordial relations is encouraged amongst employees. Recruitment is

**REPORT OF THE DIRECTORS OF
UBA PENSIONS CUSTODIAN LIMITED****CONTD.**

fair and transparent and the terms of employee employment are equitable. The work environment is free from harassment, and the working condition is conducive. Furthermore, the Company maintains a safe workplace by adhering to fundamental health and safety standards and regulations. Staff members are regularly educated on workplace health and safety and the requirement to report all accidents appropriately.

The Company provides a health insurance scheme for staff members and their immediate families and encourages a good work-life balance and paid annual leave and medical checks.

The Company is an equal opportunity employer, it provides equal opportunities for disabled persons, ensuring that there is no discrimination against them. Currently, there are no disabled employees in the Company. During the year ended 31 December, 2019, no employee was disabled in the course of employment.

STAFF TRAINING

UBA Pensions Custodian Limited believes in continuing educational development and professional training. Staff members are trained to equip them with important skills to boost their productivity and develop them professionally. This is achieved through structured and comprehensive training programmes adapted to each employee's job function and role. All staff members were trained during the year under review.

**CORPORATE SOCIAL RESPONSIBILITY
[CSR]**

UBA Pensions Custodian Limited is committed to the promotion of socio-economic development of the country, especially in the area of education and development of the awareness of Pensions. Its policy excludes participation in political activities, individual and staff projects, religious activities, violent sports as well as items that are contrary to good conscience and public opinion.

POST BALANCE SHEET EVENTS

There are no post Balance Sheet events that could have effect on the state of affairs of the Company as at 31 December, 2019 which have not been adequately provided for or disclosed in the financial statements.

AUDIT COMMITTEE

The Company has in place a Board Audit & Risk Management Committee Pursuant to its Board Governance Charter. The Committee's main Terms of Reference is to assist the Board of Directors in fulfilling its oversight responsibilities in regard to audit and control and to monitor and assess the overall integrity of the financial statements and disclosures of the financial condition and results of operations of the Company. Below is the Composition of the Committee:

**REPORT OF THE DIRECTORS OF
UBA PENSIONS CUSTODIAN LIMITED****CONTD.****Board Audit & Risk Management Committee**

S/N	NAME	ROLE
1	Dr. Tukur Ingawa (OON)	Chairman
2	Mr. Abbas Mohammed	Member, NED
3	Mr. Uche Ike	Member, NED
4	Dr. Awele Elumelu	Member, NED

AUDITORS

In line with section 20.2 of the Nigerian Code of Corporate Governance 2018, Messrs. Deloitte & Touche will be disengaged having completed 10 years of continuous service.

BY ORDER OF THE BOARD

Victor Osadolor
FRC/2016/ICAN/00000013923
Chairman
Lagos, Nigeria
27 March, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the preparation and approval of the Financial Statements

The Directors of UBA Pensions Custodian Limited are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2019, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, the Pension Reform Act 2014 as amended, National Pension Commission Guidelines, and the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

Going Concern:

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2019 were approved by the board on 27 March, 2020.

On behalf of the Directors of the Company.



Victor Osadolor
Chairman
FRC/2016/ICAN/00000013923



Bayo Yusuf
Managing Director
FRC/2015/CIIN/00000010809

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

In accordance with the provisions of Sections 359(3(4) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, we have received the Independent Auditor's Report for the year ended 31 December, 2019 and hereby state as follows:

The Committee resolved as follows:

- a. In our opinion the scope and planning of the audit were adequate.
- b. The accounting and reporting policies of the Company conformed to statutory requirements and agreed ethical practices.
- c. The Company's system of accounting and internal control was constantly and effectively monitored; and
- d. The external Auditors Management Report received satisfactory response from Management.



Dr. Tukur Ingawa (OON)
 FRC/2018/IODN/00000018294
 Chairman Audit & Risk Management Committee
 Lagos, Nigeria
 27 March, 2020

Audit and Risk Management Committee

S/N	Composition
1	Dr. Tukur Ingawa (OON) – Chairman
2	Mr. Abbas Mohammed – Member
3	Mr. Uche Ike – Member
4	Dr. Awele Elumelu – Member

RISK MANAGEMENT IN UBA PENSIONS

The Objectives and Practices

Risk management in UBA Pensions is handled as an end-to-end process of identifying and handling risks. The enactment of comprehensive Risk Management policies and guidelines, the codification of our risk management processes, the conscientious drawing up of our Annual Risk Management Plans, the control and mitigation architecture, the topnotch technology, the effective monitoring and reporting are demonstrations of our commitment to managing risk as an integral component of our operations.

The Strategic Objectives

The objective is to maximize opportunities and minimize impediments to our corporate objectives:

1. We are committed to maximum compliance with regulations and internal policies.
2. We promote an enterprise-wide risk management culture, which ensures that every member of staff is involved in the risk management process.
3. We are committed to business growth and profitability, but in a way and to the extent that recognizes that the long term survival of our organization depends on our ability to abide by sound risk management principles. Therefore, where there is a conflict between risk and revenue considerations, risk management considerations take precedence.
4. We are committed to continuous improvements on our operational efficiency

The Risk Management structure and culture

- I. Strong commitment to risk management from Board and Management
- II. Central oversight of risk management
- III. Independence of assurance from Operations
- IV. Best practice policies and guidelines
- V. Top-notch technological infrastructure and support
- VI. Clearly defined roles and accountability across the enterprise
- VII. Clearly defined risk appetite
- VIII. A risk ambassadorial scheme to democratise risk management

Our Corporate Risk Appetite

Our corporate risk appetite considers the level of risk we are willing to take in pursuit of our corporate

objectives. The Risk Appetite and Tolerance Limit assist in:

- I. Establishing benchmarks from which transaction specific limits or threshold are set and monitored for exposure to specific risks
- II. Establishing critical response criteria to specific risk levels; thereby ensuring prompt action and escalation action steps
- III. Drawing stakeholder attention to the absolute maximum level of exposure that is acceptable for specific risks.
- IV. Determining - as a resource allocation tool - the degree of control that needs to be applied to any particular risk

Our Risk Management Cycle and Processes

We apply best practice risk management cycle and processes :

- Identification – including researches, engagement with stakeholders, risk assessment programmes and workshops to discuss and debate risks as they relate to our the business
- Assessment - the self-assessment process for assessing operational risks. The risks identified are measured for impact and likelihood. This process also identifies the controls in place to mitigate and the effectiveness of these controls
- Measurement and aggregation – measurement of the risks in monetary terms, including stress testing and/or scenario analysis;
- Monitoring and reporting – the monitoring of the risk exposure against limits set within the risk appetite set, and the reporting of the exposures to management and the Board;
- Risk optimisation and Control testing – continual review and testing of the controls in place to prevent the risks crystallising or to mitigate the impact if they do crystallise.
- Key Risk Indicators (KRIs)- the KRIs are indicative of changes in the Operational Risk profile of each department.



28 February 2020

The Chairman,
UBA Pensions Custodian Limited
3rd Floor, 22B, Idowu Taylor Street
Victoria Island
Lagos

Dear Sir,

Report to the Directors of UBA Pensions Custodian Limited on the Outcome of the Board Evaluation for the Period end 31 December 2019

PricewaterhouseCoopers ("PwC") was engaged to carry out an evaluation of the Board of Directors of UBA Pensions Custodian Limited ("UPCL") or ("the Company") as required by Section 4.5.1 of the National Pension Commission (PENCOM) Code of Corporate Governance for Pension Fund Operators in Nigeria ("the Code" or "PENCOM Code"). The evaluation covers the Board's structure, composition, responsibilities, processes, relationships and performance of the Committees for the period ended 31 December 2019.

The Board is responsible for the preparation and presentation of the information relevant to its performance. Our responsibility is to reach a conclusion on the Board's performance based on work carried out within the scope of our engagement as contained in our Engagement Letter. In carrying out the evaluation we have relied on representations made by members of the Board and Management and on the documents provided for our review.

The Board has complied significantly with the provisions of the PENCOM Code. Areas of compliance include: Setting the right tone at the top for integrity and compliance within the Company, sound oversight of the development of the Company's strategy, and diversity in the composition of the Board. Furthermore, the Board monitored the performance of the annual effectiveness of the Company's operations and management.

We have also identified some areas of improvement. Details of our findings and recommendations are contained in our report to the Board.

We also facilitated a Self and Peer assessment of each Director's performance in the year under review. This assessment covered the perceived competence, level of attendance at Board and Board Committee meetings, contribution and participation at these meetings and relationships with each other. Each individual Director's Assessment report was prepared and made available to them respectively while a consolidated report of the performance of all Directors was submitted to the Board Chairman.

Yours faithfully
for: PricewaterhouseCoopers Chartered Accountants

Femi Osinubi
Partner
FRC/2017/CAN/00000016859

PricewaterhouseCoopers Chartered Accountants
Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
T: +234 1 271 1700, www.pwc.com/ng TIN: 01556757-0001

Partners: S. Abu, O. Adedoye, O. Adewale, T. Adesola, W. Adetokunbo-Ajayi, U.N. Akpan, O. Alakunle, C. Ansu, E. Ehin, K. Erlume, U. Mugrin, P. Obianwa, T. Ogunde, C. Ojeadi, O. Ojedipe, P. Omotoshinin, O. Osinubi, T. Oyedele, A.S. Raji, O. Ujah



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of UBA Pensions Custodian Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UBA Pensions Custodian Limited which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of UBA Pensions Custodian Limited as at 31 December 2019, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the Companies and Allied Matters Act CAP C20 LFN 2004, the Financial Reporting Council of Nigeria Act 2011, Pension Reform Act 2014 and National Pension Commission guidelines.

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 Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and Audit Committee's reports, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements do 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.

INDEPENDENT AUDITOR'S REPORT**CONTD.****Deloitte.**

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if 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 Directors on the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council Act, 2011, Pension Reforms Act 2014 and PenCom guidelines 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 Company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Entity's 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 scepticism 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company'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

INDEPENDENT AUDITOR'S REPORT**CONTD.****Deloitte.**

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 Company to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFC 2004 we expressly state that:

- We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- The Company has kept proper books of account, so far as appears from our examination of those books.
- The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account.

Yodetayo

For: Deloitte & Touche

Chartered Accountants
Lagos, Nigeria
5 May, 2020

Engagement Partner: Yetunde Odetayo, FCA
FRC/2013/ICAN/0000000823



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	31 December 2019 N'000	31 December 2018 N'000
Custody fee	9	5,221,137	5,466,506
Interest income	10	1,246,812	1,219,634
Other income	11	371,907	3,801
Total Income		6,839,856	6,689,941
Personnel expenses	12	(513,039)	(614,127)
Impairment write-back/(loss)	13	24,597	(24,549)
Other operating expenses	14	(826,267)	(737,870)
Profit before taxation		5,525,147	5,313,395
Income tax expense	15	(1,752,697)	(1,383,944)
Profit after taxation		3,772,450	3,929,451
Total comprehensive income for the year		3,772,450	3,929,451
Basic earnings per share (kobo)		189	196

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	31 December 2019 N'000	31 December 2018 N'000
ASSETS			
Current Assets			
Cash and cash equivalent	16	3,262,176	469,560
Investment securities	17	6,493,412	8,818,064
Other assets	19	1,162,982	1,330,319
Deferred tax assets	18	37,906	75,550
		10,956,476	10,693,493
Non-Current Assets			
Property and equipment	20	148,332	204,260
Intangible assets	21	120,323	40,822
		268,655	245,082
Total assets		11,225,131	10,938,575
EQUITY AND LIABILITIES			
Equity			
Share capital	26	2,000,000	2,000,000
Retained earnings	27	3,260,147	3,087,697
Total equity		5,260,147	5,087,697
Current Liabilities			
Trade and other payables	22	769,735	1,130,025
Dividend payable	23	3,600,000	3,340,000
Current tax liabilities	24	1,582,397	1,359,840
		5,952,132	5,829,865
Non-Current Liabilities			
Deferred tax liabilities	18	12,852	21,013
Total equity and liabilities		11,225,131	10,938,575
Pension assets under custody	33	2,452,913,846	2,058,014,024

The financial statements were approved by the Board of Directors on 27 March 2020, and signed on its behalf by:



Victor Osadolor
Chairman
FRC/2016/ICAN/00000013923



Rashidah Adekola
Chief Finance Officer
FRC/2012/ICAN/0000000269



Bayo Yusuf
MD/CEO
FRC/2015/CIIN/00000010809

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Share Capital	Retained earnings	Total
2019			
At 1 January 2019	2,000,000	3,087,697	5,087,697
Total comprehensive income for the year	-	3,772,450	3,772,450
Dividend declared	-	(3,600,000)	(3,600,000)
At 31 December 2019	2,000,000	3,260,147	5,260,147
2018			
At 1 January 2018	2,000,000	2,505,566	4,505,566
Impact of initial application of IFRS 9	-	(7,320)	(7,320)
Restated balance as at 1 January 2018	2,000,000	2,498,246	4,498,246
Dividend declared	-	(3,340,000)	(3,340,000)
Total comprehensive income for the year	-	3,929,451	3,929,451
At 31 December 2018	2,000,000	3,087,697	5,087,697

STATEMENT OF CASHFLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	31 December 2019 N'000	31 December 2018 N'000
Profit for the year		3,772,450	3,929,451
Income tax charge	15	1,752,697	1,383,944
		5,525,147	5,313,395
Adjustment for non-cash items:			
Profit on disposal of property and equipment	11	(1,297)	-
Depreciation and amortization	20&21	100,426	94,603
Impairment (write-back)/loss on financial assets	14	(24,597)	24,549
Operating profit before changes in operating assets		5,599,679	5,432,547
Changes in operating assets and liabilities			
Debtors and prepayments		167,602	(27,763)
Creditors and accruals		(360,290)	5,560
Cash generated from operations		5,407,991	5,410,344
Income taxes paid	24	(1,500,657)	(1,205,068)
Net cash generated from operating activities		3,906,334	4,205,276
Cash flows from investing activities			
Purchase of investment securities		2,348,263	(427,549)
Proceed from disposal of property and equipment		1,298	-
Purchase of intangible assets and property and equipment	20&21	(124,000)	(199,971)
Net cash used in investing activities		2,225,561	(627,520)
Cash flows from financing activities			
Dividend paid	23	(3,340,000)	(3,200,000)
Net cash used in financing activities		(3,340,000)	(3,200,000)
Net increase in cash and cash equivalents		2,791,895	377,756
Cash and cash equivalents at 1 January		470,428	92,672
Cash and cash equivalents as at 31 December	16	3,262,323	470,428

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

i Legal Form

The Company, a wholly owned subsidiary of United Bank for Africa Plc was incorporated on 30 September 2005. It obtained an operating license on 7 December 2005 and commenced operations on 16 February 2006.

ii Principal Activities

The company's principal activities include the provision of custodial services for pension assets and the holding and dealing in such assets in accordance with the directives of the Pension Fund Administrators and the National Pension Commission. The company has its registered office at 57 Marina, Lagos and its business office at 22B, Idowu Taylor Street, Victoria Island, Lagos.

The financial statements were authorized for issue by the Directors on 27 March, 2020

iv Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Basis of preparation

i The financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities that are measured at fair value.

ii Functional and presentation currency

These financial statements are presented in Nigerian Naira, which is the functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are disclosed in note 30.

iii Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the international Accounting Standards Board and adopted by the Financial Reporting Council of Nigeria for the financial year starting 1 January, 2014.

3 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

(a) Interest

Interest income for all interest bearing financial instruments, except for those

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

classified at fair value through profit or loss, are recognised within 'interest income' in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(b) Custody fee

Custody Fees include fee charge on asset under custody. These are recognised monthly on accrual basis.

(c) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss.

i. Current Tax.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

ii. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of Classic will or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
- Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(d) Financial instruments Recognition and initial measurement

The Company initially recognises loans and advances, on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(e) Impairment of financial assets

The company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if,

there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(f) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

- i. *Financial assets carried at amortised cost*
For financial assets carried at amortised cost (such as amounts due from companies, loans and advances to staff as well as held to maturity investments), the company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'.

ii *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if acquired principally for the purpose of selling in the short term.

(g) **Cash and cash equivalents**

Cash and cash equivalents include notes and coins in hand, current account balances with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(h) **Property and equipment**

i *Recognition and measurement*

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. The costs of other items of property and equipment were determined as their depreciated amounts under previous GAAP. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

ii *Subsequent costs*

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured

reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The estimated useful life for the current and comparative year are as follows:

Computer hardware	5 years
Furniture and fittings	5 years
Leasehold improvements	5 years
Office equipment	5 years
Motor vehicles	5 years
Safe and Vaults	20 years

Depreciation methods, useful life and residual values are reassessed at each reporting date and adjusted if appropriate.

(i) **Intangible assets**

Software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

useful life of 5 years, from the date that it is available for use. The amortisation method and useful life of software are reassessed at each financial year end and adjusted if appropriate.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(k) Contributory Pensions Scheme

The company operates a contributory pension plan, which is funded by contributions from the company and employees. Funding under the scheme is 8% by staff and 10% by the company based on annual basic salary, housing and transport allowances in line with the Pension Reform Act 2014.

(l) Share capital and reserves

The Company Share Capital and reserves are made up of authorised and fully issued shares and appropriation reserve after deduction of dividend attributable to shareholders.

Dividend on the Company's ordinary shares are recognised in equity in the year in which they are paid or, if earlier, approved by the Company's shareholders.

(m) Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

4 Fiduciary assets

The company 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 not reported in the financial statements, as they are not the assets of the company.

5 Dividends on ordinary shares

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

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

6 Changes in accounting policy and disclosures

- a) Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2019

A number of standards, interpretations and amendments thereto, had been issued by the IASB which are effective but do not impact on these financial statements as summarised below;

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

i. *IFRS 16 Leases*

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

Unlike other recent Standards (e.g. IFRS 15), for entities that adopt the new Standard using a full retrospective approach, IFRS 16 does not provide an exception from the requirement of IAS 8:28(f) to present the effect of the new Standard on the current period amounts. However, this does not impact on the entity as they do not have any lease transactions.

ii. *Amendments to IFRS 9 Prepayment Features with Negative Compensation*

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

iii. *Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*

The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Company applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Company does not take account of any adjustments to the carrying amount of long term interests required by IAS 28 (i.e., adjustments to the carrying amount of long term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Annual Improvements to IFRS Standards 2015–2017 Cycle
Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments clarify that when the Company obtains control of a business that is a joint operation, the Company applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Company does not remeasure its PHI in the joint operation.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed as a Company; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

b) New standards, interpretations and amendments to existing standards that are not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective;

i) *IFRS 17: Insurance Contracts*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

ii) *IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate

or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

iii) *Amendments to IFRS 3: Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

iv) *Amendments to IAS 1 and IAS 8: Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

v) *Amendments to References to the Conceptual Framework in IFRS Standards*

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

7 Revenue recognition

Custody Fee

Custody fees represents fees earned by the company for holding pension fund assets on behalf of pension fund beneficiaries and their administrators. Custody fee income is recognized on an accrual basis as the service is rendered and is stated net of tax.

Interest income

Interest income is recognised using the effective interest method. It includes interest income from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Other income

Other income includes Admin and processing fees and others relating to transactions carried out during the year.

8 Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the risk management unit under policies approved by the board of directors. The risk department identifies and evaluates financial risks in close co-operation with all operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use non-derivative financial instruments, and investment of excess liquidity.

a. Credit Risk

Credit risk arises from cash and cash equivalents, fees receivable from Pension Fund Administrators under the Company's management as well as debt instruments (Treasury bills). For cash or fixed deposits with banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If funds are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the fund taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

The following table summarises the company's maximum exposure to credit risk related to financial instruments.

	31 December 2019 N'000	31 December 2019 N'000	31 December 2019 N'000
	AMORTIZED COST	NET CARRYING AMOUNT	IMPACT ON SOPF/SOPLOCI
Loans and advances to staff	65,663	65,170	493
Treasury bill	6,500,044	6,493,412	6,632
Money market placements	3,262,323	3,262,176	147
	9,828,030	9,820,758	7,272

Credit risk is also mitigated by investing in free risk investment. Loans granted to staff are deducted directly at source from their monthly salary.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The entity approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking the entity's reputation.

Procedures are in place to manage this risk amongst which is the company invest in money market instruments and risk free assets.

Market Risk

Market risk is the risk that fair value of future cashflows of financial instrument will fluctuate as a result of changes in market factors which include three types of risks: currency risk, interest rate risk (including related inflation) and equity risk.

- i. Currency risk
- ii. Interest rate risk (including related inflation)
- iii. Equity risk

9 Net Custody fee

31 December 2019 N'000	31 December 2018 N'000
5,221,137	5,466,506

- i. Custody fee for Retirement Savings Accounts (RSA) is charged on Net Asset Value of the fund at 0.25% average rate on monthly basis.
- ii. Custody fee on Retiree Account is charged on income generated by the fund at the end of every month at the agreed rate within the range of 0.1 - 0.15%.

The rates of custody fee to be charged are agreed with the Pension Fund Administrators and can vary with each Pension Fund Administrators.

10 Interest income

	31 December 2019 N'000	31 December 2018 N'000
Cash and balances with banks	63,439	73,989
Loans and advances to staff	14,043	13,087
Investment securities	1,169,330	1,132,558
	1,246,812	1,219,634

- i. Cash and balances with banks represents interest earned on balances with bank and term deposits.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

- ii. Interest income on loans & advances represents interest income charged on personal, vehicle, insurance and mortgage loans granted to staff. The company grants loans to staff in accordance with the company's human resources policy at the rate of 5% per annum. These loans were granted at a below market interest rate. Under IFRS, the difference between the rate granted and a market related rate is an employee benefit, which must be deferred and recognised as an employee expense over the period of the loan. The loans have been fair valued at an annual interest rate of 15% per annum which management believes fairly represents the market lending rate. The resultant difference in interest charged is included in staff cost.
- iii. Investment securities include interest earned on treasury bills for the year

11 Other operating income	31 December 2019	31 December 2018
	N'000	N'000
Other income	370,610	3,801
Profit on disposal of Plant and equipment	1,297	-
	371,907	3,801

11.1 Staff bonus.

The management approves to set aside between 3% to 5% of profit before tax as staff bonus on yearly basis. The management at their discretion approve a certain amount to be disbursed to staff while the excess is left in the provision account, which is written back and used to reduce the staff incentive bonus for the current year.

	31 December 2019	31 December 2018
	N'000	N'000
At 1 January	211,543	253,475
Provision for staff bonus	118,456	211,543
Amount Paid	(159,402)	(191,736)
Amount written back (note 12a)	(52,141)	(61,739)
At 31 December	118,456	211,543

The table above shows provisions made in year 2019 and 2018 and the actual amount disbursed as bonus to staff.

12 Personnel expenses	31 December 2019	31 December 2018
	N'000	N'000
Staff cost	409,386	432,827
Contribution to contributory pension plans	19,023	19,672
Expenses on loans and advances to staff	6,789	5,526
Other staff costs (Note 12a)	77,841	156,102
	513,039	614,127

Staff cost comprises of staff emoluments for the year ended 31 December, 2019.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

12a Other staff costs comprises the following:

	31 December 2019 N'000	31 December 2018 N'000
Management support	1,200	700
Staff incentive bonus	66,315	149,804
Long service award	10,067	5,105
Medical expenses	259	493
	77,841	156,102

13 Other operating expenses

	31 December 2019 N'000	31 December 2018 N'000
Other premises and equipment costs (note 13i)	157,460	119,422
Auditors remuneration	11,000	11,000
Professional fees	24,874	16,263
General administrative expenses (note 13ii)	632,933	591,185
	826,267	737,870

13i Other premises and equipment costs include:

	31 December 2019 N'000	31 December 2018 N'000
Depreciation and amortization	100,426	94,603
Repairs and maintenance	55,042	22,185
Motor running expenses	742	1,486
Diesel and water	1,250	1,148
	157,460	119,422

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

13ii General administrative expenses include:

	31 December 2019 N'000	31 December 2018 N'000
Travelling and hotel bills	10,963	11,147
Training	18,149	16,471
Security and cleaning services	3,468	3,160
Directors expenses	62,254	64,310
Printing and stationeries	1,671	2,585
Postages, telex and telephone	2,993	2,956
Advertisement and business promotion	15,769	11,252
Entertainment, office and computer consumables	12,511	6,962
Subscription	8,603	9,445
Insurance	11,060	6,344
Support services (note 13iii)	190,225	245,485
CSCS, stamp duties and bank charges	2,535	3,739
Tax expense	3,443	-
Industrial training fund	6,156	3,302
Rent and service charge	81,931	75,725
Pension protection fund	192,176	124,580
Other reimbursable expenses	9,026	3,722
	632,933	591,185

iii Included in support services above is an amount of N163 million representing the cost of technical and other ancillary services rendered to UBA Pensions Custodian Limited by the Parent Company during the year.

14 ECL (writeback)/charge on cash and cash equivalents and financial assets at amortized cost

	31 December 2019 N'000	31 December 2018 N'000
Cash and balances with banks	(721)	868
Loans and advances to staff	(264)	300
Investment securities	(23,612)	23,381
	(24,597)	24,549

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

14.1 Movement in ECL Impairment

	At 1 January N'000	Additions during the year N'000	At 31 December N'000
Cash and balances with banks	868	(721)	147
Loans and advances to staff	757	(264)	493
Investment securities (note 17)	30,244	(23,612)	6,632
	31,869	(24,597)	7,272

14.2

	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	Total N'000
Cash and balances with banks	721	-	-	721
Loans and advances to staff	264	-	-	264
Investment securities	23,612	-	-	23,612
	24,597	-	-	24,597

15 Income tax expense

Recognised in statement of comprehensive income

	31 December 2019 N'000	31 December 2018 N'000
Current tax expense		
Current year	1,309,250	1,223,311
Education tax	87,911	83,395
Information technology levy	55,251	53,134
Under provision	270,802	9,877
	1,723,214	1,369,717
Deferred tax expense	29,483	14,227
Total income tax expense	1,752,697	1,383,944

16 Cash and cash equivalents

	31 December 2019 N'000	31 December 2018 N'000
Cash and balances with banks	21,737	19,738
Money market placements	3,240,586	450,690
	3,262,323	470,428
Expected credit loss (note 14.1)	(147)	(868)
	3,262,176	469,560

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

17 Investment securities	31 December 2019 N'000	31 December 2018 N'000
Treasury bills at amortised cost	6,500,044	8,848,307
Expected credit loss (note 14.1)	(6,632)	(30,243)
	6,493,412	8,818,064

18 Deferred tax (liabilities)/assets	31 December 2019 N'000	31 December 2018 N'000
At 1 January	54,537	68,764
Charge for the year	(29,483)	(14,227)
At 31 December	25,054	54,537

Deferred tax income consists of the following losses carried forward and taxable temporary differences.

	31 December 2019 N'000	31 December 2018 N'000
Property and equipment (Deferred tax liabilities)	12,852	21,013
Others (Deferred tax asset)	(37,906)	(75,550)
	(25,054)	(54,537)

19 Other assets	31 December 2019 N'000	31 December 2018 N'000
Accounts receivable and prepayments (19a)	1,097,812	1,267,083
Staff advances (19b)	65,170	63,236
	1,162,982	1,330,319

19a Accounts receivables includes the following:	31 December 2019 N'000	31 December 2018 N'000
Fee receivables from PFAs	504,196	581,742
Prepayment	593,616	685,278
Admin cash advance	-	63
	1,097,812	1,267,083

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

19b Loans and advances to staff comprises:

	31 December 2019 N'000	31 December 2018 N'000
Vehicle loan	21,971	14,038
Personal loan	25,938	27,362
Mortgage loan	17,754	22,594
	65,663	63,994
Expected credit loss (note 14.1)	(493)	(758)
	65,170	63,236

The company grants loans to staff in accordance with the company's human resources policy at the rate 5% per annum. The loans have been fair valued at an annual interest rate of 15% which management believes fairly represents the market lending rate. The resultant difference in interest charged is included in staff cost.

20 Property and equipment**31 December 2019**

	Furniture & fittings N'000	Computer Equipment N'000	Motor Vehicles N'000	Leasehold Improvement N'000	Safe & Vaults N'000	Total N'000
Cost						
At 1 January 2019	141,889	117,874	59,405	71,885	3,281	394,334
Additions	1,252	1,529	-	2,700	-	5,481
Disposal	(38,019)	(13,803)	(5,331)	-	-	(57,153)
At 31 December 2019	105,122	105,600	54,074	74,585	3,281	342,662
Depreciation						
At 1 January 2019	70,547	67,991	35,518	14,093	1,925	190,074
Charge for the year	19,731	17,341	6,825	17,346	164	61,407
Disposal	(38,018)	(13,802)	(5,331)	-	-	(57,152)
At 31 December 2019	52,260	71,530	37,012	31,439	2,089	194,330
Carrying amounts						
At 31 December 2019	52,863	34,069	17,062	43,146	1,192	148,332
At 31 December 2018	71,342	49,883	23,887	57,792	1,356	204,260

None of these assets were encumbered as at 31 December 2019 (2018: Nil)

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

20 Property and equipment

31 December 2018

	Furniture & fittings N'000	Computer Equipment N'000	Motor Vehicles N'000	Leasehold Improvement N'000	Safe & Vaults N'000	Total N'000
Cost						
At 1 January 2018	62,613	69,064	59,405	-	3,281	194,363
Additions	79,276	48,810	-	71,885	-	199,971
At 31 December 2018	141,889	117,874	59,405	71,885	3,281	394,334
Depreciation						
At 1 January 2018	52,020	51,694	26,331	-	1,761	131,806
Charge for the year	18,527	16,297	9,187	14,093	164	58,268
At 31 December 2018	70,547	67,991	35,518	14,093	1,925	190,074
Carrying amounts						
At 31 December 2018	71,342	49,883	23,887	57,792	1,356	204,260
At 31 December 2017	10,593	17,370	33,074	-	1,520	62,257

21 Intangible assets

	31 December 2019 N'000	31 December 2018 N'000
Cost		
At 1 January	262,751	262,751
Additions	118,519	-
At 31 December	381,270	262,751
Amortization		
At 1 January	221,929	185,594
Amortisation for the year	39,018	36,335
At 31 December 2019	260,947	221,929
At 31 December 2018	120,323	40,822

Intangible assets represent core computer software purchased for business operations. The following applications are currently in use by the company:

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

- i Microsoft Dynamics (NAV)
- ii Laserfische (EDMS application)
- iii Automatic Converter

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful life of 5 years.

22 Trade and other payables

	31 December 2019 N'000	31 December 2018 N'000
Accounts payable		
Creditors and accruals	599,735	918,442
Staff incentive bonus	170,000	211,543
Information technology levy	-	40
	769,735	1,130,025

23 Dividend Payable

	N'000	N'000
	3,600,000	3,340,000

In respect of the current financial year, at the Board meeting held on 20 December 2019, the directors recommended approval of an interim dividend of N1.80k per share amounting to N3.60billion (2018: N3.34billion)

In line with the National Pension Commission (PenCom) circular PENCOM/INSP/CIR/SURV/12/04, payment of these dividends will be subject to the approval of PenCom.

24 Income tax

	31 December 2019 N'000	31 December 2018 N'000
a) Per statement of financial position:		
At 1 January	1,359,840	1,195,191
Charge for the year (note 15)	1,723,214	1,369,717
Tax paid	(1,500,657)	(1,205,068)
At 31 December	1,582,397	1,359,840

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004 as amended, while Education Tax is based on Education Tax Act CAP E4 LFN 2004.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

25 Effective tax rate reconciliation	31 December 2019		31 December 2018	
	N'000	%	N'000	%
Profit before tax	5,525,147	100	5,313,395	100
Tax Charge:				
Company income tax	1,309,250	23.68	1,223,311	23.02
Information technology tax	55,251	1.00	53,134	1.00
Education tax	87,911	1.59	83,395	1.57
Deferred tax	29,483	0.53	14,227	0.27
Effective tax rate	1,481,895	26.8	1,374,067	25.9
Adjustments				
Information technology tax	(55,251)	(1.00)	(53,134)	(1.00)
Education tax	(87,911)	(1.59)	(83,395)	(1.57)
Deferred education tax	(1,881)	(0.03)	(348)	(0.01)
Effect of permanent differences	320,550	5.80	356,828	6.72
Statutory tax rate	1,657,402	30	1,594,018	30

26 Share capital	31 December 2019 N'000	31 December 2018 N'000
Share capital comprises:		
i Authorised - 2,000,000,000 Ordinary shares of N1 each	2,000,000	2,000,000
ii Issued and fully paid - 2,000,000,000 ordinary share of N1 each	2,000,000	2,000,000

27 Retained earnings	31 December 2019 N'000	31 December 2018 N'000
At 1 January	3,087,697	2,505,566
Interim dividend	(3,600,000)	(3,340,000)
IFRS 9 Day 1 adjustment	-	(7,320)
Transfer from other statement of comprehensive income	3,772,450	3,929,451
At 31 December	3,260,147	3,087,697

NOTES TO THE FINANCIAL STATEMENTS**CONTD.**

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

In respect of the current financial year, at the Board meeting held on 20 December 2019, the directors recommended approval of an interim dividend of N1.80k per share amounting to N3.60billion(2018:N3.34billion).

In line with the National Pension Commission (PenCom) circular PENCOM/INSP/CIR/SURV/12/04, payment of these dividends will be subject to the approval of PenCom.

28 Related party transactions

- 1 During the year, the company had business transactions with related companies. The transactions were in the normal course of business and the amounts recognised in the financial statements from these transactions are as stated below:

		31 December 2019 N'000	31 December 2018 N'000
Interest income			
United Bank for Africa Plc	- Parent Company	63,439	68,307
Support Services			
United Bank for Africa Plc	- Parent Company	163,285	245,485
Cash and cash equivalent			
United Bank for Africa Plc	- Parent Company	21,737	19,673
Placement			
United Bank for Africa Plc	- Parent Company	3,240,586	450,690
Payable			
United Bank for Africa Plc	- Parent Company	50,000	422,287
Rent			
United Bank for Africa Plc	- Parent Company	41,423	41,423

UBA Pensions Custodian is a wholly owned subsidiary of UBA Plc. The following are the transactions and balances arising from dealings with related parties during the year.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

2 Information regarding Directors and Employees

Key management personnel constitutes those individuals who have the authority and the responsibility for planning, directing and controlling the activities of UBA Pensions Custodian Limited, directly or indirectly, including any director (whether executive or non-executive). The individual who comprise the key management personnel are the Board of Directors as well as certain key management staff and officers.

The following table describes all compensations paid to, awarded to, or earned by each of the key management personnel in 2019 for services rendered in all capacities to the company.

	2019 N'000	2018 N'000
Chairman and Directors' emoluments		
Fees and sitting allowances:		
Chairman	5,000	5,000
Non-executive directors	35,000	36,250
Emoluments of executives	6,254	7,060
Others	16,000	16,000
	62,254	64,310

	Number	Number
Executive	2	2
Non-executive	5	5
	7	7

	2019 Number	2018 Number
Employees		
Average number of persons employed during the year:		
MD/CEO & Executive Director	2	2
Management Staff	5	6
Non - Management Staff	73	72
	80	80

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

	2019 N'000	2018 N'000
1 Compensation of Employees		
The number of person in the employment as at year end is as follows;		
MD/CEO & Executive Director	2	2
Management Staff	5	6
Non - Management Staff	73	72
	80	80
2 Compensation for the above personnel (Including executive director)		
Salaries & Wages	409,386	432,827
Contributory pension scheme	19,023	19,672
	428,409	452,499
3 The number of employees other than Directors who received emoluments in the following ranges (Excluding pension contribution) were;	31 December 2019 N'000	31 December 2018 N'000
N300,001 - N2,000,000	25	21
N2,000,001 - N2,800,000	-	-
N2,800,001 - N3,500,000	12	20
N3,500,001 - N4,000,000	23	17
N4,000,001 - N5,500,000	3	3
N5,500,001 - N6,500,000	-	2
N6,500,001 - N7,800,000	9	7
N7,800,001 - N9,000,000	-	-
N9,000,001 above	8	10
	80	80
4 Directors	N'000	N'000
Remuneration paid to Directors were;		
Fees and Sitting allowance;		
Chairman	5,000	5,000
Non-executive directors	35,000	36,250
Emoluments of executives	6,254	7,060
Others	16,000	16,000
	62,254	64,310

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

5 Fees and other emoluments disclosed above include amounts paid to;

	N'000	N'000
The Chairman	50	50
The highest paid director	125	125

6 The number of Directors who received fees and other emoluments (excluding pension contribution) in the following ranges

	Number	Number
N1,000,001 - N3,000,000	-	-
N3,000,001 - N5,000,000	-	-
N5,000,001 and above	5	5
	5	5

29 Critical Accounting Estimates and Significant judgements

The company makes estimates and assumptions in determining the carrying amounts of certain assets and liabilities. The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. The resulting estimate seldom equal the related actual results.

The key assumptions concerning the future, and other key sources of estimation uncertainty, are shown below:

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are disclosed as follows:

Going concern

The company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast doubt on the Company's ability to continue as a going concern. Therefore, the

financial statements continue to be prepared on the going concern basis.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Impairment of Investments carried at amortized cost

The company reviews its financial securities measured at amortized cost at each reporting date to assess whether they are impaired. This requires exercise of judgement.

The company also records impairment charges on held to maturity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the company uses key assumptions such as; The definition of default, assessment of significant increase in credit risk, calculation of lifetime probabilities of default (PD) as well as lifetime expected credit loss (ECL), loss given default (LGD) and lastly, forward looking information

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

macro-economic factors (e.g. unemployment rates, inflation rate.)

Fair value of financial instruments

Where the fair values of financial assets and liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

30 Litigations and contingent liabilities

The company in its ordinary course of business was not involved in any suit as at the year ended 31 December 2019 (31 December 2018: Nil). The directors of the company are not aware of any pending or threatened claims or litigations which may be material to the financial statements. There were no other contingent liabilities requiring disclosure in this financial statements.

31 Compliance with regulatory bodies

The company complied with all law and regulation during the year under review (2018: Nil)

32 Capital commitments

The company has no capital commitments as at 31 December 2019 (31 December 2018 : N73.1million)

33 Events after the reporting period

The World Health Organization declared the corona virus disease (COVID-19) a public health emergency of international concern on 30 January 2020. As of date, it has impacted the global and local economy including Nigeria. In Nigeria, government has enforced social distancing, remote working

and closure of non-essential services in some parts of the country including Lagos where the company performs its operations to contain its spread. All these adopted measures have led to significant disruptions of economies, businesses, and individual lives.

Management has performed a preliminary assessment of the impact of this COVID-19 pandemic on their business in line with the requirement of IAS 10 (Events After Reporting Date) with much considerations on Crisis management and response, Human Resources, Strategy and brand, Information Technology and Business Continuity, Compliance and regulatory issues and Financial position and performance. The company has put in place measures such as remote working arrangement, deployment of collaboration tools across the company and bridge building with customers and partners. In addition, the company has performed assessment of the impact on Asset Under Custody, Revenue, Cost and Profitability of the company going forward and concluded that there is likelihood of reduction in asset under custody as there may be more withdrawal from the Pension Fund Administrators (PFA) accounts. Also, Pension contributions may be reduced as a result of cost cutting strategy that companies may adopt at this time of pandemic thereby reducing volume and value of asset under custody, consequentially impacting negatively on the custody fee for Pension Fund Custodian (PFCs).

While management is aware of all of these impacts, there is hope that the fiscal measures in combination with monetary and macro-financial measures of government, Central Bank of Nigeria and the private sector will minimise the damage posed by this pandemic. Based on these assessment and the necessary measures the company has put in place to mitigate the impact of the COVID-19 pandemic over its business, management believes there is no threat to the operation of the company in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

34 Assets under custody

	31 December 2019 N'000	31 December 2018 N'000
Bank balances	16,702,817	10,372,117
Treasury bills	464,423,434	285,407,445
Money market instruments	327,100,012	179,593,627
Bonds	1,483,701,117	1,404,951,820
Equities	135,799,676	159,308,615
Receivables	-	77,288
Mutual funds	19,058,533	12,046,289
Investment properties	6,128,258	6,256,823
	2,452,913,846	2,058,014,025

Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the compliance unit under policies approved by the board of directors. The risk department identifies and evaluates financial risks in close co-operation with all operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use non-derivative financial instruments, and investment of excess liquidity.

Credit Risk

Credit risk arises from cash and cash equivalents, fees receivable from Pension Fund Administrators under the Company's management as well as debt instruments

(Treasury bills). For cash or fixed deposits with banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If funds are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the fund taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Custody fees are affected against the net assets of the fund.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by any fund under the Company's management.

The maximum exposure to credit risk as at 31 December 2019 is the carrying amount of the financial assets (cash and bank balances, Investment in debt securities and Account receivables) set out in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

All credit risk exposures (without taking into account any collateral held or other credit support) are maintained within Nigeria. An analysis of concentrations of credit risk is set out below:

	Cash and Bank Balances	Investment in Treasury Bills	Custody fees and other receivables	Total
	N'000	N'000	N'000	N'000
31-Dec-19				
Nigeria	3,262,176	6,493,412	504,196	10,259,784
31-Dec-18				
Nigeria	469,560	8,818,064	581,742	9,869,366
31-Dec-19				
Financial liabilities (contractual maturity)	3,600,000	-	-	3,600,000
Financial assets (expected maturity)	-	-	-	-
31-Dec-18				
Financial liabilities (contractual maturity)	3,340,000	-	-	3,340,000
Financial assets (expected maturity)	-	-	-	-

Credit quality of Receivables

Receivables held by the Company consists of management fee receivables which are all classified as neither past due nor impaired. The risk of default is considered as low.

The credit quality of cash and bank balances are neither past due nor impaired. The banks which are the depositories have a credit rating of "A" as assessed by Augusto & Co rating agency; and this rating is adopted by the Company. The risk of default is considered as low.

Credit Quality of Investment in Debt Securities

All investments in debt instruments are neither past due nor impaired. These investments which are government treasury bills are rated as A+ to A- as assessed

by Augusto & Co rating agency and this rating is adopted by the Company.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligation as they fall due or will have to meet the obligations at excessive costs. This risk could arise from mismatches in the timing of cash flows. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments.

The Company does not have any borrowings. Surplus cash is invested in interest bearing current accounts and short term placements, choosing instruments with appropriate maturities.

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

Management of Liquidity Risk

The Company's liquidity management process ensures that the following are carried out:

- a. Active monitoring of the timing of cash flows and maturity profiles of assets and liabilities to ensure mismatches are within stipulated limits.
- b. Managing the concentration and profile of debt maturities

- (a) The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	2019		2018	
	Carrying Value N'000	Fair Value N'000	Carrying Value N'000	Fair Value N'000
Financial assets				
Cash and cash equivalents	3,262,323	3,262,176	469,560	469,560
Carried at amortised cost	6,500,044	6,493,412	8,848,307	8,818,064
Fees receivables	504,196	504,196	581,742	581,742
	10,266,563	10,259,784	9,899,609	9,869,366
Financial liabilities				
Dividend payable	3,600,000	3,600,000	3,340,000	3,340,000
Creditors and accruals	599,735	599,735	918,442	918,442
	4,199,735	4,199,735	4,258,442	4,258,442

NOTES TO THE FINANCIAL STATEMENTS

CONTD.

Financial instruments measured at fair value

IFRS 7 paragraph 25 requires the disclosure of the fair value of financial assets and financial liabilities by class in a way that permits it to be compared with its carrying amount for each class of financial asset and financial liability. The Company's financial instruments are held to maturity and the amortised cost of the instruments closely approximates the fair value of the instrument

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet). Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2019, the Company's strategy, which was unchanged from 2012, was to maintain the gearing ratio of 0%. The Company achieved this gearing ratio in 2019 and 2018 as it had no borrowings.

	2019 N'000	2018 N'000
Total borrowings	-	-
Total equity	5,260,147	5,087,697
Gearing ratio	-	-

STATEMENT OF VALUE ADDED

FOR THE PERIOD ENDED 31 DECEMBER 2019

	2019 N'000	%	2018 N'000	%
Gross earnings	6,839,856		6,689,941	
Impairment (charge)/write-back	24,597		(24,549)	
Bought-in materials and services - Local	(725,127)		(658,897)	
VALUED ADDED	6,139,326	100	6,006,495	100
Applied as follows:				
In payment of employees: Salaries, bonuses and benefits	513,039	8	614,127	10
In payment to government: Taxation	1,723,214	28	1,369,717	23
Information technology development levy	55,251	1	53,134	1
Retained for future replacement of assets and expansion of business:				
Deferred taxation	(25,054)	-	(54,537)	(1)
Depreciation on fixed assets	100,426	2	94,603	2
Profit for the year	3,772,450	61	3,929,451	65
	6,139,326	100	6,006,495	100

Value added is the wealth created by the efforts of the company and its employees and its allocation between employees, shareholders, government and re-investment for the future creation of further wealth.

FIVE YEARS FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

	31 December 2019 N'000	31 December 2018 N'000	31 December 2017 N'000	31 December 2016 N'000	31 December 2015 N'000
ASSETS					
Cash and cash equivalent	3,262,176	469,560	92,672	931	748,142
Investment securities	6,493,412	8,818,064	8,420,758	6,741,795	6,039,100
Deferred tax assets	37,906	75,550	81,112	35,938	45,792
Property and equipment	148,332	204,260	62,557	43,177	46,652
Intangible asset	120,323	40,822	77,157	98,473	131,425
Other assets	1,162,982	1,330,319	1,303,314	975,945	855,378
Total assets	11,225,131	10,938,575	10,037,570	7,896,259	7,866,489
LIABILITIES					
Trade and other payables	769,735	1,130,025	1,124,465	394,440	684,198
Deferred tax liabilities	12,852	21,013	12,348	-	-
Current tax liabilities	1,582,397	1,359,840	1,195,191	1,027,949	944,906
Other liabilities	3,600,000	3,340,000	3,200,000	2,400,000	2,500,000
Total liabilities	5,964,984	5,850,878	5,532,004	3,822,389	4,129,104
CAPITAL AND RESERVE					
Share capital	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Retained earnings	3,260,147	3,087,697	2,505,566	2,073,870	1,737,385
Shareholders' fund	5,260,147	5,087,697	4,505,566	4,073,870	3,737,385
	11,225,131	10,938,575	10,037,570	7,896,259	7,866,489
Assets under custody	2,452,913,846	2,058,014,024	1,800,248,204	1,459,855,594	1,257,614,349

FIVE YEARS FINANCIAL SUMMARY

STATEMENT OF COMPREHENSIVE INCOME

	31 December 2019 N'000	31 December 2018 N'000	31 December 2017 N'000	31 December 2016 N'000	31 December 2015 N'000
GROSS EARNINGS	6,839,856	6,689,941	6,532,613	4,966,808	4,703,294
Personnel expenses	(513,039)	(614,127)	(710,582)	(526,713)	(545,834)
Impairment losses on financial assets	24,597	(24,549)	-	-	-
Other operating expenses	(826,267)	(737,870)	(1,028,624)	(632,674)	(503,440)
Profit before taxation	5,525,147	5,313,395	4,793,407	3,807,421	3,654,020
Taxation	(1,752,697)	(1,383,944)	(1,161,711)	(1,070,936)	(967,238)
Profit after taxation	3,772,450	3,929,451	3,631,696	2,736,485	2,686,782
Total comprehensive income for the year	3,772,450	3,929,451	3,631,696	2,736,485	2,686,782



TOURNAMENTS & **SPORTS**

THE 10TH UBA PENSIONS' SPORTS TOURNAMENT REPORT - 2019

The 2019 UBA Pensions' Sports Tournament (10th edition), was held on Saturday April 6, 2019 at the Upbeat Centre, Admiralty Road, Lekki, Phase 1, Lagos. It was a funfair, filled with lots of entertainment and had in attendance, staff members of Pension Fund Administrators (PFAs) and their families. Over 850 persons were in attendance.

The annual sporting event has continued to receive great compliment for its outstanding outings. 14 PFAs and the hosts, UBA Pensions participated in the competition.

At the end of the one-day event, Leadway Pensure was declared the overall winner with five medals (2 gold, 2 silver and 1 bronze). They were also victorious at the highly contested finals of the 5-a-side football which they played against Stanbic IBTC Pensions. Stanbic IBTC Pensions and AllCO Pension were the first and second runners up respectively. Other participating teams were ARM Pensions, AXA Mansard Pensions, AllCO

Pension, FCMB Pensions, Fidelity Pensions, IEI Anchor Pensions, Leadway Pensure, Oak Pensions, PAL Pensions, Premium Pensions, Radix Pensions, Sigma Pensions, Trustfund Pensions and Veritas Glanvills Pensions.

The activities at the tournament included the 5-a-side football (men), table tennis - male and female, egg & spoon race (female), relay sack race, chess, scrabble, snooker, penalty shootout (female) and the FIFA 19 virtual game.

In all, 84 medals and 30 awards were given to winners alongside trophies to the overall best three teams.



TOURNAMENTS & SPORTS

CONTD.



TOURNAMENTS & SPORTS

CONTD.



www.arpension.com



Be Happy



BE
FUTURE
READY

With the right plans in place, you can live a happy life today,
knowing that your tomorrow is secure.

Choose **ARM Pensions**
#futureready

A member of the ARM Group

ARMEngage       | 0700 2255 276, 0708 0535 200

Tomorrow is looking good



**TRUSTFUND
PENSIONS
LIMITED**

RC 611474

A QUARTER OF A MILLION PEOPLE PAID **PENSION BENEFITS** FROM 2006 TO DATE

Trustfund Pensions, Touching More Lives

- Management of Retirement Savings Accounts.
- Management of Pension Funds, Legacy and Approved Existing Schemes.
- Pre and post Retirement Advisory Services.
- Retirement Benefits Administration.

HEAD OFFICE

Trustfund Pension Limited,
Plot 820/821 Labour House,
Central Business District, Abuja.
P.M.B 254 Garki, Abuja, F.C.T Nigeria

Hotline: 0806 977 8760

T: 0817 809 0736, 094628400, 0906 000 1245

Balance & PIN Request: 0706 731 6236

E: enquires@trustfundpensions.com

W: www.trustfundpensions.com

 [trustfundpensionslimited](https://www.youtube.com/trustfundpensionslimited)

   [@trustfundpltd](https://www.instagram.com/trustfundpltd)

...Trust is Our Foundation

RETIRE TO A LIFE OF VALUE

At CrusaderSterling Pensions, we work hard to get you a better deal on your investment, for when the time comes.

So live the Life of an MVP (Most Valued Pensioner) knowing that Nigeria's MVPFA is creating wealth for the retirement you desire.



FOR MORE INFORMATION, VISIT:

Email: info@crusaderpensions.com | Website www.crusaderpensions.com

Head office: 14B, Keffi Street, Off Awolowo Road, Ikoyi, Lagos, Nigeria.

Phone Number: +234 1 271 3800 - 4




CrusaderSterling
PENSIONS

(A member of the Custodian Investment Plc Group)
Creating Wealth for Retirement



WHO WE ARE

IEI-Anchor Pension Managers Limited was incorporated as a limited liability company in November 2004 licensed by the National Pension commission (PENCOM) to operate as Pension Fund Administrator with UBA Pension Fund Custodians Nigeria limited as our Pension Fund Custodian.

IEI-Anchor Pension has an authorized share capital of Two Billion Naira, Two Hundred and Twenty Two Million Naira (2,222,000,000.00) only, all fully paid up.

IEI-Anchor Pension is properly positioned to provide you and your entire staff with world class and qualitative pension administration services.

WHAT WE DO

- Open and manage Retirement Savings Account
- Voluntary Contribution Scheme
- Micro Pension
- Retirement Planning Service
- Retirement Advisory Service
- Cross - Border Pension

contact

08165722731, 08078450652

    ieianchorpens

| www.ieianchorpensions.com

PENSIONS



LEADWAY[®]
pensure^{pfa}

Get more out of Life

with Leadway Pensure

We are fully committed to supporting you through the important phases, so you can get the most out of life.



What would your
future self say about
your choices today



Take a look around you; neighbours, friends, colleagues, strangers...everyone wants a bright future, but, not everyone is investing in a bright future. Remember, a wish is just a wish, but a goal is a wish backed with action. Take action today; make a solid promise to your future self, open a Retirement Savings Account with Veritas Glanvills Pensions Limited.

Discover more at www.vgpensions.com

www.vgpensions.com
01-2803550
contactcenter@vgpensions.com

Veritas Glanvills Pensions Limited was formerly
trading as FUG Pensions Limited.


GLANVILLS PENSIONS
A promise to your future self



PAL
pensions

PENSIONS ALLIANCE LIMITED[®]

Put your retirement in the hands of a **PAL** you can trust.

retire
with a
SMILE



Live Chat on:
PAL Website
Visit www.palpensions.com
to chat with one of our
pension experts.

Get Social
Connect with
us on our social
media platforms





AXA MANSARD
PENSIONS

Rising above all Odds

We help you seize all opportunities
to rise to the top at AXA Mansard
Pensions

Call 01-4485490

or visit www.axamansardpensions.com



Past Tense
Future Perfect

Sigma
Pensions

w o r k i n g f o r y o u

www.sigmapensions.com

Call 0700sigmapensions

Follow Us



@sigmapensions

Download Our App



Radix
PENSION MANAGERS

*Retirement
Savings
Account*

*Legacy
funds*

*Voluntary
Contribution*

*Pension
Advisory*

*Micro
Pension*

*First Class
Customer
Service*

forever
young
enriching your future!

26, Adeola Hopewell Street
Victoria Island, Lagos, Nigeria.
Tel: 01-2919687, 01-2919689, 09060001020
Email: info@radixpension.com
www.radixpension.com

@radixpension


Trust

it's not about falling
...it's about helping you fly.



In life, people are often limited by their fears; failing to soar because they are afraid to fall. At Custodian, we've got your back if the unexpected ever happens. So while others say "what if you fall"; we say **"...oh, but what if you fly."**

✓ CUSTODIAN AND ALLIED INSURANCE LIMITED ✓ CUSTODIAN TRUSTEES
✓ CRUSADERSTERLING PENSIONS LIMITED ✓ CUSTODIAN LIFE ASSURANCE LIMITED


Custodian
...exceeding expectations



PENSIONS

Formerly Legacy Pension Managers Limited

OPEN YOUR RETIREMENT SAVINGS ACCOUNT (RSA) FROM WHEREVER YOU ARE

No paper, No branch visits, 100% digital.



Visit for more info;
[Onlineaccount.fcmbpensions.com](https://onlineaccount.fcmbpensions.com)

FCMB PENSIONS LIMITED
A MEMBER OF FCMB GROUP PLC RC No: 620900



[fcmbpensions](https://www.twitter.com/fcmbpensions) [fcmbpensions](https://www.facebook.com/fcmbpensions) [fcmb-pensions](https://www.linkedin.com/company/fcmb-pensions) [@fcmbpensions](https://www.instagram.com/fcmbpensions)

www.fcmbpensions.com

Tomorrow Starts Today

Take A Pension Plan With
OAK PENSIONS



Tel: 01-2953095, 07002255625 (0700CALLOAK)
www.oakpensions.com | info@oakpensions.com



oakpensions

STANDARD ALLIANCE INSURANCE PLC.



GOING
BEYOND
EXCELLENCE

With a sound capital base, professional workforce, prompt claims settlement and a robust IT infrastructure, we are a rewarding partner for all your risks... now you have a strong reason to partner with us!



...your access to a rewarding life

Plot 1, Block 94, Providence Street, Lekki Scheme 1, Lekki-Epe Expressway, Lekki, Lagos
Tel/Fax: 234-1-4619546. Contact Centre: 0700 Insurance (0700-467872623)
Email: info@sainsuranceplc.com

www.sainsuranceplc.com

PRODUCT OFFERINGS

LIFE

- Term Assurance
- Life Annuity for Retirees
- Group Life Assurance Scheme
- Keyman/Credit Life Assurance Scheme
- Education Support Plan
- Endowment Policy
- Salary Protection Insurance Scheme
- Capital Appreciation and Income Plan
- Investment Linked Assurance Scheme
- Deposit Linked Assurance Scheme
- And Many More.

NON-LIFE

- Motor
- Marine
- Bonds
- Fire
- Burglary
- Money
- Professional Indemnity
- Public Liability
- Fidelity Guarantee
- Goods in Transit
- Large Industrial Risks

Stay Updated with

#FidApp

The Official Mobile App of Fidelity Pension Managers Ltd.

Retire Happily

Now Available!

on
AppStore | PlayStore



**Retirement Savings | Micro Pension
Pension Advisory Services & Retirement Planning
Additional Voluntary Contribution | NSITF Funds Transfer
Defined Benefits Scheme**

Follow us on Social Media:

   @fidelitypfa

A. 2 Adeyemo Alakija Street, Victoria Island, Lagos.
T. 01-4626968-69.
E. info@fidelitypensionmanagers.com
W. www.fidelitypensionmanagers.com



THE 3

E E E S

ENTERPRISE EXCELLENCE EXECUTION

EXCELLENT SERVICE... DELIVERED

