

**UBA** 

United Bank for Africa Plc  
RC 2457



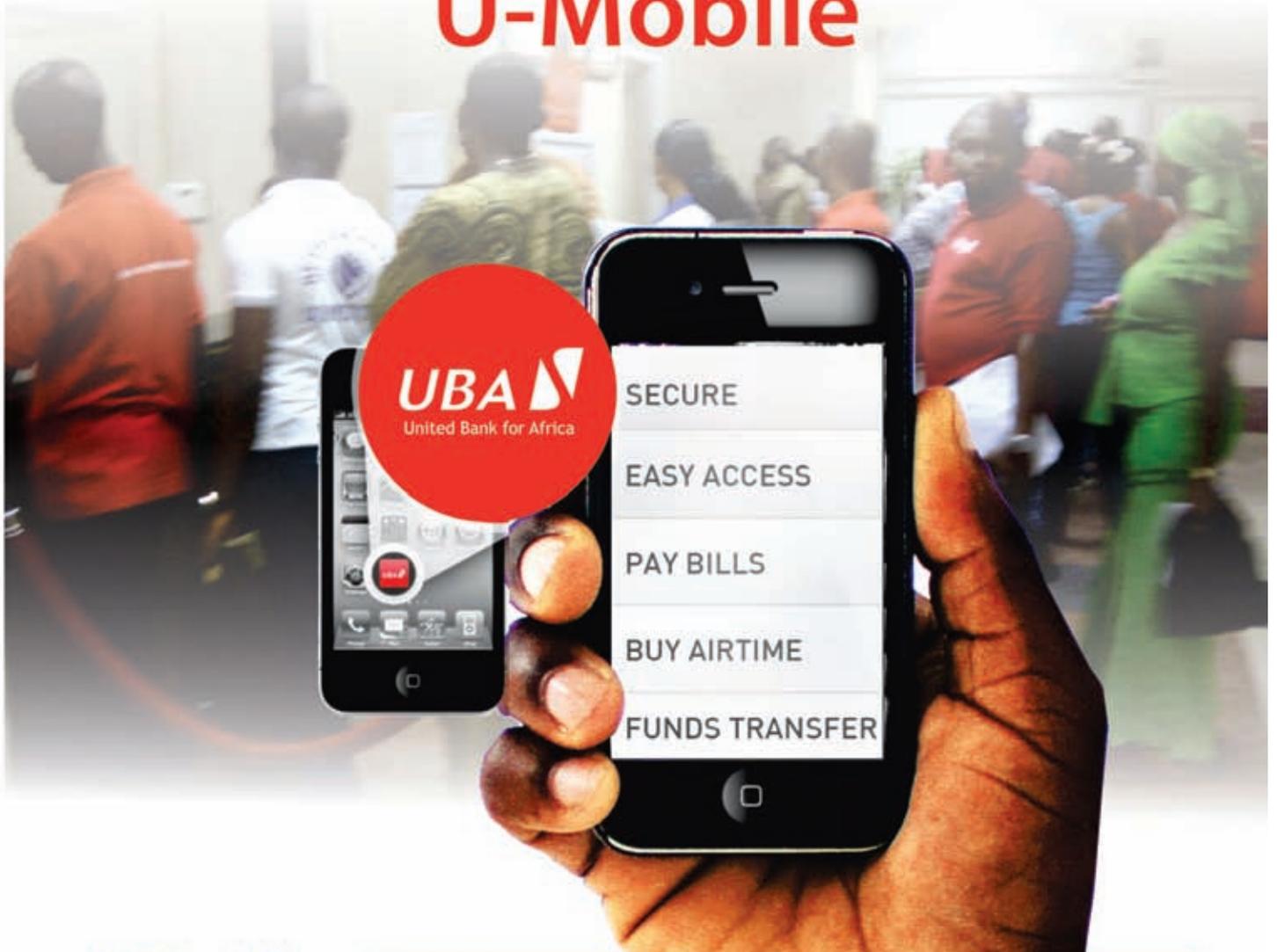
## Annual Report and Accounts 2011



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Africa's global bank

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# *Building Africa's Global Bank*

## **Vision**

*To be the undisputed leading and dominant financial services institution in Africa.*

## **Mission**

*To be a role model for African businesses by creating superior value for all our stakeholders, abiding by the utmost professional and ethical standards, and by building an enduring institution.*

## **Who we are**

*UBA Plc is a leading financial services group in Sub-Saharan Africa with presence in 19 African countries as well as United Kingdom, United States of America and France. Beyond traditional banking services, the Group provides innovative financial services including investment banking, wealth management, trusteeship, life insurance, pension custody, stock-broking through its network of branches and subsidiaries. UBA Plc is quoted on the Nigerian Stock Exchange.*

## **What we do**

### **Products And Services**

*UBA is a full-service financial institution offering a range of over 200 banking, bancassurance and wealth management products and services.*

### **Markets**

*UBA has over 7.2 million customers in personal, commercial and corporate market segments. The bank's operations is spread across 22 countries, consisting of Nigeria, 18 other African countries, United States of America, United Kingdom and France.*

### **Channels**

*UBA has the largest distribution network in Nigeria. As at December 31 2011, there were 634 branches and retail outlets, 1,352 ATMs and 2, 230 PoS machines fully deployed.*

### **Staff**

*As at December 31 2011, the Group had 12,978 staff.*

# Our Global footprint



# Notice of AGM

**NOTICE IS HEREBY GIVEN** that the 50th Annual General Meeting of United Bank for Africa Plc will be held at Lagos Oriental Hotel, 3 Lekki Road, Victoria Island, Lagos at 10:00AM on Friday May 18, 2012 to transact the following business:

## ORDINARY BUSINESS

1. To receive the audited accounts for the year ended December 31, 2011 together with the reports of the Directors, Auditors and the Audit Committee thereon
2. To re-elect retiring Directors
3. To authorize the Directors to fix the remuneration of the Auditors
4. To elect members of the Audit Committee

## SPECIAL BUSINESS

To consider and if thought fit, to pass the following as an Ordinary Resolution:

5. "That following the recommendation of the Directors pursuant to Article 115 of the Bank's Articles of Association, the sum of NGN323,346,936.50 be and is hereby capitalized from the share premium of the Bank into 646,693,873 ordinary shares of 50 kobo each and appropriated to members whose names appear in the Register of Members at the close of business on 30th April, 2012 in proportion of one (1) new share for every fifty (50) shares registered in such member's name on that date, the shares so distributed being treated for all purposes as capital and not as income and shall rank pari-passu with the existing issued ordinary shares of the Bank."

## PROXY

A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. To be valid, a Proxy Form must be duly stamped at the Stamp Duties office and returned to the Registrar, Africa Prudential Registrars Plc, 220B, Ikorodu Road, Palmgroove, Lagos, not less than 48 hours prior to the time of the meeting.

## NOTES

1. Closure of Register of Members

The Register of Members will be closed from May 2, 2012 to May 4, 2012 (both dates inclusive), to enable the Registrar to prepare for the Scrip Issue.

2. Audit Committee

In accordance with Section 359(5) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, any shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and should reach the Company Secretary at least 21 days before the date of the Annual General Meeting.

The Central Bank of Nigeria in its Code of Corporate Governance for Banks stipulate that some members of the Audit Committee should be knowledgeable in internal control process, accounting and financial matters.

3. Accreditation of shareholders shall commence at 8:00AM prompt and end at 9:50AM to enable commencement of the AGM by 10:00AM.

Dated this 16th day of April, 2012.

**By Order of the Board**



Bili A. Odum  
Group Company Secretary  
57 Marina, Lagos

# *Directors' Profile*

## Directors' Profile



**Israel Ogbue,  
Chairman**

Appointed non-executive director in 2005 and chairman of the board in 2011.

Qualified as a Chartered Secretary upon graduation from South-West London College of Commerce, England. Holds the fellowship of the Chartered Institute of Secretaries. Has work experience spanning over four decades, two decades of which were at senior management levels. He retired as General Manager of National Insurance Corporation of Nigeria (NICON). Has served as a director on the boards of many companies, including Transcorp Hilton Hotel and NAL Bank (now Sterling Bank Plc).



**Joe Keshi, oon  
Vice Chairman**

Appointed non-executive director and vice chairman of the Board in 2011.

A graduate of political science from the University of Ibadan, Nigeria, he holds a post graduate diploma in International Relations and Diplomacy from the Nigerian Institute of International Affairs and a Masters degree in Administration and Development from the Institute of Social Studies, The Hague, The Netherlands.

He is both a alumnus of the John Kennedy School of Government, Harvard University and the Harvard Business School. He has since joining the Board attended a number of trainings organized by the Board for its Directors.

He joined the Nigerian Public Service in 1975 and has over thirty five years work experience, some of which were at the highest level of government. Apart from serving in a number of Nigeria's diplomatic missions and heading a few, he was, at various times, Permanent Secretary, Cabinet Secretariat, the Presidency and Permanent Secretary, Ministry of Foreign Affairs.

He is a Director of South Strategy and Chairman of Afrigrowth Foundation.



**Phillips Oduoza,  
Group Managing Director/CEO**

Appointed executive director in 2005 and GMD/CEO on 1st August 2010.

Holds an MBA (Finance) and first class honours (Civil Engineering) degrees from the University of Lagos. An alumnus of the Harvard Business School's Advanced Management Program. Banking career spans over two decades with experience in several areas, including credit and marketing, treasury, relationship management, information technology, business development, strategic planning, financial control, human resources, internal control and international operations. He held several senior level appointments before joining Standard Trust Bank in 2004.

He has attended numerous banking, management and leadership programs in some of the most famous training centers of the world. Known for strong execution and talent management.

## Directors' Profile Cont'd



**Kennedy Uzoka,  
Deputy Managing Director Ag.**

Appointed executive director in 2010.

Until his recent appointment as the Deputy Managing Director (Ag), Kennedy Uzoka was the Executive Director, Resources; a position he held from May 2010, in which role he oversaw, Human Capital, Corporate Communication, Company secretariat, Corporate Services, Legal services, UBA Academy, UBA Foundation and UBA Properties. He has a B.Sc. degree in Mechanical Engineering from the University of Benin and an MBA degree from the University of Lagos. Kennedy, a multiple awards winner, brings to the executive team a unique set of experience (spanning almost two decades) in marketing, business strategy, finance, and resources management.

He was Head, Strategy and Business Transformation of UBA Group and Regional Bank Head, South Bank (covering over seventeen states in Southern part of Nigeria). Before the merger of Standard Trust Bank with UBA Plc in 2005, Kennedy was the General Manager, North Bank covering all the states in the Northern part of Nigeria including the Federal Capital Territory. He was also the Chief Marketing Officer – Federal Capital Territory (FCT), Chief Marketing Officer, Lagos and a Co-Managing Executive Officer – with the responsibility to co-manage the entire bank.

He is an alumnus of international institutions such as the Harvard Business School in Boston, USA; International Institute of Management Development (IMD) in Lausanne, Switzerland; and the London Business School, UK.



**Rasheed Olaoluwa,  
Executive Director (UBA Nigeria,  
South)**

Appointed executive director in 2008.

Holds a first class honours degree in Civil Engineering and an executive MBA degree from International Graduate School of Management (IESE), Spain. Started his career at Arthur Andersen, where he qualified as a chartered accountant. He has had an illustrious banking career, playing senior roles in marketing and relationship management, treasury management, currency trading and investment banking.

He was the MD/CEO of the erstwhile Universal Trust Bank Plc prior to joining UBA Group in 2006. Since joining, he has played various roles within UBA such as Director, Strategy and Business Transformation, Director, Corporate and Investment Bank and Regional Bank Head.

Appointed Chief Executive Officer of UBA Africa in March 2008, he succeeded in extending UBA's operations into West, Central, East and Southern African regions during his tenure.

He is currently the Executive Director, UBA Nigeria-South, with responsibility for the bank's retail, commercial and public sector businesses in the eighteen southern states of Nigeria.



**Emmanuel N. Nnorom,  
Executive Director  
(Risk Management)**

Appointed executive director in 2008.

An alumnus of the Oxford University Templeton College and trained with the accounting firm of Peat Marwick Caselleton Elliot & Co., where he qualified as a professional accountant. He holds the fellowship of the Institute of Chartered Accountants of Nigeria (ICAN) and an honorary membership of the Chartered Institute of Bankers of Nigeria (CIBN).

He has had extensive work experience in accounting and finance (including at executive levels) in both the real and banking sectors of the Nigerian economy spanning over two decades.

He previously worked with ANZ Merchant Bank (now part of Stanbic IBTC Bank), Diamond Bank, Standard Trust Bank and since joining UBA, has been involved in several functions, including financial control, operations, regulatory affairs, executive office and supervision of non-bank subsidiaries.

He currently supervises the Group Risk Management function as the Group Chief Risk Officer.

*Directors' Profile Cont'd*



**Abdulqadir Bello,**  
**Executive Director (UBA Nigeria,**  
**Up North)**

Appointed executive director in 2009.

Holds a B.Sc. (Accounting) degree from Bayero University, Kano and the associate membership of the Institute of Chartered Accountants of Nigeria (ICAN). He has over 21 years' experience in the banking sector, during which period he held several senior management positions in various banks. Until his appointment as executive director, where he oversaw the Risk Management function, he was the Group Chief Credit Officer.



**Ifeatu Onejeme,**  
**Executive Director (Corporate**  
**Banking)**

Appointed executive director in 2010.

He holds a first class honours degree in Accountancy from the University of Nigeria and the fellowship of the Institute of Chartered Accountants of Nigeria (ICAN). He is an alumnus of two Ivy League schools in the USA at the executive education level – The Wharton Business School of the University of Pennsylvania and the University of Chicago Graduate School of Business, Chicago, Illinois.

He has over 25 years of active banking and financial services experience across several areas, including corporate and commercial banking, treasury and financial services, operations and information technology, risk management, strategic planning and management, performance management, budgeting and financial control.



**Femi Olaloku,**  
**Executive Director/GCOO**  
**(Operations and Information**  
**Technology)**

Appointed executive director in 2010.

He holds B.Sc. (Civil Engineering) and MBA degrees from the University of Lagos.

He has over 21 years of work experience in the banking sector, holding several management positions in operations and information technology.

## Directors' Profile Cont'd



**Dan Okeke,**  
**Executive Director (UBA Nigeria,**  
**North)**

Appointed executive director in 2011.

He holds a B.Sc. degree in Geography and Planning from the University of Nigeria Nsukka and an MBA (Finance) degree from the ESUT Business School Lagos. He is an associate of the Nigerian Institute of Management (NIM) and has attended various local and international courses, including the Competition and Strategy programme at the Harvard Business School.

He acquired varied work experiences in the manufacturing industry before moving to the financial services sector. He has over 17 years banking experience, garnering capabilities in domestic and international operations, credit and marketing.

He is currently responsible for the bank's retail, commercial and public sector businesses in Northern Nigeria.



**Paolo Di Martino,**  
**Non-Executive Director**

Appointed non-executive director in 2005.

Italian by nationality, he holds a doctorate degree in Agriculture from Pisa University, Italy. In 1975, he joined Monte Dei Paschi Siena (MPS), an Italian-based bank, where he handled several responsibilities. In 1988, he was seconded to UBA Plc, Lagos Head Office as Technical Assistant representing the Italian Bank, who had a stake in UBA. He held the position until 1992.

Thereafter, he was the bank's representative in Egypt and Tunisia. In 2005, he returned to Italy as Head of Correspondent Banking and Financial Institutions for Africa and Middle East, and from 2007 until 2009 he was head of the international network of MPS Banking Group. Since 2009 he has been seconded to Banca Antonveneta, an Italian subsidiary of MPS Group.



**Kola Jamodu, OFR,**  
**Non-Executive Director**

Appointed non-executive director in 2007.

He qualified as a Chartered Management Accountant in the UK. He is also a fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and Chartered Institute of Secretaries and Administrators.

His work experience spans the multinational sector in Nigeria, having worked in UAC, Unilever and PZ Industries where he was appointed Chairman/Chief Executive of PZ Group.

An alumnus of the Harvard Business School, Boston, USA, and a former Minister of Industry of the Federal Republic of Nigeria, Chief Jamodu was the President of the Manufacturers Association of Nigeria (MAN) and Chairman of the Board of Nigerian Breweries Plc.

He is a recipient of national merit awards, including Member of the Order of the Federal Republic of Nigeria (MFR) and Officer of the Order of the Federal Republic of Nigeria (OFR). He is also a recipient of the National Productivity Merit Award (NPMA).

*Directors' Profile Cont'd*



**Ja'afaru Paki,  
Non-Executive Director**

Appointed non-executive director in 2008.

He obtained a D.Sc. degree in Business Administration from Bradley University, USA. He has had a distinguished career working for Mobil Oil Nigeria, the Nigerian National Petroleum Corporation (NNPC) and Unipetrol Nigeria where he served as Managing Director/CEO between 1999 and 2001.

He has held directorship positions in several organizations, including the Kaduna State Housing and Property Development Authority, Kaduna State Industrialization Board, African Petroleum and Stallion Property and Development Company. He was Special Assistant on Petroleum Matters to Nigeria's President Olusegun Obasanjo (2003 – 2007).

He is currently a member of the National Stakeholders Working Group of Nigerian Extractive Industries Transparency Initiative as well as the Chairman of Nymex Investment Limited, Chairman Oxygen Manufacturing Company Limited and a Director on the Board of Advance Link Petroleum Limited.



**Runa Alam,  
Non-Executive Director**

Appointed non-executive director in 2007.

She holds a B.A. degree in International and Developmental Economics from the Woodrow Wilson School of Princeton University (1981), an MBA degree from the Harvard Business School (1985) and was also a Harry S. Truman Scholar. She has 28 years of investment banking, emerging market investment management and private equity experience. She is a co-founding partner and CEO of Development Partners International LLP. She was Chief Executive of Kingdom Zephyr Africa Management and director of the AIG Infrastructure Fund.

Runa has previously served on the Letshego Holdings Limited and Celtel board of directors. She continues to serve on the board of Eaton Tower Holding LLP, ETW Africa Holdings UK Limited, Liberty Star Consumer Holdings (Proprietary) Limited and United Bank for Africa PLC.

Runa is a co-Chair of the African Venture Capital Association Board of Directors and a member of the Emerging Market Private Equity Association Africa Council and Global Advisory Board. She is also a member of the Millennium Promise's UK Board and is on the Advisory Board of the Tony Elumelu Foundation in Nigeria and the Woodrow Wilson School of Princeton University



**Adekunle Olumide, OON,  
Non-Executive Director**

Appointed non-executive director in 2007.

He is a quintessential diplomat, a distinguished career public servant and an accomplished technocrat of the organised private sector, who holds a second class honours (upper division) degree in History (London) from the then University College of Ibadan. He is a former Federal Permanent Secretary and Chairman of the Nigerian Social Insurance Trust Fund (NSITF).

He has represented Nigeria in many global fora, including as Minister-Counsellor at the Permanent Mission of Nigeria to the United Nations Office in Geneva; member of the Board of the International Atomic Energy Agency (IAEA); Chairman of the Employment Committee of the International Labour Organisation (ILO); and Charge d'Affaires of the Nigerian Embassy in Gabon, which he opened after the Nigerian civil war. He retired as the first Director-General/CEO of the Lagos Chamber of Commerce and Industry in 2005.

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## Directors' Profile Cont'd



**Foluke K. Abdulrazaq,  
Non-Executive Director**

Appointed non-executive director in 2007.

She is a Master of Science (M.Sc.) degree holder in Banking and Finance from the University of Ibadan. She is also an alumna of the Harvard Business School. She has over fifteen years of practical banking experience, the height of which was her appointment by the Central Bank of Nigeria /Nigerian Deposit Insurance Corporation in September 1995 as the Executive Chairman of the Interim Management Board of the then Credite Bank Nigeria Limited.

She also has vast public service experience, having served as Commissioner in the Ministries of Finance and Women Affairs in Lagos State and it is to her credit that during her tenure, the broad policies that led to the State's Accelerated Revenue Generation Programme (ARGP) were formulated. She was also the Chairman of the State's Tenders' Board, a member of the Federal Accounts Allocation Committee (FAAC) and the State's Executive Council.

Mrs. Abdulrazaq has held several board positions, including Julius Berger Plc. A council member of the Bank Directors Association of Nigeria (BDAN) and a member of the Institute of Directors (IOD), she is a recipient of the 'Lagos State Woman of Excellence' Award in 1999 and a Justice of Peace (JP).

She currently runs Bridge House College, Ikoyi, Lagos, a sixth-form College that offers first class pre-university foundation and 'A' levels training for students seeking university education in Nigeria and overseas.



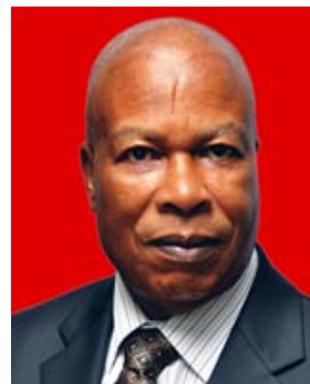
**Angela Nwabuoku,  
Non-Executive Director**

Appointed non-executive director in 2010.

She holds a B.Sc. degree from The American University, Washington D.C, USA and qualified as an International Associate of the American Institute of Certified Public Accountants in 1985. Her MBA degree from the Warwick Business School, UK is in view.

Her working career spans over 27 years with experience in key financial services institutions across West Africa, where she held executive management positions.

She holds board positions in UBA subsidiaries in Liberia, Tanzania, Zambia, Chad and Guinea Conakry. She is Chairman of UBA Metropolitan Life Insurance and was until December 2010, the Chairman of Credit Reference Company, a credit bureau. She retired as an executive director of UBA in March 2010 and was appointed a non-executive director in July 2010.



**Yahaya Zekeri,  
Non-Executive Director**

Appointed non-executive director in 2010.

He is a chartered accountant and seasoned banker with over 35 years banking experience across leading financial institutions.

He is an associate member, Chartered Institute of Bankers, London (ACIB) and an associate member, Institute of Chartered Accountants of Nigeria (ICAN). He is also a fellow, Association of Chartered Certified Accountants, London (FCCA).

## Senior Executive Management Profile



**Gabriel Edgal**  
CEO, UBA Africa

He holds a Bachelor's degree in Engineering from the University of Benin, Nigeria and an MBA degree from the University of Lagos, Nigeria. His experience in banking and financial services spans almost two decades.

He was appointed MD/CEO UBA Africa in 2011 and oversees the pan-African thrust of UBA Plc's commercial banking businesses in 18 African countries excluding Nigeria. Previous roles he played in UBA include CEO – UBA West Africa, CEO – UBA Ghana and Director – Group Treasury and Investments.



**Emeke E. Iweriebor**  
Deputy CEO, UBA Africa

He holds B.Sc. and M.Sc. degrees in Political Science (Int'l Relations) as well as an MBA degree from the University of Lagos, Nigeria. He is an alumnus of the Wharton Business School's Executive Development Program.

He has about two decades experience in banking and financial services and in his current role as Deputy CEO, UBA Africa, he has responsibility for building the Bank's business and governance in UBA subsidiaries across Africa. Prior to this role, he was the CEO UBA Central East and Southern (CES) Africa, where he oversaw the Bank's subsidiaries in the sub-region and before then, the pioneer MD/CEO of UBA Cameroun.

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## Senior Executive Management Profile Cont'd



**Ugo A. Nwaghodoh**  
**Chief Financial Officer**

He holds a B.Sc. degree from the University of Ibadan, Nigeria and M.Sc. degree in Finance and Management from Cranfield University, England. He is a fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a member of the Cranfield Management Association.

He is a seasoned financial analyst and accountant with about two decades experience spanning assurance, advisory, financial control, strategy and business transformation, investor relations, Mergers and Acquisitions, business integration and project management. Prior to his current role, he was, at different times, Group Financial Controller, Group Chief Compliance Officer and Head – Performance Management in UBA. Before joining UBA in 2004, he had almost one decade experience with Deloitte and PricewaterhouseCoopers.



**Bili Odum**  
**Group Company Secretary**

He holds an LLB (Hons) degree from Edo State University, Ekpoma, Nigeria and was enrolled as a Solicitor and Advocate of the Supreme Court of Nigeria in 1990. He is a member of the Chartered Institute of Arbitrators (United Kingdom), the Nigerian Bar Association and the International Bar Association.

He has held high-level strategic positions in top financial services institutions in Nigeria, with responsibilities that encompassed asset management, structured finance, legal advisory, corporate governance, human resource management, administration, knowledge management and business communication.

## Chairman's Statement



*“Overall, there was renewed interest in Africa from emerging market investors, especially from Brazil, China and India. Billions of dollars are being invested in Africa’s power, telecoms and road infrastructure.”*

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## Chairman's Statement Cont'd

Dear Shareholders,

The year 2011 was yet another challenging year for the world economy and financial systems, as key global economies recorded rising fiscal deficits and adopted varying degrees of fiscal tightening measures. Central banks and other regulatory agencies continued the recovery plans designed for their respective economies after the harsh operating conditions of the last three years.

In retrospect, the African banking industry has shown resilience, having sustained its momentum on the path of full recovery.

The region remained one of the few that continued to record strong growth in the face of challenging global economic conditions.

### **Your Bank has emerged stronger and even better poised to pursue its corporate objectives.**

At year-end, nine of our eighteen African operations outside Nigeria recorded full year profits, compared to seven recorded in 2010. This further attests to our belief in the pan-African strategy.

### **OVERVIEW OF THE GLOBAL ECONOMY**

The European sovereign debt crisis dominated the world economic stage in 2011 and is largely responsible for the slowdown in global growth from 3.8% in 2010 to a projection of 3.2% growth in 2011. Growth was driven largely by the expansion recorded in emerging and developing economies, who are believed to have grown at an average of 6.4%. The advanced economies, on the other hand, rose by only 1.6%.

In the United States, economic recovery seemed to be gaining some momentum, as unemployment rate dropped to 8.5%, the lowest in 3 years. Economists have projected the economy to grow at between 2% and 2.5% in 2012, compared to 1.7% actual growth in 2011, on the back of gradual gains in home sales and new home construction. However, the situation in Europe deteriorated

further in 2011. The underlying sovereign debt problem is severely threatening five of the twenty seven-member European Union (EU) nations, namely Greece, Ireland, Portugal, Italy and Spain. The size of the Union's European Financial Stability Facility (EFSF), a fund established to bailout Eurozone states in economic difficulty, has been increased in order to effectively contain the economic crisis. Yet, the sovereign rating of nine of the EU countries, as well as that of the EFSF were downgraded by Standard & Poor's in January 2012. Growth in Europe has slowed from 1.9% in 2010 to 1.1% in 2011, and is forecast to be -0.5% in 2012.

2011 was also a year that tested age-long socio-economic ideologies and their overall impact on business. The European sovereign debt crisis has severely tested the ideology of regional integration and economic convergence.

The ideology of capitalism and role of the state in business were equally placed under scrutiny, with unwavering public outcry on the consequences of growing sovereign debts. Pockets of violence were recorded in some countries, as increasing awareness and self-determination of citizens across some countries culminated in confrontations and the toppling of long-standing dictatorships.

Consequently, most regions of the world had their year-end growth forecasts revised downwards and there was an unprecedented increase in the issuance of profit warnings by corporations. Also, there were cases of flight of capital to safety, with many emerging and developing markets having to grapple with further decline in the much-needed investment inflows.

In the Middle East and North African Region, the ideology of authoritarianism was confronted with a wave of revolutions and mass uprising generally termed the "Arab Spring", which commenced in Tunisia on December 18, 2010. It has led to the toppling of the government in four countries

to date, namely Tunisia, Egypt, Libya and Yemen. Protests have continued in some countries, notably in Syria, where the second highest number of casualties has been recorded after Libya.

The Arab Spring has significantly contributed to sustained high oil prices in 2011, which rose just short of \$130 per barrel in May before retreating, thereby significantly benefiting oil-producing countries including Nigeria.

#### REVIEW OF AFRICA'S ECONOMY

Sub-Saharan Africa, our main operational base, grew at 5.2%, due to continued exploitation of its rich natural resources. The region's seven oil exporting countries achieved impressive economic performance, driven largely by high oil prices that remained strong, above \$100 per barrel during the year.

Overall, there was renewed interest in Africa from emerging market investors, especially from Brazil, China and India. Billions of dollars are being invested in Africa's power, telecoms and road infrastructure. These three large emerging market economies increased their share of Sub-Saharan Africa's trade from about 3% in 1990 to over 26% today. Intra-regional trade has also grown from 7% in 1990 to over 14% today.

Infrastructure development forms a major part of investment inflows into Africa, with many countries focusing on bridging existing infrastructure gaps in partnership with the private sector in order to build the necessary productive base to support the domestic economies. This attests to the growing confidence in the opportunities that abound in the region. With its extensive African network, UBA is well positioned as the preferred bank for investment and trade across Africa.

On the political front, there is marked stability in the continent with ten successful general elections recorded during the year. Also, a new sovereign state, Southern Sudan, emerged through a

violence-free process. In line with growing investor confidence in the region, global rating agencies, Standard & Poor's and Fitch, made an upward review in the sovereign credit ratings assigned to four key African economies: Angola, Kenya, Nigeria and South Africa. For example, Fitch stated that the improvement in Nigeria's rating from "BB-; Negative Outlook" to "BB-; Stable Outlook" reflects the country's improved structural reforms outlook, strong growth and strong balance of payments. In Kenya's case, Standard & Poor's revised the country's rating from "B: Positive Outlook" to "B+; Stable Outlook" because of the perceived economic resilience of the country and its new constitution.

However, significant inflationary pressure was observed in some African economies, due to rising food and energy prices. Inflation peaked at 30.5% in Uganda; reached 19% in Kenya; 17% in Tanzania; and 21% in Guinea. In Nigeria, the country of our flagship operation, inflation rate was 10.3% at the end of 2011. In response to inflationary pressures, many countries adopted tight monetary policy measures to manage systemic liquidity and protect their local currencies. Some African countries also announced fiscal consolidation measures.

In Nigeria, the Federal Government's removal of fuel subsidy led to increase in fuel price by over 100%. Street protests ensued for one week and the government was forced to back down with a restoration of the fuel subsidy by 50%.

The government of Ghana announced amendments of its tax laws with the aim of increasing government's tax revenue and the government of Uganda plans to remove its 60% power subsidy in 2012.

Another emerging risk is insecurity. While the activities of international terror groups were effectively weakened on the global arena, there have been pockets of terrorist activities in some regions in Sub-Saharan Africa, such as Kenya and Nigeria. However, the governments of affected

countries are beginning to form partnerships with nations that have had highly successful anti-terrorism campaigns, to ameliorate the problem. The Bank's Business Continuity Plan has proven to be effective, with minimal impact of these events on its global operations.

#### **AFRICA'S BANKING INDUSTRY**

The African banking industry has significantly benefitted from the economic fortunes of the region. According to Bain & Company, a global consultancy firm, the African financial services industry expanded by at least 15% annually since 2004, with a return on equity averaging 15%. The industry is expected to continue to expand by 15% annually till 2020, when it will represent 19% of the region's output, compared to 11% in 2009.

Part of this expansion is attributable to the growing emerging middle class across the key economies of the region, as well as increasing financial inclusion in the region leveraging innovative banking services and technology. The adoption of mobile banking is transforming the entire financial systems in countries like Kenya, and is being replicated in other fast developing financial markets like Nigeria. In this vein, the Central Bank of Nigeria (CBN) is pursuing a program tagged "Cashlite" initiative, aimed at deepening financial inclusion, reducing dependence on cash and promoting the adoption of electronic banking in Nigeria. UBA is at the fore-front of these events and is well positioned to lead the market in the new banking landscape.

However, this growth has not been without its challenges. African central banks are actively implementing reform programs to strengthen corporate governance structures and improve risk management standards to protect the industry from the vagaries of likely negative consequences of such developments. The Bank of Zambia (BOZ), for instance, has raised the minimum capital requirement for Zambian banks from the current

K12 billion (\$2.3 million) to K104 billion (\$20 million) for locally owned banks and K504 billion (\$100 million) for foreign owned banks with full compliance expected by December 31, 2012. Also, the apex regulator in Kenya has prescribed a new minimum capital requirement of 1 billion Kenyan Shillings for operators effective December, 2012. This new capital requirement represents a 300% increase from the current minimum of 250 million Kenyan Shillings. Other African countries are expected to increase their minimum capital requirements.

In Nigeria, the state-owned Asset Management Corporation of Nigeria (AMCON) concluded the acquisition of bad loans in 2011, totaling N3.14 trillion. The acquisition process for the CBN "rescued banks" has been concluded and other banks are in the process of restructuring their operations in line with the new CBN guidelines for commercial banking regulation.

Several Central banks have also tightened monetary policies considerably to effectively manage inflationary pressures impacting the economy. In Nigeria, the Central Bank of Nigeria raised its Monetary Policy Rate (MPR) by 575 basis points from 6.25% at the beginning of the year to 12.0% by year-end.

The Cash Reserve Requirement (CRR) for commercial banks was also increased from 1% to 8%, while Minimum Liquidity Ratio (MLR) was increased from 25% to 30%. In Uganda and Kenya, the benchmark rates were increased by 400 basis points. However, a bill to fix lending rates for Kenyan commercial banks was recently submitted at the country's parliament for consideration.

#### **UBA'S PERFORMANCE**

During the financial year 2011, we recorded a 4.1% growth in gross earnings to N185 billion (2010: N178 billion) driven by increase in loan volume as well as treasury and investment activities.

## Chairman's Statement Cont'd

However, the Bank concluded the year with a net loss of N10.5 billion, due to the disposal of some of our non-performing loans to AMCON.

However, the Bank has delivered strong risk ratio, thus providing a strong platform for exceptional performance in 2012. Capital adequacy ratio was over 21% (2010: 17%) compared to a regulatory minimum of 10%. Our liquidity ratio was 60% (2010: 39%). NPL ratio has improved significantly, standing at 3.7% for the entire Group compared to the 8.8% for 2010.

The size and structure of our balance sheet equally improved in 2011. The Group's total balance sheet grew by 27% to reach N2.9 trillion at the end of the year. Total deposit grew by 14% to N1.44 trillion while gross loan grew by 5.7% to close at N715 billion (2010: N676 billion). As a result, loan to deposit ratio remained under 50%, and this leaves an ample room to grow the loan book in future.

### AFRICAN EXPANSION

The major phase of UBA's African expansion was concluded in 2011 with the commencement of operations in the Democratic Republic of Congo and Congo Brazzaville, thus bringing the number of our African operations to nineteen. The Bank has now moved to the Business Consolidation Phase in all its countries of presence.

### APPRECIATION

In view of the challenging operating conditions of the year, the achievements in 2011 may not have been attained without the sheer dedication and commitment of our workforce, the loyalty of our customers as well as the unwavering support of our shareholders. I therefore like to extend my sincere gratitude to you all for the continued belief in us.

In the course of the year, the Board of Directors approved the appointment of Mr. Kennedy Uzoka as the Deputy Managing Director of the Bank.

Also, Mr. Dan Okeke was appointed to the Board as the Executive Director (UBA Nigeria, North). It is our belief that these appointments will further strengthen our ability to deliver superior value to our growing clientele and shareholders.

At this juncture, on behalf of the board and management of UBA, I want to convey the Bank's gratitude to Mrs. Faith Tuedor-Matthew, our erstwhile Deputy Managing Director (UBA Nigeria, North) and Mr. Victor Osadolor, our erstwhile MD/CEO, UBA Capital Holdings, both of whom resigned from your board after several years of meritorious service. We wish them the very best in their future endeavours.

### OUTLOOK

There are lingering fears that a softening in the demand for Africa's commodity produce is imminent, if the financial and economic crises in Europe are not resolved. However, strong economic recovery in the United States is expected to compensate for any likely loss that may ensue from the EU crises. Moreso, emerging markets are expected to significantly contribute to global growth projected to reach 3.3% in 2012. Investors from these economies will continue to find Africa increasingly attractive and will contribute to the expected 5.5% growth in Africa's output for 2012.

UBA will therefore continue to pursue its three-pronged strategic intent of industry dominance in Nigeria, leadership in Africa and maintaining a global presence in order to take full advantage of business opportunities in all its operating geographies.

Thank you



**Chief I. C. Ogbue**  
Chairman

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## *GMD/CEO's Report*



*“Collectively, operations outside Nigeria now account for 18% of total revenues compared to 13% in 2010. Also, it is gratifying to note that twelve of the eighteen countries we operate in Africa (excluding Nigeria) made profits in 2011.”*

Our esteemed Shareholders,

I am pleased to present the performance of our Group for the 2011 financial year. As you may well know, 2011 turned out to be another tough year for the world's financial system and institutions. Central Banks across the world continued with the arduous task of industry sanitization with the objective of achieving sustained financial system stability and soundness.

In spite of this, several financial institutions fell victim and have been either nationalized or absorbed by other organizations. I am proud to say that your Bank, United Bank for Africa Plc (UBA), emerged more vibrant, stable and better poised for higher performance and attainment of industry leadership in the 2012 financial Year.

At the beginning of year 2011, the leadership of the Bank deliberated and agreed on certain key priorities for the Bank. These priorities served as the platform for driving the Bank's overall performance for the year: They are:

- **Strengthening our Value Proposition:**  
Strengthening our value proposition to our target customer segments including corporate, commercial and retail banking with the objective of improving our share of the customer's banking business and becoming the Bank of choice for top players in key sectors.
- **Consolidating our African Subsidiaries:**  
Reinforcing our business in each of our operating countries in order to deepen our penetration, achieve positive contribution to the Group's profitability and deliver commensurate returns on invested capital.
- **Driving Low Cost Deposits:**  
Regaining our market share of low cost deposits (savings and current account deposits) by leveraging our superior reach and e-Banking solutions to drive growth.
- **Aggressive Loan Growth:**  
Improving our loan-to-deposit ratio by creating

quality assets with the top players in key sectors of the economy as well as leveraging the value-chain opportunities linked to these names.

- **Driving up Non-Interest Income:**  
Aggressive marketing of our e-banking and transaction banking offerings to both corporate and retail banking customers in order to generate more transaction income.
- **Commitment to Lean Growth:**  
Focusing on achieving aggressive revenue growth with minimal cost growth by leveraging our existing operational platform to improve our cost-to-income ratio.
- **Fraud Prevention:**  
Implementing sound fraud prevention initiatives to ensure zero/minimal profit erosion from both internal and external frauds
- **Process Improvement:**  
Removal of process, organizational and policy bottlenecks affecting productivity improvements within the Bank.

Stemming from the progress made on these key areas of priority in the past year, it is my belief that the Bank has laid a very strong foundation for achieving better performance in 2012 and beyond.

**KEY TRANSACTIONS**

The Bank recorded the following key transactions in the course of the year:

- Appointment as Trustees to the N3.14 trillion state-owned AMCON Fund;
- Appointment as Joint Issuing House and Underwriter to the following state government bonds: Ekiti State Bond (N25 billion); Edo State Bond (N25 billion, part financing of N5 billion), Delta State Bond (N50 billion); Benue State bond (N13 billion); and Rivers State bond (N250 billion)
- Financing of crude oil and petroleum products importation by a foremost Oil and Gas company in Kenya;

- Collaborated with other financial institutions in the N82.5bn and \$100m term loan facilities for a major telecoms operator in Nigeria, which won the Europe and Africa Euromoney Award for the Project Finance Deal of the Year in Telecomms;
- Participation in the refinancing of part of over \$1.2 billion debt in tranches for the Gas to Liquid Project of one of the Oil Majors in Nigeria, for which the Bank was awarded the Africa Refinancing Deal of the Year 2011 by Euromoney along with the other parties in the deal; and
- Joint financial adviser to the \$2 billion Nigerian Petroleum Development Company (NPDC) Growth Plan.

#### **PAN-AFRICAN EXPANSION STRATEGY**

The Bank concluded a major phase of its pan-African expansion plan with the commencement of operations in Democratic Republic of Congo and Congo Brazzaville, bringing the number of our African Operations to nineteen.

With the completion of the expansion plan, the Bank has now moved into the business consolidation phase in all our countries of presence, with the objective of deepening our penetration of these markets and increasing our share of business.

#### **REPEAL OF UNIVERSAL BANKING REGIME**

The Central Bank of Nigeria (CBN) revoked the universal banking license that authorized commercial banks to engage in non-commercial banking activities. In its place, the CBN has issued new banking licenses that do not permit commercial banks in Nigeria to engage in non-commercial banking activities.

Consequently, the CBN mandated commercial banks to submit their respective plans for complying with the new requirements.

In response, UBA Plc in January 2011 submitted

its compliance plan to transition into a holding company structure and obtained a regulatory approval-in-principle in June of the same year. The CBN granted its final approval on 28 December, 2011. The holding company structure, which entailed the set up of a separate intermediate holding company for bank subsidiaries in 18 countries across Africa, was approved by shareholders at a duly convened court-ordered meeting on December 29, 2011.

However, on December 30, 2011, the CBN released a circular on the Definition and Structure of Holding Companies in pursuance of the New Banking Model. This circular requires all onshore or offshore bank subsidiaries to be held by a parent operating commercial bank, thus invalidating the bank's earlier financial holding company structure.

Therefore, the Bank has prepared a revised compliance plan, which contains its proposal to operate a monoline business and divest from all non-commercial banking subsidiaries. Under the revised compliance plan, UBA Plc would no longer pursue the setting up of a financial holding company; neither would there be any sub-holding companies. UBA Plc would be the parent bank holding company of all its commercial banking activities in Nigeria, Africa and the rest of the world. UBA Plc would also be the parent company for UBA Pension Custodian Limited and UBA FX Mart Limited. The CBN has approved this revised plan.

#### **EXECUTIVE TRANSITIONS**

During the year, the board of the Bank and subsequently, the Central Bank of Nigeria approved the appointments and resignations of some board members as follows:

- Mr. Kennedy Uzoka was appointed as the Deputy Managing Director (Ag.) of the Bank. He was the Executive Director, Group Resources before this appointment.
- Mr. Dan Okeke was appointed Executive Director. He was the Head, UBA Nigeria

(North) before this appointment.

- Mr. Victor Osadolor, who was a MD/CEO of UBA Capital Holdings before his resignation from the Board to pursue other personal interests.
- Mrs. Faith Tuedor-Matthews resigned from the Board of Directors. She was the Deputy Managing Director, UBA Nigeria, (Abuja) before her resignation.

### UBA FOUNDATION & CORPORATE SOCIAL RESPONSIBILITY

In continuation of the spirit of giving back to the society, UBA Foundation was involved in several milestone community-impact projects in the year:

- The "Read Africa" project, aimed at rekindling the reading culture among children in Africa continued in 2011.
- The Foundation also participated in the fight against prostate cancer by playing an active role in the Prostate Cancer Awareness Program in June 2011 as well as in fund-raising for free screening across Africa.
- In September 2011, the Foundation launched a National Essay Competition Programme among secondary schools in Africa starting with Nigeria. The competition successfully ended in November 2011, with University scholarship awards for the winners.

### MAJOR AWARDS

In the course of the year, UBA was presented with the following notable awards and accolades:

- The "Best Performing Bank in Agric Finance for the year 2010" in recognition of the Bank's exemplary performance under the Agricultural Credit Scheme of the CBN.
- The "Best Trade Finance Institution in Nigeria" (by Euromoney) in recognition of how the Bank leveraged its African footprint, knowledge and appetite to originate trade mandates from corporate and financial institutions across its presence and non-presence countries, leveraging its trade finance and processing capabilities in Lagos, New York and London.

- The "Best Retail Bank" award for launching Africard Visa Prepaid Card and promoting in-house cross-border funds transfer solution in Zambia.

- The "Best Bank of the Year", courtesy of the Financial Times Bankers' Magazine in Cameroun.

### OVERVIEW OF FINANCIAL RESULTS

During the 2011 financial year, the Bank had a marginal growth in its gross earnings (from N178 billion to N185 billion that is 4.1% growth) on the back of an increase in the contribution from other African countries, growth in loan volume and better asset pricing.

However, due to some exceptional write-offs against earnings, the Bank recorded a net loss of N10.5 billion for the financial year.

The net loss was driven principally by the loss from disposal of some of our non-performing loans to the Asset Management Corporation of Nigeria (AMCON), where we took a hair cut in excess of 40% of significance in this respect is the non-performing loan granted to Zenon, where the Bank suffered a loss of N15 billion.

Management does not anticipate further similar write-offs in 2012 and despite these actions, the Group's balance sheet and capital are in a robust position, providing a solid foundation for the Group's future growth.

#### Capital adequacy

The Bank's capital position, however remains strong with a capital adequacy ratio of over 21% compared to a regulatory minimum of 10%.

#### Liquidity and solvency

The liquidity position of the Group continued to improve in the course of 2011, due to gradual return of confidence in the markets and the receipt of AMCON bonds in place of our NPLs.

Our liquidity position as at the end of the financial year was 60% (2010: 39%), thereby attesting to the

strength of the Bank's ability to meet maturing obligations.

### **Deposits**

Our deposit base rose by 14% from N1.27 trillion in 2010 to N1.44 trillion in 2011. Driving this growth were our wide distribution network and growing contribution from other African countries. It is also instructive to note that the quality of our deposit mix has also improved with the proportion of tenored deposits dropping further to 22%, compared to 23% in the corresponding period. This has helped in reducing our aggregate cost of funds to 2.8%.

### **Loans**

The closing position of our gross loans was N715 billion (2010: N676 billion), representing a growth of 6% during the period. But for the loan sales to AMCON, growth in total loan book would have been stronger in 2011. As a result, loan to deposit ratio remained under 50%, reflecting our cautious loan growth stance.

It is also instructive to note that our NPL ratio has improved significantly. It is currently 3.7% for the entire Group compared with the 8.8% for 2010 financial year.

### **Total Balance Sheet**

Total Group balance sheet footing stood at N2.9 trillion at the end of December 2011. This represented about 27.4% growth over the position in 2010. This provides a solid foundation for the Group's future growth plan.

### **Contributions from other African countries**

As at December 2011, our operations in Africa (excluding Nigeria) have risen to eighteen. During the year, we commenced business in two countries, namely Democratic Republic of Congo and Congo Brazzaville. We are pleased to say that we have completed the major phase of our pan African expansion and have shifted focus to the consolidation of these businesses with the aim of extracting value from them.

Collectively, operations outside Nigeria now account for 18% of total revenues compared

to 13% in 2010. Also, it is gratifying to note that twelve of the eighteen countries we operate in Africa (excluding Nigeria) made profits in 2011.

Overall, we are determined to enhance shareholder value by unlocking existing potentials in the Bank, leveraging on its huge resource base and its vantage positioning in Africa.

### **STRATEGIC THRUST FOR THE 2012 FINANCIAL YEAR**

The Executive Management of the Bank embarked on a strategic planning retreat in 2011 to define some 5-year strategic objectives as well as the business priorities for the Bank for 2012 financial year and beyond.

In the end, the Bank maintained that it will continue to pursue its three-tier strategic intent of:

1. Being the dominant and clear leader in the Financial Services Industry (FSI) in Nigeria ;
2. Being a leading African Bank (shift from expansion to business consolidation phase) and
3. Establishing a global presence (full leverage of our global footprint for end-to-end business coverage.

Similarly, corporate targets were set for the 2012 financial year with the intention of propelling the Bank to industry leadership.

In 2012, we will continue to drive our business focus of the wholesale, commercial and retail market segments and will vigorously pursue business opportunities in the key sectors, expected to drive growth of the African economies in which we operate.

At the retreat, the priority areas to be pursued within the Group to achieve our business objectives were identified as follows:

- Building on the momentum in deposit growth, while leveraging our large branch network, with the objective of improving the Bank's low-cost deposit ratio;

## GMD/CEO's Report Cont'd

- Leveraging the Bank's unique trade and remittance platforms, products and unmatched global network to grow the Bank's global and regional trade and remittance businesses
- Creating high quality loans by targeting each of the key sectors and corporate customers that drive growth in Nigeria and other African countries, as well as strengthening the Bank's credit delivery, monitoring and collections capabilities to achieve and sustain high asset quality in the Bank;
- Enhancement and institutionalization of our relationship management approaches to improve our share of wallet of target customers;
- Optimization of the Bank's e-Banking capabilities as well as our unique e-Channel platforms in readiness for the "cash-lite banking" initiative of the CBN, including plans for investments in over 30,000 Point-of-Sales (PoS) terminals in Nigeria by year-end 2012, launching and aggressive sales of the Bank's mobile payment platform, U-Mo, as well as upgrade of existing e-Banking products for increased effectiveness;
- Enhancement of the Bank's Group Shared Services platform for more effective support to our marketing teams;
- Focus on cost optimization with the overall objective of significantly reducing the Bank's cost-to-income ratio by, among other things, leveraging the impact of the "cash-lite banking" initiative to optimize the Bank's branch network, reduce our cash handling costs, improve the Bank's sales to non-sales staff mix e.t.c.;
- Improvement of our approaches in the selection, management, development and retention of our people; and
- Adoption of the International Financial Reporting Standards (IFRS) in 2012.

- Improvement of the Bank's performance management system with the objective of achieving clarity and simplicity of performance targets, ensuring full alignment with the Bank's Corporate Objectives, and improved objectivity of performance evaluation e.t.c.

### APPRECIATION

On behalf of the Board, I hereby extend my deepest gratitude to all employees Group-wide for their commitment, dedication and contribution to the course of the Bank throughout the year. The resilience that you have displayed through the challenging periods of the year is truly commendable. It has gone to further buttress my belief in our collective ability to achieve our corporate aspirations.

To our esteemed customers who have given us this unique opportunity to serve and to continue to deliver value, I want to say thank you. To our shareholders, I want to express my utmost appreciation for all the support and your continued belief in our collective objectives.

To the rest of our stakeholders including our regulators in all our operating jurisdictions as well as our communities, thank you for creating the enabling environment for us to continue to operate.

We heartily say thanks to you all for your continued support now and into the future as we commit to continuously create value.

Thank you.



**Phillips Oduoza**  
Group Managing Director/CEO

## Some New and Enhanced Products



### EMS

**PRODUCT INFORMATION**  
A web-based solution that runs on the PAYMANAGER platform. It allows a company to manage and fund cash cards from any location for various types of cash payments. The cash cards can be used on any ATM, POS terminals and also on the Internet

**TARGET MARKET**

- Corporates

**PRODUCT FEATURES**

- Instant debit of corporate account in UBA and credit onto any cash card
- Card acknowledgement module for cards assigned to your distributors
- Safe and secure card and PIN issuing module
- Blacklisting and hot listing capabilities
- Workflow for multiple signatory approval before final transaction is consummated

**KEY PRODUCT BENEFITS**

- Improves expense payment management
- Can be used to make payment to non-account holders
- Reduces general costs associated with making payments



### PayManager

*Payment Without Boundaries*

- SECURE
- CONVENIENT
- EFFICIENT

**PRODUCT INFORMATION**  
A comprehensive web-based payment solution that enhances prompt automated remittances and collections (direct debits) across banks within Nigeria.

**TARGET MARKET**

- Corporates

**PRODUCT FEATURES**

- Instant debit of corporate account in UBA and credit to accounts in any bank (world wide).
- Foreign currency payment and draft capability.
- Web-based system which allows solution to be used from any location with internet access.
- Direct debit functionality to debit third party accounts across banks in Nigeria and credit corporate collection account online real-time.
- Workflow for multiple signatory approval before final transaction is consummated.
- Maker-checker capability for every action.
- Comprehensive reports on all transactions.
- Date entry using file upload, onscreen date entry module and libraries.
- Standing order capability

**KEY PRODUCT BENEFITS**

- Eliminates writing of cheques
- Gives instant value to beneficiaries
- Eliminates cash handling and its attendant risks
- Automation eases the collections process for receiving clients

Some New and Enhanced Products Cont'd

## U-Direct



**PRODUCT INFORMATION**

Our internet banking platform which gives customers the convenience of interacting with UBA over the web

**TARGET MARKET**

- Corporates
- Retail Customers

**PRODUCT FEATURES**

- Account statement viewing
- Inter-account funds transfer
- Third-party payment initiation
- Item requisitioning e.g. Cheque books, stop cheque instructions etc
- Loan monitoring
- Statement downloads in multiple formats
- Bills payment

**KEY PRODUCT BENEFITS**

Enables customers to issue instructions and initiate transactions from the convenience of their homes/offices. Provides a secure platform for interacting with the bank without recourse to physical presence

## U-Mobile



U-Mobile

Now On Apple Devices



Another First from UBA

**PRODUCT INFORMATION**

A full-featured card based menu-driven mobile banking solution

**TARGET MARKET**

- Corporates
- Retail Customers

**PRODUCT FEATURES**

- Mini account statement viewing
- Inter-account funds transfer
- Balance Inquiry
- Item requisitioning e.g. Cheque books, stop cheque instructions etc
- Airtime recharges.
- Bills payment
- Inter-bank transfers

**KEY PRODUCT BENEFITS**

- Instant notification of transactions on customers' mobile phones
- Provides access to time-sensitive information for key decision making

Some New and Enhanced Products Cont'd

## Bank Collect



### PRODUCT INFORMATION

In-branch e-collection platform for local (UBA only) collections

### TARGET MARKET

- Government/Public Sector
- Corporates

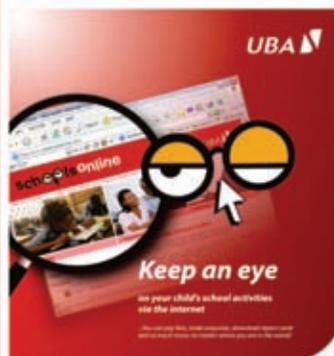
### PRODUCT FEATURES

- Comprehensive and customizable reports
- Robust and detailed audit trail report/transaction log
- Possible integration with clients core business application
- Possible instant email/SMS notification.
- Multi-currency support
- Customizable data fields with robust validation rules
- Possible integration with other payment solutions like Webpay (InterSwitch), thereby allowing payments with debit cards.
- Support for multi-channel payments e.g. via POS terminals at business offices
- Provides interface and secure integration to banking host for transaction posting

### KEY PRODUCT BENEFITS

- Eliminates risks of fraud associated with cash collections
- Provides means to monitor payments online real-time
- Highly customizable to meet user preferences

## Schools On-line



### PRODUCT INFORMATION

A web-based solution that allows pre-tertiary institutions (primary & secondary schools) to provide academic, fees payment and other portal-based services to students and parents

### TARGET MARKET

- Pre-tertiary institutions

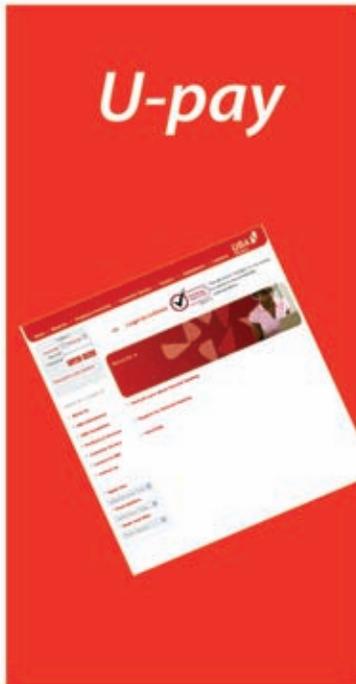
### PRODUCT FEATURES

- Enables parents to make payments for school fees or deposit pocket money for their wards
- Access to online real-time view of wards' school records e.g. academic, medical etc
- Platform to send and receive message alerts to/from school for updates on wards
- Electronic notices are posted on the portal and to email addresses of parents
- Customizable data fields with secure validation rules

### KEY PRODUCT BENEFITS

- Reduces the TAT spent on school fees payment
- Convenience of online access to educational information and processes
- Enhances collaboration between schools and parent/guardian, creating an online school community forum

Some New and Enhanced Products Cont'd



**PRODUCT INFORMATION**

A web-based Human Resource, salary administration and payroll solution that offers corporate customers hassle free salary processing and payment.

**TARGET MARKET**

- Corporates

**PRODUCT FEATURES**

- Personnel data/information update
- HR information management
- Payroll processing
- Payment of salaries online real-time
- Remittance of statutory deductions online (e.g. PAYE, pension, NHIS, etc)
- Online access to pay-slips by employees
- High configurability

**KEY PRODUCT BENEFITS**

- Allows corporates to concentrate on their core businesses
- Reduces operational costs
- Eliminates errors in payroll computing
- Eases payroll reconciliation and reporting
- Provides convenient access to pay-slips via the internet for employees



**PRODUCT INFORMATION**

A web-based solution that allows the registrars of corporate bodies to electronically pay dividends to shareholders online real-time

**TARGET MARKET**

- Registrars
- Corporate treasurers

**PRODUCT FEATURES**

- Access to online real-time reporting
- Easy settlement and reconciliation

**KEY PRODUCT BENEFITS**

- Improves processing speed of dividend payments
- Reduces operational costs
- Optimization of manpower resources

## Some New and Enhanced Products Cont'd

### E-Statements



#### PRODUCT INFORMATION

Provides electronic statement of account at a preferred frequency (end of every business day, week or month) through electronic mail. Customer can also specify the format of the e-mail (i.e. either as a pdf or as an excel worksheet)

#### TARGET MARKET

- Retail/Individual UBA customers
- Corporate Customers
- SMEs

#### KEY PRODUCT BENEFITS

- Regular and up to date delivery of account statements as and when ordered.
- User defined delivery periods
- It comes at no cost

#### REQUIREMENTS

- E-mail address
- Account Number
- Completed service request form

#### PRODUCT FEATURES

- Mail containing account details as at requested delivery period.
- PDF or MS Excel version of statement is attached
- User specifies delivery period i.e. EOD, EOW or EOM
- Service is free to customers

### SMS/E-Mail Alerts



#### PRODUCT INFORMATION

The SMS/E-mail alert service enables delivery of account related information, product and services notifications in real-time to UBA customers' mobile phones and email accounts.

#### TARGET MARKET

- Corporates
- Retail Customers

#### PRODUCT FEATURES

- Deposit/Credit Transaction Alert: Sms/email will be sent every time money is deposited/credited to a designated account selected by the customer.
- Withdrawal/Debit Transaction Alert: Sms/email will be sent every time money is withdrawn/debited from a designated account selected by the customer

#### KEY PRODUCT BENEFITS

- Improved cash flow management and collections process
- Better information for effective decision-making
- Reduced cash-handling
- Optimization of manpower resources

# Corporate Social Responsibility (CSR) Report

We are committed to running our business and conducting ourselves as responsible citizens in any environment we find ourselves in. We ensure that the social and environmental impact of our activities is fair to all our stakeholders, including our shareholders, customers, suppliers, employees, government and the community.

This report depicts the actions we have taken to impact the lives of people in our communities positively. At UBA, we believe that the decision to succeed in business should be accompanied with good corporate citizenship. In a way, this passion is demonstrated by our position as one of the few institutions with a robust Corporate Social Responsibility (CSR) model, as defined by our CSR vehicle, UBA Foundation. We have well articulated principles that entrench good employee welfare, solid customer relationship, diversity in business and community development programs. In doing this, there is a resolution to always listen in order to understand the concerns of our stakeholders and apply the resources required to address them. We strive to sustain mutual relationships with the communities and embark on valued adding projects to enable local communities partake in the success of our business

For several years, UBA Group has been committed to a deliberate strategy of sustainable development that aligns operational excellence with multifarious social programs including, infrastructural development, economic empowerment and environmental sanitation.

Interestingly, CSR is imbibed and well understood by management so much that the initiatives are embedded in all facets of our business to ensure that fair decisions are taken at all times.

## OUR RESPONSES TO KEY STAKEHOLDER GROUPS

### Customers

- Celebrating the UBA Customer through a periodic Service Excellence Program (SEP)
- Constant research aimed at developing new and value adding products and services
- Dedicated Customer Interaction Centre (CIC) to address customer related issues and provide feedback system

### Employees

- Quarterly online chat between management and staff in "Staff Meet The Executive"
- Put in place world class performance measurement structure for entrenched people happiness
- Equal opportunity employer; most diverse workforce in terms of race or origin
- Adopts international staff policies flexible enough meet requirement of labour laws in each country
- Training programs were arranged for staff across the group

### Shareholders

- Open door policy, where investors have access to senior management to evaluate their investment decisions
- Dedicated Investor Relations department that addresses all investor/analyst related issues
- Hosting investors/analysts to quarterly teleconference calls.

### Community

- Dedicated Corporate Social Responsibility arm (UBA Foundation)
- Continued implementation of the "Read Africa" initiative
- Increasing awareness and conducting free tests on Prostate Cancer
- Education support with the annual essay competition
- Cleaning and maintenance of environs (e.g., Akpongbon, Allen R/about, etc)
- We donated a block of hostel/student accommodation for the University of Port Harcourt

### Government

- Prompt and accurate remittance of tax obligations
- Committed to supporting government's economic empowerment programs and initiatives. E.g., the Disbursement of Agric funds and the intervention fund
- Largest employer of labour in the financial services sector, with 12,978 staff worldwide

### Regulators

- Adherence to laid down rules and principles of banking in Nigeria
- Carry on the business in the most ethical way to protect the interest of customers

## Corporate Social Responsibility (CSR) Report Cont'd

- Openness and support for regulatory audit and inspection

### Suppliers

- Fairness in vendor management and awarding contracts
- Engaged in open bidding process since 2010
- Entrenched partnership with suppliers

### Key initiatives pursued during the year

To better align its actions with these values and uphold its unwavering commitment to sustainable development in these communities, UBA embarked on a number of initiatives to further promote its CSR objectives.

### Read Africa Program

The "Read Africa" initiative is designed to rekindle the reading culture among African children, in recognition of the distractions the youths get from digital entertainment devices including televisions and mobile phones.

The strategy for igniting the reading habit includes the provision of selected recommended English Literature text books for students in junior and senior secondary schools across the nineteen Africa countries in which we operate, as well as reading sessions. Members of UBA management served as role models, visited various schools and encouraged the students to dedicate themselves to reading in order to become more successful in life.



L-R: Principal, Kings College, Lagos, Otunba O. O. Olateru; GMD/CEO UBA Plc, Mr. Phillips Oduoza; a student of Kings College and MD/CEO UBA Foundation, Ms. Ijeoma Aso during the "Read Africa Programme" at Kings College Lagos.



MD/CEO UBA Zambia, Mr. Abba Bello, mentoring students during the "Read Africa Programme" at Munali Boys High School, Zambia.

### Annual Essay Competition

The maiden edition of the bank's yearly essay competition for students commenced in 2011. The thrust of the program is to encourage young students to become aware of issues and events around them and give them the opportunity to express themselves. The program is targeted at students undertaking their senior secondary education.

In 2011, we had a very successful essay competition in Nigeria. There were twelve finalists, who were hosted to a grand finale at the head office of UBA Plc. After a rigorous defense of their entries, three of the finalists were adjudged the best by a panel of emeritus professors, invited from selected top Nigerian Universities. Monetary and non-monetary rewards were given to the top three students, to the delight of their parents and the cheer of an enlightened audience. The program was well-received and we are determined to replicate it in the other African counties we operate. We view the essay competition as an off-shoot of the 'Read Africa Project'.

We believe the essay competition serves as a relentless drive towards achieving widespread global advocacy on the improvement of education standards in developing economies. Indeed, stakeholders in Nigeria's educational sector have applauded the initiative.



L-R: First runner-up, Somtochukwu Philippa Orji; Second runner up, Nwajiaku-Nwadike and Winner Oluwonumi Hillary Enitan Amodu at the Award presentation ceremony UBA 2011 National Essay Competition



L-R: Ekiti State Commissioner for Women Affairs, Social Development and Gender Empowerment, Mrs Fola Richie-Adewusi; Winner of the UBA 2011 National Essay Competition, Oluwonumi Hillary Enitan Amodu and MD/CEO UBA Foundation, Ms. Ijeoma Aso.

**Corporate Social Responsibility (CSR) Report Cont'd**

**Prostate Cancer Awareness**

In recognition of the threat posed by Prostate Cancer, the Group has taken up the responsibility of educating the general public on the causes, symptoms, prevention and management of the ailment. In June 2011, UBA embarked on an awareness campaign on Prostate Cancer, where staff took to the streets on a walk, jog, and cycle activity to enlighten people on the measures required to tame the prevalence of prostate cancer. As part of the campaign, novelty matches were played, people were screened for prostate cancer and money was raised by staff to support this initiative going forward.



Front row, L-R: Company secretary UBA Plc, Mr Blli Odum; DMD (Ag.) UBA plc, Mr Kennedy Uzoka leading the "Walk, Jog and Cycle" for Prostate Cancer awareness Campaign 2011.

**Supporting corporate neighbours with our state-of-the-art fire-fighting equipment**

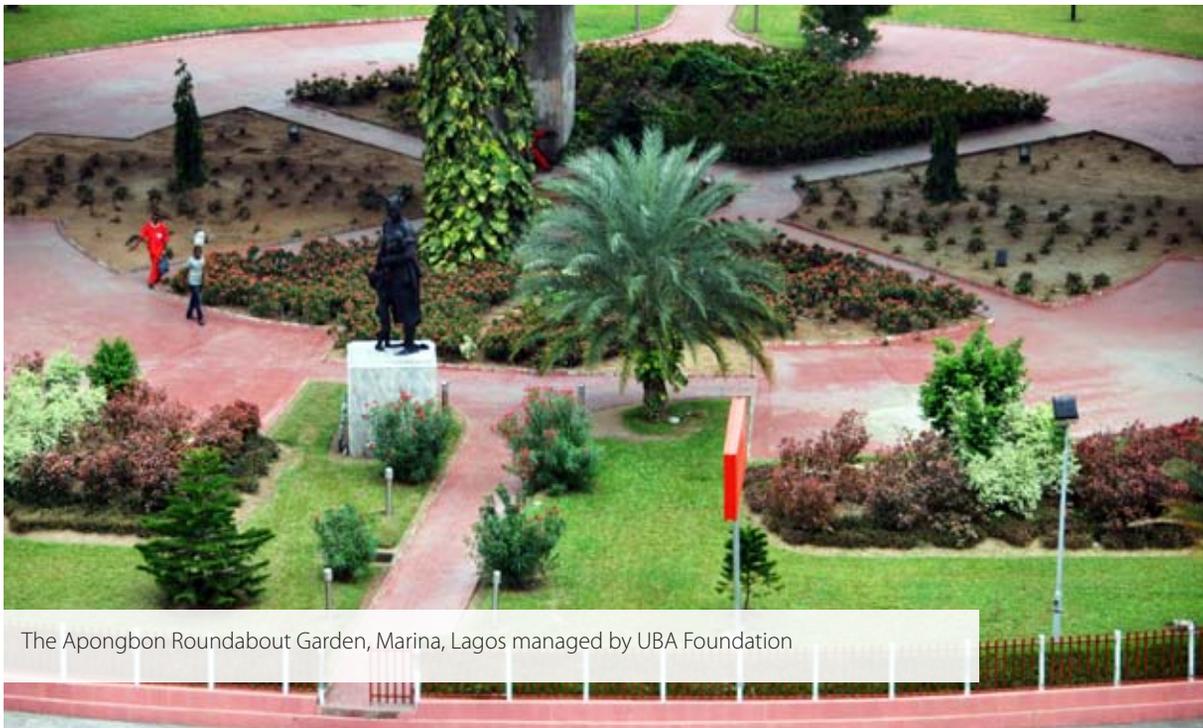
As a socially responsible corporate citizen, we believe that supporting other organizations in time of need, within and outside our industry, is an essence of our corporate existence. During the year, as with previous financial periods, other organizations benefited from the use of our fire-fighting equipment. We are delighted to be responsive to them in time of need, especially as it concerns the safety of life and property from the menace of fire outbreaks.



UBA Fire men at work during one of the rescue Operations in 2011

**Promoting a Greener Environment**

Our commitment towards lifting the face of our society continued unabated. In addition to maintaining and managing dedicated gardens to breed a fresh environment, members of the community are employed and trained to support and drive the initiative. The bank is committed to ensuring the vicinity of its head office is clean, whilst ensuring that other selected locations in Lagos and other places we operate are properly managed for ambience. For instance, the Akpongbon area and its link to the Marina axis, Allen Roundabout at Ikeja are maintained by the bank. The implication of this strategy is that jobs are also created for a number people, who undertake this management.



The Akpongbon Roundabout Garden, Marina, Lagos managed by UBA Foundation

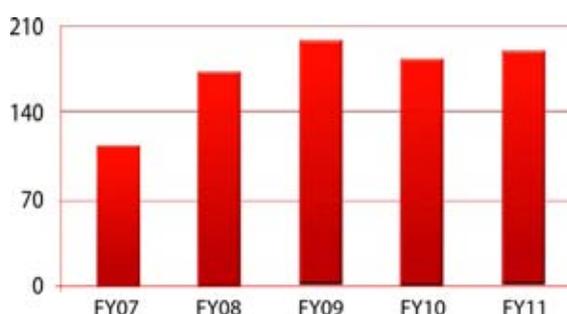


UBA Foundation staff overseeing the UBA head office environment

## Review of Group Financial Performance

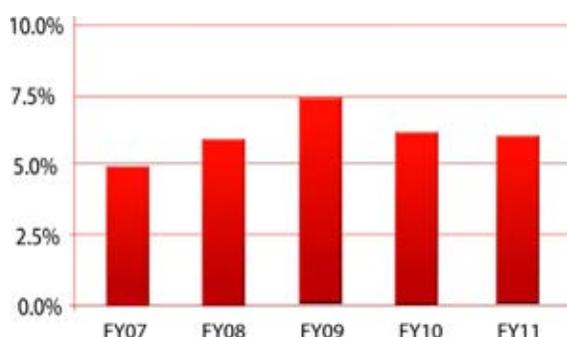
### Gross Earnings (N' billion)

Gross earnings increased by 4.1% to N185 billion in FY11 compared to N178 billion recorded in 2010. This is due to growth in loan volume, increase in the contribution from other African countries and growth in fees and commissions. It is our belief that revenue expansion will be very strong in the current financial year, as we expect margins to improve and our African businesses to contribute more to the Group's topline.



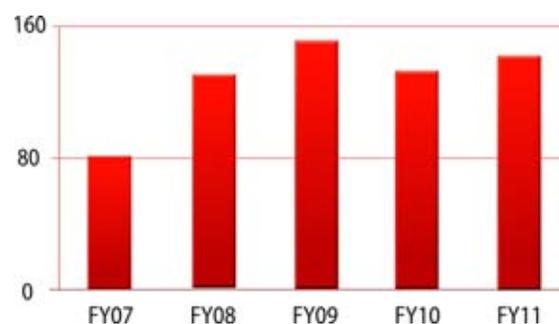
### Net Interest Margin (NIM)

NIM remained flat at 6% in FY11 (FY10: 6%). In FY 2012, NIM is expected to improve with better pricing of assets and our ability to generate low cost deposits for investment in high-yielding liquid assets.



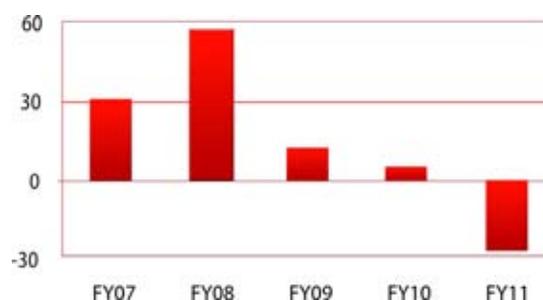
### Operating Income (N' billion)

Operating income grew by 6% in FY11 to N139 billion (FY10: N131 billion). This was driven largely by the expansion in non-interest incomes and some improvements in interest margins. With the performance expected in 2012, operating income will be stronger.



### Profit/(Loss) Before Tax (N' billion)

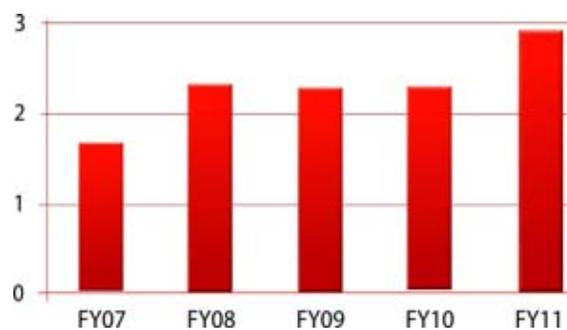
The Group recorded a loss of N28.5 billion before tax. This was on the back of management's decision to clean out the Group's balance sheet of all know delinquent assets. Significant haircuts suffered from the sale of non-performing loans sold to state-owned Asset Management Corporation of Nigeria (AMCON) were the major reasons for the loss reported in the year. This is not expected to recur in 2012, as the Group is better positioned to compete in its key markets.



### Review of Group Financial Performance Cont'd

#### Balance Sheet (N' trillion)

Group balance sheet size rose by 27.4% to close at N2.9 trillion in 2011 (FY10: N2.27 trillion). Growth in key balance sheet items, including deposits, and liquid assets were the key drivers of expansion in balance sheet. We are determined to extract value from our balance sheet to generate optimum returns in the years ahead.



#### Deposits (N' trillion)

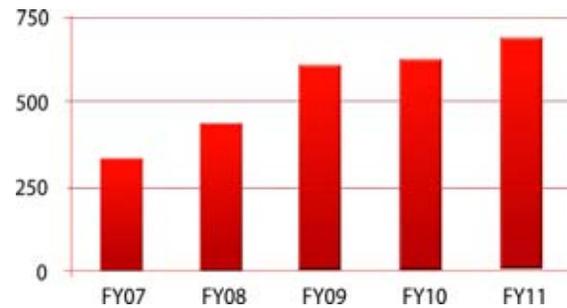
Deposits for the year-ended December 31, 2011 closed at N1.4 trillion, increasing by 14.0% from N1.3 trillion recorded in 2010. This deposit base came with a higher proportion of low-cost demand and savings deposits, which constituted 77.4% of total deposits compared to 77% in 2010 and 71% in 2009. We will continue to leverage our wide distribution network and unique product offerings to attract cheap deposits.



#### Loans and Advances (N' billion)

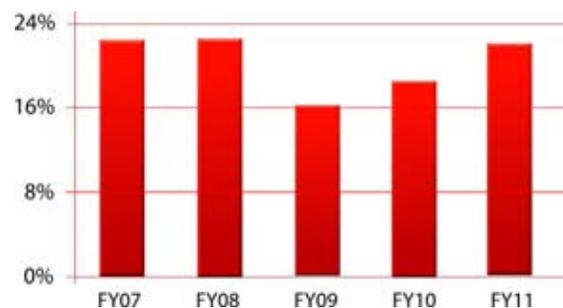
UBA's net loans and advances closed for the year at N690 billion showing an increase by 9.4% from N631 billion in 2010. Our loan growth in 2011 was lower than planned due to the sale of some loans

to AMCON and management's cautious loan growth strategy. We expect to see further growth in our loan portfolio as we improve our level of deposit growth and risk management capabilities.



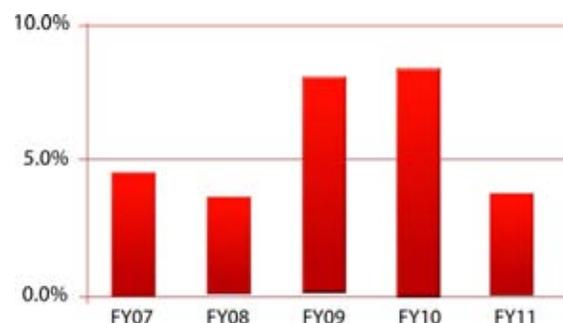
#### Capital Adequacy Ratio (CAR)

CAR improved in 2011, closing at 21.7% at the end of the year (2010: 18%). The improvement in this risk ratio was driven by a reduction in risk weighted assets following from the sale of loans to AMCON and consequently the receipt of bonds.



#### NPL Ratio

Our Non – Performing Loans to Gross Loans (NPL) ratio dropped from 8.8% in 2010 to 3.7% in 2011. This is well below the 5% top limit set by the CBN for Nigerian banks and was achieved after our balance sheet clean up in the year.



# Directors' Report

The Directors present their report together with the audited financial statements of the group for the year ended December 31, 2011.

## 1. RESULTS

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Profit/(Loss) before tax and exceptional Items	8,355	8,171	(441)	8,645
Exceptional items	(36,851)	(4,952)	(36,851)	(4,952)
Taxation	18,849	(2,621)	20,907	(1,526)
(Loss)/Profit after tax	(9,647)	598	(16,385)	2,167
Non controlling interest	(827)	70	-	-
<b>Appropriations:</b>				
Transfer to statutory reserve	-	325	-	325
Transfer to retained earnings reserve	(10,474)	343	(16,385)	1,842
	<b>(10,474)</b>	<b>668</b>	<b>(16,385)</b>	<b>2,167</b>

## 2. LEGAL FORM

United Bank for Africa Plc was incorporated in Nigeria as a limited liability company on 23rd February, 1961 under the Companies Ordinance [Cap 37] 1922. It took over the assets and liabilities of the British and French Bank Limited, which had carried on banking business in Nigeria since 1949. UBA is the first Nigerian Bank to make an Initial Public Offering of its shares following its listing on the floor of the Nigerian Stock Exchange in 1970. The Bank is also the first Nigerian company with a global deposit receipt programme. Following the consolidation reforms introduced and driven by the Central Bank of Nigeria in 2004, the Bank merged with Standard Trust Bank Plc on 1st August 2005 and also acquired Continental Trust Bank Limited on 31st December, 2005.

## 3. MAJOR ACTIVITIES

UBA Plc is engaged in the business of banking and provides corporate, commercial, consumer and international banking, trade services, cash management, treasury and capital market services and electronic banking products. Trust services, pension management and administration, insurance, asset management services, stock broking, issuing house, underwriting, security registration, bureau de change and custodial services are provided through subsidiaries.

## 4. BUSINESS REVIEW AND FUTURE DEVELOPMENT

UBA Plc carries out banking activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and the prospects for the ensuing year is contained in the Managing Director's report.

## 5. DIRECTORS

The names of the directors during the year ended December 31, 2011 are as shown on page 39

Dan Okeke was appointed an executive director effective August 1, 2011. On July 18, 2011, Faith Tuedor-Matthews, an executive director of the Bank resigned from the board.

In line with the disclosure requirements of S. 252(1) of the Companies and Allied Matters Act, CAP 20 Laws of the Federation of Nigeria 2004, members are hereby informed that Mr. Adekunle Olumide, OON, a non-executive director, attained the age of 70 years on May 25, 2011.

## 6. DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation

of the financial statements which give a true and fair view of the state of affairs of the Bank and of the profit or loss for that period and comply with the provisions of the Companies and Allied Matters Act, Cap 20 Laws of the Federation of Nigeria 2004 and the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, in so doing they ensure that:

- Proper accounting records are maintained;
- Applicable accounting standards are followed;
- Suitable accounting policies are adopted and consistently applied;
- Judgments and estimates made are reasonable and prudent;

- The going concern basis is used, unless it is inappropriate to presume that the Bank will continue in business; and
- Internal control procedures are instituted, which as far as reasonably possible, safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

#### 7. DIRECTORS' INTERESTS

The interests of the directors in the issued share capital of the Bank are recorded in the Register of Directors' Shareholding as at December 31, 2011 as follows:

NAMES OF DIRECTORS	31-Dec-11 DIRECT	31-Dec-11 INDIRECT	31-Dec-10 DIRECT	31-Dec-10 INDIRECT
Chief I. C. Ogbue	810,000	1,584,690,453	648,000	1,215,350,223
Amb. Joseph Keshi, <i>oov</i>	125,000	NIL	NIL	NIL
Mr. Phillips Oduoza	27,049,552	16,915,916	11,700,602	13,532,733
Mr. Kennedy Uzoka	22,042,035	NIL	16,200,000	NIL
Mr. Emmanuel N. Nnorom	1,660,760	694,062	3,411,148	955,250
Mr. Rasheed Olaoluwa	5,106,926	NIL	4,085,541	NIL
Mr. Abdulqadir J. Bello	500,000	NIL	NIL	NIL
Mr. Femi Olaloku	683,030	NIL	564,424	NIL
Mr. Ifeatu Onejeme	2,564,451	NIL	2,051,561	NIL
Mr. Dan Okeke	6,220,465	NIL		
Mr. Victor Osadolor [Resigned Jan 9, 2012]	13,295,663	NIL	17,104,171	NIL
Mr. Paolo A. Di Martino	NIL	247,860,000	NIL	198,288,000
Mr. Adekunle A. Olumide, <i>oov</i>	2,583,348	NIL	226,713	NIL
Mrs. Angela Nwabuoku	1,611,263	NIL	1,270,009	NIL
Mr. Kolawole B. Jamodu, <i>ofr</i>	474,525	52,756	NIL	42,205
Ms. Runa N. Alam	NIL	NIL	NIL	NIL
Alhaji Jaafaru Paki	NIL	22,500,000	NIL	18,000,000
Mrs. Foluke K. Abdulrazaq	NIL	9,000,000	NIL	4,800,000
Mr. Yahaya Zekeri	11,475	NIL	9,180	NIL

## Directors' Report Cont'd

### 8. ANALYSIS OF SHAREHOLDING

Shareholding	Number of shares held	% of total shareholding	Number of shareholders	% of total shareholders
1 - 1,000	10,937,351	0.03%	21,610	7.66%
1,001 - 5,000	306,621,555	0.95%	123,647	43.85%
5,001 - 10,000	333,765,223	1.03%	49,274	17.47%
10,001 - 50,000	1,305,788,020	4.04%	62,357	22.11%
50,001 - 100,000	840,058,579	2.60%	12,597	4.47%
100,001 - 500,000	1,964,482,695	6.08%	9,866	3.50%
500,001 - 1,000,000	883,513,579	2.73%	1,300	0.46%
1,000,001 & above	26,689,526,690	82.54%	1,336	0.47%
<b>Total</b>	<b>32,334,693,692</b>	<b>100.00%</b>	<b>281,987</b>	<b>100.00%</b>

#### 10% AND ABOVE HOLDINGS

NAME	UNITS	%
Stanbic Nominees Nigeria Ltd (SNNL)	3,259,110,175	10.8%

### 9. SUMMARY OF DEALING IN UBA SHARES AS AT 31ST DECEMBER, 2011

Quarter	Total	Quarterly Average
First Quarter	1,088,550,220	362,850,073
Second Quarter	1,169,116,317	389,705,439
Third Quarter	1,031,189,957	343,729,985
Fourth Quarter	2,237,952,410	745,984,136

### 10. ACQUISITION OF OWN SHARES

The Bank did not purchase its own shares during the period.

### 11. DONATIONS

In order to identify with the aspirations of the community and the environment within which the Group operates, a total sum of **N102,157,300** was given out as donations and charitable contributions during the period. These comprise contributions to charitable organizations and to other non-charitable organizations. Details of such donations and charitable contributions are as follows:

#### Schedule of Donations for the Period 1st January 2011 to 31st December 2011

Beneficiary	Purpose	Amount (N)
1. Imo State Government	Donation of Hilux vans	67,714,500
2. Anambra State Government	Donation of Hilux vans and Siren System	32,776,800
3. University Of Jos	Financial Support	500,000
4. Federal Polytechnic, Nekede, Owerri - Imo State	Donation of Mercury Computers	666,000
5. Federal College of Education, Osiele, Abeokuta	Financial Support	250,000
6. Community Staff School, Abuja	Financial Support	200,000
University College Hospital (UCH) Ibadan, Oyo State	Financial Support	50,000
<b>Total</b>		<b>102,157,300</b>

## 12. FIXED ASSETS

Movements in fixed assets during the period are shown on pages 86 and 87. In the opinion of the directors, the market value of the Bank's properties is not less than the value shown in the financial statements.

## 13. EMPLOYMENT AND EMPLOYEES

### i. Employment of Physically Challenged Persons

The Group operates a non-discriminatory policy in the consideration of applications for employment, including those received from physically challenged persons. The Group's policy is that the most qualified persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition.

### ii. Health, Safety at Work and Welfare of Employees

The Group maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers

alike. Employees are adequately insured against occupational and other hazards. In addition, the Group provides medical facilities to its employees and their immediate families at its expense.

### iii Employee involvement and Training

The Group encourages participation of its employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Group provides opportunities where employees deliberate on issues affecting the Group and employees interest, with a view to making inputs to decisions thereon.

The Group places a high premium on the development of its manpower. Consequently, the Group sponsored staff for various local and International training courses for 34,926 times in the immediate past financial Year.

### iv Employee Gender Analysis

The number and percentage of women employed during the financial year vis-à-vis total workforce is as follows:

Total employees					
	SEX			PROPORTION	
	Male	Female	Total	Male	Female
Employees - Group	7,173	5,805	12,978	55%	45%
Employees - Bank	5,469	4,384	9,853	56%	44%
<b>Board and top management</b>					
	SEX			PROPORTION	
	Male	Female	Total	Male	Female
Assistant General Manager	24	10	34	71%	29%
Deputy General Manager	24	4	28	86%	14%
General Manager	15	5	20	75%	25%
Executive Director	6	0	6	100%	0%
Deputy Managing Director	1	0	1	100%	0%
Managing Director	1	0	1	100%	0%
Non Executive Directors	7	3	10	70%	30%
	<b>78</b>	<b>22</b>	<b>100</b>		

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## Directors' Report Cont'd

### v Research and Development

The Group also on a continuous basis carries out research into new banking products and services.

### 14. POST-BALANCE SHEET EVENTS

There are no post balance sheet events which could have had a material effect on the financial state of affairs as at 31st December, 2011 and the profit for the period ended that has not been adequately provided for.

### 15. AUDIT COMMITTEE

Pursuant to Section 359(3) of the Companies and Allied Matters Act Cap 20 Laws of the Federation of Nigeria 2004, the Group has an audit committee comprising three non-executive directors and three shareholders as follows:

1. Mr. Charles Oditia - *Chairman/shareholder*
2. Mr. Kayode Fadahunsi - *Shareholder*
3. Alhaji Umar Al-Kassim - *Shareholder*
4. Mrs. Foluke Abdulrazaq - *Non-executive Director*
5. Mrs. Angela Nwabuoku - *Non-executive Director*
6. Amb. Joe Keshi - *Non-executive Director*

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act Cap 20 Laws of the Federation of Nigeria 2004.

### 16. AUDITORS

Messrs PricewaterhouseCoopers, having indicated their willingness to continue in office, will do so in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP 20 Laws of the Federation of Nigeria 2004.

A resolution will be proposed at the Annual General Meeting to authorise the directors to determine their remuneration.

### BY THE ORDER OF THE BOARD



**Bili A. Odum**

Company Secretary  
57 Marina, Lagos

## Customer Complaints Report

### Introduction

United Bank for Africa Plc, Africa's global bank, has demonstrated its commitment to the delivery of excellent customer service and provision of high quality financial services of international standard that meet or surpass customers' expectations. This is delivered at a cost and speed that represents value to the bank through the effective implementation of quality management system and well defined processes with established service level agreements and turn-around time.

Consistent with the bank's policy of excellent service delivery to all customers in all locations, its suite of products, processes and operational frameworks are regularly reviewed with a view to ensure continuous improvement and increasing customer satisfaction.

Every UBA staff in all locations is trained to internalize quality and place focus consistently on customers in every aspect of the bank's operation, keeping to the bank's promise to customers as contained in our customer charter as follows:

- Be respectful-We know 'The Customer is King' and is the purpose of our business;
- Be courteous and friendly in all of our interactions with the customer;
- Process transactions without delay and promptly attend to enquiries

- Investigate and resolve complaints promptly;
- Listen attentively;
- Communicate honestly and proactively;
- Leverage our technical knowledge to fully support the customer's financial needs; and
- Show appreciation at all times.

### Complaints Management and Resolution

The bank maintains a robust and well established customer complaints management system, guided by policy and framework which is managed by well trained staff of the Customer Service Division and reports generated are periodically reviewed by executive management.

The Complaint Management System ensures that customers requests, enquiries and complaints are timely and promptly treated as specified within the framework and established turn around time. In addition to this, well equipped Customer Interaction Centre of the bank provides personalized banking services to customers wherever they are 24 hours a day, 7 days a week and 365 days a year as we are driven with the passion to serve customers better.

Reports of the complaints received and resolved by the bank between October and December 2011, pursuant to the CBN circular dated 16 August 2011, is stated hereunder:

Month	Number of Complaints received during the period	Number resolved	Number not resolved but reported to CBN for intervention	Total disputed amount(N)
October	5,230	5,230	Nil	40,420,100
November	3,520	3,520	Nil	38,180,650
December	4,148	4,148	Nil	45,917,300
<b>Total</b>	<b>12,898</b>	<b>12,898</b>	<b>Nil</b>	<b>124,518,050</b>

In addition to the above, the bank renders a monthly report to the Central Bank of Nigeria in line with the guidelines on resolution of customer complaints.

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# Corporate Governance Report

United Bank for Africa Plc (UBA Plc) holds good governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in its business operations. The directors endorse the principles of best practice corporate governance as stated in the "Code of corporate governance For Banks in Nigeria Post Consolidation" issued by the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission's (SEC) "Code of corporate governance".

During the 2010 financial year, the Bank reviewed and revised its corporate governance policies and came out with three Governance Charters and ninety Group policy documents which became effective from the 1st of August 2010. The board is of the opinion that UBA Plc has in all material respects, complied with the requirements of the CBN code, the SEC code and its own governance charters, during the 2011 financial year.

The Board of Directors of UBA Plc has the overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. In order to promote effective governance of the UBA Group, the following structures have been put in place for the execution of UBA Plc's Corporate Governance strategy:

1. Board of Directors
2. Board Committees
3. Executive Management Committees

As at December 31 2011, the board comprised a non-executive chairman, a non-executive vice chairman, six non-executive directors, two independent non-executive directors and nine executive directors, all of whom bring a wide range of skills and experience to the board.

The Board of Directors carries out its responsibility through its standing committees. These are the Board Audit Committee, the Board Risk Management Committee, the Finance and General Purpose Committee, the Nominations and Governance Committee, the Board Credit Committee and the Statutory Audit Committee. Through the workings of these committees, the board sets broad policy guidelines and ensures the proper management and direction of the Bank.

In addition to the board committees, there are a number

of management committees which ensure effective and good corporate governance at the managerial level.

## A. THE BOARD

The board presently consists of 19 members, 9 of whom, inclusive of the GMD/CEO, are executive directors and 10 non-executive directors. The non-executive directors have the requisite integrity, skills and experience to bring independent judgment to bear on board deliberations and discussions.

### Responsibility

The roles of chairman and chief executive officer are separated and clearly defined. The chairman is primarily responsible for the working of the board whilst the chief executive officer is responsible for the running of the business and implementation of board strategy and policy.

The chief executive officer is assisted in managing the business of the bank on a day-to-day basis by the executive management committee, which he chairs and which meets every other week and comprises all executive directors. The board's primary responsibility is to increase shareholder wealth. The board is accountable to shareholders and is responsible for the management of the relationships with its various stakeholders.

Executive management is accountable to the board for the development and implementation of strategy and policies. The board regularly reviews group performance, matters of strategic concern and any other matter it regards as material.

The Board meets quarterly and additional meetings are convened as the need arises. In 2011, the board met 7 times.

The board is also responsible for the Bank's structure and areas of operation, financial reporting, ensuring there is an effective system of internal control and risk management and appointments to the board. The board has the authority to delegate matters to directors, board Committees and the Executive Management Committee.

### Appointments and Retirements

During the course of the year, Faith Tuedor-Matthews retired from the board, whilst Dan Okeke was appointed to the board.

### Professional Independent Advice

All directors are aware that they may take independent professional advice at the expense of the company, in the furtherance of their duties. They all have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring that all governance matters are complied with and assists with professional development as required.

## B. ACCOUNTABILITY AND AUDIT

### Financial Reporting

The board has presented a balanced assessment of the company's position and prospects. The board is mindful of its responsibilities and is satisfied that in the preparation of its financial report, it has met with its obligations under the Group's Code of Corporate Governance. However, due to delays in completing financial audit and receiving approval from the CBN, the 2011 financial results were submitted to the Stock Exchange late.

The directors make themselves accountable to the shareholders through regular publication of the Group's financial performance and annual reports. The board has ensured that the Group's reporting procedure is conveyed on the most up-to-date infrastructure to ensure accuracy. This procedure involves the monitoring of performance through out the financial year, in addition to monthly reporting of key performance indicators.

PriceWaterhouseCoopers acted as external auditors to the Group during the 2011 financial year. Their report is contained on page 56 of this annual report

### Internal Controls

The Group has consistently improved its internal control system to ensure effective management of risks. The directors review the effectiveness of the system of internal control through regular reports and reviews at Board and Risk Management Committee meetings.

## C. CONTROL ENVIRONMENT

The board has continued to place emphasis on risk management as an essential tool for achieving the Group's objectives. Towards this end, it has ensured that the Group has in place robust risk management

policies and mechanisms to ensure identification of risk and effective control.

The board approves the annual budget for the Group and ensures that a robust budgetary process is operated with adequate authorization levels put in place to regulate capital expenditure.

## D. SHAREHOLDER RIGHTS

The board of UBA Plc has always placed considerable importance on effective communication with its shareholders. It ensures that the rights of shareholders are protected at all times. Notice of meetings and all other statutory notices and information are communicated to the shareholders regularly.

Shareholders are encouraged to communicate their opinions and recommendations whenever they see the need to do so, to either the Head of Investor Relations or the Company Secretary. Their contact details are available on the Bank's website and are reproduced at the back cover of this annual report.

## E. BOARD COMMITTEES

The board of UBA Plc has the following committees:

- Board Audit Committee;
- Board Risk Management Committee;
- Finance and General Purpose Committee;
- Nominations and Governance Committee; and
- Board Credit Committee.

### Board Audit Committee

The Board Audit committee is comprised as follows:

1. Mr. Adekunle Olumide, *OON - Chairman*
2. Mrs. Foluke Abdulrazaq - *Member*
3. Chief Kola Jamodu, *OFR - Member*
4. Mr. Rasheed Olaoluwa - *Member*
5. Mr. Kennedy Uzoka - *Member*

The Board Audit Committee was set up to further strengthen internal controls in the Group. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that effective systems of financial and internal controls are in place within the Group.

Meetings are held at least once a quarter, with the Chief Inspector of the Bank in attendance.

## Corporate Governance Report Cont'd

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS HELD ATTENDED
1	Mr. Adekunle Olumide, <i>ON</i>	4	4
2	Mrs. Foluke Abdulrazaq	4	3
3	Mr. Rasheed Olaoluwa	4	3
4	Chief Kola Jamodu, <i>OF</i>	4	3
5	Mr. Kennedy Uzoka	4	4
6	*Mr. Victor Osadolor	4	2
7	*Mr. Emmanuel Nnorom	4	1

\*No longer a member

### Board Risk Committee

The Board Risk Management Committee comprises of the following Directors:

1. Chief Kola Jamodu, *OF* - *Chairman*
2. Mr. Phillips Oduoza - *Member*
3. Mr. Femi Olaloku - *Member*
4. Mr. Emmanuel Nnorom - *Member*
5. Alhaji Jaafaru Paki - *Member*
6. Mr. Yahaya Zekeri - *Member*

Meetings are held at least once a quarter and the responsibilities of the committee include to review and recommend risk management strategies, policies and risk tolerance for the board's approval; to review management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and to consider and examine such other matters as the board requires, the committee considers appropriate, or which are brought to its attention, and make recommendations or reports to the board accordingly.

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Chief Kola Jamodu, <i>OF</i>	4	4
2	Mr. Phillips Oduoza	4	2
3	*Mrs. Faith Tuedor-Matthews	4	0
4	**Mr. Victor Osadolor	4	3
5	Alh. Ja'afaru Paki	4	3
6	Mr. Emmanuel Nnorom	4	3
7	Mr. Femi Olaloku	4	4
8	Mr. Yahaya Zekeri	4	4

\*Resigned on July 18, 2011; \*\*Resigned on January 9, 2012

### Board Credit Committee

The Board Credit Committee is made up of 5 non-executive directors and is responsible for approval of credit facilities in the Company. It reviews all credits granted by the company and meetings are held at least once a quarter. Members of the Board Credit Committee are:

1. Mrs. Foluke Abdulrazaq - *Chairman*
2. Alhaji Ja'afaru Paki - *Member*
3. Amb. Joseph C. Keshi, *ON* - *Member*
4. Mrs. Angela Nwabuoku - *Member*
5. Mr. Yahaya Zekeri - *Member*

The Board Credit Committee was set up to assist the Board of Directors to discharge its responsibility to exercise due care, diligence and skill to oversee, direct and review the management of the credit portfolio of the Group. Its terms of reference include determining and setting the parameters for credit risk and asset concentration and reviewing compliance within such limits; determining and setting the lending limits; reviewing and approving the Group's credit strategy and the credit risk tolerance. The committee also reviews the loan portfolio of the Bank. It also reviews and approves country risks exposure limits. The Chief Credit Officer and the ED, Risk Management are in attendance at every meeting of the committee.

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Mrs. Foluke Abdulrazaq	15	13
2	Alh. Ja'afaru A. Paki	15	14
3	Mrs. Angela Nwabuoku	15	15
4	Mr. Yahaya Zekeri	15	15
5	Amb. Joe. C. Keshi, OON	15	14

#### Nominations and Governance Committee

The Nominations and Governance Committee is comprised of 4 non-executive directors namely:

1. Amb. Joe Keshi, OON - *Chairman*
2. Mrs. Foluke Abdulrazaq - *Member*
3. Mrs. Angela Nwabuoku - *Member*
4. Mr. Yahaya Zekeri - *Member*

Meetings are held at least once quarterly and the responsibilities of the committee include amongst others, establishing procedures for the nomination of directors, advising the board on corporate governance standards and policies, as well as reviewing, considering and determining the appropriate remuneration payable to the Bank's executive directors.

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Amb. Joe C. Keshi, OON	6	6
2	Mrs. Angela Nwabuoku	6	6
3	Mr. Yahaya Zekeri	6	6
4	Mrs. Foluke Abdulrazaq	6	6

#### Finance and General Purpose Committee

The Committee comprises of seven directors and its responsibilities include discharging the responsibilities of the board with strategic direction and budgeting, providing oversight on financial matters and the performance of the Group as well as reviewing and approving Group policies that are of a financial and general nature.

Members of this Committee are:

1. Mrs. Angela Nwabuoku - *Chairman*
2. Mr. Adegunle Olumide, OON - *Member*
3. Mr. Phillips Oduoza - *Member*
4. Mr. Emmanuel Nnorom - *Member*
5. Mr. Kennedy Uzoka - *Member*
6. Alhaji Ja'afaru Paki - *Member*
7. Amb. Joe C. Keshi, OON - *Member*

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Mrs. Angela Nwabuoku	9	9
2	Mr. Phillips Oduoza	9	6
3	Mr. Emmanuel Nnorom	9	9
4	Mr. Adegunle Olumide, OON	9	9
5	Alhaji Ja'afaru Paki	9	8
6	Mr. Kennedy Uzoka	9	9
7	Amb. Joe C. Keshi, OON	9	6

## Corporate Governance Report Cont'd

### Statutory Audit Committee

The Statutory Audit Committee was set up in accordance with the provisions of the Companies and Allied Matters Act, CAP20, 2004. It comprises of a mixture of non-executive directors and ordinary shareholders elected at the Annual General Meeting. Its terms of reference include the monitoring of processes designed to ensure compliance by the Group in all respects with legal and regulatory requirements, including disclosure, controls and procedures and the impact (or potential impact) of developments related thereto.

It evaluates annually, the independence and performance of the external auditors. The committee also reviews with management and the external auditors the annual

audited financial statements before its submission to the Board. The Members of the Statutory Audit Committee in 2011 are as follows:

1. Mr. Charles Odita - *Chairman/Shareholder*
2. Mr. Kayode Fadahunsi - *Shareholder*
3. Alhaji Umar Al-Kassim - *Shareholder*
4. Mrs. Foluke Abdulrazaq - *Non-executive Director*
5. Mrs. Angela Nwabuoku - *Non-executive Director*
6. Amb. Joe Keshi - *Non-executive Director*

### Attendance at Board Meetings

Membership and attendance record at board meetings are set out below:

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Chief Israel C. Ogbue	7	7
2	Mr. Phillips Oduoza	7	7
3	Mr. Kennedy Uzoka	7	7
4	Mr. Emmanuel Nnorom	7	7
5	Mr. Rasheed Olaoluwa	7	7
6	Mr. Abdulqadir J. Bello	7	7
7	Mr. Femi Olaloku	7	7
8	Mr. Ifeatu Onejeme	7	7
9	Mr. Chief Kola Jamodu, <i>OFR</i>	7	6
10	Alhaji Ja'afaru Paki	7	7
11	Mr. Adegunle Olumide, <i>OON</i>	7	7
12	Mr. Paolo Di Martino	7	4
13	Mr. Runa Alam	7	3
14	Mrs. Angela Nwabuoku	7	7
15	Mr. Yahaya Zekeri	7	7
16	Amb. Joe. C. Keshi, <i>OON</i>	7	7
17	Mr. Victor Osadolor	7	7
18	Mrs. Foluke Abdulrazaq	7	6
19	**Mr. Dan Okeke	7	1
20	*Mrs. Faith Tuedor-Matthews	7	3

\*Resigned on July 18, 2011; \*\*Appointed on August 1, 2011

### Executive Management Committees

The executive management of UBA Group has the

- Executive Management Committee,
- Executive Credit Committee; and
- Group Assets and Liabilities Committee.

The executive management is responsible for executing the decisions of the board, board committees, executive management committees and sub-committees.

The committees also ensures compliance with all the Group governance documents, applicable laws, statutes and regulations.

## Report of The Audit Committee

### To members of United Bank for Africa Plc

In accordance with the provision of Section 359[6] of the Companies and Allied Matters Act CAP 20 Laws of the Federation of Nigeria 2004, we, the members of the Audit Committee hereby report as follows:

- We confirm that we have seen the audit plan and scope, and the management Letter on the audit of the accounts of the Bank and the responses to the said letter.
- In our opinion, the plan and scope of the audit for the period ended 31st December, 2011 were adequate. We have reviewed the auditors' findings and we are satisfied with the management responses thereon.
- We also confirm that the accounting and reporting policies of the Bank are in accordance with legal requirements and ethical practices.
- As required by the provisions of the Central Bank of Nigeria circular 85D/1//2004 dated February 18, 2004 on "disclosure of insider-related credits in financial statements", we reviewed the insider - related credits of the Bank and found them to be as analysed in the financial statements as at December 31, 2011.



**Charles Odita**  
Chairman, Audit Committee

#### MEMBERS OF THE AUDIT COMMITTEE ARE:

- |                           |   |                        |
|---------------------------|---|------------------------|
| 1. Mr. Charles Odita      | - | Chairman/Shareholder   |
| 2. Mr. Kayode Fadahunsi   | - | Shareholder            |
| 3. Alhaji Umar Al-Kassim  | - | Shareholder            |
| 4. Mrs. Foluke Abdulrazaq | - | Non-executive Director |
| 5. Mrs. Angela Nwabuoku   | - | Non-executive Director |
| 6. Amb. Joe Keshi, OON    | - | Non-executive Director |

3 April, 2012

Board of Directors  
United Bank for Africa Plc  
UBA House  
57 Marina  
Lagos

Dear Sirs

## REPORT TO THE DIRECTORS OF UBA PLC ON THE OUTCOME OF THE BOARD EVALUATION

Akintola Williams Deloitte was engaged to conduct an evaluation of the Board of Directors of United Bank for Africa Plc ('UBA or the Bank') for the FY 2011, in compliance with the requirements of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria (the Code) and best practices. The Code requires that there should be an annual Board and Directors' appraisal covering all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual members' competencies and respective roles in the Board's performance.

Our evaluation was undertaken based on information provided by the Bank. Our responsibility is to determine the level of performance of the Board with respect to the Code based on the work carried out within the scope of our engagement as well as identify areas of improvement for the Board to address in its commitment to continuous improvement in corporate governance.

On the basis of our work, we conclude that the Board's performance complied materially with the standards contained in the Code. The Bank is committed to continuous improvement in its corporate governance practices and made significant progress in its corporate governance practices in 2011.

Yours faithfully



**Joseph Olofinsola**  
Partner, Consulting

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Akintola Williams Deloitte, a member firm of Deloitte Touche Tohmatsu Limited, is a professional services organization that provides audit, tax, consulting, financial advisory and enterprise risk services.

## Statement of Directors' Responsibility

In relation to the financial statements for the year ended December 31, 2011

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, Cap 20 Laws of the Federation of Nigeria 2004, and Sections 24 and 28 of the Banks and Other Financial Institutions Act CAP B3 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 Group and of the profit or loss for the period ended December 31, 2011 and in so doing, they ensure that:

- Proper accounting records are maintained;
- Applicable accounting standards are followed;
- Suitable accounting policies are adopted and consistently applied;
- Judgments and estimates made are reasonable and prudent;
- The going concern basis is used, unless it is inappropriate to presume that the Bank will continue in business; and
- Internal control procedures are instituted, which as far as reasonably possible, safeguard the assets of the Group and prevent and detect fraud and other irregularities.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with Statements of Accounting Standards, the requirements of the Companies and Allied Matters Act, Cap 20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act CAP B3 Laws of the Federation of Nigeria 2004, the Central Bank of Nigeria Prudential Guidelines and other relevant circulars issued by the Central Bank of Nigeria.

The Directors are of the opinion that the 2011 financial statements give a true and fair view of the state of the financial affairs of the Bank and Group.

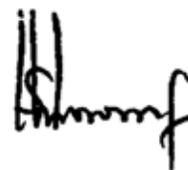
The Directors accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements as well as adequate systems of financial control.

Nothing has come to the attention of the Directors to indicate that the Bank and its subsidiaries will not remain going concerns for at least twelve months from the date of this statement.

SIGNED ON BEHALF OF THE DIRECTORS:



.....  
**Phillips Oduoza**  
 GMD/CEO



.....  
**Emmanuel N. Nnorom**  
 ED, Risk Management

# *Financials*



## Report of Independent Auditors

### Report on the financial statements

We have audited the accompanying separate and consolidated financial statements of United Bank for Africa Plc ("the bank") and its subsidiaries (together "the group") which comprise the balance sheets as of 31 December 2011 and the profit and loss accounts and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Nigerian Statements of Accounting Standards and with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the bank and the group as of 31 December 2011 and of their losses and cash flows for the year then ended in accordance with Nigerian Statements of Accounting Standards, the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act.

### Report on other legal requirements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the bank has kept proper books of account so far as appears from our examination of those books and we have received proper returns adequate for the purposes of our audit from branches not visited by us;
- iii) the bank's balance sheet and profit and loss account are in agreement with the books of account;
- iv) related party transactions and balances are disclosed in Note 33 to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004
- v) as disclosed in Note 39, the bank paid penalties for contravention of certain Central Bank of Nigeria circulars in the year ended 31 December 2011.

**Chartered Accountants 10 April 2012  
Lagos, Nigeria**



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# Statement of Accounting Policies

The following are the significant accounting policies which have been consistently applied in the preparation of these financial statements:

## 1. BASIS OF PREPARATION

These financial statements are the consolidated financial statements of United Bank for Africa Plc, a company incorporated in Nigeria on 23 February, 1961 and its subsidiaries (hereinafter collectively referred to as "the Group"). The financial statements are prepared under the historical cost convention modified by the revaluation of property, plant and equipment, and comply with the Statement of Accounting Standards issued by the Financial Reporting Council of Nigeria, formerly "Nigerian Accounting Standards Board".

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

## 2. CONSOLIDATION

### a) Subsidiaries

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over their operations, are consolidated from the date on which control is transferred to the Group. Where necessary, the accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank. Separate disclosure is made for non controlling interest.

The acquisition method is used to account for business combinations. The cost of an acquisition is measured as the market value of the assets, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their market values at acquisition date, irrespective of the extent of any non

controlling interest. The excess of the cost of acquisition over the value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit and loss account.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

### b) Associates

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognized in the profit and loss account; its share of post-acquisition movements in reserves is recognized in reserves.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

### c) Joint ventures

A company is accounted for as a joint venture where the Group has a contractual arrangement with one or more parties to undertake activities typically, though not necessarily, through entities which are subject to joint control. The Group's investment in a joint venture is initially recorded at cost and increased or reduced each year by the Group's share of the post-acquisition profit or loss, or other movements reflected directly in the equity of the jointly controlled entity.

## 3. SEGMENT REPORTING

A business segment is a distinguishable component of the Group that is engaged in providing related products or services that are subject to risks and returns that

## Statement of Accounting Policies Cont'd

are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of other segments operating in other economic environments.

Segment information is presented in respect of the Group's geographical and business segments. The segments are determined by management based on the Bank's internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### 4. FOREIGN CURRENCY TRANSLATION

#### Reporting currency

The consolidated financial statements are presented in Nigerian Naira, which is the Group's reporting currency.

#### Transactions and balances

Foreign currency transactions are translated into the reporting currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

#### Group companies

The results and financial position of all Group entities that have currencies different from the reporting currency are translated into the reporting currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at the exchange rates at the dates of the translations); and
- all resulting exchange differences are recognised as a separate component of reserves.

On consolidation, exchange differences arising from the translation of the investment in foreign entities are taken to shareholders' funds. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

### 5. LOANS AND ADVANCES

Loans and advances are stated net of provision for bad and doubtful items. Recoveries are written back to the profit and loss account when received. Interest income on non-performing loans are suspended and only recognized on cash basis. Credit facilities are classified as either performing or non-performing. For the purpose of this, non-performing facilities are classified in line with the Prudential Guidelines issued by the Central Bank of Nigeria and are provided for in line with loan type and performance status as specified in the prudential guidelines, as follows:

#### Non-specialized loans:

Interest and/or principal outstanding for:	Classification	Provision %
90 days but less than 180 days	Substandard	10%
180 days but less than 360 days	Doubtful	50%
360 days and above	Lost	100%

## Statement of Accounting Policies Cont'd

### Specialised Loans:

Provision has been made for specialized loans in accordance with the prudential guidelines issued by the Central Bank of Nigeria. Provisions in respect of non-performing specialized loans are determined as follows:

#### Real estate and object financing

Classification	% repayment on outstanding obligations due and / or days past due		
	% repayment on outstanding obligations due and / or days past due	Days past due for aggregate installments	% provision on total outstanding balance
Watch list	Between 60% and 75%	>180days	0%
Substandard	<60%	180days to 1 year	25%
Doubtful	<60%	1 to 2 years	50%
Very Doubtful	<60%	2 to 3 years	75%
Lost	<60	more than 3 years	100%

#### Project financing

Classification	% repayment on outstanding obligations due and / or days past due		
	% repayment on outstanding obligations due and / or days past due	Days past due for aggregate installments	% provision on total outstanding balance
Watch list	Between 60% and 75%	>180days	0%
Substandard	<60%	180days to 2 years	25%
Doubtful	<60%	2 to 3 years	50%
Very Doubtful	<60%	3 to 4 years	75%
Lost	<60	more than 4 years	100%

#### Mortgage loans

Classification	Days past due for mark-up/ interest or principal	% provision on outstanding balance
Watch list	>90 days	0%
Substandard	>180 days	10%
Doubtful	>1 year	The un-provided balance of mortgage loans classified as substandard does not exceed 50% of the estimated net realisable value of the related securities.
Lost	>2 years	100%

#### Agricultural financing - short term loans

Classification	Days past due for mark-up/ interest or principal	% provision on total outstanding balance
Watch list	90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 to 1.5 years	50%
Very Doubtful	1.5 to 2 years	75%
Lost	>2 years	100%

Statement of Accounting Policies Cont'd

**Agricultural financing - long term loans**

Classification	Days past due for mark-up/ interest or principal	% provision on total outstanding balance
Watch list	90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 to 2 years	50%
Very Doubtful	2 to 3 years	75%
Lost	> 3 years	100%

**SME financing - short term loans**

Classification	Days past due for mark-up/ interest or principal	% provision on total outstanding balance
Watch list	90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 to 1.5 years	50%
Very Doubtful	1.5 to 2 years	75%
Lost	>2 years	100%

**SME financing - long term loans**

Classification	Days past due for mark-up/ interest or principal	% provision on total outstanding balance
Watch list	90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 to 2 years	50%
Very Doubtful	2 to 3 years	75%
Lost	> 3 years	100%

**Margin financing:**

Margin facilities are assessed for impairment by marking the underlying securities to market. Provision is made for the excess of the carrying value of the margin facilities over the value of the underlying securities.

**Hair cut adjustments:**

The Bank makes hair cut adjustments to the value of qualifying collaterals for all facilities classified as lost. The hair cut adjustments are in line with the prudential guidelines and are shown below:

Description of collateral	Haircut adjustments weightings
Cash collateral	0%
Treasury bills and government securities e.g. bonds	0%
Quoted equities and other traded securities	20%
Bank guarantees and receivables of blue chip companies	20%
Residential legal mortgage	50%
Commercial legal mortgage	50%

## Statement of Accounting Policies Cont'd

When a loan is deemed not collectible, it is written off against the related provision for impairments and subsequent recoveries are credited to the profit and loss account. Risk assets in respect of which a previous provision was not made are written directly to the profit and loss account when they are deemed to be not collectible.

### 6. INCOME RECOGNITION

Credits to profit and loss account are recognized as follows:

#### a) Interest income

Interest income is recognized on an accrual basis, except for interest overdue by more than 90 days which is suspended and recognized only to the extent of cash received.

#### b) Non-credit related fees

These are recognized when the successful outcome of the assignment can be determined and the assignment is considered substantially completed.

#### c) Credit related fees

These are spread systematically over the tenor of the credit facilities where they constitute at least 10% of the projected average annual yield of the facility; otherwise they are credited to the profit and loss account at the time of occurrence.

#### d) Commission and fee charge to customers for services rendered

Fees and commissions, where material, are amortized over the life of the related service. Otherwise fees, commissions and other income are recognized as earned upon completion of the related service.

#### e) Investment income

Investment income is recognized on an accrual basis.

#### f) Dividend income

Dividend income is recognized when the right to receive income is established.

### 7. OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there

is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### 8. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried in the company's balance sheet at cost less provisions for impairment losses. Where, in the opinion of the Directors, there has been impairment in the value of an investment, the loss is recognized as an expense in the period in which the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

### 9. PROPERTY AND EQUIPMENT

All property and equipment are initially recorded at cost. They are subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Construction cost in respect of offices is carried at cost as work in progress. On completion of construction, the related amounts are transferred to the appropriate category of property and equipment.

### 10. DEPRECIATION

Depreciation of property and equipment is calculated to write off the cost or valuation over the estimated useful lives of the assets on a straight line basis.

Property and equipment are depreciated from the date the asset is brought into use. The annual rates adopted for the various asset categories are as follows:

i. Leasehold improvements	– Over the term of the leases
ii. Leasehold buildings	– 2.5%
iii. Motor vehicles	– 20%
iv. Computers	– 20%
v. Furniture and fittings	– 20%
vi. Equipment	– 20%
vii. Other transportation equipment	– 10%

## Statement of Accounting Policies Cont'd

Where items of property and equipment are subsequently carried at revalued amounts, an entire class of property and equipment is revalued or the selection of the items for revaluation is done on a systematic and consistent basis. Any accumulated depreciation at the date of the revaluation is not credited to profit and loss account or retained profit.

On revaluation of property and equipment, an increase in the net book value is credited to a revaluation surplus reserve. A decrease in the net book value is used to reduce the amount of any existing revaluation surplus on the same item before it is charged to profit and loss account.

Upon sale or disposal of an item of property and equipment, the difference between the proceeds and the net book value should be transferred to profit and loss account. Any balance in the revaluation surplus reserve in respect of such item is transferred to profit and loss account (or retained profit reserve).

Subsequent depreciation on revalued items of property, plant and equipment should be calculated on the new value and charged to income.

### 11. INTANGIBLE ASSETS

#### a) Goodwill

Goodwill arises on the acquisition of a subsidiary. Goodwill represents the excess of the purchase consideration over the fair value of the Group's interest in the net identifiable assets of the acquired subsidiary.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Losses arising from impairment are charged to profit and loss account in the period in which they arise.

#### b) Software

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

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the

development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. This is re-assessed annually.

### 12. INVESTMENT SECURITIES

The Group categorizes its investment securities into short-term investments and long-term investments. Investment securities are initially recognized at cost and management determines the classification at initial investment.

#### a. Short-term investments

Debt and equity securities held for a period not exceeding one year or with an outstanding tenor to maturity not exceeding one year, and such instruments held for trading are classified as short-term investments. They are valued at the lower of cost and market value on an item-by-item basis. The amount by which cost exceeds market value (where applicable) is charged to the profit and loss account.

Bonds and treasury bills issued by the Federal Government of Nigeria that are held for trading are classified as short-term investments and carried at net realizable value. Gains or losses resulting from market valuation are recognized in the profit and loss account.

Treasury bills not held for trading are presented net of unearned discount. Unearned discount is deferred and amortized as earned. Interest earned while holding short-term securities is reported as interest income.

#### b. Long-term investments

Long-term investments are investments held by management over a long period of time to earn income.

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## Statement of Accounting Policies Cont'd

Long-term investments may include debt and equity securities. Long-term investments are carried at cost less impairment. An investment is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the market value.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared. A change in market value of investment securities is not taken into account unless it is considered to be permanent.

### 13. TAXATION

#### a. Income tax

Current income tax is payable on the taxable income for the period, based on statutory tax rates at the balance sheet date.

#### b. Deferred tax

Deferred tax, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred tax is provided fully on timing difference, which is expected to reverse at the rate of tax likely to be in force at the time of reversal.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the associated unutilized tax losses and deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 14. RETIREMENT BENEFITS

The Group has a defined contribution scheme.

The defined contribution scheme is funded by contributions from the Group and employees. Funding under the scheme is 7.5% each by staff and the Group based on annual basic salary, housing and transport allowances in line with the Pension Reform Act 2004.

Liabilities in respect of the defined contribution scheme are charged against the profit of the period in which they become payable. Payments are made to Pension Fund Administration companies, who are

appointed by respective staff of the Group.

### 15. OFF-BALANCE SHEET TRANSACTIONS

Contingent liabilities arising from bankers acceptances, letters of credit, performance bonds and guarantees issued on behalf of customers in the ordinary course of business are reported off-balance sheet in recognition of the risk inherent in those transactions. Incomes on these transactions are recognized as earned on issuance of the bond or guarantee.

### 16. SALE OF LOANS OR SECURITIES

A sale of loans or securities without recourse to the seller is accounted for as a disposal and the assets excluded from the balance sheet. Profits or losses on sale of loans or securities without recourse to the seller are recognized by the seller when the transaction is completed.

The Group regards a sale of loans or securities as without recourse, if it satisfies all the following conditions. Any sale not satisfying these conditions will be regarded as with recourse.

- control over the economic benefits of the asset must be passed on to the buyer;
- the seller can reasonably estimate any outstanding cost; and
- there must not be any repurchase obligations

A sale or transfer of loans or securities with recourse is when there is an obligation to, or an assumption of, repurchase is not treated as a sale, and the asset remains in the Group's balance sheet, with any related cash received recognized as a liability.

Profit arising from sale or transfer of loan or securities with recourse to the seller is amortized over the remaining life. However, losses are recognized as soon as they can reasonably be estimated. Where there is no obligation or assumption of repurchase, the sale should be treated as disposal and the asset excluded from the balance sheet, and any contingent liability disclosed.

### 17. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

**Provisions are liabilities that are uncertain in timing or amount.**

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of

## Statement of Accounting Policies Cont'd

past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

In addition, general provisions are made on performing risk assets balances in accordance with the Prudential Guidelines for Licensed Banks. Risk assets comprise of loans and advances advances under finance leases, etc.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events but is not recognized because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to eventuate. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

### 18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and deposits held at call with banks and other short-term highly liquid instruments which are readily convertible into cash and so near to their maturity dates as to present insignificant risk of changes in value as a result of changes in interest rates.

### 19. ORDINARY SHARE CAPITAL

#### a. Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

#### b. Dividends on ordinary shares

Dividends on ordinary shares are appropriated from revenue reserve in the period they are approved by the Bank's shareholders.

Dividends for the period that are approved by the shareholders after the balance sheet date are disclosed in the notes.

Dividends proposed by the Directors' but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act 1.

### 20. EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares outstanding during the period.

### 21. BORROWINGS

Borrowings are recognized initially at their issue proceeds and subsequently stated at cost less any repayments.

Transaction costs where immaterial, are recognized immediately in the profit and loss account. Where transaction costs are material, they are capitalized and amortized over the life of the loan. Interest paid on borrowings is recognized in the profit and loss account for the period.

### 22. FIDUCIARY ACTIVITIES

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions.

These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

### 23. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument whose value changes in response to the change in an underlying variable. It requires little or no initial net investment relative to other types of contracts that have similar response to changes in market conditions and that is settled at a future date.

The Bank engaged in structured products transactions, with an option to buy or sell such products at a future date and fixed price. The gain or loss on the transaction is recognized in the income statement on maturity or termination date.

## Profit and Loss Account

for the year ended 31 December 2011

	Notes	GROUP		BANK	
		2011 N'million	2010 N'million	2011 N'million	2010 N'million
<b>Gross earnings</b>		<b>184,833</b>	177,571	<b>141,507</b>	150,051
Interest and similar income	3	<b>121,422</b>	117,745	<b>102,784</b>	106,597
Interest and similar expense	4	<b>(46,125)</b>	(46,969)	<b>(40,862)</b>	(43,670)
<b>Net interest income</b>		<b>75,297</b>	70,776	<b>61,922</b>	62,927
Fee and commission income	5	<b>41,613</b>	43,237	<b>30,065</b>	32,437
Foreign exchange income		<b>11,860</b>	9,232	<b>5,895</b>	5,275
Other income		<b>8,666</b>	1,455	<b>1,771</b>	1,224
Income from investments	6	<b>1,272</b>	5,902	<b>992</b>	4,518
<b>Operating income</b>		<b>138,708</b>	130,602	<b>100,645</b>	106,381
Operating expenses	7	<b>(107,716)</b>	(104,080)	<b>(82,970)</b>	(82,557)
Diminution in asset values	14	<b>(22,628)</b>	(18,213)	<b>(18,116)</b>	(15,179)
Share of profit/(loss) in associate	17a	<b>32</b>	(82)	-	-
Share of loss in joint venture	17b	<b>(41)</b>	(56)	-	-
Profit/(loss) before taxation and exceptional items		<b>8,355</b>	8,171	<b>(441)</b>	8,645
Exceptional items	8	<b>(36,851)</b>	(4,952)	<b>(36,851)</b>	(4,952)
(Loss)/profit before tax and after exceptional items		<b>(28,496)</b>	3,219	<b>(37,292)</b>	3,693
Taxation	9	<b>18,849</b>	(2,621)	<b>20,907</b>	(1,526)
(Loss)/profit after taxation and exceptional items		<b>(9,647)</b>	598	<b>(16,385)</b>	2,167
Non-controlling interest	29	<b>(827)</b>	70	-	-
(Loss)/profit attributable to equity holders of the parent		<b>(10,474)</b>	668	<b>(16,385)</b>	2,167
<b>Appropriated as follows:</b>					
Transfer to statutory reserve	31	-	325	-	325
Transfer to retained earnings	31	<b>(10,474)</b>	343	<b>(16,385)</b>	1,842
		<b>(10,474)</b>	668	<b>(16,385)</b>	2,167
Earnings per share - basic and diluted (kobo)	37	<b>(32)</b>	3	<b>(51)</b>	7
Dividend per share (kobo)	37	-	5	-	5

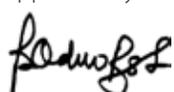
The accompanying statement of significant accounting policies and explanatory notes form an integral part of these financial statements.

# Balance Sheet

as at 31 December 2011

	Notes	GROUP		BANK	
		2011 N'million	2010 N'million	2011 N'million	2010 N'million
<b>ASSETS</b>					
Cash and balances with central banks	10	178,295	68,056	124,826	39,819
Treasury bills	11	175,525	123,455	98,289	78,703
Due from other banks	12	251,514	302,272	227,582	290,735
Loans and advances to customers	13	689,625	630,626	596,457	571,127
Investment securities	15	525,975	384,453	446,408	313,659
Investment in subsidiaries	16	-	-	56,695	50,355
Investment in associate and joint venture	17	10,356	10,118	10,843	10,843
Intangible Assets	19	9,658	9,523	5,855	5,807
Deferred tax assets	27	25,062	3,341	24,585	3,131
Other assets	20	23,931	26,696	19,700	18,044
Property and equipment	21	52,852	59,156	44,225	50,409
<b>Total Assets</b>		<b>1,942,793</b>	<b>1,617,696</b>	<b>1,655,465</b>	<b>1,432,632</b>
<b>LIABILITIES</b>					
Customers' deposits	22	1,444,988	1,267,171	1,216,464	1,119,063
Due to other banks	23	17,201	7,456	21,763	51
Liability on investment contracts	24	41,996	33,090	-	-
Other borrowings	25	192,123	82,144	193,878	83,956
Current income tax	9	2,005	2,869	784	1,186
Other liabilities	26	73,756	44,836	51,853	39,972
Deferred income tax liabilities	27	26	30	-	-
Retirement benefit obligations	28	665	674	665	674
		<b>1,772,760</b>	<b>1,438,270</b>	<b>1,485,407</b>	<b>1,244,902</b>
<b>EQUITY</b>					
Share capital	30	16,168	12,934	16,168	12,934
Share premium	30.2	108,255	111,489	108,255	111,489
Revaluation reserve on fixed assets		11,231	11,231	11,231	11,231
Retained earnings	31	4,990	16,504	8,289	25,961
Other reserves	31	25,817	24,371	26,115	26,115
Attributable to equity holders of the parent		<b>166,461</b>	<b>176,529</b>	<b>170,058</b>	<b>187,730</b>
Non-controlling interest	29	3,572	2,897	-	-
Total equity		<b>170,033</b>	<b>179,426</b>	<b>170,058</b>	<b>187,730</b>
<b>Total equity and liabilities</b>		<b>1,942,793</b>	<b>1,617,696</b>	<b>1,655,465</b>	<b>1,432,632</b>
<b>Off-balance sheet engagements and contingencies</b>	32	<b>952,798</b>	<b>654,360</b>	<b>905,227</b>	<b>628,253</b>

The financial statements, accompanying statement of significant accounting policies and explanatory notes were approved by the Board of Directors on 4 April 2012 and signed on its behalf by:



**PHILLIPS ODUOZA**  
Group Managing Director/CEO



**CHIEF ISRAEL OGBUE**  
Chairman Board of Directors

# Cash Flow Statement

For the year ended 31 December 2011

	Notes	GROUP		BANK	
		2011 N'million	2010 N'million	2011 N'million	2010 N'million
<b>OPERATING ACTIVITIES</b>					
Cash generated from operations	35	(15,335)	54,644	(89,594)	9,088
Tax paid	9	(3,794)	(6,663)	(1,003)	(4,889)
VAT paid		(1,518)	(305)	(1,518)	(305)
<b>Net cash (used in)/from operating activities</b>		<b>(20,647)</b>	47,676	<b>(92,115)</b>	3,894
<b>FINANCING ACTIVITIES</b>					
Dividend paid to shareholders	31	(1,287)	(2,156)	(1,287)	(2,156)
Net proceeds from long-term borrowings and debt securities issued		112,931	67,344	112,931	69,156
Interest paid on long-term borrowings		(2,600)	-	(2,600)	-
Repayment of long-term borrowings		(5,480)	-	(5,480)	-
<b>Net cash from financing activities</b>		<b>103,564</b>	65,188	<b>103,564</b>	67,000
<b>INVESTING ACTIVITIES</b>					
Purchase of long-term investments		(59,134)	(202,425)	(30,588)	(184,815)
Proceeds on disposal of short-term investments		21,326	5,811	1,699	22,087
Dividend received	6	576	1,475	407	81
Investment in subsidiaries		-	-	(6,340)	(12,602)
Additional investment in joint venture and associate	17	-	(750)	-	-
Investment in treasury bills and government bonds held to maturity		(67,912)	(66,568)	(35,428)	(47,906)
Proceeds on disposal of property and equipment		3,352	2,528	2,178	1,630
Proceeds on disposal of investment property		-	269	-	-
Purchase of intangible assets	19	(433)	-	(233)	-
Purchase of property and equipment	21	(5,943)	(5,381)	(3,120)	(3,310)
<b>Net cash used in investing activities</b>		<b>(108,168)</b>	(265,041)	<b>(71,425)</b>	(224,835)
<b>Decrease in cash and cash equivalents</b>		<b>(25,250)</b>	(152,177)	<b>(59,976)</b>	(153,941)
Analysis of changes in cash and cash equivalents:					
At start of year	38	373,908	526,085	338,138	492,079
At end of year	38	348,658	373,908	278,162	338,138
<b>Decrease in cash and cash equivalents</b>		<b>(25,250)</b>	(152,177)	<b>(59,976)</b>	(153,941)

# Notes to the Financial Statements

For the year ended 31 December 2011

## 1 GENERAL INFORMATION

The Bank was incorporated in Nigeria as a limited liability company on 23 February 1961 under the Companies Ordinance of 1922. Following the consolidation reforms introduced and driven by the Central Bank of Nigeria in 2004, the Bank merged with Standard Trust Bank Plc on 1 August 2005 and subsequently acquired Continental Trust Bank Limited on 31 December, 2005.

## 2 SEGMENT ANALYSIS

### (a) By geographical segment

The geographical segment has been defined into Nigeria, Rest of Africa and Rest of the World. Transactions between the business segments are at commercial terms and conditions.

	Nigeria N'million	Rest of Africa N'million	Rest of the World N'million	Eliminations N'million	Total N'million
<b>At 31 December 2011</b>					
External revenue	146,355	37,187	2,695	(1,404)	184,833
Profit before tax	2,192	5,061	1,086	25	8,364
Loss in joint venture	(41)	-	-	-	(41)
Profit in associate	-	-	32	-	32
<b>Profit before tax and exceptional items</b>	<b>2,151</b>	<b>5,061</b>	<b>1,118</b>	<b>25</b>	<b>8,355</b>
Income tax credit/expense	20,939	(1,185)	(905)	-	18,849
Exceptional items	(36,851)	-	-	-	(36,851)
<b>(Loss)/profit for the year</b>	<b>(13,761)</b>	<b>3,876</b>	<b>213</b>	<b>25</b>	<b>(9,647)</b>
<b>Total segment assets</b>	<b>1,688,064</b>	<b>347,037</b>	<b>40,344</b>	<b>(132,652)</b>	<b>1,942,793</b>
<b>Total segment liabilities</b>	<b>1,506,854</b>	<b>304,870</b>	<b>39,258</b>	<b>(78,222)</b>	<b>1,772,760</b>
<b>Other segment items</b>					
Depreciation	7,120	2,064	48	-	9,232
Amortisation	1,009	113	32	-	1,154
<b>Net Assets</b>	<b>176,788</b>	<b>49,059</b>	<b>-</b>	<b>(55,814)</b>	<b>170,033</b>

	Nigeria N'million	Rest of Africa N'million	Rest of the World N'million	Eliminations N'million	Total N'million
<b>At 31 December 2010</b>					
External revenues	155,084	23,883	2,203	(3,599)	177,571
Profit before tax	10,552	(2,922)	679	-	8,309
Loss in joint venture	(56)	-	-	-	(56)
Loss in associate	-	-	(82)	-	(82)
<b>Profit/(loss) before tax and exceptional items</b>	<b>10,496</b>	<b>(2,922)</b>	<b>597</b>	<b>-</b>	<b>8,171</b>
Income tax expense	(2,315)	(306)	-	-	(2,621)
Exceptional items	(4,952)	-	-	-	(4,952)
Profit/(loss) for the year	3,229	(3,228)	597	-	598
<b>Total segment assets</b>	<b>1,435,004</b>	<b>218,609</b>	<b>53,468</b>	<b>(89,385)</b>	<b>1,617,696</b>
<b>Total segment liabilities</b>	<b>1,247,227</b>	<b>210,926</b>	<b>52,789</b>	<b>(72,672)</b>	<b>1,438,270</b>
<b>Other segment items</b>					
Depreciation	8,222	1,699	144	-	10,065
Amortisation	7,032	-	-	-	7,032
<b>Net Assets</b>	<b>165,368</b>	<b>57,969</b>	<b>-</b>	<b>(43,911)</b>	<b>179,426</b>

## Notes to the financial statements cont'd

### (b) By business segment

The Group's business can be categorised into four main product segments namely Retail and Commercial Banking, Asset Management, Investment Banking and Pension Custodian.

**Retail and Commercial Banking:** Offers a comprehensive range of retail, personal, commercial and corporate banking services and products to individuals, small business customers, corporate, medium and large business customers.

**Asset Management:** Provides individuals and financial institutions with asset management and advisory services.

**Investment Banking:** Provides investment and capital market services to both individual and institutional investors. It also provides insurance and registrar services to listed and private companies and individual customers.

**Pension Custodian:** Provides custodian services to various pension fund administrators, individuals and corporate customers.

banking	Asset	Investment	Pension	N'million	Banking management		N'million
	custodian	Eliminations	Group		N'million	N'million	
	N'million	N'million	N'million				
<b>At 31 December 2011</b>							
External revenue		178,709	3,231	2,467	1,830	(1,404)	184,833
Profit before tax		4,604	1,157	1,182	1,421	-	8,364
Loss in joint venture		(41)	-	-	-	-	(41)
Share of profit in associate		-	-	32	-	-	32
<b>Profit before tax and exceptional items</b>		<b>4,563</b>	<b>1,157</b>	<b>1,214</b>	<b>1,421</b>	<b>-</b>	<b>8,355</b>
Income tax credit/expense		19,754	(287)	(161)	(458)	-	18,849
Exceptional items		(36,851)	-	-	-	-	(36,851)
<b>(Loss)/profit for the year</b>		<b>(12,534)</b>	<b>870</b>	<b>1,053</b>	<b>963</b>	<b>-</b>	<b>(9,647)</b>
<b>Total segment assets</b>		<b>2,003,276</b>	<b>47,663</b>	<b>18,991</b>	<b>5,515</b>	<b>(132,652)</b>	<b>1,942,793</b>
<b>Total segment liabilities</b>		<b>1,790,352</b>	<b>43,778</b>	<b>15,846</b>	<b>1,006</b>	<b>(78,222)</b>	<b>1,772,760</b>
<b>Other segment information</b>							
Depreciation		9,168	8	44	12	-	9,232
Amortisation		1,154	-	-	-	-	1,154
<b>Net Assets</b>		<b>217,553</b>	<b>3,886</b>	<b>2,356</b>	<b>668</b>	<b>(54,430)</b>	<b>170,033</b>

Notes to the financial statements cont'd

	Banking N'million	Asset management N'million	Investment banking N'million	Pension custodian N'million	Eliminations N'million	Group N'million
<b>At 31 December 2010</b>						
External revenue	173,899	2,557	3,335	1,379	(3,599)	177,571
Profit/(loss) before tax	5,677	(47)	1,689	990	-	8,309
Loss in joint venture	(56)	-	-	-	-	(56)
Share of loss in associate	-	-	(82)	-	-	(82)
<b>Profit/(loss) before tax and exceptional items</b>	<b>5,621</b>	<b>(47)</b>	<b>1,607</b>	<b>990</b>		<b>8,171</b>
Income tax expense	(1,832)	(157)	(304)	(328)	-	(2,621)
Exceptional items	(4,952)	-	-	-	-	(4,952)
<b>(Loss)/profit for the year</b>	<b>(1,163)</b>	<b>(204)</b>	<b>1,303</b>	<b>662</b>		<b>598</b>
<b>Total segment assets</b>	<b>1,652,283</b>	<b>34,045</b>	<b>16,664</b>	<b>4,089</b>	<b>(89,385)</b>	<b>1,617,696</b>
<b>Total segment liabilities</b>	<b>1,463,827</b>	<b>31,030</b>	<b>15,542</b>	<b>543</b>	<b>(72,672)</b>	<b>1,438,270</b>
<b>Other segment information</b>						
Depreciation	9,964	16	53	32	-	10,065
Amortisation	7,032	-	-	-	-	7,032
<b>Net Assets</b>	<b>216,250</b>	<b>3,015</b>	<b>526</b>	<b>3,546</b>	<b>(43,911)</b>	<b>179,426</b>

3 INTEREST AND SIMILAR INCOME

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Analysis by nature:				
Placements	6,555	8,946	7,576	10,873
Treasury bills and investment securities	50,279	36,822	40,480	29,380
Loans and advances	64,588	71,977	54,728	66,344
	<b>121,422</b>	117,745	<b>102,784</b>	106,597
Analysis by geography:				
Interest income earned in Nigeria	100,805	104,746	100,805	104,746
Interest income earned outside Nigeria	20,617	12,999	1,979	1,851
	<b>121,422</b>	117,745	<b>102,784</b>	106,597
Analysis by sources:				
Interest income - bank sources	56,834	45,768	48,056	40,253
Interest income - non-bank sources	64,588	71,977	54,728	66,344
	<b>121,422</b>	117,745	<b>102,784</b>	106,597

## Notes to the financial statements cont'd

### 4 INTEREST AND SIMILAR EXPENSE

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Current accounts	6,413	7,846	5,022	7,279
Savings accounts	3,119	1,651	2,145	1,420
Time deposits	28,960	34,995	26,667	33,126
Inter-bank takings	1,039	636	434	305
Other borrowings	6,594	1,841	6,594	1,540
	<b>46,125</b>	<b>46,969</b>	<b>40,862</b>	<b>43,670</b>
Analysis by sources:				
Interest expense - non-bank sources	38,492	44,492	33,834	41,825
Interest expense - bank sources	7,633	2,477	7,028	1,845
	<b>46,125</b>	<b>46,969</b>	<b>40,862</b>	<b>43,670</b>

Interest expense paid outside Nigeria amounted to N5.5 billion (2010: N4.6 billion) for the Group and N146million (2010: N183 million) for the Bank.

### 5 FEE AND COMMISSION INCOME

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Credit related fees	8,686	6,644	7,134	6,386
Commission on turnover	12,148	11,880	11,576	11,320
Remittance fees	3,583	183	3,071	2,306
Letters of credit commissions and fees	3,114	1,967	1,468	1,299
Profit on disposal of property and equipment	-	99	-	99
Other fees and commissions	14,082	22,464	6,816	11,027
	<b>41,613</b>	<b>43,237</b>	<b>30,065</b>	<b>32,437</b>

### 6 INCOME FROM INVESTMENTS

Dividend income	576	1,475	407	81
Rental income	444	344	440	354
Gain on sale of investment	252	4,083	145	4,083
	<b>1,272</b>	<b>5,902</b>	<b>992</b>	<b>4,518</b>

### 7 OPERATING EXPENSES

Staff cost (note 34)	37,153	37,905	26,716	28,457
Depreciation (note 21)	9,232	10,060	7,139	8,245
Amortization of intangible assets (note 19)	1,154	5	1,041	5
Auditor's remuneration	311	222	100	90
Directors' emoluments (note 34b)	980	764	850	764
Other operating expenses	58,886	55,124	47,124	44,996
	<b>107,716</b>	<b>104,080</b>	<b>82,970</b>	<b>82,557</b>

Notes to the financial statements cont'd

**8 EXCEPTIONAL ITEMS**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Loss/(income) on treasury trading (note 8.1)	16,957	(7,714)	16,957	(7,714)
Loss on loans sold to AMCON	19,894	5,634	19,894	5,634
Write-off of special assets	-	7,032	-	7,032
	<b>36,851</b>	<b>4,952</b>	<b>36,851</b>	<b>4,952</b>

8.1 This represents losses arising from the close out of trading positions.

**9 TAXATION**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
<b>Charge for the year:</b>				
Income tax charge	2,994	2,197	784	1,124
Education tax	33	37	-	-
Information technology levy	16	36	-	36
(Over)/under provision in prior years	(167)	3,686	(237)	3,497
	<b>2,876</b>	<b>5,956</b>	<b>547</b>	<b>4,657</b>
Deferred tax (note 27)	(21,725)	(3,335)	(21,454)	(3,131)
Charge for the year	<b>(18,849)</b>	<b>2,621</b>	<b>(20,907)</b>	<b>1,526</b>

Corporate income tax charge of N784million for the Bank is the minimum tax payable based on the provisions of Section 33 of Nigerian Company Income Tax Act 2007 (as amended).

Payable:	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
At start of year	2,869	3,576	1,186	1,416
Reclassification from other liabilities	54	-	54	38
Tax paid	(3,794)	(6,663)	(1,003)	(4,889)
Income tax charge	2,876	5,956	547	4,621
At end of year	<b>2,005</b>	<b>2,869</b>	<b>784</b>	<b>1,186</b>

**10 CASH AND BALANCES WITH CENTRAL BANKS**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Cash	44,895	30,442	32,834	21,345
Operating accounts with central banks	52,249	25,352	17,746	10,216
Included in cash and cash equivalents	97,144	55,794	50,580	31,561
Mandatory reserve deposits with central banks	81,151	12,262	74,246	8,258
	<b>178,295</b>	<b>68,056</b>	<b>124,826</b>	<b>39,819</b>

Mandatory reserve deposits are not available for use in the Group's day to day operations.

## Notes to the financial statements cont'd

### 11 TREASURY BILLS

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Nigerian government treasury bills	109,233	78,703	98,289	78,703
Other government treasury bills	66,292	44,752	-	-
	<b>175,525</b>	123,455	<b>98,289</b>	78,703

Included in treasury bills are bills amounting to N17.15 billion (2010: N8.25 billion) held by third parties as collateral for various transactions.

### 12 DUE FROM OTHER BANKS

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Current balances with banks within Nigeria	4,546	9,646	3,501	8,456
Current balances with banks outside Nigeria	113,118	132,140	98,795	119,417
Placements with banks and discount houses	133,850	160,486	125,286	162,862
	<b>251,514</b>	302,272	<b>227,582</b>	290,735

Balance with banks outside Nigeria include N21.37 billion (2010: N15.10 billion) which represents the naira value of foreign currency bank balance held on behalf of customers in respect of letters of credit transactions. The corresponding liability is included in other liabilities (see note (26)).

Included in placements with banks and discount houses are placements within Nigeria of N37.5 billion (2010: N84.7 million).

### 13 LOANS AND ADVANCES TO CUSTOMERS

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Overdrafts	150,276	138,438	114,821	118,608
Term loans	562,255	531,721	493,649	483,664
Others	2,046	5,752	403	315
	<b>714,577</b>	675,911	<b>608,873</b>	602,587
Provisions	(21,991)	(28,879)	(9,860)	(21,061)
Interest-in-suspense	(2,961)	(16,406)	(2,556)	(10,399)
	<b>689,625</b>	630,626	<b>596,457</b>	571,127
<b>13.1 Analysis by security:</b>				
Secured against real estate	234,328	242,287	203,957	221,767
Secured by shares of quoted securities	2,221	18,859	1,934	18,853
Otherwise secured	335,628	356,293	310,794	322,323
Unsecured	142,400	58,472	92,188	39,644
	<b>714,577</b>	675,911	<b>608,873</b>	602,587

**13 LOANS AND ADVANCES TO CUSTOMERS ( con't )**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
<b>13.2 Analysis by performance:</b>				
Performing	667,115	575,556	578,780	521,466
Watchlist	21,004	40,921	21,004	40,921
Non-performing:				
- substandard	6,683	17,325	4,384	14,325
- doubtful	6,191	7,768	2,256	6,867
- very doubtful (specialised)	26	378	26	378
- lost	13,558	33,963	2,422	18,630
	<b>714,577</b>	675,911	<b>608,873</b>	602,587
<b>13.3 Analysis by maturity</b>				
0 - 30 days	277,382	249,221	228,591	222,199
1 - 3 months	138,211	92,695	116,901	91,017
3 - 6 months	20,651	65,837	16,990	42,293
6 - 12 months	52,493	37,970	45,435	35,995
Over 12 months	225,840	230,188	200,956	211,083
	<b>714,577</b>	675,911	<b>608,873</b>	602,587
<b>13.4 Movement in loan loss provision</b>				
At start of year				
- Non performing	28,846	40,362	21,061	35,618
- Performing	33	33	-	-
	<b>28,879</b>	40,395	<b>21,061</b>	35,618
Additional provision:				
- Non-performing	22,319	9,870	9,896	5,671
- Performing	5,996	-	5,787	-
Provision no longer required	(16,195)	(12,651)	(8,045)	(11,817)
Amount written off	(19,008)	(8,735)	(18,839)	(8,411)
	<b>(6,888)</b>	(11,516)	<b>(11,201)</b>	(14,557)
At end of year				
- Non-performing	15,962	28,846	4,073	21,061
- Performing	6,029	33	5,787	-
	<b>21,991</b>	28,879	<b>9,860</b>	21,061
<b>13.5 Movement in interest in suspense</b>				
At start of year	16,406	2,764	10,399	2,764
Suspended during the year	5,832	19,845	5,782	12,965
Amount written off	(19,277)	(6,203)	(13,625)	(5,330)
At end of year	<b>2,961</b>	16,406	<b>2,556</b>	10,399

**13.6** Included in loans and advances is an amount of N31.04 billion (2010: N31.5 billion) availed to the Bank's Staff Share Investment Trust Scheme, which is managed by trustees appointed by staff of the Bank. The Scheme was set up to manage staff investments in the Bank's shares and loans are granted to the Trust at concessionary rates.

Notes to the financial statements cont'd

14 DIMINUTION IN ASSET VALUES

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
<b>Provision made for losses is analysed as follows:</b>				
Loans and advances -specific	22,319	9,870	9,896	5,671
Loans and advances -general	5,996	-	5,787	-
Recoveries on loans	(16,195)	(12,651)	(8,045)	(11,817)
Provision/(write-back) of diminution on long term investments	391	(76)	246	(366)
(Write-back) of diminution on short term investments	-	(644)	-	-
(Write-back) on diminution for other assets	(1,284)	-	(1,011)	-
Provision for diminution in other assets	830	3,375	672	3,352
	12,057	(126)	7,545	(3,160)
Amount written off	10,571	18,339	10,571	18,339
	22,628	18,213	18,116	15,179

15 INVESTMENT SECURITIES

Long term investment				
Debt securities				
Listed	450,659	294,883	417,711	283,996
Unlisted	23,991	22,463	4,930	-
Equity securities - at cost				
Listed	7,012	5,899	1,361	1,382
Unlisted	48,633	43,682	23,553	27,483
	530,295	366,927	447,555	312,861
Provision for diminution in value	(4,563)	(4,043)	(1,390)	(1,144)
	525,732	362,884	446,165	311,717

Short term investment

Debt securities:				
Listed	243	5,765	243	1,305
Unlisted	-	15,804	-	637
	243	21,569	243	1,942
<b>Total investment securities</b>	<b>525,975</b>	<b>384,453</b>	<b>446,408</b>	<b>313,659</b>

Movement in long-term investments:

At start of year	362,884	159,062	311,717	131,226
Additions during the year	163,315	203,777	134,770	180,156
(Provision)/write-back for diminution in value	(391)	76	(246)	366
Disposal during the year	(76)	(31)	(76)	(31)
At end of year	525,732	362,884	446,165	311,717

Notes to the financial statements cont'd

15.1 Analysis of debt securities by motive is as follows:

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Held-for-trading	11,235	5,765	243	1,305
Available-for-sale	464	-	464	-
Held-to-maturity	463,194	333,150	422,177	284,633
	<b>474,893</b>	338,915	<b>422,884</b>	285,938

15.2 The market value of long-term listed debt securities (held-to-maturity) are N402billion for the Group (2010: N255 billion) and N368billion (2010: N240 billion) for the Bank.

15.3 Included in listed debt securities is N201.4 billion (2010: N186million) in various Federal Government of Nigeria bonds. The maturity dates of these bonds range from April 2013 to May 2030 with interest rates ranging from 4% to 16%. An amount of N52.254billion (2010: N27.9 billion) of these bonds is pledged with Central Bank of Nigeria and other financial institutions as collateral for various transactions.

15.4 The Bank made investments under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) in line with the Monetary Policy Circular No. 35). Included in unlisted equity long-term investments are the Bank's investment under the SMEEIS. A total of N1.08billion (2010: N1.18 billion) is outstanding under the scheme.

15.5 Included in listed debt securities are bonds issued by the Asset Management Company of Nigeria analysed as follows:

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Face value of bonds	162,906	21,970	162,906	21,970
Un-earned income on bonds	(38,658)	(5,634)	(38,658)	(5,634)
Carrying value of bonds	<b>124,248</b>	16,336	<b>124,248</b>	16,336

This represents bonds issued by the Asset Management Corporation of Nigeria (AMCON) as consideration for non-performing loans sold to it by the bank fully guaranteed by the Federal Government of Nigeria. The Bonds are zero coupon with an annual yield ranging from 10.13% to 13%.

Notes to the financial statements cont'd

16 INVESTMENT IN SUBSIDIARIES

Bank subsidiaries:	Year of commencement of operations	% Holding	Country	Industry	2011 N'million	2010 N'million
UBA Ghana Limited (see (i) below)	2004	91%	Ghana	Banking	<b>8,048</b>	8,048
UBA Cameroun SA (see (i) below)	2007	100%	Cameroun	Banking	<b>1,845</b>	1,845
UBA Cote d'Ivoire (see (i) below)	2008	100%	Cote d'Ivoire	Banking	<b>4,850</b>	4,850
UBA Liberia Limited (see (i) below)	2008	100%	Liberia	Banking	<b>1,795</b>	1,784
UBA Sierra Leone Limited (see (i) below)	2008	100%	Sierra leone	Banking	<b>1,269</b>	1,160
UBA Uganda Limited (see (i) below)	2008	100%	Uganda	Banking	<b>2,718</b>	2,070
Banque Internationale Du Burkina Faso (see (i) below)						
	2008	64%	Burkina Faso	Banking	<b>5,352</b>	3,832
Continental Bank Benin (see (i) below)	2008	76%	Benin Republic	Banking	<b>6,726</b>	6,726
UBA Chad SA (see (i) below)	2009	100%	Chad	Banking	<b>2,210</b>	2,210
UBA Senegal (SA) (see (i) below)	2009	100%	Senegal	Banking	<b>2,400</b>	2,400
UBA Kenya Bank Limited (see (i) below)	2009	100%	Kenya	Banking	<b>1,770</b>	1,770
UBA Zambia Limited (see (i) below)	2010	100%	Zambia	Banking	<b>1,770</b>	1,770
UBA Tanzania Limited (see (i) below)	2010	100%	Tanzania	Banking	<b>1,770</b>	1,770
UBA Gabon Limited (see (i) below)	2010	100%	Gabon	Banking	<b>1,996</b>	1,996
UBA Guinea Limited (see (i) below)	2010	100%	Guinea	Banking	<b>1,475</b>	1,475
UBA Congo DR (see (i) below)	2011	100%	Congo CRC	Banking	<b>1,346</b>	-
UBA Congo Brazaville ((see (i) below)						
	2011	100%	Brazaville	Banking	<b>3,024</b>	-
UBA Mozambique ((see (i) below)	2011	100%	Mozambique	Banking	<b>754</b>	-
<b>Non-bank subsidiaries:</b>						
UBA Asset Management Limited (see (ii) below)						
	1964	100%	Nigeria	Asset management	<b>403</b>	403
UBA Pensions Custodian Limited (see (iii) below)						
	2004	100%	Nigeria	Pensions	<b>2,000</b>	2,000
UBA Capital (Africa) Limited (see (iv) below)						
	2005	100%	Nigeria	Investment banking	<b>2,000</b>	2,000
UBA Insurance Brokers Limited (see (v) below)						
	2006	100%	Nigeria	Insurance brokerage	<b>5</b>	5
UBA Retail Financial Services Limited (RFS) ((see (i) below)						
	2008	100%	Nigeria	Banking	<b>667</b>	1,739
UBA FX Mart Limited (see (vi) below)						
	2008	100%	Nigeria	Banking	<b>502</b>	502
					<b>56,695</b>	50,355

(i) UBA Ghana Limited, UBA Cameroon SA, UBA Cote d'Ivoire, UBA Liberia, UBA Sierra Leone, UBA Uganda, Banque Internationale Du Burkina Faso, UBA RFS, UBA Chad SA, UBA Senegal SA, Continental Bank Benin, UBA Kenya, UBA Zambia, UBA Tanzania, UBA Gabon, UBA Guinea Limited, UBA Mozambique, UBA Congo Brazaville and UBA Congo DRC are engaged in the business of banking and provide corporate, commercial, consumer and international banking, trade services, cash management and treasury services.

- (ii) UBA Asset Management Limited is engaged in the business of management and administration of funds, trusteeship business; receivership/liquidation; agency business; property management; Mortgage; capital raising; royalty; venture capital fund activities; corporation registration; wholesale portfolio and other financial services to individuals, corporate bodies and the Government (shares, stocks, debentures, bonds & loans). It was incorporated on 1 June 1964 and commenced operations on same day.
- (iii) UBA Pensions Custodian Limited was incorporated on 30 September 2005. It obtained an operating license on 20 February 2006 and commenced operations on 3 May 2006. Its principal activities include the provision of the custody of pension assets, to hold and deal in such assets in accordance with the directives of the Pension Fund Administrators and the National Pension Commission in conformity with the Pensions Reforms Act 2004.
- (iv) UBA Capital (Africa) Limited is engaged in securities registrars business, incorporation and IPO underwriting, securities trading, profit sharing and joint venture, securities agency, land and property development business, issuing house functions, capitalists and financiers, hire purchase and credit finance, and spin-offs. It was incorporated on 19 August 2005 and commenced operations same day.
- (v) UBA Insurance Brokers Limited was incorporated under the Companies and Allied Matters Act, CAP C20, LFN 2004, as a limited liability company on 1 September 2006 and commenced operations on 1 April 2007. It engages in the business of insurance as well as general advisory and consulting service.
- (vi) UBA FX Mart is engaged to carry on business as BDC proprietors, deal in foreign currency and traveller's cheques, agency business, mortgage property business, and capital raising. It was incorporated on 30 January 2008 and commenced operations on 22 May 2008.

## 17 INVESTMENT IN ASSOCIATE AND JOINT VENTURE

### 17 (a) Investment in associate

The Bank has a 49% stake in UBA Capital Europe Limited. UBA Capital Europe Limited is a London-based investment banking company primarily engaged in brokerage, trade finance and wealth management businesses. It was incorporated on 25 September 1995 and commenced operation same day.

The movement in investment in UBA Capital Europe is as shown below:

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
At start of year	9,179	9,261	9,943	9,943
Share of current year results	32	(82)	-	-
At end of year	9,211	9,179	9,943	9,943

### (b) Investment in joint venture

UBA Metropolitan Life Insurance Limited was incorporated as HEIRS Life Assurance Company Limited in August 2004. Its name was changed in January 2007 when it became equally owned (50:50) by United Bank for Africa Plc and MHG (UK) Limited. On 1 January 2008, the holding of MHG (UK) Limited was transferred to Metropolitan International (Pty) Limited. The company's principal activities are individual life insurance, group life insurance, credit life insurance and deposit administration. UBA Metropolitan Life sells its products and services across the branch network of UBA Plc in line with the bancassurance model. According to the joint venture agreement, management and operations of the business are jointly controlled.

## Notes to the financial statements cont'd

The movement in investment in UBA Metropolitan Life Insurance joint venture is as shown below:

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
At start of year	939	245	900	900
Share of results	(41)	(56)	-	-
Additions	-	750	-	-
Prior year adjustments	247	-	-	-
At end of year	1,145	939	900	900
<b>Total investment in associate &amp; joint venture</b>	<b>10,356</b>	<b>10,118</b>	<b>10,843</b>	<b>10,843</b>

## 18 CONDENSED RESULTS OF CONSOLIDATED ENTITIES

	UBA Ghana Limited N'million	UBA Cameroun Limited N'million	UBA Cote D'ivoire Limited N'million	UBA Liberia Limited N'million	Continental Bank Benin N'million
<b>Condensed profit and loss</b>					
Operating income	6,932	3,041	1,261	614	2,432
Operating expenses	(3,165)	(2,034)	(1,891)	(829)	(976)
Provision expense	(631)	(55)	12	(30)	(689)
Profit/(loss) before tax	3,136	952	(618)	(245)	767
Tax	(734)	(366)	(4)	-	(58)
<b>Profit/(loss) for the year</b>	<b>2,402</b>	<b>586</b>	<b>(622)</b>	<b>(245)</b>	<b>709</b>
<b>Condensed balance sheet</b>					
<b>Assets</b>					
Cash and balances with central banks	5,007	11,099	1,373	1,857	6,143
Treasury bills	20,436	3,002	2,958	-	6,734
Due from other banks	11,288	2,961	420	4,189	3,554
Loans and advances to customers	15,922	12,896	5,615	1,828	12,064
Investment securities	480	-	3,477	-	7,908
Intangible assets	31	11	-	1	39
Other assets	1,001	1,032	256	419	1,200
Property and equipment	738	111	590	281	550
	<b>54,903</b>	<b>31,112</b>	<b>14,689</b>	<b>8,575</b>	<b>38,192</b>
<b>Financed by:</b>					
Customer deposits	38,771	26,276	9,622	7,102	30,036
Due to other banks	-	-	3,180	-	290
Current income tax	-	366	4	-	58
Other liabilities	7,493	1,630	987	192	3,087
Equity and reserves	8,639	2,840	896	1,281	4,721
	<b>54,903</b>	<b>31,112</b>	<b>14,689</b>	<b>8,575</b>	<b>38,192</b>
<b>Condensed cash flow</b>					
Net cash from/used in operating activities	20,357	8,978	2,917	4,264	730
Net cash from financing activities	-	-	-	11	-
Net cash (used in) from investing activities	(247)	-	-	-	(197)
<b>Increase in cash and cash equivalents</b>	<b>20,110</b>	<b>8,978</b>	<b>2,917</b>	<b>4,275</b>	<b>533</b>
At start of year	16,621	8,084	1,834	1,772	15,898
At end of year	36,731	17,062	4,751	6,047	16,431
	<b>20,110</b>	<b>8,978</b>	<b>2,917</b>	<b>4,275</b>	<b>533</b>

Notes to the financial statements cont'd

18 CONDENSED RESULTS OF CONSOLIDATED ENTITIES ( cont'd )

	UBA Uganda Limited N'million	Banque Int'l Du Burkina Faso N'million	UBA RFS Limited N'million	UBA Asset Mgt. Limited N'million	UBA Ins. Brokers Limited N'million
<b>Condensed profit and loss</b>					
Operating income	715	8,063	14	1,798	378
Operating expenses	(824)	(3,794)	(56)	(873)	(186)
Provision expense	(8)	(3,049)	-	232	-
(Loss)/profit before tax	(117)	1,220	(42)	1,157	192
Tax	-	(4)	-	(287)	(63)
(Loss)/profit for the year	<b>(117)</b>	<b>1,216</b>	<b>(42)</b>	<b>870</b>	<b>129</b>
<b>Condensed financial position</b>					
<b>Assets</b>					
Cash and balances with central banks	1,494	5,152	-	2	-
Treasury bills	185	14,391	-	6,454	-
Due from other banks	1,058	1,962	455	5,804	694
Loans and advances to customers	2,846	20,951	-	-	-
Investment securities	719	23,881	-	33,260	-
Intangible assets	6	22	-	-	-
Other assets	802	5,647	118	2,139	60
Property and equipment	306	2,590	203	4	15
	<b>7,416</b>	<b>74,596</b>	<b>776</b>	<b>47,663</b>	<b>769</b>
<b>Financed by:</b>					
Customer deposits	5,934	61,672	71	122	100
Due to other banks	-	3,406	-	-	-
Investment contracts liabilities	-	-	-	41,996	-
Current income tax	-	4	-	270	78
Other liabilities	532	4,900	37	1,389	108
Deferred income tax liabilities	-	4	-	1	-
Equity and reserves	950	4,610	668	3,885	483
	<b>7,416</b>	<b>74,596</b>	<b>776</b>	<b>47,663</b>	<b>769</b>
<b>Condensed cash flow</b>					
Net cash from /(used in) operating activities	898	(2,834)	(51)	12,000	195
Net cash from financing activities	1,520	-	-	-	-
Net cash used in investing activities	-	(83)	1	(15)	-
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,546</b>	<b>(1,314)</b>	<b>(134)</b>	<b>12,001</b>	<b>180</b>
At start of year	1,191	22,819	589	259	515
At end of year	2,737	21,505	455	12,260	695
	<b>1,546</b>	<b>(1,314)</b>	<b>(134)</b>	<b>12,001</b>	<b>180</b>

Notes to the financial statements cont'd

18 CONDENSED RESULTS OF CONSOLIDATED ENTITIES ( cont'd )

	UBA FX Mart Limited N'million	UBA Chad SA Limited N'million	UBA Senegal (SA) Limited N'million	UBA (SL) Limited N'million	UBA Capital Africa Limited N'million
<b>Condensed profit and loss</b>					
Operating income	216	1,004	2,068	478	1,873
Operating expenses	(121)	(858)	(1,513)	(398)	(862)
Provision expense	-	14	(60)	-	(116)
Profit before tax	95	160	495	80	895
Tax	(31)	-	-	(9)	(66)
Profit for the year	<b>64</b>	<b>160</b>	<b>495</b>	<b>71</b>	<b>829</b>
<b>Condensed financial position</b>					
<b>Assets</b>					
Cash and balances with central banks	195	3,972	385	191	50
Treasury bills	-	681	12,843	719	-
Due from other banks	563	1,568	818	1,157	14,435
Loans and advances to customers	-	6,355	8,332	139	2
Investment securities	-	-	3,751	-	1,816
Intangible assets	-	18	10	-	-
Other assets	-	762	235	138	1,053
Property and equipment	8	277	540	179	99
	<b>766</b>	<b>13,633</b>	<b>26,914</b>	<b>2,523</b>	<b>17,455</b>
<b>Financed by:</b>					
Customer deposits	-	10,966	22,734	1,730	1,883
Due to other banks	-	-	-	24	-
Current income tax	-	-	-	9	313
Other liabilities	461	664	1,752	50	12,882
Deferred income tax liabilities	-	-	-	-	21
Equity and reserves	305	2,003	2,428	710	2,356
	<b>766</b>	<b>13,633</b>	<b>26,914</b>	<b>2,523</b>	<b>17,455</b>
<b>Condensed cash flow</b>					
Net cash from operating activities	104	2,805	3,096	10	2,377
Net cash from/(used in) financing activities	-	-	-	109	(81)
Increase in cash and cash equivalents	<b>104</b>	<b>2,805</b>	<b>3,096</b>	<b>119</b>	<b>2,296</b>
At start of year	654	3,416	10,950	1,948	12,190
At end of year	758	6,221	14,046	2,067	14,486
	<b>104</b>	<b>2,805</b>	<b>3,096</b>	<b>119</b>	<b>2,296</b>

Notes to the financial statements cont'd

18 CONDENSED RESULTS OF CONSOLIDATED ENTITIES ( cont'd)

	UBA Gabon Limited N'million	UBA Zambia Limited N'million	UBA Tanzania Limited N'million	UBA Pension Custodian Limited N'million	UBA Kenya Limited N'million
<b>Condensed profit and loss</b>					
Operating income	634	437	325	1,830	621
Operating expenses	(832)	(734)	(633)	(410)	(897)
Provision expense	(8)	(9)	(1)	-	(14)
(Loss)/profit before tax	(206)	(306)	(309)	1,420	(290)
Tax	(8)	-	-	(458)	-
(Loss)/profit for the year	<b>(214)</b>	<b>(306)</b>	<b>(309)</b>	<b>962</b>	<b>(290)</b>
<b>Condensed financial position</b>					
<b>Assets</b>					
Cash and balances with central banks	6,926	151	1,228	-	(494)
Treasury bills	613	449	-	4,490	-
Due from other banks	2,532	299	661	672	1,769
Loans and advances to customers	3,700	11,681	1,781	38	949
Investment securities	1,293	1,021	543	-	2,385
Intangible assets	2	-	-	-	21
Other assets	227	693	138	299	809
Property and equipment	200	368	266	16	341
	<b>15,493</b>	<b>14,662</b>	<b>4,740</b>	<b>5,515</b>	<b>5,780</b>
<b>Financed by:</b>					
Customer deposits	13,345	2,845	3,231	-	4,083
Due to other banks	-	10,214	-	-	-
Current income tax	-	-	-	522	12
Other liabilities	545	143	228	484	297
Equity and reserves	1,603	1,460	1,281	4,509	1,388
	<b>15,493</b>	<b>14,662</b>	<b>4,740</b>	<b>5,515</b>	<b>5,780</b>
<b>Condensed cash flow</b>					
Net cash from/(used in) operating activities	5,902	(1,061)	426	1,354	(280)
Net cash used in investing activities -	(85)	-	(5)	-	-
Increase in cash and cash equivalents	<b>5,902</b>	<b>(1,146)</b>	<b>426</b>	<b>1,349</b>	<b>(280)</b>
At start of year	4,169	2,045	1,463	3,813	1,555
At end of year	10,071	899	1,889	5,162	1,275
	<b>5,902</b>	<b>(1,146)</b>	<b>426</b>	<b>1,349</b>	<b>(280)</b>

*Notes to the financial statements cont'd*

**18 CONDENSED RESULTS OF CONSOLIDATED ENTITIES ( cont'd)**

	<b>UBA Guinea Limited N'million</b>	<b>UBA Mozambique Limited N'million</b>	<b>UBA Congo Brazaville N'million</b>	<b>UBA Congo DRC N'million</b>	<b>UBA Plc Bank N'million</b>
<b>Condensed profit and loss</b>					
Operating income	1,198	1,057	849	252	100,645
Operating expenses	(609)	(827)	(1,071)	(406)	(82,970)
Provision expense	(2)	(13)	-	(85)	(18,116)
Profit/(loss) before tax	587	217	(222)	(239)	(441)
Exceptional items	-	-	-	-	(36,851)
Tax	-	-	-	-	20,907
Profit/(loss) for the year	<b>587</b>	<b>217</b>	<b>(222)</b>	<b>(239)</b>	<b>(16,385)</b>
<b>Condensed balance sheet</b>					
<b>Assets</b>					
Cash and balances with central banks	5,960	1,037	1,540	201	124,826
Treasury bills	8,424	61	-	-	98,289
Due from other banks	2,980	1,129	1,812	601	227,582
Loans and advances to customers	5,283	632	150	1	596,457
Investment securities	-	-	1,125	659	513,946
Intangible assets	4	-	35	12	5,855
Other assets	89	390	550	702	44,285
Property and equipment	204	253	366	234	44,225
	<b>22,944</b>	<b>3,502</b>	<b>5,578</b>	<b>2,410</b>	<b>1,655,465</b>
<b>Financed by:</b>					
Customer deposits	19,245	1,543	1,640	436	1,216,464
Due to other banks	-	679	-	-	21,763
Other borrowings	-	-	-	-	193,878
Current income tax	-	-	-	4	784
Other liabilities	1,892	57	933	644	52,518
Deferred income tax liabilities	-	-	-	4	-
Equity and reserves	1,807	1,223	3,005	1,322	170,058
	<b>22,944</b>	<b>3,502</b>	<b>5,578</b>	<b>2,410</b>	<b>1,655,465</b>
<b>Condensed cash flow</b>					
Net cash from/(used in) operating activities	12,930	1,777	769	(249)	
Net cash from financing activities	-	755	3,024	1,348	
Net cash used in investing activities	-	(305)	(441)	(297)	
Increase in cash and cash equivalents	<b>12,930</b>	<b>2,227</b>	<b>3,352</b>	<b>802</b>	
At start of year	4,434	-	-	-	
At end of year	17,364	2,227	3,352	802	
	<b>12,930</b>	<b>2,227</b>	<b>3,352</b>	<b>802</b>	

Notes to the financial statements cont'd

18 CONDENSED RESULTS OF CONSOLIDATED ENTITIES ( cont'd )

	Total N'million	Eliminations N'million	Total net of eliminations N'million
<b>Condensed profit and loss</b>			
Operating income	138,736	(28)	138,708
Operating expenses	(107,770)	54	(107,716)
Diminution in assets value	(22,628)	-	(22,628)
Exceptional items	(36,851)	-	(36,851)
Share of JV/Associate profit	-	(9)	(9)
(Loss)/profit before tax	(28,513)	17	(28,496)
Tax	18,849	-	18,849
<b>Profit/(loss) for the year</b>	<b>(9,664)</b>	<b>17</b>	<b>(9,647)</b>
<b>Condensed financial position</b>			
<b>Assets</b>			
Cash and balances with central banks	178,295	-	178,295
Treasury bills	180,728	(5,203)	175,525
Due from other banks	290,964	(39,450)	251,514
Loans and advances to customers	707,639	(18,014)	689,625
Investment securities	596,264	(59,933)	536,331
Goodwill	5,855	3,803	9,658
Other assets	62,525	(13,532)	48,993
Property and equipment	53,176	(324)	52,852
	<b>2,075,446</b>	<b>(132,653)</b>	<b>1,942,793</b>
<b>Financed by:</b>			
Customer deposits	1,479,850	(34,862)	1,444,988
Due to other banks	37,161	(19,960)	17,201
Investment contract	41,996	-	41,996
Other borrowings	193,878	(1,755)	192,123
Current income tax	2,005	-	2,005
Other liabilities	96,068	(21,647)	74,421
Deferred income tax liabilities	26	-	26
Equity and reserves	224,462	(54,429)	170,033
	<b>2,075,446</b>	<b>(132,653)</b>	<b>1,942,793</b>

*Notes to the financial statements cont'd*

**19 INTANGIBLE ASSETS**

	<b>GROUP</b>		<b>BANK</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>N'million</b>	<b>N'million</b>	<b>N'million</b>	<b>N'million</b>
Goodwill acquisition cost less impairment (see note 19.1)	<b>3,479</b>	3,479	-	-
Other Intangible Assets (see note 19.2)	<b>6,179</b>	6,044	<b>5,855</b>	5,807
	<b>9,658</b>	9,523	<b>5,855</b>	5,807

**19.1** The goodwill arose from the Bank's acquisition of Continental Bank Benin on 31 December 2008. Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill has been tested for impairment and there is no impairment arising therefrom.

**19.2** Other intangible assets represent cost of software acquired by the Bank. These are disclosed in accordance with SAS 31 (Statement of Accounting Standard) which became operative for financial statements covering periods beginning from or after 1 January 2011.

Movement on purchased software account was as follows:

	<b>GROUP</b>		<b>BANK</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>N'million</b>	<b>N'million</b>	<b>N'million</b>	<b>N'million</b>
<b>Cost:</b>				
At start of year	<b>8,425</b>	-	<b>7,197</b>	-
Reclassified from fixed assets	-	8,425	-	7,197
Additions from fixed assets	<b>433</b>	-	<b>233</b>	-
Reclassification from other assets	<b>856</b>	-	<b>856</b>	-
At 31 December	<b>9,714</b>	8,425	<b>8,286</b>	7,197
<b>Accumulated amortization:</b>				
At start of year	<b>2,381</b>	-	<b>1,390</b>	-
Reclassified from fixed assets	-	2,381	-	1,390
Amortised during the year	<b>1,154</b>	-	<b>1,041</b>	-
At 31 December	<b>3,535</b>	2,381	<b>2,431</b>	1,390
<b>Net book value:</b>				
At start of year	<b>6,044</b>	-	<b>5,807</b>	-
At end of year	<b>6,179</b>	6,044	<b>5,855</b>	5,807

Notes to the financial statements cont'd

20. OTHER ASSETS

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Interest and fee receivable	3,626	4,014	239	291
Prepayments	7,055	8,471	4,162	4,256
Accounts receivable	14,902	18,670	16,766	17,444
	25,583	31,155	21,167	21,991
Provision for doubtful receivables (note 20.1)	(1,652)	(4,459)	(1,467)	(3,947)
	23,931	26,696	19,700	18,044
<b>20.1 Movement in provision for doubtful receivables</b>				
At start of year	4,459	1,505	3,947	1,016
Write-back for diminution in value	(1,284)	-	(1,011)	-
Additional provision	830	3,375	672	3,352
Amount written off	(2,353)	(421)	(2,141)	(421)
At end of year	1,652	4,459	1,467	3,947

*Notes to the financial statements cont'd*

**21 PROPERTY AND EQUIPMENT (GROUP)**

	<b>At start of year N'million</b>	<b>Additions N'million</b>	<b>Disposals/ Write-offs N'million</b>	<b>Reclassifi- cations N'million</b>	<b>Exchange difference N'million</b>	<b>At end of year N'million</b>
<b>Cost</b>						
Work in progress	3,022	2,097	(2,005)	(569)	12	2,557
Leasehold land, buildings and improvement	44,116	1,539	(994)	(449)	172	44,384
Motor vehicles	10,541	349	(318)	(138)	54	10,488
Other transportation equipment	3,186	288	-	250	-	3,724
Furniture and office equipment	46,852	1,670	(1,747)	906	302	47,983
	<b>107,717</b>	<b>5,943</b>	<b>(5,064)</b>	<b>-</b>	<b>540</b>	<b>109,136</b>
<b>Accumulated depreciation</b>						
Leasehold land, buildings and improvement	7,777	1,296	(148)	-	60	8,985
Motor vehicles	6,978	1,249	(160)	(70)	25	8,022
Other transportation equipment	344	464	-	-	-	808
Furniture and office equipment	33,462	6,223	(1,404)	70	118	38,469
	<b>48,561</b>	<b>9,232</b>	<b>(1,712)</b>	<b>-</b>	<b>203</b>	<b>56,284</b>
<b>Net book value</b>						
	<b>At start of year N'million</b>					<b>At end of year N'million</b>
Work in progress	3,022					2,557
Leasehold land, buildings and improvement	36,339					35,399
Motor vehicles	3,563					2,466
Other transportation equipment	2,842					2,916
Furniture and office equipment	13,390					9,514
	<b>59,156</b>					<b>52,852</b>

Notes to the financial statements cont'd

21 PROPERTY AND EQUIPMENT (BANK)

	At start of year N'million	Additions N'million	Disposals/ Write-offs N'million	Reclassifi- cations N'million	Exchange difference N'million	At end of year N'million
<b>Cost</b>						
Work in progress	2,717	1,807	(1,710)	(646)	-	2,167
Leasehold land, buildings and improvement	37,303	262	(460)	(469)	89	36,725
Motor vehicles	8,267	90	(91)	(250)	-	8,016
Other transportation equipment	3,186	288	-	251	-	3,724
Furniture and office equipment	39,632	674	(46)	1,114	(35)	41,338
	<b>91,105</b>	<b>3,120</b>	<b>(2,308)</b>	<b>-</b>	<b>54</b>	<b>91,971</b>
<b>Accumulated depreciation</b>						
Leasehold land, buildings and improvement	4,844	709	(16)	-	5	5,542
Motor vehicles	6,126	755	(74)	-	-	6,807
Other transportation equipment	345	464	-	-	-	809
Furniture and office equipment	29,381	5,211	(40)	-	36	34,588
	<b>40,696</b>	<b>7,139</b>	<b>(130)</b>	<b>-</b>	<b>41</b>	<b>47,746</b>
<b>Net book value</b>						
	At start of year N'million					At end of year N'million
Work in progress	2,717					2,167
Leasehold land, buildings and improvement	32,459					31,184
Motor vehicles	2,141					1,209
Other transportation equipment	2,841					2,915
Furniture and office equipment	10,251					6,750
	<b>50,409</b>					<b>44,225</b>

*Notes to the financial statements cont'd*

**22 CUSTOMERS' DEPOSITS**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Demand:				
- Current deposits	<b>642,395</b>	504,851	<b>507,536</b>	434,034
- Domiciliary deposit	<b>242,914</b>	190,461	<b>226,859</b>	174,588
Savings deposits	<b>247,129</b>	220,769	<b>216,900</b>	192,969
Term deposits	<b>312,550</b>	351,090	<b>265,169</b>	317,472
	<b>1,444,988</b>	1,267,171	<b>1,216,464</b>	1,119,063
<b>22.1 Analysis by maturity</b>				
0 - 30 days	<b>1,132,438</b>	981,238	<b>1,093,160</b>	977,803
1 - 3 months	<b>239,137</b>	216,034	<b>94,342</b>	106,728
3 - 6 months	<b>54,843</b>	37,701	<b>21,636</b>	18,625
6 - 12 months	<b>18,570</b>	10,777	<b>7,326</b>	5,324
Over 12 months	-	21,421	-	10,583
	<b>1,444,988</b>	1,267,171	<b>1,216,464</b>	1,119,063
<b>23 DUE TO OTHER BANKS</b>				
Items in course of collection	<b>3,356</b>	51	<b>605</b>	51
Current balances with banks	<b>280</b>	2,342	-	-
Open buy back takings	<b>895</b>	-	-	-
Inter-bank takings	<b>12,670</b>	5,063	<b>21,158</b>	-
	<b>17,201</b>	7,456	<b>21,763</b>	51
<b>24 LIABILITY ON INVESTMENT CONTRACTS</b>				
At start of year	<b>33,090</b>	22,096		
Additions	<b>104,584</b>	57,866		
Withdrawals	<b>(101,156)</b>	(49,704)		
Investment return	<b>5,478</b>	2,832		
At end of year	<b>41,996</b>	33,090		

This represents monies administered by the Group under various asset management and trust contracts.

**25 OTHER BORROWINGS**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Corporate bonds (note 25.1)	<b>55,143</b>	18,851	<b>56,898</b>	20,663
On-lending facilities:				
- African Development Bank (AfDB) loans (note 25.2)	<b>23,537</b>	22,301	<b>23,537</b>	22,301
- On-lending for agric companies (note 25.3)	<b>80,704</b>	40,992	<b>80,704</b>	40,992
- Afrexim Loans (note 25.4)	<b>15,626</b>	-	<b>15,626</b>	-
- SCB Loans (note 25.5)	<b>16,046</b>	-	<b>16,046</b>	-
- HSBC (note 25.6)	<b>1,067</b>	-	<b>1,067</b>	-
	<b>192,123</b>	82,144	<b>193,878</b>	83,956

*Notes to the financial statements cont'd*

**25.1** Amount represents medium-term bonds issued by the Bank. In 2010, the Bank offered for subscription N20 billion fixed rate subordinated unsecured notes, maturing in 2017 with a coupon of 13%. During the year, the Bank offered N35 billion fixed rate subordinated unsecured notes, maturing in 2018 with a coupon of 14%. These represent the first and second issuance under the Bank's N400 billion medium-term note programme. Coupon on the note is payable semi-annually.

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Analysis by maturity:				
Over 12 months	<b>55,143</b>	18,851	<b>56,898</b>	20,663
Movement in UBA bonds (principal):				
At start of year	<b>18,245</b>	-	<b>20,000</b>	-
Additions	<b>35,000</b>	18,245	<b>35,000</b>	20,000
At end of year	<b>53,245</b>	18,245	<b>55,000</b>	20,000
Movement in Interest:				
At start of year	<b>606</b>	-	<b>663</b>	-
Interest accrued	<b>3,892</b>	606	<b>3,835</b>	663
Coupon payments	<b>(2,600)</b>	-	<b>(2,600)</b>	-
At end of year	<b>1,898</b>	606	<b>1,898</b>	663
Total	<b>55,143</b>	18,851	<b>56,898</b>	20,663

**25.2** This represents the amount drawn down under the African Development Bank (AfDB) long-term unsecured loan facilities. The AfDB borrowing comprises an unsecured emergency liquidity funding (ELF) and an unsecured trade finance initiative facility (TFI). Interest rate on the ELF is six (6) months USD LIBOR plus 500 basis points. Interest rate on the TFI is six (6) months USD LIBOR plus 450 basis points. Interest on both the ELF and TFI loans are payable semi-annually.

Analysis by maturity:

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Over 12 months	<b>23,537</b>	22,301	<b>23,537</b>	22,301
Movement in AfDB loans:				
At start of year	<b>22,301</b>	14,760	<b>22,301</b>	14,760
Additions	-	7,501	-	7,399
Interest accrued	<b>1,277</b>	-	<b>1,277</b>	102
Coupon payments	<b>(1,170)</b>	-	<b>(1,170)</b>	-
Exchange difference	<b>1,129</b>	40	<b>1,129</b>	40
At end of year	<b>23,537</b>	22,301	<b>23,537</b>	22,301

**25.3** Amount represents on-lending facilities provided by the Central Bank of Nigeria with the sole purpose of granting loans, at subsidised rates, to companies engaged in agriculture. The funds are at concessionary rates.

**Notes to the financial statements cont'd**

**Analysis by maturity:**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Over 12 months	80,704	40,992	80,704	40,992
Movement in on-lending for agric funds:				
At start of year	40,992	-	40,992	-
Additions	45,063	40,992	45,063	40,992
Payments during the year	(5,480)	-	(5,480)	-
Interest accrued	129	-	129	-
<b>At end of year</b>	<b>80,704</b>	<b>40,992</b>	<b>80,704</b>	<b>40,992</b>

**25.4** This represents the amount drawn down under a secured term loan facility granted by Afrexim and amount drawn down under a guaranteed note purchase. Interest rate on the term loan facility is three (3) months USD LIBOR plus 430 basis points while Interest rate on the guaranteed note purchase facility is three (3) months USD LIBOR plus 475 basis points. interests on the loans are payable quarterly.

**Analysis by maturity:**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Over 12 months	15,626	-	15,626	-
Movement in Afrexim loans:				
At start of year	-	-	-	-
Additions	15,597	-	15,597	-
Interest accrued	212	-	212	-
Coupon payments	(184)	-	(184)	-
At end of year	15,626	-	15,626	-

**25.5** This represents the amount drawn down under a secured term loan facilities granted by Standard Chartered Bank. The borrowing comprises a term loan facility of USD 55 million and a term loan facility of NGN equivalent of USD 45 million. Interest rate on the USD 55 million term loan facility is six (6) months USD LIBOR plus 450 basis points. Interest rate on the USD 45 million term loan is six (6) months USD LIBOR plus 530 basis points. Interest on both term loans are payable semi-annually.

**Analysis by maturity:**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Over 12 months	16,046	-	16,046	-
Movement in Standard Chartered Bank loans:				
At start of year	-	-	-	-
Additions	15,620	-	15,620	-
Interest Payable	842	-	842	-
Exchange gain	(417)	-	(417)	-
At end of year	16,046	-	16,046	-

Notes to the financial statements cont'd

**25.6** This represents the amount drawn down under a HSBC export credit agency-backed framework agreement facility. Interest rate on the facility is six (6) months USD LIBOR plus 125 basis points. Interest on the loan is payable semi-annually..

**Analysis by maturity:**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Over 12 months	1,067	-	1,067	-
Movement in HSBC loans:				
At start of year	-	-	-	-
Additions	1,161	-	1,161	-
Repayments	(91)	-	(91)	-
Interest Payable	10	-	10	-
Coupon payments	(12)	-	(12)	-
At end of year	1,067	-	1,067	-
<b>26 OTHER LIABILITIES</b>				
Customers' deposits for letter of credit (see note 12)	21,366	15,082	18,853	14,366
Deposit for foreign currency	125	106	103	106
Interest payable	2,976	3,632	1,721	1,789
Account payable	35,506	8,938	21,713	13,592
Accruals and provisions	12,513	5,924	6,464	3,326
Others	1,270	11,154	2,999	6,793
	<b>73,756</b>	<b>44,836</b>	<b>51,853</b>	<b>39,972</b>
<b>27 DEFERRED TAXES</b>				
Deferred tax assets	25,062	3,341	24,585	3,131
Deferred tax liabilities	(26)	(30)	-	-
	<b>25,036</b>	<b>3,311</b>	<b>24,585</b>	<b>3,131</b>
Movement in deferred tax assets:				
At start of year	3,341	-	3,131	-
Recognised in the period	21,721	3,341	21,454	3,131
At end of year	25,062	3,341	24,585	3,131
Movement in deferred tax liabilities:				
At start of year	30	24	-	-
Charge (note 9)	(4)	6	-	-
<b>At end of year</b>	<b>26</b>	<b>30</b>	<b>-</b>	<b>-</b>

*Notes to the financial statements cont'd*

**28 RETIREMENT BENEFIT OBLIGATIONS**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Defined contribution schemes	665	674	665	674
Movement in the defined contribution liability recognised in the balance sheet:				
At start of year	674	341	674	341
Charge to profit and loss	2,009	1,905	2,009	1,798
Contributions remitted	(2,018)	(1,572)	(2,018)	(1,465)
<b>At end of year</b>	<b>665</b>	<b>674</b>	<b>665</b>	<b>674</b>

For entities within the Group and domiciled in Nigeria, the Group and its employees make a joint contribution of 15% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated Pension Fund Administrators. For entities outside Nigeria, pension arrangements are in line with their domestic pension regulators.

**29 NON-CONTROLLING INTEREST**

	GROUP	
	2011 N'million	2010 N'million
At start of year	2,897	2,967
Transfer from profit and loss account	827	(70)
Decrease in non controlling interest	(152)	-
At end of year	3,572	2,897

**30 SHARE CAPITAL**

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
<b>Authorised</b>				
45billion ordinary shares of 50 kobo each (2010 : N35billion)	22,500	17,500	22,500	17,500
<b>Issued and fully paid:</b>				
<b>30.1 Ordinary shares:</b>				
At start of year	12,934	10,778	12,934	10,778
Bonus shares issue	3,234	2,156	3,234	2,156
At end of year	16,168	12,934	16,168	12,934
<b>30.2 Share premium</b>				
At start of year	111,489	113,645	111,489	113,645
Bonus shares issue	(3,234)	(2,156)	(3,234)	(2,156)
At end of year	108,255	111,489	108,255	111,489

Notes to the financial statements cont'd

At the 50th Annual General Meeting, the shareholders approved of a bonus issue (from the share premium account) of 1 share for every 4 shares held as at close-of-business on 13 May 2011.

**31 RESERVES**

<b>Group:</b>	<b>Statutory reserve N'million</b>	<b>SMIEIS reserve N'million</b>	<b>Capital reserve N'million</b>	<b>Translation reserve N'million</b>	<b>Other reserve N'million</b>	<b>Retained earnings N'million</b>
At 1 January 2011	21,483	2,635	1,698	(1,445)	24,371	16,504
Prior year adjustment	-	-	-	-	-	247
Transfer from profit and loss account	-	-	-	-	-	(10,474)
Net change due to exchange rate movement	-	-	-	1,446	1,446	-
Dividend paid	-	-	-	-	-	(1,287)
<b>At 31 December 2011</b>	<b>21,483</b>	<b>2,635</b>	<b>1,698</b>	<b>1</b>	<b>25,817</b>	<b>4,990</b>

<b>Bank:</b>	<b>Statutory reserve N'million</b>	<b>SMIEIS reserve N'million</b>	<b>Translation reserve N'million</b>	<b>Other reserve N'million</b>	<b>Retained earnings N'million</b>
At 1 January 2011	21,483	2,635	1,997	26,115	25,961
Transfer from profit and loss account	-	-	-	-	(16,385)
Dividend paid	-	-	-	-	(1,287)
<b>At 31 December 2011</b>	<b>21,483</b>	<b>2,635</b>	<b>1,997</b>	<b>26,115</b>	<b>8,289</b>

**32 OFF-BALANCE SHEET ENGAGEMENTS AND CONTINGENCIES**

**Legal proceedings**

The Group in the ordinary course of business as at 31 December, 2011 is presently involved in 499 cases as defendant and 3 cases as plaintiff. The total amount claimed in the 499 cases against the Bank is estimated at N229million while the total amount claimed in the 3 cases instituted by the Bank is N8m. However, the Directors having sought the advice of professional legal counsel are of the opinion that based on the advice received, no significant liability will crystallise from these cases beyond the provision made totalling N64million (2010: N113million) in the accounts.

**Off-balance sheet engagements**

The Group, in the normal course of business, is party to financial instruments with off-balance sheet risk. The instruments are used to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	<b>GROUP</b>		<b>BANK</b>	
	<b>2011 N'million</b>	<b>2010 N'million</b>	<b>2011 N'million</b>	<b>2010 N'million</b>
Performance bonds and guarantees	<b>239,014</b>	139,653	<b>228,852</b>	124,602
Letters of credit	<b>121,874</b>	73,524	<b>84,465</b>	62,468
Bankers acceptances	<b>11,159</b>	9,227	<b>11,159</b>	9,227
Funds under custody	<b>580,751</b>	431,956	<b>580,751</b>	431,956
	<b>952,798</b>	654,360	<b>905,227</b>	628,253

## Notes to the financial statements cont'd

### 33 RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, and foreign currency transactions. The volumes of related party transactions, outstanding balances at year end, and related expenses and income for the year are as follows:

#### (a) Risk assets outstanding as at 31 December 2011

##### Direct credit assets

Included in loans and advances is an amount of N25.8 billion (2010: N1.57 billion) representing credit facilities to companies in which certain directors and shareholders have interests. All balances were performing as at 31 December, 2011.

Name of company/ individual	Name	Relationship	Facility Type	N'million	Status	Security
Bridge House College	Mrs. Foluke Abdulrasaq	Director	Term loan	32	Performing	Real Estate
Vine Foods Limited	Mr. Emmanuel Nnorom	Director	Overdraft	4	Performing	Legal ownership over assets secured
Vine Foods Limited	Mr. Emmanuel Nnorom	Director	Overdraft	27	Performing	Legal ownership over assets assets secured
Paki International Motors Ltd	Alhaji Ja'ataru Paki	Director	Term loan	3	Performing	Otherwise Secured
Sahara Energy Resources	Mrs. Angela Nwabuoku	Director related	Term Loan	3,631	Performing	Otherwise Secured - Domiciliation of payment
Sahara Energy Resources	Mrs. Angela Nwabuoku	Director related	Term Loan	22,113	Performing	Otherwise Secured - Domiciliation of payment
				<b>25,810</b>		

Notes to the financial statements cont'd

(b) Deposits outstanding as at 31 December 2011

Name of company/individual	Relationship	Type of Deposit	2011 N'million
Consolidated Trust Funds Ltd	Director	Demand deposits	6
Consolidated Trust Funds Ltd	Director	Time deposits	20
Advance Link Petroleum Ltd	Director	Demand deposit	4
Bridge House College	Director	Demand deposit	135
Bridge House College	Director	Time deposits	94
			<b>259</b>

34 EMPLOYEES AND DIRECTORS

	GROUP		BANK	
	2011	2010	2011	2010
<b>a. Employees</b>				
The number of persons in the employment of the Group as at year end is as follows:				
	<b>Number</b>	Number	<b>Number</b>	Number
Group executive directors	<b>9</b>	9	<b>9</b>	9
Management	<b>796</b>	457	<b>275</b>	328
Non-management	<b>12,173</b>	12,425	<b>9,569</b>	10,314
	<b>12,978</b>	12,891	<b>9,853</b>	10,651
Compensation for the above staff (excluding executive directors):				
	<b>N'million</b>	N'million	<b>N'million</b>	N'million
Salaries and wages	<b>35,144</b>	36,000	<b>24,707</b>	26,659
Retirement benefit costs:				
Defined contribution plans	<b>2,009</b>	1,905	<b>2,009</b>	1,798
	<b>37,153</b>	37,905	<b>26,716</b>	28,457

## Notes to the financial statements cont'd

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

	GROUP		BANK	
	2011 Number	2010 Number	2011 Number	2010 Number
N300,001 - N2,000,000	8,144	9,015	6,998	7,599
N2,000,001 - N2,800,000	588	334	4	2
N2,800,001 - N3,500,000	406	129	-	-
N3,500,001 - N4,000,000	976	702	675	591
N4,000,001 - N5,500,000	741	584	456	485
N5,500,001 - N6,500,000	749	765	607	721
N6,500,001 - N7,800,000	510	496	425	461
N7,800,001 - N9,000,000	285	292	235	257
N9,000,001 - above	570	565	444	526
	<b>12,969</b>	12,882	<b>9,844</b>	10,642

### b. Directors

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	67	62	67	62
Executive compensation	694	689	694	689
Retirement benefit costs	89	13	89	13
	<b>850</b>	764	<b>850</b>	764
Fees and other emoluments disclosed above including amounts paid to:				
The Chairman	4	6	4	6
The highest paid Director	63	57	63	57

The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	GROUP		BANK	
	2011 Number	2010 Number	2011 Number	2010 Number
Below N1,000,000	2	-	2	-
N1,000,001 - N2,000,000	1	3	1	3
N2,000,001 - N3,000,000	-	-	-	-
N3,000,001 - N5,000,000	4	4	4	4
N5,000,001 and above	12	12	12	12
	<b>19</b>	19	<b>19</b>	19

Notes to the financial statements cont'd

35 RECONCILIATION OF (LOSS)/PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS:	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
(Loss)/profit before tax	(28,496)	3,219	(37,292)	3,693
Depreciation of property and equipment	9,232	10,060	7,139	8,245
Write-off of other assets	(2,353)	-	(2,141)	-
Amortization of intangibles	1,154	5	1,041	5
(Write-back)/provision for other assets	(454)	1,605	(339)	2,931
Provision for investments	391	568	246	(366)
Provision for loan loss	28,315	9,870	15,683	5,671
Loans written off	(19,008)	18,339	(18,839)	18,339
Amounts written back on previously provisioned account	(16,195)	(12,651)	(8,045)	(11,817)
Net interest suspended/(written-off)	(13,445)	13,642	(7,843)	7,635
Exchange difference	899	(44)	1,223	37
Write-off of special assets	-	7,032	-	7,032
Dividend income	(576)	(1,475)	(407)	(81)
Gain on disposal of fixed assets	-	99	-	99
Write-off of fixed assets	-	615	-	615
Translation gain/(loss)	1,446	(5,845)	-	-
Interest paid on long term borrowings	2,600	-	2,600	-
Share of (profit)/loss in equity accounted associate	(32)	82	-	-
Share of loss in equity accounted joint venture	41	56	-	-
<b>Operating profit before changes in operating assets and liabilities</b>	<b>(36,481)</b>	<b>45,177</b>	<b>(46,974)</b>	<b>42,038</b>
(Increase)/decrease in operating assets:				
Loans to customers	(142,771)	(21,218)	(110,391)	(15,675)
Cash reserve requirements	(68,889)	1,063	(65,988)	(546)
Interest receivable and prepayments	388	5,765	52	16,012
Accounts receivable	4,328	12,661	(84)	4,176
Due from clients	-	1,252	-	-
	<b>(206,944)</b>	<b>(477)</b>	<b>(176,411)</b>	<b>3,967</b>
Increase/(decrease) in operating liabilities:				
Customers' deposits	177,817	21,521	97,401	(32,023)
Due to other banks	9,745	(8,351)	21,712	(10,029)
Customers' deposits for foreign currency denominated obligations	6,303	6,344	4,484	6,060
Investment contract liabilities	8,906	10,994	-	-
Interest payable and unearned income	(656)	259	(68)	(859)
Accounts payable	26,568	7,498	8,121	9,504
Other liabilities	(593)	(28,321)	2,142	(9,570)
	<b>228,090</b>	<b>9,944</b>	<b>133,792</b>	<b>(36,917)</b>
<b>Cash generated from operations</b>	<b>(15,335)</b>	<b>54,644</b>	<b>(89,594)</b>	<b>9,088</b>

## Notes to the financial statements cont'd

### 36 DIVIDEND

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Proposed dividend	-	1,293	-	1,293

No dividend is proposed in respect of the financial year ended 31 December 2011.

### 37 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to group shareholders by the weighted average number of ordinary shares during the year

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Net profit attributable to shareholders (N'million)	(10,474)	668	(16,385)	2,167
Number of ordinary shares in issue as at year end (millions)	32,336	25,868	32,336	25,868
Time weighted average number of ordinary shares in issue (millions)	32,336	25,868	32,336	25,868
Basic and diluted earnings per share (kobo)	(32)	3	(51)	7
Dividend per share (kobo)	-	5	-	5

### 38 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents include cash and non-restricted balances with central banks, eligible treasury bills, operating account balances with other banks, amounts due from other banks and short-term government securities.

	GROUP		BANK	
	2011 N'million	2010 N'million	2011 N'million	2010 N'million
Cash and balances with central banks	97,144	55,794	50,580	31,561
Eligible treasury bills	-	15,842	-	15,842
Due from other banks	251,514	302,272	227,582	290,735
	348,658	373,908	278,162	338,138

### 39 COMPLIANCE WITH BANKING REGULATIONS

The Bank did not contravene any regulation of the Banks and Other Financial Institutions Act CAP B3 LFN 2004. However, during the period, the Bank paid N6million money fine for late notification to Central Bank of Nigeria of some employments/promotions to senior management cadre in contravention of CBN Circular BSD/DO/CIR/VOL.1/01/2001. The approval was subsequently obtained.

### 40 EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet events that could materially affect either the reported state of affairs of the Bank and the Group as at 31 December 2011 or the profit for the year ended on the same date which have not been adequately provided for or disclosed.

### 41 COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in current year.

## Statement of Value Added - Group

For the year ended 31 December 2011

	2011		2010	
	N'million	%	N'million	%
<b>Group</b>				
Group Income	<b>184,833</b>		177,571	
Interest paid	<b>(46,125)</b>		(46,969)	
	<b>138,708</b>		130,602	
Administrative overheads:				
- local	<b>(69,949)</b>		(51,533)	
- foreign	<b>(8,239)</b>		(10,965)	
<b>Value added</b>	<b>60,520</b>	<b>100</b>	68,104	100
<b>Distribution</b>				
<b>Employees</b>				
- Salaries and benefits	<b>37,153</b>	<b>61</b>	37,905	56
<b>Government</b>				
- Taxation	-	-	2,621	3
<b>The future</b>				
- Asset replacement (depreciation and amortization)	<b>10,386</b>	<b>17</b>	10,060	15
- Asset replacement (provision for losses)	<b>22,628</b>	<b>37</b>	18,213	27
- Expansion (transfer to reserves and non-controlling interest)	<b>(9,647)</b>	<b>(15)</b>	(695)	-1
	<b>60,520</b>	<b>100</b>	68,104	100

## Statement of Value Added - Bank

For the year ended 31 December 2011

	2011		2010	
	N'million	%	N'million	%
<b>Bank</b>				
Gross income	141,507		150,051	
Interest paid	(40,862)		(43,670)	
	100,645		106,381	
Administrative overheads:				
- local	(63,416)		(51,556)	
- foreign	(602)		(544)	
<b>Value added</b>	<b>36,627</b>	<b>100</b>	54,281	100
<b>Distribution</b>				
<b>Employees</b>				
- Salaries and benefits	26,716	73	28,457	53
<b>Government</b>				
- Taxation	-	-	1,526	2
<b>The future</b>				
- Asset replacement (depreciation and amortization)	8,180	22	8,245	15
- Asset replacement (provision for losses)	18,116	49	15,179	28
- Expansion (transfer to reserves and non-controlling interest)	(16,385)	(44)	874	2
	36,627	100	54,281	100

## Group Five - Year Financial Summary

	<b>31 December 2011 N'million</b>	31 December 2010 N'million	31 December 2009 N'million	<----- 30 September -----> 2008 N'million	2007 N'million
<b>Assets:</b>					
Cash and balances with central banks	<b>178,295</b>	68,056	68,225	120,088	64,183
Treasury bills and other eligible bills	<b>175,525</b>	123,455	42,035	174,005	100,589
Due from other banks	<b>251,514</b>	302,272	470,195	654,869	506,132
Loans and advances to customers	<b>689,625</b>	628,811	606,616	431,410	320,406
Investment securities	<b>525,975</b>	384,453	188,407	126,895	105,038
Investment in associates	<b>10,356</b>	10,118	9,506	1,488	21
Intangible and joint venture assets	<b>9,658</b>	3,479	2,983	-	-
Deferred tax assets	<b>25,062</b>	3,341	-	-	-
Investment properties	-	-	269	589	-
Other assets	<b>23,931</b>	28,511	87,003	102,436	44,926
Property and equipment	<b>52,852</b>	65,200	73,042	61,553	49,747
	<b>1,942,793</b>	1,617,696	1,548,281	1,673,333	1,191,042
<b>Finance by:</b>					
Ordinary share capital	<b>16,168</b>	12,934	10,778	8,622	5,748
Share premium account	<b>108,255</b>	111,489	113,645	114,036	119,066
Reserves	<b>42,038</b>	52,106	57,090	70,802	42,905
Non-controlling interest	<b>3,572</b>	2,897	5,316	1,821	359
Customers' deposits	<b>1,444,988</b>	1,267,171	1,245,650	1,333,289	905,806
Due to other banks	<b>17,201</b>	7,456	15,807	32,000	-
Liability on investment contracts	<b>41,996</b>	33,090	22,138	40,558	66,013
Borrowings	<b>192,123</b>	82,144	14,760	-	1,135
Current income tax	<b>2,005</b>	2,794	3,385	5,606	5,149
Other liabilities	<b>73,756</b>	43,599	58,187	65,564	43,825
Deferred income tax liabilities	<b>26</b>	30	2	993	994
Dividend payable	-	-	20	42	42
Retirement benefit obligations	<b>665</b>	1,986	1,503	-	-
Total equity and liabilities	<b>1,942,793</b>	1,617,696	1,548,281	1,673,333	1,191,042
Off balance sheet engagements	<b>952,798</b>	654,360	689,479	616,734	451,110
	<b>12 months to 31 December 2011 N'million</b>	12 months to 31 December 2010 N'million	15 months to 31 December 2009 N'million	12 months to <----- 30 September -----> 2008 N'million	12 months to 2007 N'million
Gross earnings	<b>184,833</b>	185,186	246,725	169,506	109,512
Net operating income	<b>138,708</b>	138,217	187,066	128,151	80,808
Operating expenses	<b>(107,725)</b>	(104,119)	(135,228)	(68,720)	(47,581)
Provision for losses	<b>(22,628)</b>	(18,213)	(38,176)	(2,616)	(3,702)
Profit before taxation and exceptional items	<b>8,355</b>	15,885	13,662	56,815	29,525
Exceptional items	<b>(36,851)</b>	(12,666)	(7,025)	(8,786)	(4,161)
Taxation	<b>18,849</b>	(2,621)	(4,262)	(7,204)	(3,923)
(Loss)/Profit after taxation and exceptional items	<b>(9,647)</b>	598	2,375	40,825	21,441
Non-controlling interest	<b>(827)</b>	70	(262)	414	99
Profit attributable to shareholders	<b>(10,474)</b>	668	2,113	41,239	21,540
Earnings per share(basic) - kobo	<b>(32)</b>	3	10	314	261

Basic earnings per share is based on the weighted average number of ordinary shares of 50 kobo each in the issue during the respective periods.

## Bank Five - Year Financial Summary

	31 December 2011 N'million	31 December 2010 N'million	31 December 2009 N'million	<----- 30 September -----> 2008 N'million	2007 N'million
<b>Assets:</b>					
Cash and balances with central banks	124,826	39,819	38,972	95,733	63,902
Treasury bills and other eligible bills	98,289	78,703	15,945	171,401	96,958
Due from other banks	227,582	290,735	459,829	591,791	454,399
Loans and advances to customers	596,457	569,312	543,289	405,540	320,229
Investment securities	446,408	313,659	150,565	96,397	74,421
Investment in subsidiaries	56,695	50,355	37,753	13,562	5,786
Investment in associates & Joint venture	10,843	10,843	10,843	1,495	21
Intangible assets	5,855	-	-	-	-
Deferred tax assets	24,585	3,131	-	-	-
Other assets	19,700	19,859	80,186	88,007	38,419
Property and equipment	44,225	56,216	63,497	56,165	48,213
	<b>1,655,465</b>	1,432,632	1,400,879	1,520,091	1,102,348
<b>Finance by:</b>					
Ordinary share capital	16,168	12,934	10,778	8,622	5,748
Share premium account	108,255	111,489	113,645	114,036	119,066
Reserves	45,635	63,307	63,296	65,497	40,007
Customers' deposits	1,216,464	1,119,063	1,151,086	1,258,036	897,651
Due to other banks	21,763	51	10,080	32,000	-
Borrowings	193,878	83,956	14,760	-	1,135
Current income tax	784	1,148	1,416	3,443	3,959
Other liabilities	51,853	38,698	34,273	37,424	33,749
Deferred income tax liabilities	-	-	-	991	991
Dividend payable	-	-	42	42	42
Retirement benefit obligations	665	1,986	1,503	-	-
Total equity and liabilities	<b>1,655,465</b>	1,432,632	1,400,879	1,520,091	1,102,348
Off balance sheet engagements	<b>905,227</b>	628,253	684,047	616,031	372,325
	<b>12 months to 31 December 2011 N'million</b>	<b>12 months to 31 December 2010 N'million</b>	<b>15 months to 31 December 2009 N'million</b>	<b>12 months to &lt;----- 30 September -----&gt; 2008 N'million</b>	<b>12 months to 2007 N'million</b>
Gross earnings	141,507	157,666	220,467	154,330	101,106
Net operating income	100,645	113,996	165,547	114,530	74,575
Operating expenses	(82,970)	(82,458)	(111,653)	(58,345)	(44,424)
Provision for losses	(18,116)	(15,179)	(30,905)	(1,548)	(3,163)
(Loss)/profit before taxation and exceptional items	(441)	16,359	22,989	54,637	26,988
Exceptional items	(36,851)	(12,666)	(7,025)	(8,786)	(4,161)
Taxation	20,907	(1,526)	(3,075)	(5,849)	(2,996)
Profit after taxation and exceptional items	(16,385)	2,167	12,889	40,002	19,831
Profit attributable to shareholders	(16,385)	2,167	12,889	40,002	19,831
Earnings per share(basic) - kobo	(51)	8	60	305	241

Basic earnings per share is based on the weighted average number of ordinary shares of 50 kobo each in the issue during the respective periods.

# Risk Management Report

## ENTERPRISE RISK OVERVIEW

### Risk Culture and Strategy

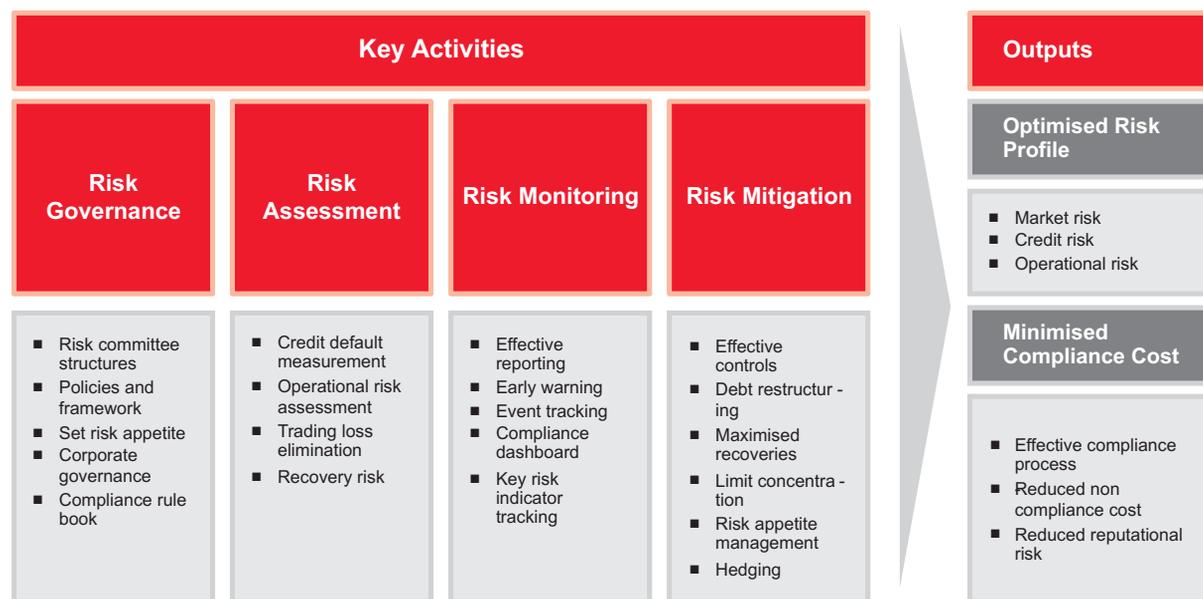
Given the scale and scope of its operations as well as the diversity of geographies within which it operates, UBA has adopted an enterprise wide, integrated approach to risk management. The key objectives are as follows:

1. We aim to meet and exceed best practice global standards as defined by local and international regulatory bodies. We intend to achieve this by adhering to the principles of the Basel II (and now III) Accords and COSO (Commission of Sponsoring Organisations) in the implementation of an

Enterprise Risk Management (ERM) Framework as adopted by the Central Bank of Nigeria (CBN).

2. Ensure sustainable profitability and enterprise value protection by maintaining growth within appropriate risk-control boundaries.
3. Enhance corporate governance by incorporating the Board and Senior Management in setting the tone for the risk management agenda.

The key elements of the ERM framework are intended to enhance risk identification, measurement, control and reporting. These are diagrammatically represented as follows:



**Risk management report cont'd**

**RISK MANAGEMENT STRUCTURE**

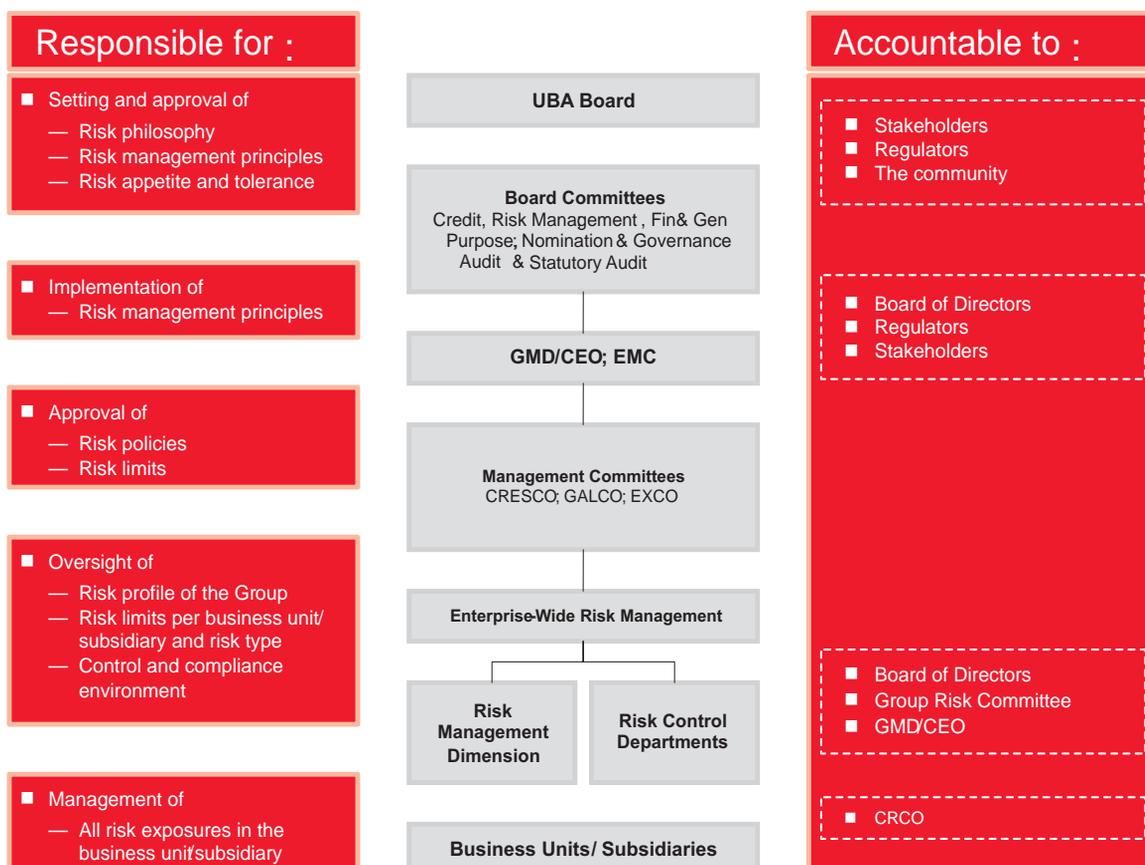
The Board of Directors has overall responsibility for risk management of the institution.

They have delegated specific functional roles to key sub-committees of the Board including the Board Risk Management Committee (BRMC), the Board Credit

Committee (BCC) and the Board Audit Committee (BAC).

These Board committees are supported by various management committees in identifying and providing appropriate responses to risks arising from the Group's ongoing business activities.

This is illustrated in the diagram below.



**Roles and Responsibilities**

The key players in the risk management framework are as indicated in the above governance structure and their responsibilities are as follows:

**Board of Directors**

The ultimate responsibility for risk management in UBA lies with the Board of Directors. The roles and responsibilities of the Board with respect to risk management include, but are not limited to:

- Ensuring an appropriate corporate governance framework is developed and operated;
- Providing guidelines regarding the management of

risk elements in the Group;

- Approving Group risk management policies;
- Determination of the Group's risk appetite;
- Ensuring that management controls and reporting procedures are satisfactory and reliable;
- Approving large credit exposures beyond the limit of the Board Credit Committee;
- Approving loan write-offs above set threshold; and
- Approving capital demand plans based on risk budgets.

The Board of Directors has established various Board-level risk committees, to support its risk oversight roles and responsibilities. These committees review and advise on numerous risk matters requiring Board approvals.

## Risk management report cont'd

The Board Risk Management Committee has direct oversight for the Bank's overall risk management framework. The Board Credit Committee considers and approves large exposure underwriting decisions within its authority and recommends those above its limit to the Board for consideration. The Board Audit Committee assists the Board with regard to internal controls, audit assessments and compliance matters.

A list of various Board committees and their assigned responsibilities is contained in the corporate governance report.

### Management Committees

Key Management Committees include:

#### Executive Management Committee (EMC)

The EMC is responsible for the following, among others, and shall be accountable to the Board:

- Formulating and executing strategy once approved by the Board
- Overall performance of the Group
- Managing the Group's risks
- Day-to-day oversight for the Group

All non-credit product approvals must go to the EMC who shall review and approve or recommend for approval to the appropriate Board Committees in line with the Bank's advised Approval Limits. Above the EMC approval limits, Non-Credit products are to be approved by the Board's Finance and General Purpose Committee.

All new business activity irrespective of capital commitment must be approved by the F & GPC through the EMC.

#### Executive Credit Committee (ECC)

The Committee's main objective is to develop and maintain a sound credit risk portfolio for the Group and to oversee the development and deployment of credit risk practices across the Group.

Its principal activities and functions are:-

- Set frameworks and guidelines for credit risk management for the Group
- Review and recommend all Credit related policies for

the Group to the BCC for approval

- Monitor implementation and compliance with credit policy paying particular attention to the following:
  - Credit concentration
  - Credit portfolio quality
- Review credit requests and recommend those above its limit to BCC for approval
- Ensure the Group's Non Performing Loans portfolio is within the approved ratio
- Review all major credit audit issues with a view to adopting learning points for enhancement to the credit process

#### Group Asset and Liability Committee

- The Group Asset and Liability Committee (GALCO), is a sub-committee of the EMC that has responsibility for managing UBA Group's balance sheet. This committee manages traded and non-traded market risks as well as steering the implementation of Basel II requirements for market risk.

In playing this role, GALCO does the following:-

- Recommend balance sheet management policies, frameworks and procedures to the Board Risk Management Committee through EMC for approval
- Recommend Treasury policies, frameworks and procedures to the F & GPC through EMC for approval
- Manage the Group's balance sheet and ensure compliance with regulatory and statutory ratios and requirements
- Develop an optimal structure of the Group's balance sheet to optimize risk-reward through a review of:
  - Liquidity Gap Analysis
  - Maximum Cumulative Outflow (MCO)
  - Stress Test
  - Wholesale Borrowing Guidelines
  - Contingency Liquidity Plan
- Review Liquidity, Interest Rate and Currency Risks and approve risk mitigation proposals subject to ratification by EMC
- Set pricing strategies for the Group on assets and liabilities (pool rate, asset and/or liability composition) subject to ratification by EMC

#### Criticized Assets Committee

The Criticized Assets Committee reviews Past Due

## Risk management report cont'd

Obligations (PDOs) and

- Develop framework to reduce the Group's portfolio of credits on watch-list as well as delinquent accounts.
- Monitor implementation of strategies developed for recoveries and reduction of loan delinquencies
- Ratifies proposed classification of accounts with provisioning levels
- Recommends write-offs for approval through the EMC to the Board

### ED Risk Management

The ED Risk Management is the Chief Risk Officer for the Group and has oversight for the effective and efficient governance of all risk functions in the Group. He is responsible for development and implementation of Group's risk management frameworks, policies and processes across the entire risk spectrum.

### Central Risk Management Functions

Each risk function including Credit, Market, Operational and IT Risk has direct responsibility for the development and management of risk management frameworks. The responsibilities of divisional functions with respect to Risk include:

- Develop and maintain policies, frameworks and risk management methodologies

- Provide guidance on the management of risks and ensure implementation of risk policies and strategies
- Provide recommendations for improvement of risk management
- Provide consolidated Risk reports to the various Board and management committees such as EMC, ECC and/or Board of Directors
- Provide assurance that risk management policies and strategies are operating effectively to achieve the Group's business objectives.

At a strategic level, our risk management objectives are as follows:

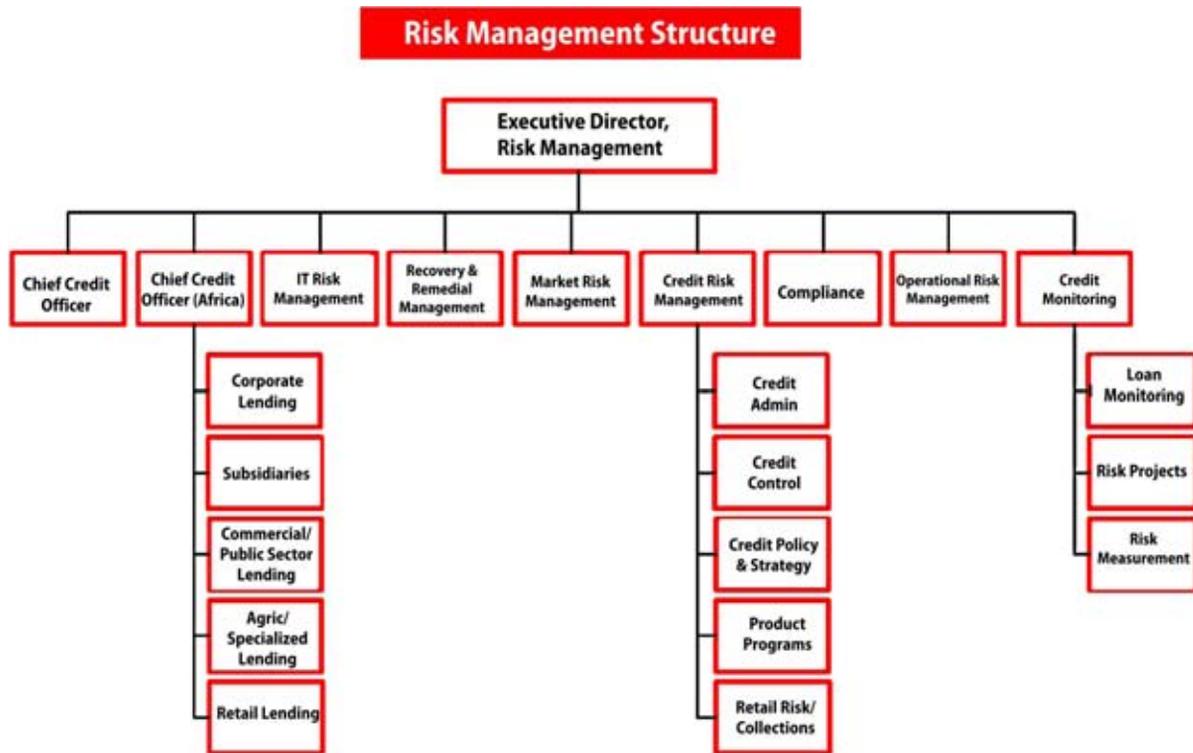
- To identify the Group's material risks and optimize risk/return decisions
- To ensure business growth plans are properly supported by effective risk infrastructure
- To manage the risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions

In pursuit of its risk management objectives, policies and standards are set for each risk type, adopting a standard methodology consisting of five risk steps as illustrated below



**RISK MANAGEMENT STRUCTURE**

In response to the dynamic risk environment, the risk management structure has been flattened to ensure increased oversight and improved responsiveness.



The key functional areas and their responsibilities are highlighted below:

**Credit Office**

The Credit Office has responsibility for credit underwriting and makes recommendations to the appropriate authority level for approval of assessed Corporate, Commercial, Public Sector and Retail Credits as spelt out in the Credit Empowerment/Approval Framework. The Credit Office is split into two, each headed by a Chief Credit Officer. One has responsibility for Nigeria while the other covers the various African entities.

**Credit Risk Management**

The Credit Risk Management division acts as the custodian of Group credit policies and recommends reviews based on regulatory changes and other developments in the operating environment. It develops and implements the Group credit risk management framework, as well as a portfolio management strategy towards achieving a diversified, high quality asset mix to minimize delinquencies.

In addition, CRM ensures appropriate control measures are taken in the documentation and administration of approved loans.

**Credit Monitoring**

This area has now been carved out as a separate division to improve oversight of loan performance. Its primary function is to continuously monitor the bank's loan portfolio to ensure ongoing portfolio performance and achievement of portfolio quality targets. Credit Monitoring ensures all loans are booked in line with the bank's policy and highlights income leakages. They also identify exceptions which may prevent the loan from being paid in a timely manner. The division takes proactive steps to ensure follow up on accounts showing signs of delinquency.

**Market Risk**

Market Risk is the risk to earnings or capital due to changes in market variables (such as interest rates, foreign exchange, equity and commodities levels and

## Risk management report cont'd

volatilities), which affect the price of trading positions. In other words Market Risk can be defined as the risk of losses arising from a change in market conditions or prices. These conditions can be referred to as Market Factors, and the main 5 groups/types of Market Risk are:

- Interest Rate Risk
- Equity Position Risk
- Foreign Exchange risk
- Commodities Risk
- Options or Derivatives Risk

The main risks that UBA Group is exposed to are Interest Rate and Foreign Exchange risks.

### Operational Risk

Operational Risk Division manages operational risk which is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or external events.

The Group has a comprehensive Operational Risk management framework in place which defines the set of activities designed to reduce, transfer, transform, avoid and accept operational losses. The Group monitors measurable metrics to track exposures or losses. The exposures are measured against the established tolerance limit thereby enabling implementation of proactive corrective actions.

### Key Risk Indicators (KRIs);

Key Risk Indicator (KRI) tracking - Key risk indicators (KRIs) are central to our operational risk monitoring and reporting processes. Various qualitative and quantitative risk assessment methods are employed in order to generate risk exposures and potential loss estimates at business unit and enterprise-wide levels. Comprehensive MIS platforms support the tracking process

### Risk Event data collection and reporting

The key functional areas and their responsibilities are highlighted below:

The Bank maintains a comprehensive losses and loss event database to deliver on the following objectives

- Carry out Root cause analysis for each loss event
- Identify trends and lessons to be learned over time
- Justify the cost of new or improved controls and compare the effectiveness of controls;
- Build a comprehensive loss events database for planning purposes ; and
- Use loss data as a potential input for capital calculation

### IT Risk

Given the significance of IT in a bank's operations, the IT Risk Management division was set up to continuously evaluate and put in place appropriate controls for effective management of risks inherent in the IT architecture of the Group.

### Recovery & Remedial Management

The Group Remedial & Recovery Division (GRRD) manages the repayment of all PDOs that are classified as substandard, doubtful or lost. It also intervenes in those accounts that appear on Watch list that may be past due but are yet to be impaired. Any accounts remaining on the bank's memorandum database are also managed for potential write-off recoveries.

The aim of GRRD is to manage and track those accounts that show early warning signs of distress and to assist to pro-actively identify loans for immediate recovery action.

### Compliance

The Compliance function identifies, assesses and documents the compliance risk associated with the bank's business activities. It develops compliance procedures and guidelines and monitors to ensure exceptions are minimized and addressed promptly.

The Bank shall use risk indicators to monitor the compliance risk exposure of the business units and assess the effectiveness of controls for the key risk areas.

- a) A compliance risk management plan, with responsibilities and target dates to indicate how the risks identified are managed, shall be developed by the compliance team.
- b) The plan shall detail preventative controls to lower the probability of the risk occurring and contingent controls to reduce the impact should the risk materialise.

The Compliance team aim to ensure effective management of compliance risk via the following:

- a) Track changes to federal and state laws and regulations and disseminate relevant information across the Bank.
- b) Take prompt and appropriate action to correct compliance problems that are identified through self-assessments, internal or external compliance audits.

**Risk management report cont'd**

- c) Develop work tools, forms and checklists to assist the Bank staff, as they perform their jobs, in complying with laws, regulations and rules.
- d) Analyze the impact of new or amended legal and regulatory requirements and implement such requirements in the Rule book

The compliance polices include;

- Anti-Money Laundering/Counter Terrorist Financing Policy
- Know Your Customer [KYC] Policy
- Whistle Blowing Policy
- Anti-Bribery & Corruption Policy
- Environmental Risk Management Policy

**RISK MANAGEMENT POLICIES**

The Principal Risk policies cover the Group's main risk types, assigning responsibility for the management of specific risks and setting out requirements for control frameworks for all risk types. Fundamental to the delivery of the Group's risk management objectives are a series of methodologies that allow it to measure, model, price, stress, mitigate and report the risks that arise from its activities.

**Risk Appetite**

A key responsibility of the Board is the determination of

the organization's risk appetite. This is codified in a Risk Appetite framework which considers the level of risk that the Group is willing to take in pursuit of its business objectives.

This is expressed as the Group's appetite for earnings volatility across all businesses from a credit, marketing and operational risk perspective. It is calibrated against our broad financial targets including income and impairments, dividend coverage and capital levels. It is prepared as part of the Group's annual budget and planning process and combine as a top-down view with a bottom up view of the risk profile requested by each business.

Risk appetite is institutionalized by establishing scale of activities through clearly defined Target Market criteria, product risk acceptance criteria, portfolio limits as well as risk-return requirements.

**Approval Authority**

The Board of Directors also set internal approval limits which are reviewed from time to time as the circumstances of the Group demands. These are at all times guided by maximum regulatory limits which is the Legal Lending limit.

The current limits are as shown in the following table:

<b>Authorizing level</b>	<b>Approval limit Investment grade</b>	<b>Approval limit Non-investment grade</b>
Board	Above N20billion	Above N2.5billion
Board Credit Committee	N20billion	N2.5billion
Executive Credit Committee	N10billion	N1.0billion
Managing Director & CCO	N5billion	N500million

**Limit Concentration**

The Group applies a comprehensive concentration risk management framework that sets exposure limits as a function of capital across all dimensions of its asset portfolio including geography, sector, obligor, product etc. This is closely monitored to ensure diversification of risk.

**Risk Assessment**

The bank considers the following risk types among others which are assessed, monitored and managed in terms of the Group's risk management framework

**Credit risk**

This relates to the probability that the group may suffer financial loss where any of its corporate borrowers or other counterparties fails to perform their payment, guarantee and/or other obligations as contracted.

**Market risk**

This relates to risk of losses on off-balance sheet positions that may arise from movements or volatility in market prices that could adversely affect business objectives.

**Liquidity risk**

This is the risk of loss in earnings and capital that arise

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## **Risk management report cont'd**

from the Group's inability to fund increases in assets or to meet its payment obligations to its customers as they fall due or to replace funds when they are withdrawn.

### **Operational risk (OpRisk)**

The risk of direct and/or indirect losses may arise from inadequacy or failure of internal processes, people, systems, or external events, including legal risk but not strategic risk. Major sources of operational risk include: operational processes, Information and communication technology, outsourcing activities, service providers, strategy implementation, mergers and acquisitions, fraud, error, regulatory compliance, staff, social and environmental factors.

### **Financial Crime risk**

This is the risk of failure to monitor, report and act on financial crimes, thereby exposing UBA to losses and penalties. Financial crimes include offences involving money laundering, fraud or dishonesty, and market abuse.

### **Capital adequacy risk**

This is the risk that the Group has insufficient capital resources to meet minimum regulatory capital requirements in Nigeria and in other jurisdictions such as in the UK, USA, and other African countries, where regulated activities are undertaken. Alternatively, it is the risk that capital resources may be inadequate to absorb unexpected losses under severely stressed conditions or may arise due to inefficient utilisation of available capital resources or attributed to reduced returns through sub-optimal capital structures.

### **Legal risk**

Legal risk is the risk arising from the type and nature of the Group's contractual agreements. It also involves the risk that contracts may render the Group or any part therefore, particularly vulnerable to litigation. These risks, if not addressed, may result in unspecified erosion of value.

### **Regulatory risk**

This is the risk of non-compliance with applicable financial services regulatory rules that could expose the Group to penalties. It may also include the risk that a change in laws and regulation or increased complexity in local and international regulatory environment may materially impact the Group.

### **Technology risk**

Technology risk is that, which impacts on the integrity of the Group's information systems and technology infrastructure. It is also the risk associated with missing

the benefit of adopting a technology that could have enhanced operational efficiency.

### **Brand Reputational risk**

This is the risk of brand erosion, reputation loss of the group. It includes failure to understand, identify or manage developments that could negatively impact on the brand and its value, especially its image, as perceived by its various stakeholders.

### **Risk Monitoring**

#### **Key Risk Indicators (KRIs)**

Key risk indicators (KRIs) are central to our risk monitoring and reporting processes. They constitute a systematic means of managing our risk measurement framework and approach, by employing various qualitative and quantitative risk assessment methods, to generate risk exposures and potential loss estimates at business unit and enterprise-wide levels. Comprehensive MIS platforms are used to support the tracking process.

The KRIs also provide a basis for our assessment of all inherent risk types and supports our decision on materiality, rating and direction of overall risk.

### **Risk Mitigation**

#### **Controls**

Risk controls and mitigants, identified and approved for the group, are documented for existing and new products, processes and systems.

The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using OpRisk Manager – (an operational risk management tool) which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

### **Remedial Management Process**

Depending on the severity of classification, the Group undertakes remedial corrective action geared towards ensuring performance of weak credits. Early attention, including substantive discussions with borrowers, is required to correct deficiencies.

The remedial management process is defined as a flow of planned, recognizable and sequential events involved in the nurturing and management of PDOs into performing obligations or to full recovery.

Remedial process covers the evaluation, analysis and restructuring of credit facilities for existing PDOs. It may include new extensions of credit, and/or restructuring

## Risk management report cont'd

of terms. Some of the possible actions are summarised as follows:

- Rate/Payment modification or longer-term payment relief - adjusting interest rates or payment frequency;
- Ageing/Extension: Modifying the length of the loan;
- Cash Out: Refinancing a loan at a higher principal amount in order to get additional funds for other uses;
- Loan and Collateral Consolidation: Combining several loans into a single payment which is lower than if the payments were separate;
- Short Sale – Loan is discounted to prevent imminent foreclosure; and
- Deed in lieu – Voluntary conveyance of interest in property to the bank

The process calls for full information gathering, together with financial and risk analysis leading up to the approval decision. Analysis and standards vary according to business product, market, transaction characteristics and environmental issues. In all cases, we strive to achieve good judgement, in ensuring that all relevant issues have been addressed in each situation.

Under certain conditions it may be decided as part of an overall portfolio strategy to consider restructuring of a sub-portfolio/product group towards mitigating the overall potential loss.

### Maximizing Recoveries

GRRD has established a framework in order to ensure maximized recoveries that is intended to:

- Ensure clear definition of recovery accounts and functions within the Group;
- Streamline decision-making at each recovery operating unit;
- Achieve uniformity in recovery process methodology and consolidate similar functions in all locations where the Group operates;
- Have a reference point that consolidates learning points for the Group from various recovery interventions in the collection of bad debts; and

### Capital Management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

1. To comply with the minimum regulatory capital

requirements set by the regulators of the banking markets where the entities within the Group operate;

2. To maintain an adequate capital buffer to absorb potential worst case aggregate credit, market and operational losses in order to safeguard the Group's ability to continue as a going concern and protect depositors
3. To optimize capital utilization so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
4. To maintain an efficient capital structure with an appropriate mix of capital instruments.

The Group applies economic capital principles to ensure that risk sensitive capital levels are maintained, which are adequate to absorb unexpected losses arising from all material risks, to which the group is exposed to. In terms of this framework, Tier 1 capital is maintained at a level sufficient to protect all debt holders against unexpected losses at a statistical confidence limit, selected in line with the group's risk appetite. Internal risk sensitive capital adequacy ratios so derived are above the regulatory minimum requirements.

Internal capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing the economic capital framework and techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes. The required information is filed with the CBN on a monthly basis. Auditors to the Group are also required to render an annual certificate to the Nigerian Deposit Insurance Corporation (NDIC) that includes the computed capital adequacy ratio of the Group.

- (a) hold the minimum level of the regulatory capital of N25 billion and
- (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%. In addition, those individual banking subsidiaries or similar financial institutions not incorporated in Nigeria are directly regulated and supervised by their local banking supervisor, which may differ from country to country.

The Group's regulatory capital as managed by its Financial Control and Treasury Units is divided into two tiers:

**Tier 1 capital:** share capital, retained earnings and reserves created by appropriations of retained earnings.

## Risk management report cont'd

The book value of goodwill is deducted in arriving at Tier 1 capital; and

**Tier 2 capital:** preference shares, minority interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, general provisions subject to maximum of 1.25% of risk assets and hybrid instruments convertible bonds. Investments in unconsolidated subsidiaries and associates are deducted from Tier 1 and Tier 2 capital to arrive at the bank solo regulatory capital adequacy measurement. The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate

of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Group for the years ended 31 December. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	<b>Group 2011 N'million</b>	<b>Group 2010 N'million</b>
<b>Tier 1</b>		
Share capital	16,168	12,934
Shares Premium	108,255	111,489
Statutory reserve	21,483	21,483
SMIEIS reserve	2,635	2,635
Capital reserve	1,698	1,698
Retained earnings	4,990	16,504
Less goodwill	(3,479)	(3,479)
Less: Unconsolidated subsidiaries and associates	(10,356)	(10,118)
<b>Total qualifying Tier 1 capital</b>	<b>141,394</b>	<b>153,146</b>
<b>Tier 2</b>		
Minority interest	3,572	2,897
Revaluation reserve-fixed assets	11,231	11,231
General provisions	6,029	-
Translation reserve	1.00	(1,445)
Corporate bonds	55,143	18,851
<b>Total qualifying Tier 2 capital</b>	<b>75,976</b>	<b>31,534</b>
Total qualifying capital	217,370	184,680
Risk-weighted assets		
On- balance sheet	925,724	940,822
Off- balance sheet	74,409	130,872
Total risk-weighted assets	1,000,133	1,071,694
<b>Risk - weighted capital adequacy ratio (Tier 1 + Tier 2)</b>	<b>21.7%</b>	<b>17.2%</b>
<b>Risk - weighted capital adequacy ratio (Tier 1 )</b>	<b>14.1%</b>	<b>14.3%</b>

**Credit Risk**

There was increased focus on our African subsidiaries, with the appointment of a dedicated CCO. This will improve responsiveness and give more attention to their diverse requirements. The credit policy and strategy documents have been revised for all Group operations in line with their distinct circumstances. There have been further improvements in our credit risk MIS capability and this has set the stage for additional enhancements in the context of our portfolio MIS aspirations.

There was an enhancement of our risk rating system through the upgrade to the Moody's Risk Rating system. In addition, we embarked on a total review of the credit process with regards to Credit systems, Processes,

Policies Information Technology and Human Resources with a view to improve customer service experience. This is expected to be concluded in the second quarter of 2012. As part of this initiative, a credit process work flow system is being deployed to enhance the credit approval process.

**CREDIT RISK MEASUREMENT**

**General Risk Rating Process**

United Bank for Africa adopts a two-dimensional approach to the assessment of credit risk in the Risk Rating Process for all Businesses. The core tenets of the two-dimensional approach are shown below:



All Obligors and Facilities should be assigned a risk rating. Obligors will be assigned an Obligor Risk Rating (ORR) while a Facility Risk Rating (FRRs) will be assigned to facilities. All Businesses must have a clearly articulated and documented Risk Rating Process for deriving the risk ratings.

**Credit Rating of Counterparty/Obligor and Sector**

In measuring credit risk of loans and advances to various counterparties, Credit Officers/Risk Measurement must ensure that the following components are considered:

- i. Character and capacity of the obligor to pay or meet contractual obligations;

- ii. Current exposures to the counter party/obligor and its likely future developments
- iii. Credit history of the counterparty/obligor; and
- iv. The likely recovery ratio in case of default obligations-value of collateral and other ways out.

All Risk Rating Processes must be reviewed and validated periodically to ensure relevance to business realities. At a minimum, the Risk Rating Process must be re-approved at least once every three years, unless more frequent review is specified as a condition of the approvals above. The Risk Rating buckets and definitions are as highlighted below:

## Risk management report cont'd

### UBA Risk Buckets and Definition

Description	Rating Bucket	Range Of Scores	Risk Range
Extremely Low Risk	AAA	1.00 - 1.99	90% - 100%
Very Low Risk	AA	2.00 - 2.99	80% - 89%
Low Risk	A	3.00 - 3.99	70% - 79%
Acceptable Risk	BBB	4.00 - 4.99	60% - 69%
Moderately High Risk	BB	5.00 - 5.99	50% - 59%
High Risk	B	6.00 - 6.99	40% - 49%
Very High Risk	CCC	7.00 - 7.99	30% - 39%
Extremely High Risk	CC	8.00 - 8.99	0% - 29%
High Likelihood of Default	C	9.00 - 9.99	
Default	D	Above 9.99	

### Risk Assets Analysis:

Loans and advances are summarized as follows:

Description	2011	2010
Performing	667,115	575,556
Watch list	21,004	40,921
Substandard	6,683	17,325
Doubtful	6,217	7,768
Very doubtful	-	378
lost	13,558	33,963
	714,577	675,911

### Performing but past due loans

Loans and advances less than 90 days past due are considered performing, unless other information is available to indicate the contrary. Gross amount of loans and advances by class of customers that were past due but performing is analyzed as follows:

At 31 December 2011	Retail & Consumer	Corporate	SME	Financial Institutions	Grand Total
	N'million	N'million	N'million	N'million	N'million
Past due up to 30 days	257	9,929	836	111	11,133
past due 31 to 60 days	100	3,858	203	0	4,161
Past dues 61 days to 90 days	323	3,119	134	2,134	5,710
	<b>681</b>	<b>16,906</b>	<b>1,173</b>	<b>2,244</b>	<b>21,004</b>

At December 2010	Retail	Corporate	SME	Financial Institutions	Total
	N'million	N'million	N'million	N'million	N'million
Past due up to 30 days	1,553	12,473	4	693	14,723
Past due 30 - 60 days	538	9,644	-	176	10,358
Past due 60 - 90 days	691	10,649	-	4,501	15,840
	<b>2,782</b>	<b>32,766</b>	<b>4</b>	<b>5,370</b>	<b>40,921</b>

*Risk management report cont'd*

<b>Non-performing loans by Sector (N' million)</b>	<b>2011</b>	<b>2010</b>
Agriculture	177	811
Banking /Financial Services	290	3,133
Capital Market	-	-
Consumer Credit	6,579	20,976
Education	356	201
General Commerce	6,669	14,952
Government	17	577
Health	175	80
Hospitality	354	373
Manufacturing	5,618	10,370
Oil & Gas	183	1,858
Other Services	34	48
Power	1,471	3,794
Real Estate & Construction	2,680	1,244
Telecommunications	830	100
Transportation	1,025	917
	<b>26,458</b>	<b>59,434</b>

<b>Non-performing loans by Geography (N' million)</b>	<b>2011</b>	<b>2010</b>
North Central	2,299	4,120
North East	147	1,016
North West	601	1,831
South East	634	3,244
South South	1,215	2,222
South West	4,194	27,765
Rest of Africa	17,368	19,236
	<b>26,458</b>	<b>59,434</b>

<b>Non Performing Loans by Business Segment (N' million)</b>	<b>2011</b>	<b>2010</b>
Corporate	9,238	13,943
Retail & Consumer	6,043	22,214
Banking/Financial Services	288	3,133
Commercial	10,872	19,068
Public Sector	17	1,076
	<b>26,458</b>	<b>59,434</b>

<b>Exposure by industry (N' million)</b>	<b>2011</b>	<b>2010</b>
Agriculture	38,522	39,903
Education	4,166	2,864
Financial Institutions	100,461	64,111
Capital Market	0	10,687
General Commerce	66,328	47,057
Government	40,526	65,477
Health	2,412	784
Hospitality	2,882	3,084
Manufacturing	82,671	61,926
Oil & Gas	151,297	110,721
Consumer Credit	94,283	119,088
Power	8,789	5,048
Real Estate & Construction	14,233	46,934
Services	2,316	6,028
Telecommunications	66,113	54,037
Transportation	39,579	38,162
	<b>714,577</b>	<b>675,911</b>

## Risk management report cont'd

### Exposure by Geography (N' million)

	2011	2010
New York	26,202	11,756
North Central	28,189	36,982
North East	8,517	4,700
North West	12,925	10,555
South East	18,778	11,145
South-South	8,513	25,764
South West	505,748	501,685
Rest of Africa	105,704	73,324
	<b>714,577</b>	<b>675,911</b>

### Exposure by Business Segment (N' million)

	2011	2010
Corporate	451,810	366,762
Consumer And Retail	91,202	123,544
Financial Institutions	66,829	74,910
Commercial	62,712	44,859
Public Sector	42,025	65,836
	<b>714,577</b>	<b>675,911</b>

## CREDIT RISK MANAGEMENT

To address risks associated with the Group's Pan-African expansion strategy, investments have been made to enhance the Group's cross-border risk management framework. Specifically, in-country risk management functions were established and enhanced. The scope of central risk functions were broadened to provide effective oversight over the risk profiles of the African subsidiaries.

### Market Risk

With the scaling down of our equities business in 2009, we faced 2 key market risks in 2011 namely Foreign Exchange Risk and Interest Rate Risk. As the Group is now present in 18 countries across Africa, additional exposures have opened up in the different countries where we maintain market positions. We thus have foreign exchange risks for a number of the exotic African currencies as well as interest rate risks in the same economies.

The key market risk initiatives for the financial year includes the ongoing implementation and enhancement of advanced market risk measurement and reporting tools, and focus on the African subsidiaries with a revised reporting structure. The scenario planning process continues to receive strong management oversight.

UBA introduced the Value at Risk or VaR measurement model as far back as 2007, and is currently fine-tuning the current models to meet Basle II standards. Value at Risk measures the worst expected loss over a given time interval under normal market conditions at a given confidence level. It is a down-side measure of risk that UBA has been able to apply in a developing economy due to the bank's ability to generate sufficient historical data and time series to produce meaningful results for risk analysis.

### Liquidity Risk

In continuance of our strategy of the past few years, UBA placed strong emphasis on managing liquidity risk in 2011 which reflects in the level of our liquidity across the Group, especially for Nigeria where a tightening monetary policy resulted in higher liquidity requirements and an 800% increase in the Cash Reserve Ratio (from 1% - 8%) between January and October.

The reserve averaging introduced early in 2011 was suspended at the beginning of the fourth quarter, and ensured that the expansionary fiscal policy did not translate to inflationary pressures towards the end of the year.

Further to other measures taken by the Central Bank of Nigeria (CBN), the statutory liquidity ratio was

## Risk management report cont'd

increased with effect from March 1, 2011 from 25% to 30%. Compliance with these measures posed minimal challenge to UBA as we maintained an average liquidity ratio above 50% throughout the year, comprising a mix of cash, inter-bank placements, Treasury Bills and Government Bonds (including AMCON Bonds which qualify as liquid assets.) Our outlook for 2012 is that monetary and fiscal policy will be stable and that there will be increased domestic debt to fund the budget deficit. The sovereign debt is projected to reach N6trillion domestically by the end of 2012.

We expect to benefit at the short end of the curve from rising yields on Treasuries and project double digit

average returns on our portfolio of liquid assets. We shall continue our proactive management of liquidity risk with tools used in 2011, ensuring we comply with set liquidity gap limits and continuous enhancement of our cash flow cycles.

To ensure we are not adversely affected in periods of stress we continue to review our Contingency Funding Planning process and regularly test the more severe stress scenarios across the countries in the Group. Similarly, we shall continue with the implementation and roll-out of dynamic liquidity measures (such as cash flow forecasting) and liquidity stress testing.

### Maturity Profile of Assets and Liabilities

	0 - 30 Days (N' million)	1 - 3 Months (N' million)	4 - 6 Months (N' million)	7 - 12 Months (N' million)	Over 1 Year (N' million)	Total (N' million)
<b>Assets</b>						
Cash & Balances With Central Bank	178,295	-	-	-	-	178,295
Treasury Bills	9,497	54,195.73	54,999	56,833	-	175,525
Due From Other Banks	251,514	-	-	-	-	251,514
Loans And Advances To Customers	252,430	138,211	20,651	52,493	225,840	689,625
Investment Securities	11,400	4,486	23,903	6,769	479,417	525,975
Investments In Associate & Joint Venture	-	-	-	-	10,356	10,356
Intangible Assets	-	-	-	-	9,658	9,658
Deferred Tax Assets	-	-	-	10,025	15,037	25,062
Other Assets	1,453	2,489	1,873	5,713	12,404	23,931
Property And Equipment	-	-	-	-	52,852	52,852
<b>Total Assets</b>	<b>704,590</b>	<b>199,382</b>	<b>101,426</b>	<b>131,832</b>	<b>805,564</b>	<b>1,942,793</b>
<b>Liabilities</b>						
Customer's Deposit	1,132,438	239,137	54,843	18,570	-	1,444,988
Due To Other Banks	17,201	-	-	-	-	17,201
Liability On Investment Contracts	24,358	12,666	2,457	2,356	159	41,996
Other Borrowings	-	-	-	-	192,123	192,123
Current Income Tax	-	-	2,005	-	0	2,005
Other Liabilities	50,206	13,019	1,389	9,142	-	73,756
Deferred Income Tax Liabilities	-	-	-	26	-	26
Retirement Benefit Obligations	665	-	-	-	-	665
Shareholders' Equity	-	-	-	-	170,033	170,033
<b>Total Liabilities</b>	<b>1,224,868</b>	<b>264,822</b>	<b>60,694</b>	<b>30,094</b>	<b>362,316</b>	<b>1,942,793</b>
Contingents	37,526	56,172	109,855	120,691	628,555	952,798
<b>Gaps</b>	<b>(520,278)</b>	<b>(65,440)</b>	<b>40,732</b>	<b>101,738</b>	<b>443,248</b>	<b>(0)</b>
<b>Cumm Gap</b>	<b>(520,278)</b>	<b>(585,718)</b>	<b>(544,986)</b>	<b>(443,248)</b>	<b>0</b>	<b>(0)</b>

## COMPLIANCE RISK MANAGEMENT

UBA has started utilizing Actimize, a sophisticated enterprise software solution for anti-money laundering (AML), brokerage compliance and fraud prevention. Built on a scalable and extensible analytics platform, Actimize solutions enable financial institutions to increase their insight into real-time customer behaviour and improve risk and compliance performance.

The AML components of the application consisting of Watch List Filtering and Suspicious Activity Monitoring modules have been implemented.

In addition, the Division has concluded automation of the KYC process. Other initiatives include about 90% achievement of TIN upload, the use of Business office tool to check level of compliance as it relates to CTR reporting and enhanced account opening process to improve alignment with credit bureau requirements. The framework for monitoring the new regulatory cash limits has also been put in place.

### IT Risk

UBA has deployed Entrust two-factor authentication application and implemented robust web application and network security solution such as Imperva and Arcsight to ensuring the security of web/critical applications and the Group's global network infrastructure respectively.

In addition, key components of the Actimize tool are also utilized for risk monitoring such as the Enterprise Fraud Prevention module (ATM & Debit Card, Electronic payment and Employee fraud).

### Operational Risk

The Bank commenced the adoption of risk and control self assessment methodology for the management of operational risk during the financial year. This approach is adopted to drive the following objectives:

- Quantify the risk exposures to operational risk and rank operational risk exposures as High, Medium or Low to drive the implementation of corrective actions plans
- Understand risk profiles across all business units and associated activities in the Group
- Assess the strengths and weakness in the operational risk control environment

- Prioritize management action for high risk areas
- Determine compliance with established policies, procedures and regulations

### BASEL II & III IMPLEMENTATION

UBA is committed to the implementation of the principles outlined in the Basel II & III Accords. The Group has invested significant time and resources in initial gap and readiness assessments; completed a diagnostic review of risk systems and data; and has prepared a 'capital impact study' to effectively guide further commitments and resources towards full compliance under CBN agreed approaches.

Significant Board and senior management commitment has been patently demonstrated and the Bank intends to fully align with the timelines defined by the Central Bank of Nigeria as well as by the regulators in other jurisdictions in which it operates.

## Investor Information

UBA is one of the largest financial services groups in Nigeria. Its shares have been listed on the Nigerian Stock Exchange since 1970. The bank's current number of shares outstanding is 32,334 million with an average daily trading volume of 30 million. A summary of its key share data is shown below.

### Share data as of the last trading day in 2011

NSE ticker	UBA
Bloomberg ticker	UBA NL
Share price (N)	2.59
Shares outstanding (million)	32,334
Market capitalization (N' billion)	83,745
Market capitalization (US\$' million)	536.14
12-month avg. Trading volume (million)	30
52-week high share price (N)	11.70
52-week low share price (N)	2.42

### Share Capital (Authorized and Fully Paid)

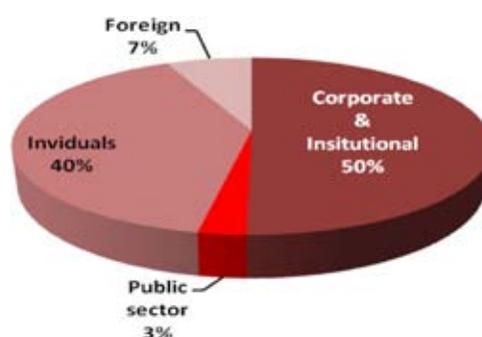
The bank's Authorized Share Capital as of 31st December 2011 amounted to N22,500,000,000 consisting 45,000,000,000 shares of 50 kobo each. Of this amount, 32,334,693,692 shares have been issued and fully paid for – and are listed on the Nigerian Stock Exchange for trading.

#### Shareholders

As at the end of 2011, UBA's shares were held by a total of 281,987 shareholders as shown in the analysis below:

Shareholding	Number of shares held	% of total shareholding	Number of shareholders	% of total shareholders
1 - 1000	10,937,351	0.03%	21,610	7.66%
1001 - 5000	306,621,555	0.95%	123,647	43.85%
5001 - 10000	333,765,223	1.03%	49,274	17.47%
10001 - 50000	1,305,788,020	4.04%	62,357	22.11%
50001 - 100000	840,058,579	2.60%	12,597	4.47%
100001 - 500000	1,964,482,695	6.08%	9,866	3.50%
500001 - 1000000	883,513,579	2.73%	1,300	0.46%
1000001 & above	26,689,526,690	82.54%	1,336	0.47%
<b>Total</b>	<b>Total</b>	<b>100.00%</b>	<b>281,987</b>	<b>100.00%</b>

### Shareholding structure



## Investor Information cont'd

### Top ten shareholders as at December 31, 2011

Shareholder	Shareholding	% Holding
Stanbic Nominees Nigeria Ltd (SNNL)	3,259,110,175	10.1%
UBA Staff Investment Trust Scheme	2,599,498,866	8.0%
Consolidated Trust Funds Limited	1,519,187,778	4.7%
The Bank of New York Mellon	1,445,800,432	4.5%
STH Limited	850,125,000	2.6%
Heirs Holdings Limited	743,336,062	2.3%
Poshville Investments Limited	585,479,763	1.8%
International Finance Corporation - Trading	580,781,250	1.8%
African Development Bank	507,415,173	1.6%
BGL Securities Limited/MM	497,045,462	1.5%
<b>Totals</b>	<b>12,587,779,961</b>	<b>38.9%</b>

### Ten-year history of share capitalization

Date	Authorised	(N)Issued and fully paid capital (N)	Consideration
Aug. 3, 2000	1,000,000,000	850,000,000	Bonus (7:10)
Aug. 3, 2002	2,000,000,000	1,275,000,000	Bonus (1:2)
Sept. 30, 2004	6,000,000,000	1,530,000,000	Bonus (1:5)
Aug. 1, 2005	6,000,000,000	3,530,000,000	Merger with STB
Feb. 22, 2007	6,000,000,000	4,236,000,000	Bonus (1:5)
May 4, 2007	6,000,000,000	4,290,214,285.5	Foreign loan stock conversion
Sept. 25, 2007	6,000,000,000	5,645,139,990	Cash [rights & public offering]
Jan. 18, 2008	7,500,000,000	5,645,139,990	-
June 18, 2008	12,500,000,000	8,622,584,985	Bonus (1:2) (interim)
Jan. 5, 2009	12,500,000,000	10,778,231,231	Bonus (1:4) (final)
Oct. 2, 2009	17,500,000,000	10,778,231,231	-
May 13, 2010	17,500,000,000	12,933,877,477	Bonus (1:5) (final)
May 13, 2011	17,500,000,000	16,167,346,850	Bonus (1:4) (final)

### Ten-year dividend payment history

Div No.	Year Ended	Date Declared	Total Amount (N'million)	Dividend Per Share (N)	% of Issued Capital
49	Mar. 31, 2001	Aug. 2, 2001	425	0.25	60%
49	Mar. 31, 2002	Aug. 1, 2002	510	0.30	60%
50	Mar. 31, 2003	Aug. 8, 2003	1,148	0.45	90%
51	Mar. 31, 2004	Sep. 30, 2004	1,530	0.60	120%
52	Mar. 31, 2005	Jul. 22, 2005	1,836	0.60	120%
53	Sept. 30, 2006	Jan. 31, 2007	7,060	1.00	200%
54	Sept. 30, 2007	Jan. 18, 2007	13,796	1.20	244%
55	Sept. 30, 2008	June 18, 2008	2,874	0.25	51%
56	Sept. 30, 2008	Jan. 8, 2009	12,934	0.75	150%
57	Dec. 31, 2009	May 13, 2010	2,113	0.10	20%
58	Dec. 31, 2010	May 13, 2011	1,293	0.05	10%

**Record of unclaimed dividends as at December 31, 2011**

Dividend Year	No of Years	Amount Declared	Amount Claimed to Date	Unclaimed & Returned to the Company	Paid out in Current Period
1994	17	27,000,000.00	26,398,761.02	601,238.98	850.2
1995	16	68,200,000.00	67,562,054.01	637,945.99	430,994.03
1996	15	200,000,000.00	199,726,170.44	273,829.56	0
1997	14	32,400,000.00	31,365,013.08	1,034,986.92	5,630.00
1998	13	272,100,000.00	271,555,696.03	544,303.97	60,031.80
1999	12	580,000,000.00	579,579,446.60	420,553.40	119,745.76
2000	11	770,950,000.00	770,904,748.75	45,251.25	7,530.20
2001	10	382,500,000.00	381,601,299.74	898,700.26	86,582.69
2002	9	462,570,000.00	462,568,451.60	1,548.40	178,065.14
2003	8	1,040,782,500.00	1,040,767,299.78	15,200.22	16,442.55
2004	7	1,387,710,000.00	1,385,804,889.80	1,905,110.20	23,919.66
2005	6	1,665,252,000.00	1,665,111,749.67	140,250.33	27,113.66
2007	4	6,986,560,000.00	6,976,279,394.00	10,280,606.00	1,213,103.01
2008	3	13,796,000,000.00	27,525,523,587.90	32,625,680.10	1,275,242.91
2008	3	2,874,194,995.00	2,859,686,930.75	14,508,064.25	1,120,230.22
2009	2	12,933,877,477.50	12,893,876,972.50	40,000,505.02	1,007,303.02
2010	1	2,155,646,246.20	1,954,639,236.18	201,007,010.02	22,003,010.08
2011	0.6	1,293,387,748.00	1,112,400,373.49	180,987,374.51	528,857,643.58

**Credit rating summary**

As of December 31, 2011	Fitch	GCR	Agusto
Short term rating	B	-	A+
Long term rating	B+	BB-	-
Previous rating	Unchanged	Unchanged	Unchanged
Outlook	Stable	-	-

**2012 Financial Calendar**

Mid March 2012	Stakeholder sensitization on UBA's adoption of International Financial Reporting Standard in the 2011 financial results
End of March 2012	Full year 2011 results are released to Nigerian Stock Exchange (NSE) published
01-April-2012	Notice of annual general meeting is published
Mid April 2012	Full year 2011 and first quarter 2012 results are released to the NSE
Mid April 2012	Full year 2011 and first quarter 2012 results' investor/analyst briefing holds
Mid May 2012	Full year 2011 annual general meeting holds
Mid July 2012	Half year 2012 results are released to the NSE
End of July 2012	Half year 2011 results' investor/analyst briefing holds
Mid October 2012	Nine months 2012 results are released to NSE
End of October 2012	Nine months 2012 results' Investor/Analyst Briefing holds
Mid March 2013	Full year 2012 results are released to the NSE

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## *Investor Information cont'd*

### **Shareholder information on the internet**

The bank maintains an investor relations section on its website ([www.ubagroup.com/ir](http://www.ubagroup.com/ir)), which allows access to share price in data, management biographies, copies of annual reports, presentation on interim reports, credit rating reports and other useful investor information.

### **Contact us:**

For all enquiries on shareholding, financial and business update, please contact our investor relations desk as follows:

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#### **Kayode Fadahunsi**

Director, Investor Relations

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#### **Bili Odum**

Group Company Secretary

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You can also visit the investor relations section of our website for more information. [\*\*www.ubagroup.com/ir\*\*](http://www.ubagroup.com/ir)

## Corporate Information

### REGISTERED OFFICE

UBA House  
57 Marina  
Lagos, Nigeria

### COMPANY REGISTRATION

RC No: 2457

### COMPANY SECRETARY

Bili Odum

### AUDITORS

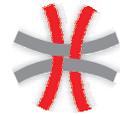
Price Waterhouse Coopers  
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1-8401153  
email: info@africaprudentialregistrars.com,  
Web: www.africaprudentialregistrars.com

UBA BUSINESSES	HEAD OFFICE ADDRESS	TELEPHONE NO.
<b>UBA Stockbrokers Limited</b>	UBA House 12th Floor, 57 Marina Lagos, Nigeria	Phone +234-1- 2808919 www.ubastockbrokersltd.com
<b>UBA Metropolitan Life Insurance</b>	UBA House 4th Floor, 57 Marina Lagos, Nigeria	Phone+234 (01) 9068800 – (01) 9068805 Fax: +234 (01) 9068811 www.ubametropolitan.com
<b>UBA Pensions Custodian</b>	30 Adeola Hopewell Street Victoria Island Lagos, Nigeria	Phone +234-1-271- 8000-4 Fax +234-1-271-8009 www.ubapensions.com
<b>UBA Capital</b>	UBA House 6th Floor, 57 Marina Lagos, Nigeria	Phone +234-1- 2800066 Fax +234-1- www.ubaglobalmarkets.com
<b>UBA Capital (Europe)</b>	3rd floor, 2-4 King Street London SW1Y 6QL United Kingdom	Phone +44- 20 7766 4606 Fax +44- 20 7766 4601 www.ubacapital.com
<b>UBA Asset Management</b>	UBA House 12th Floor, 57 Marina Lagos, Nigeria	Phone +234-1- 280-7822 www.ubaassetmanagement.com
<b>UBA Trustees</b>	UBA House 12th floor, 57 Marina Lagos, Nigeria	Phone +234-1- 2808603

NAME OF COUNTRY	HEAD OFFICE ADDRESS	TELEPHONE NO.
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<b>Liberia</b>	Bushrod Island Freeport of Monrovia Monrovia	+231 77448000 / 6448000/ 5448000
<b>Sierra Leone</b>	15 Charlotte Street, Freetown, Sierra Leone	+232-22-225508, +232-22-227990
<b>Cote d'Ivoire</b>	Abidjan Plateau Boulevard Botreau-Roussel Immeuble Kharrat 2è Etage, 17 BP 808 Abidjan 17	+225-20-312221-2; 312225; +225-07464092
<b>Burkina Faso</b>	Banque Internationale du Burkina (BIB) 1340 Avenue Dimdolobsom 01 BP 362 Ouagadougou	+226 50 49 33 29 226 50 49 33 06 226 50 49 33 02
<b>Cameroon</b>	Boulevard De la Liberté, 2088 Douala, Cameroon	+237-33-433638; 433707 +237-33-433636; 334-336-38
<b>Benin Republic</b>	Continental Bank du Benin (CBB) Boulevard Inter-Etrat Carrefour des Irois Banques Avenue Pape Jean-Paul II Cotonou	+229 21 31 24 24 +229 21 31 20 35
<b>Uganda</b>	Spear House, 22A Jinja Rd, P.O Box 7396, Kampala Uganda.	+256 417 715102 +256 417 715138
<b>Senegal</b>	Zone 12, Lot D, Route des Almadies Dakar, Senegal	+221 33 820 34 46 +221 33 859 51 12 +221 33 859 51 40
<b>Kenya</b>	13th floor, Landmark Plaza Arwings Khodek Road, Opposite Nairobi Hospital, Nairobi	+254-20-3673686/87 +254-20 361 2000 +254-30 361 2007
<b>TChad</b>	UBA Tchad Avenue Charles de Gaulle Po Box 1148 N'djamena Tchad	+235 252 19 53 +235 252 19 54
<b>Tanzania</b>	30C/30D Nyerere Road, Dar Es Salaam Tanzania	+255 222 86 3459 +255 222 86 3452-3
<b>Gabon</b>	282 Avenue Marquis de Compiegne. B.P. 12035, Libreville Gabon	+241 014 0624 +241 0572 9898
<b>Zambia</b>	Stand 22768, Thabo Mbeki Road Lusaka, Zambia	+260 211 255 951-3
<b>Guinea Conakry</b>	BP: 1198 Conakry Rue chateau d'eau , Marché Niger - Kaloum	+224-65800800
<b>Mozambique</b>	UBA Moçambique, SA Praça 16 Junho-Malanga-Maputo Moçambique	+ 258-848623703
<b>Congo DRC</b>	1853 Avenue de la liberation Kinshasa Gombe, DR Congo	+243992006651
<b>Congo Brazzaville</b>	Rond Point City Centre Parcelle 37 Avenue William guynet Centre ville, Brazzaville	+242053644635 +242069236098



## **E-SHARE REGISTRATION FORM**

(\*=Compulsory fields)

1. SURNAME/COMPANY NAME\*

2. FIRST NAME\*  3. OTHER NAMES

4. SPOUSE'S NAME

5. MOTHER'S MAIDEN NAME

6. EMAIL\*

7. ALTERNATE E-MAIL

8. MOBILE NO.  9. PHONE NO. (HOME)

10. POSTAL ADDRESS

11. SEX: MALE  FEMALE  12. CSCS CLEARING HOUSE NO.\*

13. OCCUPATION  14. NATIONALITY

15. NEXT OF KIN

16. TEST QUESTIONS (answer one)\*

i. FATHER'S MIDDLE NAME

ii. PLACE OF BIRTH

### **DECLARATION**

"I declare that the information I have provided is true and correct."

Signature: \_\_\_\_\_

*for joint/corporate accounts only*

### **DISCLAIMER**

"In no event shall Africa Prudential Registrars be liable for any damages, losses or liabilities including without limitation, direct or indirect, special, incidental, consequential damages, losses or liabilities, in connection with your use of this form or your inability to use the information, materials, or in connection with any failure, error, omission, defect, delay in operation or transmission, or system failure, even if you advise us of the possibility of such damages, losses or expenses, whether express or implied in respect of such information."

LAGOS  
220B, Ikorodu Road,  
Palmgrove  
Tel: Tel: 01-893150, 01-7450427, 01-8401153  
Email: info@africaprudentialregistrars.com  
Website: www.africaprudentialregistrars.com

ABUJA  
11, Lafia Close,  
Area 8,  
Garki  
Tel: 09-8701645, 09-2348562

PORT-HARCOURT  
Plot 137, Olu Obasanjo Road,  
(2nd Floor)  
Tel: 08-4803171





**e - SHARE ALLOTMENT MANDATE FORM**

To:  
The Registrar,  
Africa Prudential Registrars Plc  
220B, Ikorodu Road,  
Palmgrove,  
Lagos

I/We hereby request that from now on, all my/our shares (Bonus, Right Issue, Public Offer and Reconstructed Shares) due to me/us from my/our holdings in the companies ticked below be credited directly to my/our CSCS account as per the details provided below.

(\* = Compulsory fields)

SHAREHOLDER'S NAME\*:

Surname

First name

Other name

MOBILE NUMBER\*:

E-MAIL\*:

CSCS CLEARING HOUSE NO\*:

Signature\*: .....

Joint Shareholder's

Signature : 2. ....

If Company,  
Authorized Signatories: 1. ....

2. ....

Company Seal: .....

The provision of information on your CSCS Clearing House Number, and Mobile Number is very important to enable us process your mandate.

NAME OF STOCKBROKER\*: .....

ADDRESS OF STOCKBROKER\*: .....

.....  
Authorized signature and stamp of stock broking firm

Please tick against the company(ies) where you have shareholding

**CLIENTELE**

- 1. ABBEY BUILDING SOCIETY PLC
- 2. A & g INSURANCE PLC
- 3. ALUMACO PLC
- 4. ARM PROPERTIES PLC
- 5. BECO PETROLEUM PRODUCT LTD
- 6. CAPP AND D'ALBERTO PLC
- 7. CEMENT COY OF NORTHERN NIG.
- 8. CHAMPION BREWERIES PLC
- 9. COMPUTER WAREHOUSE
- 10. CRYSTALIFE ASSUARANCECOY PLC
- 11. DORMAN LONG
- 12. GOLDEN SECURITIES PLC
- 13. INTERNATIONAL BREWERIES PLC
- 14. INVESTMENT & ALLIED ASSURANCE
- 15. JAIZ INTERNATIONAL PLC
- 16. NEM INSURANCE PLC
- 17. PERSONAL TRUST & SAVINGS LTD
- 18. P.S MANDRIES PLC
- 19. POLY PRODUCT
- 20. PORTLAND PAINTS & PRODUCTS
- 21. PREMIER BREWERIES PLC
- 22. RESORT SAVINGS & LOANS LTD
- 23. ROADS NIGERIA PLC
- 24. SCOA NIGERIA PLC
- 25. UBA BALANCE FUND
- 26. UBA BOND FUND
- 27. UBA EQUITY FUND
- 28. UBA MONEY MARKET
- 29. UNITED BANK FOR AFRICA PLC
- 30. UTC NIGERIA PLC
- 31. WEST AFRICAN GLASS IND PLC
- 32. TRANSCORP PLC

Other(s) specify.....

- Please attach a copy of your CSCS statement to this form as evidence that a CSCS account has been opened for you.
- For other enquiries, kindly contact us via our e-mail: [info@afriapprudentialregistrars.com](mailto:info@afriapprudentialregistrars.com)







## E-DIVIDEND MANDATE/REPLACEMENT FORM

Dear Shareholder,

We are pleased to advise you of our new e-dividend service, which enables direct credit of your dividend(s) [new dividend payments/lost/misplaced/ stale/unclaimed dividend warrants to your bank account regardless of the bank or account type, i.e Current/Savings Accounts.

Should you prefer this service, kindly fill the spaces provided below and return to us.

Please use the name(s) in which your shares are held, with the signature on your Application or Transfer Form.

Thank you.

### The Managing Director/Registrar

Africa Prudential Registrars Plc  
220B, Ikorodu Road, Palmgrove  
Lagos.

Company(ies) where share is held (please tick appropriate boxes like this )

- |   |  |
|---|--|
| <input type="checkbox"/> UBA Plc                      | <input type="checkbox"/> Poly Product                        |
| <input type="checkbox"/> UTC Nigeria Plc              | <input type="checkbox"/> West African Glass Industries Plc   |
| <input type="checkbox"/> SCOA Nigeria Plc             | <input type="checkbox"/> Cement Company of Northern Nig. Plc |
| <input type="checkbox"/> NEM Insurance Plc            | <input type="checkbox"/> Cappa & D'Alberto Plc               |
| <input type="checkbox"/> Jaiz International Plc       | <input type="checkbox"/> Champion Breweries Plc              |
| <input type="checkbox"/> ALUMACO                      | <input type="checkbox"/> International Breweries Plc         |
| <input type="checkbox"/> Resort Savings and Loans Plc | <input type="checkbox"/> Roads Nigeria Plc                   |
| <input type="checkbox"/> Transcorp Plc                | <input type="checkbox"/> ARM Properties Plc                  |
| <input type="checkbox"/> Computer Warehouse           | <input type="checkbox"/> Portland Paints & Products          |

Others (please specify in the boxes provided)

Please take this as authority to credit my/our under-mentioned account with any dividend payment(s)/lost/misplaced/stale/unclaimed dividend warrants due on my/our shareholding in the aforementioned company(ies) the particulars of which are stated below from the date hereof:

Shareholder's Name\*:    
(Surname) (Other Names)

Shareholder's Account No. (if Known):

Address\*:

Mobile Number\*:

Fax Number:  e-mail Address\*:

Bank Name\*:  Branch\*:

Bank Account No\*:  Account Type\*:

Dated this\*  day of  20

Bank Stamp & Authorized Signatories

Shareholder(s) Signatories

### Note:

The provision of information on your Bank Name, Bank Account No., E-mail address and Mobile number are very important to enable us process your request. All asterisked fields (\*) are compulsory.

Shareholders in the North and South-south region of the country are advised to contact our Abuja or Port-Harcourt Liaison Office for all enquiries concerning shareholding in any of our client companies (see addresses below).

LAGOS  
220B, Ikorodu Road,  
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Email: info@africaprudentialregistrars.com  
Website: www.africaprudentialregistrars.com

ABUJA  
11, Lafia Close,  
Area 8,  
Garki  
Tel: 09-8701645, 09-2348562

PORT-HARCOURT  
Plot 137, Olu Obasanjo Road,  
(2nd Floor)  
Tel: 08-4803171



# Proxy Form



United Bank for Africa Plc  
RC 2457

This proxy is solicited on behalf of the Board of Directors and is to be used at 50th Annual General Meeting to be held on Friday, 18th May 2012.

## United Bank for Africa Plc (2457)

I/we \_\_\_\_\_  
Being a member/members of the United Bank for Africa Plc,  
hereby appoint\*\*

(block capitals please)

or failing him, the Chairman of the meeting as my/our proxy to act and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on Friday, 18th May 2012 at any adjournment hereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2 012

Shareholder's signature \_\_\_\_\_

### NOTE

Please sign this form and deliver or post it to reach the Registrar, United Bank for Africa Plc, Raymond House, 97/105 Broad Street, PO Box 6492, Lagos, not later than 48 hours before the meeting and ensure that the proxy form is dated, signed and stamped by the Commissioner for Stamp Duties.

Provision has been made on this form for the Chairman of the meeting to act as your proxy, but if you wish, you may insert in the blank space on the form (marked)\*\* the name of any person, whether a member of the Company or not, who will attend the meeting and vote on your behalf instead of the Chairman of the meeting.

If the shareholder is a Corporation, this form must be under its common seal or under the hand of a duly authorised officer or attorney.

Ordinary Business		For	Against	Abstain
1	To receive the audited accounts for the year ended 31st December 2011 together with the reports of the Directors, Auditors and the Audit Committee thereon			
2	To re-elect retiring Directors			
3	To authorise the Directors to fix the remuneration of the Auditors			
4	To elect members of the Audit Committee			
Special Business				
5	"That following the recommendation of the Directors pursuant to Article 115 of the Bank's Articles of Association, the sum of NGN323,346,936.50 be and is hereby capitalized from the share premium of the Bank into 646,693,873 ordinary shares of 50 kobo each and appropriated to members whose names appear in the Register of Members at the close of business on 30th April, 2012 in proportion of one (1) new share for every fifty (50) shares registered in such member's name on that date, the shares so distributed being treated for all purposes as capital and not as income and shall rank pari-passu with the existing issued ordinary shares of the Bank."			

Please indicate by marking "X" in the appropriate space, how you wish your votes to be cast on the resolutions set out above, unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion.

## ADMISSION CARD

Before posting the above form, please tear off this part and retain it for admission at the meeting

### ANNUAL GENERAL MEETING United Bank for Africa Plc 2457

Please admit the shareholder named on this card or his duly appointed proxy to the annual general meeting of the company to be held at Lagos Oriental Hotel, 3 Lekki Road, Victoria Island, Lagos State at 10.00am on Friday, May 18, 2012.

Name and address of Shareholder \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Account Number \_\_\_\_\_

**Bili A. Odum**  
Company Secretary

Signature

**This card is to be signed at the venue in the presence of the Registrar**

Please tick appropriate box before

Admission to the meeting

Proxy

Shareholder

---

**REGISTRARS**

Africa Prudential Registrars Plc.  
220B, Ikorodu Road,  
Palmgrove Lagos, Nigeria

---

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For further enquiries please contact UBA Customer Interaction Centre (CIC)

- Tel: +01-2808-UBA (01 2808 822), +234-700-CALL-UBA (0700 2255 822)
- [cic@ubagroup.com](mailto:cic@ubagroup.com)
- UBA House, 57 Marina (6th Floor), P.O. Box 5551, Lagos

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