UNITED BANK FOR AFRICA PLC

Consolidated Financial Statements for the nine months ended 30 September 2016

Statements of Comprehensive Income
For the nine months ended 30 September

In millions of Nigerian Naira	***Notes***	**Group** **2016**	**2015**
Gross earnings		**265,527**	**245,492**
Interest income	5	182,989	175,090
Interest expense	6	(70,916)	(72,975)
Net interest income		**112,073**	**102,115**
Fees and commission income	7	56,215	47,385
Fees and commission expense	8	(11,347)	(6,807)
Net fee and commission income		**44,868**	**40,578**
Net trading income	9	24,398	19,880
Other operating income	10	1,925	3,137
Total non-interest income		**71,191**	**63,595**
Operating income		**183,264**	**165,710**
Net impairment loss on financial assets	11	(9,098)	(3,682)
Net operating income after impairment loss on financial assets		**174,166**	**162,028**
Employee benefit expenses	12	(46,609)	(43,691)
Depreciation and amortisation	13	(6,333)	(5,950)
Other operating expenses	14	(59,598)	(54,966)
Total operating expenses		**(112,540)**	**(104,607)**
Share of loss of equity-accounted investee	23(b)	(71)	(55)
Profit before income tax		**61,555**	**57,366**
Taxation charge	15	(9,286)	(8,809)
Profit for the period		**52,269**	**48,557**
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Foreign currency translation differences		47,291	493
Fair value (losses)/gains on available-for-sale investments:			
Net change in fair value		21,520	6,522
Net amount transferred to profit or loss		26	795
Other comprehensive income		**68,837**	**7,810**
Total comprehensive income for the period		**121,106**	**56,367**
Profit attributable to:			
Owners of Parent		50,920	47,731
Non-controlling interest		1,349	826
Profit for the period		**52,269**	**48,557**
Total comprehensive income attributable to:			
Owners of Parent		110,385	55,596
Non-controlling interest		10,721	771
Total comprehensive income for the period		**121,106**	**56,367**
Basic and diluted earnings per share expressed in Naira	16	1.50	1.43

[1]Items disclosed in other comprehensive income do not have tax effects based on relevant tax regulations.

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

Statements of Financial Position

As at	***Notes***	**Group**	
In millions of Nigerian Naira		**Sep. 2016**	**Dec. 2015**
ASSETS			
Cash and bank balances	17	661,641	655,371
Financial assets held for trading	18	83,409	11,249
Derivative assets		75	1,809
Loans and advances to banks	19	1,623	14,600
Loans and advances to customers	20	1,540,236	1,036,637
Investment securities	21	987,553	856,870
Other assets	22	61,283	40,488
Investment in equity-accounted investee	23	3,005	2,236
Property and equipment		92,468	88,825
Intangible assets		14,372	11,369
Deferred tax assets		33,168	33,168
TOTAL ASSETS		**3,478,833**	**2,752,622**
LIABILITIES			
Derivative liabilities		29	327
Deposits from banks	24	93,227	61,066
Deposits from customers	25	2,496,763	2,081,704
Other liabilities	26	112,430	54,885
Current tax liabilities	15	509	6,488
Borrowings	27	257,193	129,896
Subordinated liabilities	28	85,279	85,620
Deferred tax liabilities		23	15
TOTAL LIABILITIES		**3,045,453**	**2,420,001**
EQUITY			
Share capital		18,140	18,140
Share premium		117,374	117,374
Retained earnings		138,878	113,063
Other reserves		141,473	77,250
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		415,865	325,827
Non-controlling interests		17,515	6,794
TOTAL EQUITY		433,380	332,621
TOTAL LIABILITIES AND EQUITY		**3,478,833**	**2,752,622**

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

Statements of Changes in Equity

For the nine months ended 30 September

(a) ***30 September 2016***

In millions of Nigerian naira	Attributable to equity holders of the parent										
	Share Capital	**Share premium**	**Translation reserve**	**Regulatory credit risk reserve**	**Fair value reserve**	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-Controlling interest**	**Total equity**
Balance at 1 January 2016	18,140	117,374	(5,654)	18,167	31,348	(32,061)	65,450	113,063	325,827	6,794	332,621
Profit for the period	-	-	-	-	-	-	-	50,920	50,920	1,349	52,269
Transfer to statutory reserve	-	-	-	-	-	-	3,974	(3,974)	-		-
Transfer to regulatory risk reserve	-	-	-	606	-	-	-	(606)	-	-	-
Other comprehensive income											
Foreign currency translation difference	-	-	37,919	-	-	-	-	-	37,919	9,372	47,291
Fair value change in (available-for-sale) financial assets	-	-	-	-	21,520	-	-	-	21,520	-	21,520
Net amount transferred to profit or loss	-	-	-	-	26	-	-	-	26	-	26
Other comprehensive income for the period	-	-	37,919	-	21,546	-	-	-	59,465	9,372	68,837
Total comprehensive income for the period	-	-	37,919	606	21,546	-	3,974	46,340	110,385	10,721	121,106
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Sale of treasury shares	-	-	-	-	-	184	-	-	184	-	184
Dividends to equity/non-controlling holders	-	-	-	-	-	-	-	(20,527)	(20,527)	-	(20,527)
Total contribution and distributions to owners	-	-	-	-	-	184	-	(20,527)	(20,343)	-	(20,343)
Balance at 30 September 2016	18,140	117,374	32,265	18,773	52,894	(31,877)	69,424	138,876	415,869	17,515	433,384

Statements of Changes in Equity
For the nine months ended 30 September

(b) ***30 September 2015***
(i) Group

In millions of Nigerian naira	Attributable to equity holders of the parent										
	Share Capital	**Share premium**	**Translation reserve**	**Regulatory credit risk reserve**	**Fair value reserve**	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-Controlling interest**	**Total equity**
Balance at 1 January 2015	16,491	107,932	(4,053)	5,280	23,243	(32,301)	56,291	87,047	259,930	5,476	265,406
Profit for the period	-	-	-	-	-	-	-	47,731	47,731	826	48,557
Transfer to statutory reserve	-	-	-	-	-	-	5,078	(5,078)	-	-	-
Transfer to regulatory risk reserve	-	-	-	2,728	-	-	-	(2,728)	-	-	-
Other comprehensive income											
Foreign currency translation difference	-	-	548	-	-	-	-	-	548	(55)	493
Fair value change in (available-for-sale) financial assets	-	-	-	-	6,522	-	-	-	6,522	-	6,522
Net amount transferred to profit or loss	-	-	-	-	795	-	-	-	795	-	795
Other comprehensive income for the period	-	-	548	-	7,317	-	-	-	7,865	(55)	7,810
Total comprehensive income for the period	-	-	548	2,728	7,317	-	5,078	39,925	55,596	771	56,367
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Proceeds from rights issue	1,649	9,442							11,091	-	11,091
Decrease in treasury shares	-	-	-	-	-	43	-	-	43	-	43
Dividends to equity/non-controlling holders	-	-	-	-	-	-	-	(10,349)	(10,349)	-	(10,349)
Total contribution and distributions to owners	1,649	9,442	-	-	-	43	-	(10,349)	785	-	785
Balance at 30 September 2015	18,140	117,374	(3,505)	8,008	30,560	(32,258)	61,369	116,623	316,311	6,247	322,558

Statements of Cash Flows

For the nine months ended 30 September	*Notes*	Group 2016	Group 2015
In millions of Nigerian Naira			
Cash flows from operating activities			
Profit before income tax		**61,555**	**57,366**
Adjustments for:			
Depreciation of property and equipment	13	5,472	5,178
Amortisation of intangible assets	13	861	772
Specific impairment charge on loans to customers	11	3,510	2,585
Portfolio impairment charge on loans to customers	11	4,638	1,673
Portfolio impairment charge on loans to banks	11	(38)	5
Write-off of loans and advances	11	1,811	936
Impairment charge on other assets	11	999	196
Net fair value loss/(gain) on derivative financial instruments	9	1,436	(4,475)
Dividend income	10	(1,092)	(1,956)
Loss on disposal of property and equipment		211	32
Write-off of property and equipment		55	-
Loss on disposal of investment securities		26	-
Foreign currency revaluation gain	9	(6,497)	(706)
Net interest income		(112,073)	(102,115)
Share of loss of equity-accounted investee		71	55
		(39,056)	**(40,453)**
Change in financial assets held for trading		(69,390)	(9,671)
Change in cash reserve balance		9,377	(74,393)
Change in loans and advances to banks		13,051	26,357
Change in loans and advances to customers		(513,558)	51,826
Change in money market placements		32,610	21,994
Change in other assets		(22,037)	(33,414)
Change in deposits from banks		32,161	16,986
Change in deposits from customers		415,059	6,407
Change in other liabilities and provisions		57,545	17,802
Interest received		182,989	175,090
Interest paid		(71,257)	(70,551)
Income tax paid		(15,265)	(6,810)
Net cash from operating activities		**12,229**	**81,170**
Cash flows from investing activities			
Proceeds/(acquisition) of investment securities		(109,163)	(132,974)
Acquisition of property and equipment		(12,310)	(6,855)
Proceeds from disposal of property and equipment		2,929	1,464
Dividend received		1,092	1,956
Purchase of intangible assets		(3,864)	(1,174)
Net cash used in investing activities		**(121,316)**	**(137,583)**
Cash flows from financing activities			
Proceeds from borrowings		258,476	18,887
Repayment of borrowings		(131,179)	(14,032)
Dividend paid to owners of the parent		(20,527)	(10,349)
Decrease in treasury shares		184	43
Net proceeds from rights issue		-	11,091
Net cash from financing activities		**106,954**	**5,640**
Net increase/(decrease) in cash and cash equivalents		(2,133)	(50,773)
Effects of exchange rate changes on cash and cash equivalents		53,160	64
Cash and cash equivalents at beginning of period	17	347,856	420,571
Cash and cash equivalents at end of period	17	398,883	369,862

The accompanying notes to the financial statements are an integral part of these consolidated interim financial statements.

1 Reporting entity

United Bank for Africa Plc (the "Bank") is a Nigerian registered company with address at 57 Marina, Lagos, Nigeria. The consolidated financial statements of the Bank for the period ended 30 September 2016 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

2 Basis of preparation

(a) Basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standards (IAS 34 - Interim Financial Reporting) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.

(b) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Nigerian Naira (N) which is the Bank's functional currency and the Group's presentation currency.

(c) Use of estimates and judgements

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

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

3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries (including structured entities) are entities controlled by the Group. Control exists when the Group has rights to variable returns from its involvement in an entity and has the ability to affect those returns through its power over the entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. Subsidiaries are fully consolidated from the date in which control is transferred to the Group. They are deconsolidated from the date control ceases.

The accounting policies of subsidiaries have been changed, where necessary, to align with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

In the separate financial statements, investments in subsidiaries are carried at cost less impairment.

(ii) Business combinations

Business combinations are accounted for using the acquisition method.

The Group measures goodwill at the acquisition date as the total of:

· the fair value of the consideration transferred; plus

· the amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

· less the net amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised in the income statement.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3 Significant accounting policies

(a) Basis of consolidation - continued

Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of any previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(iii) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains or losses or incomes and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

(vi) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition. In the separate financial statements, investments in associates are carried at cost less impairment.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss)' of associates in the income statement.

Profits and losses resulting from transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising on investments in associates are recognised in the income statement.

(b) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

Unrealized exchange differences on non-monetary financial assets are a component of the change in their entire fair value. For a non-monetary financial asset held for trading and for non-monetary financial assets designated at fair value through profit or loss, unrealized exchange differences are recognized in profit or loss. For non-monetary financial investments available-for-sale, unrealized exchange differences are recorded in other comprehensive income until the asset is sold or becomes impaired.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Nigerian Naira at exchange rates at each reporting date. The incomes and expenses of foreign operations are translated to Nigerian Naira at average rates.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is re-classified to profit or loss as part of the gain or loss on disposal.

(c) Interest income and interest expense

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

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

(d) Fees and commissions income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

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

(e) Net trading and foreign exchange income

Net trading income and foreign exchange income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences. Net gains or losses on derivative financial instruments measured at fair value through profit or loss are also included in net trading income.

(f) Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other operating income and recognised gross of the associated withholding tax. The withholding tax expense is included as a component of taxation charge for the relevant period.

(g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax liability is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the forseeable future.
Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(h) Financial instruments

Initial recognition and measurement

Regular purchases and sales of financial assets and liabilities are recognised on the settlement date. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue.

Subsequent measurement

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

(i) *Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity, and which are not designated as fair value through profit or loss or as available for sale or as loans and receivables. Where the Group sells more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets and the difference between amortised cost and fair value will be accounted for in other comprehensive income.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment.

Interest on held-to-maturity investments is included in the consolidated income statement and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the consolidated income statement as 'Net impairment loss on loans and receivables'.

(ii) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held-for-trading if acquired or incurred principally for the purpose of selling in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit making. Financial assets held for trading are initially recognised at fair value with transaction costs recognised in profit or loss.

Financial assets may be designated at fair value through profit or loss when:

· The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis;

· A group of financial assets is managed and its performance evaluated on a fair value basis;

· The financial assets consist of debt host and an embedded derivatives that must be separated.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading and foreign exchange income'.

(iii) Available-for-sale

Financial assets classified by the Group as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in fair value reserve in other comprehensive income until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed of, the fair value adjustments accumulated in other comprehensive income are recognised in the income statement.

Interest income, calculated using the effective interest method, foreign currency gains and losses on monetary assets classified as available-for-sale is recognised in the income statement. Dividends received on available-for-sale instruments are recognised in the income statement when the Group's right to receive payment has been established.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as fair value through profit or loss or available-for-sale or those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Transaction costs that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income using the effective interest rate method. All of the Group's advances are included in the loans and receivables category. The Group's loans and receivables include loans and advances to banks and customers, trade receivables and cash and bank balances.

(v) Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost or fair value through profit or loss. The financial liabilities at fair value through profit or loss are in two sub categories: financial liabilities classified as held for trading and financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the statement of financial position as 'Financial liabilities held for trading'.

Borrowings and surbodinated liabilities are included as part of financial liabilities measured at amortized cost.

Fair value measurement

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the reporting date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are considered in assessing objective evidence of impairment:

· whether a loan or other financial assets or any obligation is more than 90 days past due;

· the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments; or

· there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets reflect changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the relevant procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in impairment loss on loans and receivables whilst impairment charges relating to investment securities (held-to-maturity and loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

Write-off policy

The Group writes off a financial asset (and any related allowances for impairment losses) when Group Credit determines that the assets are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

Assets pledged as collateral

Financial assets transferred to external parties that do not qualify for de-recognition are included as part of available-for-sale and held to maturity investment securities. They not reclassified to "assets pledged as collateral" in the statement of financial position because they cannot be re-pledged or resold by counterparties. Initial recognition is at fair value while subsequent measurement is at amortised cost.

Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are disclosed in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included in deposit from banks, or other deposits, as appropriate.

Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method.

De-recognition of financial instruments

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group may enter into transactions whereby it transfers assets , but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

The Group makes transfers between levels of fair value hierarchy when reliable market information becomes available (such as an active market or observable market input) to the Group.

(i) Cash and bank balances

Cash and bank balances include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and bank balances are carried at amortised cost in the statement of financial position.

(j) Trading assets

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

Trading assets are measured at fair value with changes in fair value recognised as part of net trading and foreign exchange income in profit or loss.

(k) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value with changes in fair value recognised in the income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

(l) Property and equipment

(i) Recognition and measurement

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

The estimated useful lives for the current and comparative period are as follows:

Leasehold improvements	Over the shorter of the useful life of item or lease period
Buildings	50 years
Computer hardware	5 years
Furniture and fittings	5 years
Equipment	5 years
Motor vehicles	5 years
Other transportation equipment*	Between 10 and 20 years
Capital work in progress	Not depreciated
Land	Not depreciated

**Other transportation equipment comprises different transportation items (not classified as motor vehicles). Items within this class are componentized and depreciated at different rates in line with their expected useful lives.*

Work in progress represents costs incurred on assets that are not available for use. On becoming available for use, the related amounts are transferred to the appropriate category of property and equipment.

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

(iv) De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(m) Intangible assets

(i) Goodwill

Goodwill represents the excess of consideration over the Group's interest in net fair value of net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition. When the excess is negative, it is recognised immediately in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

Subsequent measurement

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cashflows from a cash generating unit with the carrying value of its net assets, including attributable goodwill. Impairment losses on goodwill are not reversed.

(ii) Software

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

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life not exceeding five years, from the date that it is available for use. The amortisation method and useful life of software are reassessed at each financial year end and adjusted if appropriate.

(n) Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in the relevant assets depending on the nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Group obtains significant influence, but not control. The cost of the associate is the fair value of the loan settled by repossessing the pledged shares.

(o) Deposits and debt securities issued

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Debt securities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

(p) Provisions

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

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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

(q) Financial guarantee contracts

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

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

(r) Employee benefits

Post-employment benefits

Defined contribution plans

The Group operates defined contribution pension scheme. A defined contribution plan is a pension plan under which the Group makes fixed contributions on contractual basis. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

Termination benefits

The Group recognises termination benefits as an expense when the Group is demonstrably committed , without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within twelve months and are accounted for as short-term benefits.

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term employee benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Bank's shareholders.

(t) Earnings per share

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Fiduciary activities

The Group commonly acts as trustees in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and incomes arising thereon are excluded from these financial statements, as they are not assets of the Group.

(v) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Chief Executive Officer of the Group, being the chief operating decision maker, to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. All costs that are directly traceable to the operating segments are allocated to the segment concerned, while indirect costs are allocated based on the benefits derived from such cost.

(w) New standards, interpretations and amendments

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The following amendments to existing standards became effective in 2016.

i) Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements either at cost, or in accordance with IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments Recognition and Measurement* for entities that have not yet adopted IFRS 9), or using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures.* The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred. Entities wishing to change to the equity method must do so retrospectively. The Group maintains its policy of accounting for investments in subsidiaries, joint ventures and associates, in the Parent's seperate financial statements , using the cost method.

ii) Disclosure Initiatives (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. This amendment has no significant impact on the Group.

iii) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

This amendment clarifies that the use of revenue based methods to calculate depreciation or amortisation of assets is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has amended IAS 16 *Property, Plant and Equipment* to clarify that a revenue based method should not be used to calculate the depreciation of items of property, plant and equipment.

IAS 38 *Intangible Assets* now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either:

• The intangible asset is expressed as a measure of revenue (i.e where a measure of revenue is the limiting factor on the value that can be derived from the asset).

• It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

This amendment is not relevant to the Group as the Group does not apply revenue based methods to calculate depreciation or amortisation of assets.

(w) New standards, interpretations and amendments (continued)

iv) Investment entities: applying the consolidation exception - Amendments to IFRS 10, IFRS 12 and IAS 28

These amendments to IFRS 10 and IAS 28 clarify that:

• The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.

• An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

• Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

These amendments have no impact on the Group as no member of the Group is an investment entity.

v) IFRS 14 Regulatory Deferral Accounts

IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted IFRS. Its purpose is to allow rate-regulated entities adopting IFRS for the first time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the International Accounting Standards Board (IASB) can complete its comprehensive project on rate regulated activities. This standard has no significant on the Group's consolidated and separate financial statements.

vi) Accounting for acquisition of interests in joint operations (Amendments to IFRS 11)

The amendments state that:

• Where a joint operator acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, it must apply all of the principles on business combinations accounting as set out in IFRS 3 Business Combinations, and other standards.

• In addition, the joint operator must disclose the information required by IFRS 3 and other IFRSs for business combinations.

This standard has no significant on the Group's consolidated and separate financial statements.

vii) Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

IAS 41 is now amended to distinguish between bear plants and other biological assets. Bearer plants are now to be accounted for as property, plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses in line with IAS16.

A bearer plant is defined as a living plant that:

• is used in the production or supply of agriculture produce

• is expected to bear produce for more than one period, and

• has a remote likehood of being sold as agriculture produce, except for incidental scrap value

Agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less cost to sell with changes recognised in income statement as the produce grows.

This amendment is not relevant to the Group as the Group is not engaged in Agricutural business.

(x) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015. The Group has not applied the following new or amended standards in preparing these consolidated and separate financial statements. The Group plans to adopt these standards at their respective effective dates.

i) IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

While the Group is still undertaking a detailed assessment of the impact of the application of IFRS 9 on its financial statements, the initial gap assessments indicate that there are no major gaps in the current measurement of financial assets as they are largely in line with IFRS 9. There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The new hedging rules are also not expected to impact the Group.

The impairment model under IFRS 9 is an expected credit loss model which is likely to result in the earlier recognition of credit losses. The Group is however still assessing how its impairment provisions will be affected by the new impairment model for IFRS 9.

ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.* IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

ii) IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

4 General information

United Bank for Africa Plc (the "Bank") is a Nigerian registered company with address at 57 Marina, Lagos, Nigeria. The consolidated financial statements of the Bank for the period ended 30 September 2016 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as Group entities"). The Bank and its other banking subsidiaries are primarily involved in corporate,commercial and retail banking, trade services, cash management and treasury services. Through its other subsidiaries, it carries out custodial services and wholesale banking services.

5 Interest income

For the nine months ended 30 September *In millions of Nigerian Naira*	Group 2016	Group 2015
Cash and cash equivalents	10,148	10,665
Loans and advances to banks and customers	108,762	114,291
Investment securities	64,079	50,134
	182,989	175,090

6 Interest expense

In millions of Nigerian Naira		
Deposits from banks	5,740	5,691
Deposits from customers	51,109	55,372
Borrowings	4,711	2,215
Subordinated liabilities	9,356	9,697
	70,916	72,975

7 Fees and commission income

In millions of Nigerian Naira		
Credit-related fees and commissions	7,525	9,636
Account maintenance fees	2,986	-
Commission on turnover	628	8,237
Pension custody fees	3,059	2,819
E-Banking income	24,804	11,959
Funds transfer fee	2,086	2,140
Trade transactions income	4,776	6,349
Remittance fee income	2,120	1,926
Commissions on transactional services	2,303	2,464
Other fees and charges	5,927	1,855
	56,215	47,385

8 Fees and commission expense

In millions of Nigerian Naira		
E-Banking expense	10,535	5,814
Funds transfer expenses	812	993
	11,347	6,807

9 Net trading income

In millions of Nigerian Naira	Group 2016	Group 2015
Fixed income trading securities	3,396	72
Foreign exchange trading income	15,941	14,627
Foreign currency revaluation gain	6,497	706
Fair value (loss)/gain on derivatives	(1,436)	4,475
	24,398	19,880

10 Other operating income

In millions of Nigerian Naira		
Dividend income	1,092	1,956
Rental income	291	289
Others	543	892
	1,925	3,137

11 Impairment loss on loans and receivables

In millions of Nigerian Naira		
Impairment charge on loans and advances to customers:		
- specific impairment charge	3,510	2,585
- portfolio impairment charge	4,638	1,673
Impairment charge on loans and advances to banks:		
- portfolio impairment (reversal)/charge	(38)	5
Write-off on loans and advances	1,811	936
Recoveries on loans written-off	(1,822)	(1,713)
Impairment charge on other assets	999	196
	9,098	3,682

12 Personnel expenses

In millions of Nigerian Naira		
Wages and salaries	44,983	42,181
Contribution to defined benefit plans	1,626	1,510
	46,609	43,691

13 Depreciation and amortisation

In millions of Nigerian Naira		
Depreciation of property and equipment	5,472	5,178
Amortisation of intangible assets	861	772
	6,333	5,950

14 Other operating expenses

In millions of Nigerian Naira	Group 2016	Group 2015
Auditors remuneration	350	186
Banking sector resolution cost	8,325	9,316
Deposit insurance premium	5,184	5,570
Other insurance costs	1,355	1,177
Occupancy and premises maintenance cost	7,714	6,135
Business travels	3,440	2,986
Advertising,promotion and branding	3,571	3,100
Contract services	6,997	5,073
Communication	2,920	2,534
Computer consumables	2,921	2,536
Printing, stationery and subscriptions	2,267	1,968
Security and cash handling expenses	2,733	2,372
Fuel, repairs and maintenance	7,707	6,690
Other expenses	4,114	5,323
	59,598	54,966

15 Taxation

For the nine months ended 30 September *In millions of Nigerian Naira*	Group 2016	Group 2015
(a) **Current tax expense**		
Current period	9,286	5,132
Prior year under-provision	-	861
	9,286	5,993
(b) **Deferred tax expense**		
Origination and reversal of temporary differences	-	2,816
Total income tax (expense)/credit	9,286	8,809

(b) **Current tax liabilities**	Group Sep. 2016	Group Dec. 2015
Balance, beginning of period	6,488	4,615
Tax paid	(15,265)	(7,004)
Income tax charge	9,286	8,877
Balance, end of period	509	6,488

16 Earnings per share

For the nine months ended 30 September	Group 2016	Group 2015
Profit attributable to owners of the parent	50,920	47,731
Weighted average number of ordinary shares outstanding	33,980	33,312
Basic and diluted earnings per share expressed in Naira	1.50	1.43

17 Cash and bank balances

	Group Sep. 2016	Group Dec. 2015
Cash	55,806	36,114
Current balances with banks	150,784	130,255
Unrestricted balances with central bank	145,478	62,233
Money market placements	42,282	150,101
	394,350	378,703
Mandatory reserve deposits with Central Banks (note (i) below)	267,291	276,668
	661,641	655,371

(i) This represents cash reserve requirement with central banks of the countries in which the Bank and its subsidiaries operate and is not available for use in the Group's day-to-day operations.

(ii) Cash and cash equivalents for the purposes of the statements of cash flows include the following :

	Group Sep. 2016	Group Dec. 2015
Cash and balances with banks	206,590	166,369
Unrestricted balances with central bank	145,478	62,233
Money market placements	41,450	116,659
Financial assets held for trading (less than 90 days)	5,365	2,595
Cash and cash equivalents	398,883	347,856

18 Financial assets held for trading

Government bonds	6,927	128
Treasury bills (less than 90 days maturity)	5,365	2,595
Treasury bills (above 90 days maturity)	71,117	8,526
	83,409	11,249

19 Loans and advances to banks

In millions of Nigerian Naira	Group Sep. 2016	Group Dec. 2015
Term loans:		
Gross amount	1,652	14,632
Portfolio impairment	(29)	(32)
	1,623	14,600

Impairment allowance on loans and advances to banks

In millions of Nigerian Naira	Group Sep. 2016	Group Dec. 2015
Portfolio impairment		
Balance, beginning of period	32	106
Net impairment reversal in the period	(38)	(96)
Exchange difference	35	22
Balance, end of period	29	32

20 Loans and advances to customers

In millions of Nigerian Naira		
Loans to individuals, corporate entities and other organisations	1,582,073	1,062,419
Specific impairment	(11,493)	(6,781)
Portfolio impairment	(30,344)	(19,001)
	1,540,236	1,036,637

Impairment allowance on loans and advances to customers

Specific impairment		
Balance, beginning of period	6,781	5,723
Impairment charge for the period	3,510	2,285
Write-offs	(632)	(714)
Exchange difference	1,834	(513)
Balance, end of period	11,493	6,781
Portfolio impairment		
Balance, beginning of period	19,001	17,788
Impairment charge for the period	4,638	1,213
Exchange difference	6,705	-
Balance, end of period	30,344	19,001

21 Investment securities

Available-for-sale investment securities comprise		
Treasury bills	190,253	193,816
Bonds	31,101	32,757
Equity investments	77,232	48,923
	298,586	275,496
Held to maturity investment securities comprise		
Treasury bills	230,703	150,774
Promissory notes	272	255
Bonds	457,992	430,345
	688,967	581,374
Carrying amount	987,553	856,870

22 Other assets

In millions of Nigerian Naira	Group Sep. 2016	Group Dec. 2015
Accounts receivable	37,643	29,579
Prepayments	21,586	8,589
Stock of consumables	4,517	3,587
	63,746	41,755
Impairment loss on other assets (account receivable)	(2,463)	(1,267)
	61,283	40,488

(a) Movement in impairment loss for other assets

	Group Sep. 2016	Group Dec. 2015
At start of period	1,267	1,898
Charge for the period	999	611
Write-off	(66)	(1,226)
Exchange difference	263	(16)
	2,463	1,267

23 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 30 September 2016. The associate has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of the Group's ownership interest is the same as the proportion of voting rights held.

There are no published price quotations for the Group's investment in associate. Furthermore, there are no restrictions on the transfer funds to the Group in the form of cash dividends or repayment of loans and advances neither are there any conti the group's interest in the associate.

(a) Nature of investment in associates

Name of entity	Place of business/ Country of incorporation	% of ownership interest	Nature of the relationship
UBA Zambia Bank Limited	Zambia	49	Associate

(b) Movement in investment in equity-accounted investee

In millions of Nigerian Naira	Group Sep. 2016	Group Dec. 2015
Balance, beginning of period	2,236	2,986
Share of current year result	(71)	(110)
Share of foreign currency translation differences	840	(640)
Balance, end of period	3,005	2,236

		Group Sep. 2016	Group Dec. 2015
24	**Deposits from banks**		
	In millions of Nigerian Naira		
	Money market deposits	91,745	60,312
	Due to other banks	1,482	754
		93,227	61,066
25	**Deposits from customers**		
	In millions of Nigerian Naira		
	Retail customers:		
	Term deposits	193,610	160,967
	Current deposits	196,721	126,931
	Savings deposits	501,256	407,036
	Domiciliary deposits	69,065	34,507
		960,652	729,441
	Corporate customers:		
	Term deposits	330,935	384,015
	Current deposits	844,506	673,358
	Domiciliary deposits	360,670	294,890
		1,536,111	1,352,263
	Total	2,496,763	2,081,704
26	**Other liabilities**		
	In millions of Nigerian Naira		
	Creditors	43,303	34,879
	Accruals	14,455	11,137
	Customers' deposit for foreign trade	54,474	8,684
	Provisions	198	185
		112,430	54,885
27	**Borrowings**		
	In millions of Nigerian Naira		
	On-lending facilities:		
	- Central Bank of Nigeria	41,727	13,642
	- Bank of Industry (BoI)	11,489	13,054
	- Standard Chartered Bank	23,334	39,994
	- Afrexim	30,998	-
	- European Investment Bank (EIB)	2,273	1,590
	- Credit Suisse	94,290	-
	- Syndicated facility	37,491	41,710
	- Africa Trade Finance Limited	15,591	19,906
		257,193	129,896
28	**Subordinated liabilities**		
	In millions of Nigerian Naira		
	Medium term notes 2017	19,915	20,503
	Medium term notes 2018	34,553	35,625
	Medium term notes 2021	30,811	29,492
		85,279	85,620

29 Accounting policy changes

The Bank applied the provisions of International Financial Reporting Standards (IFRS) in preparing the accounting information included in these un-audited interim results. There was no change in accounting policy in the period.

30 Seasonality of operations

This is not applicable as the services provided by the Bank are not dependent on seasonal or cyclical demand.

27 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the period.

28 Changes in estimates

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

29 Issuance, repurchases, and repayment of debts and equity

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

30 Dividends

No dividend is declared in respect of the three months ended 30 September 2016.

31 Significant event after the end of the interim period

There were no significant events that have post-balance sheet adjustment effect, after the period ended 30 September 2016.

32 Business combinations

The was no business combination during the period.

33 Discontinuing operations

There was no discontinuation of operation of any business line during the period.

34 Correction of prior period errors

There were no material prior period errors identified during the period.

35 Impairment loss of property and equipment, intangible or other assets, reversal of such impairment loss

We have made allowances for certain assets during the period.

36 Any debt or any breach of debt covenant that has not been corrected subsequently

The Bank did not breach any debt covenant as at 30 September 2016.

37 Related party transactions

Some of the Bank's Directors are also directors of other companies with whom the Bank does business. All such transactions are in normal course of business, and agreed terms which are comparable to other customers of the Bank.

38 Compliance with banking regulations

The Bank did not contravene any regulation of the Banks and Other Financial Institutions Act CAP B3 LFN 2004 or relevant circulars issued by the Central Bank of Nigeria.

39 Comparatives

The Bank applied the provisions of International Financial Reporting Standards (IFRS) in preparing the comparative information included in these un-audited interim results.

40 Contingencies

(i) Litigation settlements

The Group, in the ordinary course of business is currently involved in 590 legal cases (2015: 577). The total amount claimed in the cases against the Group is estimated at N430.84 billion (2015: N443.4 billion). The Group has made provisions amounting to N198 million (2015: N185 million) in respect of these suits. The directors having sought the advice of professional legal counsel are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

There are also other contingent liabilities arising from claims instituted against the Group, for which provisions have not been made. The matters are currently being considered by the courts and the Group considers it probable that the judgements will be in its favour. The potential undiscounted amount of the total payments that the Group could be required to make if there are adverse decisions in relation to these lawsuits is estimated to be N1.41 billion.

(ii) Others

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit. The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk.

Contingent liabilities:

	Group	
	Sep. 2016	**Dec. 2015**
In millions of Nigerian Naira		
Performance bonds and guarantees	186,192	77,030
Letters of credits	269,281	149,488
	455,473	226,518