UNITED BANK FOR AFRICA PLC

Consolidated and Separate Financial Statements for the 9 months ended 30 September 2013 (Un-audited)

UNITED BANK FOR AFRICA PLC
SIGNIFICANT ACCOUNTING POLICIES

1 Reporting entity

United Bank for Africa Plc (the "Parent") is a Nigerian registered company with address at 57 Marina, Lagos, Nigeria. The consolidated financial statements of the Bank for the period ended September 30, 2013 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 the following businesses: capital raising, issuing house services, financial advisory services, mergers and acquisitions advisory, security trading, asset management, stockbroking, trusteeship, registrarship, as well as custodial services.

2 Basis of preparation

These condensed interim financial statements for the nine months ended 30 September 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs.

Similarly, accounting policies, methods of computation and presentation adopted in preparing these financial statements are consistent with those that apply to the most recent financial statement of UBA group.

(a) Basis of measurement

These financial statements are prepared on the historical cost basis except for the assets and liabilities carried at fair value.

(b) Functional and presentation currency

These consolidated and separate financial statements are presented in Nigerian Naira, which is the Bank's functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest million.

(c) Use of estimates and judgements

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

3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that 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

Acquisitions prior to 1 January 2011

As part of its transition to IFRSs, the Group elected not to restate those business combinations that occurred before 1 January 2011, its date of transition to IFRSs. Under Nigeria GAAP, Goodwill was measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed.

Acquisitions subsequent to 1 January 2011

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

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

- the fair value of the consideration transferred; plus
- the recognised 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 recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognsied in profit or loss. 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.

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) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(iv) Acquisitions under common control

Business combinations between entities that are under common control are accounted for at book values. The assets and liabilities acquired or transferred are recognised or derecognised at the carrying amounts previously recognised in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

(v) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further loses is discontinued except, to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

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

(vi) Joint ventures

Interests in jointly controlled entities are recognised using the equity accounting method in the Group financial statements but are recognised at cost less impairment in the separate financial statements.

(vii) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements, except when the Group controls the entity.

(viii) 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.

(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 profit or loss.

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 exchange rates 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-classifeid to profit or loss as part of the gain or loss on disposal.

(c) Interest

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.

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

(d) Fees and commissions

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.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

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

(e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(f) Dividends

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other income.

(g) Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
Other leases are operating leases and are not recognised on the Group's statement of financial position.

(h) Income tax

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

Current tax 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.

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.

(i) Financial instruments

Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, 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. Were the Group to sell 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 gains/ (losses) on investment securities'.

(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. Derivatives are also categorised as held-for-trading unless they are designated as hedges and effective as hedging instruments. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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; or
- 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 profit or loss in 'net trading income' for trading assets.

(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 profit or loss.

Interest income, calculated using the effective interest method, foreign currency gains and losses on monetary assets classified as available-for-sale is recognised in profit or loss. Dividends received on available-for-sale instruments are recognised in profit or loss 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 holder 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 as part of the effective interest rate. All of the Group's advances are included in the loans and receivables category.

(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'.

Where an equity instrument does not have an active market and its fair value cannot be measured reliably using valuation techniques, it is carried at cost less impairment.

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 if, and only if, 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 necessary 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 loan impairment charges 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 profit or loss.

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 profit or loss.

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

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.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the 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 exist currently.

To the extent that a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. 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 profit or loss.

(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.

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.

Derecognition 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 recognised on its statement of financial position, 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 from the statement of financial position. 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.

(j) Cash and cash equivalents

Cash and cash equivalents include notes and coins in 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 cash equivalents are carried at amortised cost in the statement of financial position.

(k) 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 income in profit or loss.

(l) 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.

(m) 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
Leasehold assets	Over the unexpired lease term
Buildings	40 years
Computer hardware	5 years
Furniture and fittings	5 years
Equipment	5 years
Motor vehicles	5 years
Other transportation equipment*	Over the useful life of the specific asset
Capital work in progress	Not depreciated
Land	Not depreciated

* Other transportation equipment include major components with different useful lives. They are accounted for as separate major components and are depreciated over the respective useful lives of twenty (20) and sixteen (16) years respectively.

Work in progress represents construction cost incurred on assets that are not available for use. On completion of construction, 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) Property and equipment held for sale

Non-current property and equipment of the Group that meet the classification requirements in IFRS 5 are classified as non-current assets held for sale and separately disclosed. Upon classification as held for sale, they are no longer depreciated and are carried at the lower of book value or fair value less costs to sell.

(v) 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.

(n) Borrowing Costs

Interest and other transaction costs incurred in connection with the borrowing of funds used for the acquisition, construction or production of qualifying assets (assets which take a substantial period of time to get ready for their intended use or sale) are capitalized as part of the assets, until the assets are substantially ready for use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Incomes earned on temporary investment of borrowed funds are netted against qualifying borrowing costs (i.e., eligible for capitalisation).

(o) 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, 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.

(p) 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 acounted 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 purchase 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.

(q) Deposits and debt securities issued

When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

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

Deposits 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.

(r) 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.

(s) 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.

(t) Employee benefits

(i) Post-employment benefits

Defined contribution plans

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

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its presents value, and any unrecognised past service costs and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reduction in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Actuarial gains and losses that arise in calculating the Group's obligations in respect of a plan are recognised immediately in profit or loss.

(ii) Short-term benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the 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.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(u) 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.

(iii) Treasury shares

Where the Bank or any member of the Group purchases the Bank's shares, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(v) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the 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.

(w) 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.

(x) 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 benfits derived from such cost.

(y) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements.

The Group plans to adopt the standards below on their respective effective dates. Management is in the process of assessing the impact of the standards on the Group:

i) IAS 27 Separate Financial Statements (effective on or after 1 January 2013)

IAS 27 (revised 2011) includes the requirements relating to separate financial statements.

ii) IAS 28 Investments in Associates and Joint Ventures (effective on or after 1 January 2013)

IAS 28 (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.

iii) IFRS 9 Financial Instruments (effective on or after 1 January 2015)

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

iv) IFRS 10 Consolidated Financial Statements (effective on or after 1 January 2013)

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

v) IFRS 11 Joint Arrangements (effective on or after 1 January 2013)

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

vi) IFRS 12 Disclosure of Interests in other Entities (effective on or after 1 January 2013)

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

vii) IFRS 13 Fair Value Measurement (effective on or after 1 January 2013)

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

(z) Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific needs so that the Group obtains from the SPE's operation.

- The Group has the decision making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers.

- The Group has rights to obtain the majority of the benfits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.

- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

Consolidated and Separate Statement of Financial Position

As at	*Notes*	Group Sep-13	Group Dec-12
In millions of Nigerian Naira			
ASSETS			
Cash and bank balances	11	826,663	714,115
Financial assets held for trading	12	3,151	457
Loans and advances to banks	13	28,891	28,513
Loans and advances to customers	14	841,782	658,922
Investment securities	15	741,928	680,817
Other assets	16	26,217	18,598
Property and equipment		70,849	70,746
Intangible assets		8,215	7,568
Deferred tax assets		31,196	29,624
Non-current assets held for distribution		-	63,563
TOTAL ASSETS		**2,578,892**	**2,272,923**
LIABILITIES			
Derivative liabilities	17	49	124
Deposits from banks	18	36,505	57,780
Deposits from customers	19	2,134,570	1,720,008
Current tax liabilities	10	1,532	1,274
Deferred tax liabilities		8	59
Subordinated liabilities	20	53,763	53,719
Borrowings	21	48,303	114,520
Other liabilities	22	78,545	81,438
Liabilities held for distribution		-	51,534
TOTAL LIABILITIES		**2,353,275**	**2,080,456**
EQUITY			
Share capital and share premium		124,423	124,423
Retained earnings		70,564	49,572
Other reserves		25,840	15,111
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK		**220,827**	**189,106**
Non-controlling interest		4,790	3,361
TOTAL EQUITY		**225,617**	**192,467**
TOTAL LIABILITIES AND EQUITY		**2,578,892**	**2,272,923**

Consolidated and Separate Statement of Comprehensive Income

In millions of Nigerian Naira	*Notes*	Group 9 months to Sep. 2013	Group 9 months to Sep. 2012
Gross earnings		**188,021**	**167,070**
Interest income	2	132,757	111,713
Interest expense	2	(54,593)	(43,153)
Net interest income		**78,164**	**68,560**
Fee and commission income	3	37,673	35,305
Fee and commission expense	4	(3,562)	(1,267)
Net fee and commission income		34,111	34,038
Net trading income	5	11,485	12,455
Other income	6	6,106	7,597
Total non-interest income		**51,702**	**54,090**
Operating income		**129,866**	**122,650**
Net impairment loss on financial assets	7	(2,994)	(5,919)
Net operating income after net impairment loss on financial assets		**126,872**	**116,731**
Personnel expenses	8	(28,836)	(25,135)
Depreciation and amortisation		(5,679)	(6,781)
Other operating expenses	9	(48,929)	(42,577)
Total operating expenses		**(83,444)**	**(74,493)**
Profit before income tax		**43,428**	**42,238**
Income tax expense	10	(6,057)	(5,740)
Profit for the period from continuing operations		**37,371**	**36,498**
Profit for the period from discontinued operations		-	2,621
Profit for the period		**37,371**	**39,119**
Other comprehensive income, net of income tax			
Foreign currency translation differences for foreign operations		2,106	(953)
Fair value gain/(losses) on available-for-sale investments		9,261	(250)
Net change in fair value			
Other comprehensive income for the period		11,367	(1,203)
Total comprehensive income for the period		**48,738**	**37,916**
Profit attributable to:			
Owners of the Bank		36,665	37,785
Non-controlling interest		706	1,334
Profit for the period		**37,371**	**39,119**
Total comprehensive income attributable to:			
Owners of the Bank		47,309	35,596
Non-controlling interest		1,429	2,320
Total comprehensive income for the period		**48,738**	**37,916**
Earnings per share from continuing and discontinued operations attributable to owners of the Bank during the period			
Basic earnings per share			
From continuing operations	23	161k	160k
From discontinued operations	23	-	12k
From profit for the period		161k	172k
Diluted earnings per share			
From continuing operations	23	161k	160k
From discontinued operations	23	-	12k
From profit for the period		161k	172k

Consolidated Statement of Changes in Equity
For the period ended

30 September 2013
Group

In millions of Nigerian naira	**Share Capital**	**Share premium**	**Translation reserve**	**Regulatory risk reserve**	**Fair value reserve**	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-Controlling interest**	**Total equity**
Balance at 1 January 2013	16,491	107,932	(1,514)	1,113	15,223	(32,831)	33,120	49,572	**189,106**	3,361	**192,467**
Total comprehensive income for the period											
Profit or loss for the period	-	-	-	-	-	-	-	36,665	**36,665**	706	**37,371**
Other regulatory reserves	-	-	-	85	-	-	-	(85)	**-**	-	**-**
Dividend paid during the period	-	-	-	-	-	-	-	(15,588)	**(15,588)**	-	**(15,588)**
Other comprehensive income											
Foreign currency translation difference	-	-	1,383	-	-	-	-	-	**1,383**	723	**2,106**
Fair value change in (available-for-sale) financial assets	-	-	-	-	9,261	-	-	-	**9,261**	-	**9,261**
Other comprehensive income for the period	-	-	1,383	-	9,261	-	-	-	10,644	723	11,367
Balance at 30 September 2013	16,491	107,932	(131)	1,198	24,484	(32,831)	33,120	70,564	**220,827**	4,790	**225,617**

30 September 2012
Group

In millions of Nigerian naira	**Share Capital**	**Share premium**	**Translation reserve**	**Regulatory risk reserve**	**Treasury Shares**	**Fair value reserve**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-Controlling interest**	**Total equity**
Balance at 1 January 2012	16,168	108,255	1,607	-	(32,193)	11,460	26,014	16,034	**147,345**	3,595	**150,940**
Profit for the period	-	-	-	-	-	-	-	37,785	**37,785**	1,334	**39,119**
Other comprehensive income											**-**
Foreign currency translation difference	-	-	(1,939)	-	-	-	-	-	**(1,939)**	986	**(953)**
Fair value change in (available-for-sale) financial assets	-	-	-	-	-	(250)	-	-	**(250)**	-	**(250)**
	16,168	108,255	(332)	-	(32,193)	11,210	26,014	53,819	**182,941**	5,915	**188,856**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Bonus shares issued	323	(323)	-	-	-	-	-	-	**-**	-	**-**
Total contribution and distributions to owners	323	(323)	-	-		-		-	**-**	-	**-**
Balance at 30 September 2012	16,491	107,932	(332)	-	(32,193)	11,210	26,014	53,819	**182,941**	5,915	**188,856**

STATEMENT OF CASHFLOWS

	Group	
	Sep-13	**Sep-12**
In millions of Nigerian Naira		
Cash flows from operating activities		
Profit before tax	**43,428**	**42,238**
Adjustments for:		
Depreciation and amortisation	5,679	6,781
Net impairment loss on loans and advances	1,969	2,458
Write-off of loans and advances	969	3,661
Net impairment charge on other assets	56	(200)
Gain on non-current assets distributed to owners	(950)	-
Fair value gain on derivative financial instruments	(75)	-
Effects of exchange rate changes on cash and cash equivalents	2,106	(953)
Dividend income	(1,046)	(570)
Operating profit before changes in operating assets and liabilities	**52,136**	**53,415**
Change in financial assets held for trading	(2,694)	(11,841)
Cash reserve balance	(110,107)	(28,562)
Change in loans and advances to banks	(378)	4,262
Change in loans and advances to customers	(185,798)	(68,831)
Change in other assets	(9,247)	(15,993)
Change in deposits from banks	(21,275)	3,434
Change in deposits from customers	414,562	168,897
Change in other liabilities	11,123	7,776
Income tax paid	(6,887)	(3,784)
Net cash generated/ (used) from operating activities	**141,435**	**108,773**
Cash flows from investing activities		
Proceeds/(acquisition) of investment securities	(51,850)	82,778
Dividend received	1,046	570
Acquisition of property and equipment	(4,626)	(17,314)
Acquisition of intangible assets	(1,803)	(47)
Net cash generated/ (used) in investing activities	**(57,233)**	**65,987**
Cash flows from financing activities		
Increase/ (repayment) of borrowings	(66,173)	11,553
Dividend paid to owners	(15,588)	-
Net cash from financing activities	**(81,761)**	**11,553**
Net increase in cash and cash equivalents	2,441	186,313
Cash and cash equivalents at beginning of period	594,418	352,429
Cash and cash equivalents at end of period	**596,859**	**538,742**
Cash and cash equivalents comprise:		
Cash and balances with banks	163,794	142,758
Unrestricted balances with central bank	72,305	35,504
Money market placements	360,760	360,480
	596,859	**538,742**

Notes to the consolidated financial statements

1 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 September 30, 2013 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 the following businesses: security trading, asset management as well as custodial services.

2 Net interest income

In millions of Nigerian Naira	Group 9 months to Sep. 2013	Sep. 2012
Interest income		
Cash and cash equivalents	9,222	5,686
Loans and advances to banks and customers	69,112	59,332
Investment securities	54,423	46,695
Total interest income	132,757	111,713
Interest expense		
Deposits from banks	1,735	1,836
Deposits from customers	45,440	33,236
Other borrowed funds	7,418	8,081
Total interest expense	54,593	43,153

3 Fee and commission income

	Sep. 2013	Sep. 2012
Credit-related fees and commissions	11,808	10,800
Commission on turnover	8,806	11,723
Pension custody income	1,983	1,372
Other fees and charges	15,076	11,410
Total fee and commission income	37,673	35,305

4 Fee and commission expense

	Sep. 2013	Sep. 2012
Card services	3,198	1,123
Others	364	144
	3,562	1,267
Net fee and commission income	34,111	34,038

Banking fees and commissions are charged to customers. They exclude any other fees used in calculating the adjusted effective interest rate on the principal facility to which they were charged.

5 Net trading income

In millions of Nigerian Naira	Group 9 months to Sept. 2013	Sept. 2012
Fixed income securities	770	477
Equities	-	-
Foreign exchange	10,715	11,978
	11,485	12,455

Net trading income includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value.

6 Other income

In millions of Nigerian Naira	Group	
	9 months to	
	Sept. 2013	Sept. 2012
Dividends on available-for-sale equity securities	1,046	570
Rental income	199	373
Gain on non-current assets distributed to owners	950	-
Recoveries on loans written-off	1,407	3,755
Others	2,504	2,899
	6,106	7,597

7 Impairment loss/(gain) on financial assets

In millions of Nigerian Naira

Impairment losses on loans and advances:		
- specific impairment charge	1,588	4,700
- portfolio impairment	1,810	3,884
Recoveries on loans and advances	(1,429)	(6,126)
Write-offs on loans and advances	969	3,661
- Impairment loss/(write-back) on other assets	56	(200)
	2,994	5,919

8 Personnel expenses

In millions of Nigerian Naira

Wages and salaries	27,554	24,141
Contributions to defined contribution plan	1,282	994
	28,836	25,135

9 Other operating expenses

In millions of Nigerian Naira

Auditors' remuneration	191	182
AMCON levy	7,230	3,725
NDIC premium	5,054	4,265
General administrative expenses	36,454	34,406
	48,929	42,577

10 Income tax expense

Recognised in profit or loss

In millions of Nigerian Naira

Current tax expense		
Current year	7,145	2,742
Deferred tax		
Origination of temporary differences (assets)/liabilities	(1,088)	2,998
Total income tax expense	6,057	5,740

	Group	
Current tax liabilities	Sept. 2013	Dec. 2012
Balance, beginning of period	1,274	2,627
Tax paid	(6,887)	(4,479)
Income tax charge	7,145	3,126
Balance, end of period	1,532	1,274

11 Cash and Bank Balances

In millions of Nigerian Naira	Group Sep-13	Group Dec-2012
Cash and balances with banks	163,794	164,050
Unrestricted balances with Central Banks	72,305	80,698
Money market placements	360,760	349,670
Cash and cash equivalents	596,859	594,418
Mandatory reserves with the Central Banks (note i below)	229,804	119,697
	826,663	**714,115**

(i). This represents cash reserve requirement with central banks of the countries in which the Group operates, and are not available for use in the Group's day-to-day operations.

(ii). Cash and bank balances include N13.29 billion (2012: N12.69 billion), which represent the Naira value of foreign currency bank balances held on behalf of customers in respect of letters of credit transactions. The corresponding liability is included in other liabilities (see note (22)).

12 Financial assets held for trading

In millions of Nigerian Naira	Group Sep-13	Group Dec-2012
Government bonds	1,698	284
Treasury bills	1,453	173
	3,151	**457**

13 Loans and advances to banks

In millions of Nigerian Naira	Sep-13	Dec-2012
Gross amount	29,073	28,699
Portfolio impairment	(182)	(186)
	28,891	**28,513**
Impairment allowance on loans and advances to banks		
Balance, beginning of period	186	543
Impairment write-back for the period	(4)	(357)
Balance, end of period	**182**	**186**

14 Loans and advances to customers

In millions of Nigerian Naira	Sep-13	Dec-2012
Loans to corporate entities, individuals and other organizations	858,868	674,727
Specific impairment	(4,914)	(5,447)
Portfolio impairment	(12,172)	(10,358)
	841,782	**658,922**

Impairment allowance on loans and advances to customers:

Specific impairment	Sep-13	Dec-2012
Balance, beginning of period	5,447	13,131
Impairment charge for the period	1,588	6,414
Impairment reversal for the period	(1,429)	(8,513)
Write-offs	(692)	(5,585)
Balance, end of period	4,914	5,447

Portfolio impairment	Sep-13	Dec-2012
Balance, beginning of period	10,358	11,322
Impairment charge for the period	6,097	677
Impairment reversal for the period	(4,283)	(1,641)
Balance, end of period	12,172	10,358

15 Investment securities

In millions of Nigerian Naira

	Group	
	Sep-13	**Dec-2012**
Investment securities	741,928	680,817
Available-for-sale investment securities comprise: (see note (i)):		
Treasury Bills	114,065	93,091
Equity	45,838	36,946
Less: specific allowance for impairment	(1,233)	(1,372)
	158,670	**128,665**
Held-to-maturity investment securities comprise (see note (i)):		
Treasury Bills	111,734	69,469
Bonds	471,524	482,683
	583,258	**552,152**
	741,928	**680,817**

(i). Included in available-for-sale and held-to-maturity investment securities are financial assets that may be repledged or resold by counterparties, and these securities are stated as follows:

Pledged assets
In millions of Nigerian Naira

	Group	
	Sep-13	**Dec-2012**
Pledged non- trading assets comprises:		
Treasury bills	9,839	8,031
Government bonds	69,528	123,000
	79,367	**131,031**

(ii). These transactions have been conducted under terms that are usual and customary to standard lending and securities borrowing activities. Pledged government bonds and treasury bills are held-to-maturity and available-for-sale investment securities.

16 Other Assets

In millions of Nigerian Naira

	Group	
	Sep-13	**Dec-2012**
Accounts receivable	17,195	15,021
Prepayments	9,925	4,888
Less: specific allowance for impairment	(903)	(1,311)
	26,217	**18,598**

17 Derivative liabilities

In millions of Nigerian Naira

Instrument type:		
Cross-currency swap	**49**	**124**

18 Deposits from banks

In millions of Nigerian Naira

Money market deposits	29,563	51,596
Clearing items	6,942	6,184
	36,505	**57,780**

	Group	
	Sep-13	Dec-2012
19 Deposits from customers		
In millions of Nigerian Naira		
Retail customers:		
Term deposits	135,105	112,274
Current deposits	75,626	101,211
Savings deposits	298,259	271,369
Domiciliary deposits	35,404	30,837
Corporate customers:		
Term deposits	329,448	249,077
Current deposits	518,403	414,416
Domiciliary deposits	742,325	540,824
	2,134,570	**1,720,008**
20 Surbordinated liabilities		
Medium term notes - series 1	19,710	18,555
Medium term notes - series 2	34,053	35,164
	53,763	**53,719**
21 Borrowings		
In millions of Nigerian Naira		
On-lending facilities:		
- African Development Bank (AfDB)	-	23,707
- Central Bank of Nigeria Agric fund	33,312	36,612
- Bank of Industry (BoI)	13,578	13,869
- Afrexim Loans	-	14,452
- Standard Chartered Bank	1,413	25,093
- HSBC	-	787
	48,303	**114,520**
22 Other liabilities		
In millions of Nigerian Naira		
Liability for defined contribution obligations	783	600
Creditors and accruals	64,316	55,091
Customers' deposit for foreign trade	13,293	12,694
Provisions	153	146
Dividend-in-specie (note (i))	-	12,907
	78,545	**81,438**

(i) The dividend-in-specie recognised in prior year in respect of non-current assets held for distribution was settled during the period and a gain was recognised in the Statement of Comprehensive Income (see note 6).

	Group	
23 Earnings per share (annualised)	**Sep-13**	**Sep-12**
Profit for the period from continuing operations	37,371	36,498
Profit for the period from discontinued operations	-	2,621
Weighted average number of ordinary shares outstanding	30,974	30,382
Basic - from continuing operations	161k	160k
Basic - from discontinued operations	-	12k
Diluted - from continuing operations	161k	160k
Diluted - from discontinued operations	-	12k

24 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.

25 Seasonality of operations

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

26 Unusual items

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

27 Changes in estimates

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

28 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.

29 Dividends

Proposed dividend in respect of the year ended 31 December 2012 of N0.5 per share (2011: Nil) amounting to a total dividend of N15.588 billion was approved at the Annual General Meeting and paid during the peiod.

30 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 2013.

31 Business combinations

There was no business combination during the period.

32 Discontinuing operations

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

33 Correction of prior period errors

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

34 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.

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

The Bank is not involved in any breach of debt covenant as at 30 September 2013.

36 Related party transaction

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.

37 Compliance with banking regulations

The Bank contravened certain circulars issued by the Central Bank of Nigeria and arising penalties have been paid.

38 Comparatives

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

39 Contingencies

(i) Litigation and claims

There were contingent liabilities in respect of legal actions against the Group for amounts totaling N74.8billion for which provisions amounting to N152.9 million have been made. The directors having sought the advice of professional legal counsel are of the opinion that based on the advice received, no significant liability will crystalise from these cases beyond the provision made in the financial statements.

(ii) Contingent liabilities

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise endorsements, guarantees and letters of credit.

Contingent liabilities:

	Group	
In millions of Nigerian Naira	**Sep-13**	**Dec-2012**
Performance bonds and guarantees	279,821	305,492
Letters of credits	166,516	95,820
	446,337	**401,312**

(iii) Capital commitments

At 30 September 2013, the Group had capital commitments amounting to N3.2 billion in respect of authorised and contracted capital projects.