UNITED BANK FOR AFRICA PLC

Consolidated Financial Statements for the nine months ended 30 September 2014

UNITED BANK FOR AFRICA PLC
SIGNIFICANT ACCOUNTING POLICIES

1 (i) Basis of preparation

(a) Basis of preparation

These condensed interim financial statements for the nine months ended 30 September 2014 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 2013, which have been prepared in accordance with IFRSs.

(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) 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.

(ii) Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries (including structured entities) are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable are taken into account. 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 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 gain is recognised immediately in profit or loss.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the identifiable net assets for components that are present ownership interests and entitle their holders to proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value.

1 (ii) Significant accounting policies

(a) Basis of consolidation - continued

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised 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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; 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) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, and 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) 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 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

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.

1 (ii) Significant accounting policies

(c) Interest- continued

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 relate 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 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 operating income.

(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.

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.

(i) Financial instruments

Initial recognition and measurement

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

1 (ii) Significant accounting policies

Financial instruments - continued

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 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.

1 (ii) Significant accounting policies

(i) Financial instruments - continued

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'.

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 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

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.

1 (ii) Significant accounting policies

(i) Financial instruments - continued

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.

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.

1 (ii) Significant accounting policies

(i) Financial instruments - continued

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 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.

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. This transfer is done on the date in which the market information becomes available.

(j) 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.

1 (ii) Significant accounting policies

(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
Buildings	50 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

Computer hardware, equipments, furniture and fittings are disclosed as furniture and office equipment while leasehold improvement and buildings have been aggregated in the notes.

* 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.

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) 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) 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.

1 (ii) Significant accounting policies

(n) Intangible assets - continued

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

(o) 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.

(p) 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.

(q) 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.

1 (ii) Significant accounting policies

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) Standards, amendments and interpretations effective on or after 1 January 2014

- The following amendments and interpretations, which became effective in 2014 are relevant to the Group:

i) Amendments to IAS 36, 'Impairment of assets'on the recoverable amount disclosures for non-financial assets.

This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

ii) IFRIC 21 Levies

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. No significant impact is expected as the Group's current practice complies with this interpretation.

(y) New standard and interpretations not yet adopted

The following standard and interpretation are effective for annual periods beginning after 1 January 2013. These standard and interpretation have not been applied in preparing these financial statements.

The Group plans to adopt the standard and interpretation on the effective date. Management is in the process of assessing the impact of the standard on the Group:

1 (ii) Significant accounting policies

i) IFRS 9 Financial Instruments (effective 1 January 2018)

IFRS 9 is addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

ii) IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. This standard is not applicable to the Group as the Group is not a first time adopter of IFRS.

iii) IFRS 11 Joint Arrangements - Amended (effective 1 January 2016)
The amendment clarifies that the most appropriate approach to account for the acquisition of an interest in a joint operation when the operation constitutes a business is to apply the relevant principles for business combinations in IFRS 3 and other IFRSs. The new guidance would only address the accounting for an interest in a joint operation when the joint operation is formed and there is an existing business that is contributed or where the acquisition of the interest is in an existing joint operation that is a business.

iv) IAS 16, Property Plant and Equipment and IAS 38, Intangible Assets - Amended (effective 1 January 2016)
The amendment clarifies acceptable methods of depreciation and amortization for property and equipment, and intangible assets respectively.

v) IFRS 15, Revenue from Contracts with Customers (effective 1 January 2017)
The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

(z) Non-Current assets held for distribution and discontinued operations
Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Before being classified as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Conditions to be met before assets qualify as being held for sale/distribution include the following:

• management is committed to a plan to sell
• the asset is available for immediate sale
• an active programme to locate a buyer is initiated
• the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
• the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
• actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

Thereafter, the assets or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in profit or loss

Intangible assets and property and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution. In line with IFRIC 17, the subsidiaries being spun off will be distributed as dividend to the shareholders of the parent. The dividend payable will be at the fair value of the net assets to be distributed.

For discontinued operations, the Group presents discontinued operations in a separate line in the Income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:
a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale

Net profit from discontinued operations includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the Income statement. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Statements of Comprehensive Income
For the nine months ended 30 September

In millions of Nigerian Naira	***Notes***	**Group** **2014**	**2013**
Gross earnings		**210,715**	**188,021**
Interest income	2	149,409	132,757
Interest expense	3	(67,449)	(54,593)
Net interest income		**81,960**	**78,164**
Fees and commission income	4	41,055	37,673
Fees and commission expense	5	(4,877)	(3,562)
Net fee and commission income		**36,178**	**34,111**
Net trading income	6	16,123	11,485
Other operating income	7	4,128	6,106
Total non-interest income		**56,429**	**51,702**
Operating income		**138,389**	**129,866**
Net impairment loss on financial assets	8	(2,347)	(2,994)
Net operating income after net impairment loss on financial assets		**136,042**	**126,872**
Personnel expenses	9	(40,839)	(38,527)
Depreciation and amortisation	10	(4,204)	(5,679)
Other operating expenses	11	(48,417)	(39,238)
Total operating expenses		**(93,460)**	**(83,444)**
Share of loss of equity-accounted investee	20	(39)	-
Profit before income tax		**42,543**	**43,428**
Taxation charge	12	(8,915)	(6,057)
Profit for the period		**33,628**	**37,371**
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Foreign currency translation differences		(6,389)	2,106
Fair value gains on available-for-sale investments		367	9,261
Other comprehensive income [1]		**(6,022)**	**11,367**
Total comprehensive income for the period		**27,606**	**48,738**
Profit attributable to:			
Owners of Parent		32,881	36,665
Non-controlling interest		747	706
Profit for the period		**33,628**	**37,371**
Total comprehensive income attributable to:			
Owners of Parent		29,892	47,309
Non-controlling interest		(2,286)	1,429
Total comprehensive income for the period		**27,606**	**48,738**
Total comprehensive income attributable to equity shareholders arises from:			
- Continuing operations		29,892	47,309
Total comprehensive income for the period		**29,892**	**47,309**
Basic earnings per share (annualised) expressed in Naira	13	1.43	1.58
Diluted earnings per share (annualised) expressed in Naira	13	1.43	1.58

[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 and separate financial statements.

Statements of Financial Position

	Notes	Group	
In millions of Nigerian Naira			
ASSETS			
Cash and bank balances	14	731,654	716,803
Financial assets held for trading	15	15,436	784
Derivative assets		741	3,265
Loans and advances to banks	16	18,232	26,251
Loans and advances to customers	17	991,189	937,620
Investment securities	18	730,591	811,206
Other assets	19	40,348	30,436
Investment in equity-accounted investee	20	2,938	2,977
Property and equipment		82,470	75,409
Intangible assets		7,771	7,356
Deferred tax assets		30,271	30,189
TOTAL ASSETS		**2,651,641**	**2,642,296**
LIABILITIES			
Derivative liabilities		-	31
Deposits from banks	21	82,095	60,582
Deposits from customers	22	2,093,385	2,161,182
Other liabilities	23	66,896	78,071
Current tax liabilities	12	3,564	2,861
Borrowings	24	105,488	48,866
Subordinated liabilities	25	54,045	55,653
Deferred tax liabilities		17	14
TOTAL LIABILITIES		**2,405,490**	**2,407,260**
EQUITY			
Share capital		16,491	16,491
Share premium		107,932	107,932
Retained earnings		86,870	70,480
Other reserves		29,757	32,746
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		241,050	227,649
Non-controlling interests		5,101	7,387
TOTAL EQUITY		246,151	235,036
TOTAL LIABILITIES AND EQUITY		**2,651,641**	**2,642,296**

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

Statements of Changes in Equity

For the nine months ended 30 September

(a) ***30 September 2014***

In millions of Nigerian naira	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 2014	16,491	107,932	(3,151)	4,413	24,452	(32,996)	40,028	70,480	227,649	7,387	235,036
Profit for the period	-	-	-	-	-	-	-	32,881	32,881	747	33,628
Other regulatory reserves	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income											
Foreign currency translation difference	-	-	(3,356)	-	-	-	-	-	(3,356)	(3,033)	(6,389)
Fair value change in (available-for-sale) financial assets	-	-	-	-	367	-	-	-	367	-	367
Other comprehensive income for the period	-	-	(3,356)	-	367	-	-	-	(2,989)	(3,033)	(6,022)
Total comprehensive income for the period	-	-	(3,356)	-	367	-	-	32,881	29,892	(2,286)	27,606
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Dividends to equity/non-controlling holders	-	-	-	-	-	-	-	(16,491)	(16,491)	-	(16,491)
Total contribution and distributions to owners	-	-	-	-	-	-	-	(16,491)	(16,491)	-	(16,491)
Balance at 30 September 2014	16,491	107,932	(6,507)	4,413	24,819	(32,996)	40,028	86,870	241,050	5,101	246,151

(b) ***30 September 2013***

(i) **Group**

In millions of Nigerian naira	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 2013	16,491	107,932	(1,514)	1,113	15,223	(32,831)	33,120	49,572	189,106	3,361	192,467
Other regulatory reserves				85				(85)	-	-	-
Profit for the period	-	-	-	-	-	-	-	36,665	36,665	706	37,371
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
Total comprehensive income for the period	-	-	1,383	-	9,261	-	-	36,665	47,309	1,429	48,738
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Dividends to equity/non-controlling holders	-	-	-	-	-	-	-	(15,588)	(15,588)	-	(15,588)
Total contribution and distributions to owners	-	-	-	-	-	-	-	(15,588)	(15,588)	-	(15,588)
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

Statements of Cash Flows

		Group	
In millions of Nigerian Naira			
Cash flows from operating activities			
Profit before income tax		**42,543**	**43,428**
Adjustments for:			
Depreciation of property and equipment	10	3,684	5,036
Amortisation of intangible assets	10	520	643
Net impairment loss on loans and advances	8	1,830	1,969
Write-off of loans and advances	8	371	969
Net impairment charge on other assets	8	146	56
Foreign exchange gains	6	(15,547)	-
Fair value loss on derivative financial instruments		2,524	(75)
Gain on non-current assets held for distribution		-	(950)
Dividend income		(1,132)	(1,046)
Share of loss of equity-accounted investee		39	-
		34,978	**50,030**
Change in financial assets held for trading		(13,979)	(2,694)
Change in cash reserve balance		14,796	(110,107)
Change in loans and advances to banks		8,019	(378)
Change in loans and advances to customers		(55,770)	(185,798)
Change in placements with banks		162,579	-
Change in other assets		(10,058)	(9,247)
Change in deposits from banks		21,513	(21,275)
Change in deposits from customers		(67,797)	414,562
Change in other liabilities and provisions		(11,175)	11,123
Income tax paid	12(c)	(8,212)	(6,887)
Net cash from operating activities		**74,895**	**139,329**
Cash flows from investing activities			
Proceeds/(acquisition) of investment securities		80,572	(51,850)
Acquisition of property and equipment		(10,745)	1,046
Dividend received		1,132	(4,626)
Change in intangible assets		(935)	(1,803)
Net cash used in investing activities		**70,024**	**(57,233)**
Cash flows from financing activities			
Proceeds from borrowings		72,104	-
Repayments of borrowings		(17,090)	(66,173)
Dividend paid to owners of the parent		(16,491)	(15,588)
Net cash from financing activities		**38,523**	**(81,761)**
Net increase in cash and cash equivalents		183,442	335
Effects of exchange rate changes on cash and cash equivalents		(301)	2,106
Cash and cash equivalents at beginning of period	14	317,720	594,418
Cash and cash equivalents at end of period	14	500,861	596,859

The accompanying notes to the financial statements are an integral part of these consolidated and separate 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, 2014 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, bureaux change services and wholesale banking services.

2 Interest income

For the nine months ended 30 September *In millions of Nigerian Naira*	**2014**	**2013**
Cash and cash equivalents	11,051	9,222
Loans and advances to banks and customers	90,856	69,112
Investment securities	47,502	54,423
	149,409	132,757

3 Interest expense

For the nine months ended 30 September *In millions of Nigerian Naira*		
Deposits from banks	(1,847)	(1,735)
Deposits from customers	(59,129)	(45,440)
Borrowings	(6,473)	(7,418)
	(67,449)	(54,593)

4 Fees and commission income

For the nine months ended 30 September *In millions of Nigerian Naira*		
Credit-related fees and commissions	16,150	11,808
Commission on turnover	7,846	8,806
Pension custody fees	2,561	1,983
Other fees and charges	14,498	15,076
	41,055	37,673

Credit-related fees and commissions income exclude any other fees considered in calculating the effective interest rate on the principal facilities to which they were charged.

5 Fees and commission expense

For the nine months ended 30 September *In millions of Nigerian Naira*	**Group** **2014**	**Group** **2013**
Card services	(3,940)	(3,198)
Other expenses	(937)	(364)
	(4,877)	(3,562)

6 Net trading income

	Group 2014	Group 2013
For the nine months ended 30 September		
In millions of Nigerian Naira		
Fixed income securities	576	770
Foreign exchange income	15,547	10,715
	16,123	11,485

Net trading income includes the gains and losses arising from the purchase and sale of trading instruments.

7 Other operating income

	Group 2014	Group 2013
For the nine months ended 30 September		
In millions of Nigerian Naira		
Dividend income	1,132	1,046
Rental income	225	199
Recoveries on loans written-off	1,463	1,407
Gain on non-current assets distributed to owners	-	950
Others	1,308	2,504
	4,128	6,106

8 Impairment loss on loans and receivables

	Group 2014	Group 2013
For the nine months ended 30 September		
In millions of Nigerian Naira		
Impairment losses on loans and advances to customers:		
- specific impairment (charge)/credit	(2,308)	(1,588)
- portfolio impairment charge	478	(1,810)
Write-off on loans and advances	(371)	(969)
Recoveries on loans and advances	-	1,429
Impairment loss on other assets	(146)	(56)
	(2,347)	(2,994)

9 Personnel expenses

	Group 2014	Group 2013
For the nine months ended 30 September		
In millions of Nigerian Naira		
Wages and salaries	(39,511)	(37,245)
Contribution to defined benefit plans	(1,328)	(1,282)
	(40,839)	(38,527)

10 Depreciation and amortisation

	Group 2014	Group 2013
For the nine months ended 30 September		
In millions of Nigerian Naira		
Depreciation of property and equipment	(3,684)	(5,036)
Amortisation of intangible assets	(520)	(643)
	(4,204)	(5,679)

11 Other operating expenses

For the nine months ended 30 September *In millions of Nigerian Naira*	Group 2014	Group 2013
Auditors remuneration	(208)	(191)
Banking sector resolution cost	(8,333)	(7,230)
Deposit insurance premium	(6,468)	(5,054)
Other expenses	(33,408)	(26,763)
	(48,417)	(39,238)

12 Taxation

For the nine months ended 30 September

Recognised in the statement of comprehensive income

In millions of Nigerian Naira

(a) **Current tax expense**		
Current period	(8,915)	(7,145)
(b) **Deferred tax expense**		
Origination and reversal of temporary differences	-	1,088
Total income tax (expense)/credit	(8,915)	(6,057)

(c) **Current tax liabilities**

Balance, beginning of period	2,861	1,274
Tax paid	(8,212)	(8,368)
Income tax charge	8,915	9,955
Balance, end of period	3,564	2,861

13 Earnings per share

For the nine months ended 30 September	Group 2014	Group 2013
Profit from continuing operations attributable to owners of the parent	32,881	36,665
Profit from discontinued operations attributable to owners of the parent	-	-
Total	32,881	36,665
Weighted average number of ordinary shares outstanding	30,597	30,974
Basic earnings per share (annualised) expressed in Naira	1.43	1.58
Diluted earnings per share (annualised) expressed in Naira	1.43	1.58

14 Cash and bank balances

	Group Sep. 2014	Group Dec. 2013
Cash and balances with banks	199,639	127,584
Unrestricted balances with central bank	44,559	80,455
Money market placements	255,990	262,502
	500,188	470,541
Mandatory reserve deposits with Central Banks (note (i) below)	231,466	246,262
	731,654	716,803

(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. 2014	Group Dec. 2013
Cash and balances with banks	199,639	127,584
Unrestricted balances with central bank	44,559	80,455
Money market placements	255,990	109,014
Financial assets held for trading (less than 90 days)	673	666
Cash and cash equivalents	500,861	317,719

15 Financial assets held for trading

Government bonds	11,176	735
Treasury bills	4,260	49
	15,436	784

16 Loans and advances to banks

In millions of Nigerian Naira	Group Sep. 2014	Group Dec. 2013
Term loans:		
Gross amount	18,258	26,308
Portfolio impairment	(26)	(57)
	18,232	26,251

17 Loans and advances to customers

In millions of Nigerian Naira

Loans to individuals, corporate entities and other organisations	1,012,273	956,947
Specific impairment	(6,838)	(4,634)
Portfolio impairment	(14,246)	(14,693)
	991,189	937,620

Impairment allowance on loans and advances to customers

Specific impairment		
Balance, beginning of period	4,634	5,447
Impairment charge for the period	2,308	6,887
Write-offs	(104)	(7,700)
Balance, end of period	6,838	4,634
Portfolio impairment		
Balance, beginning of period	14,693	10,358
Net impairment (reversal)/charge for the period	(447)	4,335
Balance, end of period	14,246	14,693

18 Investment securities

	Group Sep. 2014	Group Dec. 2013
Available-for-sale investment securities comprise		
Treasury bills	184,521	208,843
Equity investments at cost	2,100	2,151
Less: specific allowance for impairment (equities)	(909)	(909)
	1,191	1,242
Equity investments at fair value	43,749	43,749
	229,461	253,834
Held to maturity investment securities comprise		
Treasury bills	156,969	179,815
Promissory notes	24	45
Bonds	344,137	377,512
	501,130	557,372
Carrying amount	730,591	811,206

19 Other assets

In millions of Nigerian Naira	Group Sep. 2014	Group Dec. 2013
Accounts receivable	28,851	19,202
Prepayment	9,749	6,616
Others	2,917	6,061
	41,517	31,879
Impairment loss on other assets (account receivable)	(1,169)	(1,443)
	40,348	30,436

(a) Movement in impairment loss for other assets

	Group Sep. 2014	Group Dec. 2013
At start of period	1,443	1,311
Charge for the period	146	514
Write-off	(420)	(382)
	1,169	1,443

20 Investment in equity-accounted investee

In December 2013, the Group's holding in UBA Zambia Ltd was diluted to 49% as a result of additional capital injection by a third party. This resulted in a loss of control of UBA Zambia; the Group retains significant influence over UBA Zambia by virtue of the 49% shareholding. The investment is, therefore, considered as an investment in associate and has been accounted for using equity accounting. The associate has share capital consisting solely of ordinary shares, which are held directly by the Parent Company.

Movement in investment in equity-accounted investee

In millions of Nigerian Naira	Group Sep. 2014	Group Dec. 2013
Balance, beginning of period	2,977	-
Fair value of residual interest in subsidiary	-	2,983
Share of current year result	(39)	(6)
Balance, end of period	2,938	2,977

		Group Sep. 2014	Group Dec. 2013
21	**Deposits from banks**		
	In millions of Nigerian Naira		
	Money market deposits	81,268	59,682
	Due to other banks	827	900
		82,095	60,582
22	**Deposits from customers**		
	In millions of Nigerian Naira		
	Retail customers:		
	Term deposits	176,797	141,618
	Current deposits	141,100	154,943
	Savings deposits	346,748	310,437
		664,645	606,998
	Corporate customers:		
	Term deposits	398,389	322,322
	Current deposits	1,030,351	1,231,862
		1,428,740	1,554,184
	Total	2,093,385	2,161,182
23	**Other liabilities**		
	In millions of Nigerian Naira		
	Creditors	44,958	48,009
	Accruals	7,765	4,622
	Customers' deposit for foreign trade	13,857	25,276
	Provisions	316	164
		66,896	78,071
24	**Borrowings**		
	In millions of Nigerian Naira		
	On-lending facilities:		
	- Central Bank of Nigeria	15,877	31,812
	- Bank of Industry (BoI)	15,972	13,175
	- Standard Chartered Bank	31,020	1,432
	- European Investment Bank (EIB)	1,292	2,447
	- Syndicated facility	41,327	-
		105,488	48,866
25	**Subordinated liabilities**		
	Medium term notes - series 1	19,852	20,364
	Medium term notes - series 2	34,193	35,289
		54,045	55,653

26 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.

27 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 nine months ended 30 September 2014.

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 2014.

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 is not involved in any breach of debt covenant as at 30 September 2014.

37 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.

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

There were contingent liabilities in respect of legal actions against the Group for amounts totaling N67.9billion for which provisions amounting to N316 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) Others

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers. The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk:

Contingent liabilities:

	Group	
	Sep-14	**Dec-13**
In millions of Nigerian Naira		
Performance bonds and guarantees	229,317	281,176
Letters of credits	405,972	202,806
	635,289	**483,982**