UBA

United Bank for Africa

2016 ANNUAL REPORT AND ACCOUNTS

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MISSION

TO BE A ROLE MODEL FOR AFRICAN BUSINESSES BY CREATING SUPERIOR VALUE FOR ALL OUR STAKEHOLDERS, ABIDING BY THE UTMOST PROFESSIONAL AND ETHICAL STANDARDS, AND BUILDING AN ENDURING INSTITUTION.

VISION

TO BE THE UNDISPUTED LEADING AND DOMINANT FINANCIAL SERVICES INSTITUTION IN AFRICA.

WHO WE ARE

With the Bank's migration from universal banking to monoline commercial banking in line with regulatory requirement, UBA provides commercial banking, pension custody and related financial services to its more than fourteen million corporate, commercial and retail customers, served through various channels.

ABOUT UBA

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ABOUT UBA

CORPORATE PROFILE

United Bank for Africa Plc (UBA) is a leading pan-African financial services group with presence in 19 African countries, as well as the United Kingdom, the United States of America and France.

UBA was incorporated in Nigeria as a limited liability company after taking over the assets of the British and French Bank Limited, which had been operating in Nigeria since 1949. The United Bank for Africa merged with Standard Trust Bank in 2005 and from a single country operation founded in 1949 in Nigeria - Africa's largest economy - UBA has become one of the top providers of banking and other financial services on the African continent. The bank provides services to about 14 million customers globally, through one of the most diverse service channels in sub-Saharan Africa with over 1,000 branches and customer touch points and a robust online and mobile banking platform.

UBA was the first Nigerian bank to make an Initial Public Offering (IPO), following its listing on the NSE in1970. It was also the first Nigerian bank to issue Global Depository Receipts (GDRs). The shares of UBA are publicly traded on the Nigerian Stock Exchange (NSE) and the bank has a well-diversified shareholder base, which includes foreign and local institutional investors, as well as individual shareholders.

Products
UBA is a financial institution offering a range of banking and other financial and pension fund custody services.

Market
UBA has over fourteen million customers in retail, commercial and corporate market segments, spread across 22 countries, consisting of Nigeria, 18 other African countries, the United States of America, the United Kingdom and France.

Channels
UBA has one of the largest distribution networks in Africa. As at 31 December 2016, there were 1,000 branches and customer touch points across Africa, 1,738 ATMs and 13,452 POS machines fully deployed.

Staff
As at 31 December 2016, the Group had over 20,000 direct and support staff.

Our shared values

ENTERPRISE	Own the task | Go the extra mile, solve problems Show initiative | Break barriers | Be innovative
EXCELLENCE	Be responsive and passionate | Surpass customer's expectations always Maintain quality standards | Be meticulous – make it simple always Be professional – integrity, friendly and genuine
EXECUTION	Get it done | Get it done now Get it done very well | ...Always have the end in mind

ABOUT UBA

GLOBAL FOOTPRINT

Africa... United by One Bank

ABOUT UBA

DIRECTORS

Tony O. Elumelu, CON

Chairman

Tony Elumelu is an economist, investor, and philanthropist. He chairs privately held investment firm Heirs Holdings and Nigeria's largest quoted conglomerate Transcorp. Mr Elumelu invests across Africa, primarily in oil and gas, financial services, hospitality and power sectors. His investments are informed by his philosophy of Africapitalism: the belief that the private sector can lead Africa's economic renaissance and that investment should create both economic prosperity and social wealth.

Mr Elumelu sits on several global public and social sector boards including the United Nations Sustainable Energy for All Initiative (SE4ALL) and USAID's Private Capital Group Partners Forum (PCG).

He is the Chairman of leading pan-African financial services group, the United Bank for Africa (UBA), with presence in 19 African countries, and offices in Paris, London and New York.

He is also the Founder of the Tony Elumelu Foundation, which has seeded $100 million through the Tony Elumelu Entrepreneurship Programme, to champion entrepreneurship across Africa over the next 10 years.

Amongst his numerous roles, he serves as Co-Chair of the Aspen Institute Strategy Group on Global Food Security, sits on the Global Advisory Board of the Washington DC based think tank, the Wilson Centre, and is a member of the Global Advisory Council of the Harvard Kennedy School's Centre for Public Leadership. Elumelu is a member of the World Economic Forum Community of Chairmen.

AMB. Joe Keshi, OON

Vice-Chairman

Appointed Non-Executive Director in 2010 and he is the Vice-Chairman of the Board

A graduate of political science from the University of Ibadan, Nigeria, he holds a post-graduate diploma in International Relations and Diplomacy from the Nigerian Institute of International Affairs and a Masters in Administration and Development from the Institute of Social Studies, the Hague, the Netherlands. He is both a Fellow of the John Kennedy School of Government, Harvard University and the Harvard Business School. He has since joining the Board, attended a number of trainings. He joined the Nigerian Public Service in 1975 and has over 37 years' working experience as a career diplomat. Apart from serving in a number of Nigeria's diplomatic missions and heading a few, he was at various times, National Coordinator, Nigeria National Volunteer Service, Permanent Secretary, Cabinet Secretariat, the Presidency; and Permanent Secretary, Ministry of Foreign Affairs. He is a Director of South Strategy and Chairman of Afrigrowth Foundation.

Ambassador Joe Keshi is also a member of the Phillip Asiodu Economic Initiatives and on the board of Good Governance for Africa (GGA).

Kennedy Uzoka GMD/CEO

Appointed Executive Director in 2010 and GMD/CEO in 2016

He holds a BSc in Mechanical Engineering from the University of Benin and an MBA from the University of Lagos. Mr. Uzoka has over two decades experience covering core banking, corporate marketing communication, strategy and business advisory services.

Kennedy is currently the Group Managing Director/CEO and he is responsible for leading the development and execution of UBA Group's long-term strategy.

Prior to his current role, he was Group Deputy Managing Director and CEO UBA Africa managing the Group's country subsidiaries across 18 countries in Africa as well as supervising three key strategic support areas in Digital Banking, Information Technology and Personal Banking.

As Deputy Managing Director, he was also the Executive in charge of the Group's businesses in New York and London.

He is an alumnus of Harvard Business School (AMP) in Boston USA, the International Institute of Management Development (IMD) in Lausanne, Switzerland and the London Business School, United Kingdom.

Victor Osadolor

Deputy Managing Director

Victor Osadolor is the Deputy Managing Director, United Bank for Africa (UBA) Group, a Director on the Board of UBA Capital Europe, the Chairman of UBA Pensions Custodians Limited and a Non-Executive Director of African Finance Corporation (AFC).

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

Until his appointment as the Deputy Group Managing Director of UBA PLC, Victor served as Group Director, Heirs Holdings (HH) Limited between 2014 and 2015. Prior to this, Victor was at different times between 2012 and 2014, the Chief Operating Officer for Corporate and Investment Banking as well as the Chief Strategist for Ecobank Transnational Incorporated (ETI). In these capacities, Victor worked out of Johannesburg South Africa and Lome Togo.

Victor in the course of his career spanning over 27years has, at various times before joining Ecobank Transnational Incorporated (ETI), served as Managing Director – UBA-Capital, Deputy Managing Director – UBA (South Bank), Executive Director – Risk and Finance (UBA), Group Chief Finance Officer – UBA, Executive Director –Risk and Compliance (Standard Trust Bank), Deputy Managing Director (CTB), Chief Finance Officer (Ecobank Nigeria), Chief Finance Officer (Guaranty Trust Bank) and Auditor, Coopers & Lybrand (Now PricewaterhouseCoopers)

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

Dan Okeke

Executive Director (Abuja and East Bank)

Appointed Executive Director in 2011

He holds a BSc degree in Geography and Planning from the University of Nigeria, Nsukka and an MBA (Finance) degree from the ESUT Business School Lagos. He is an associate of the Nigerian Institute of Management (NIM) and has attended various local and international courses, including the Competition and Strategy programme at the Harvard Business School. He acquired varied work experience in the manufacturing industry before moving to the financial services sector. He has over 20 years' banking experience, garnering capabilities in domestic and international operations, credit and marketing. He is currently responsible for the Bank's retail and commercial business in Abuja and Eastern Nigeria.

Emeke E Iweriebor

Executive Director (CEO UBA Africa – Francophone)

Appointed Executive Director in 2013

He holds a BSc in Political Science and MSc in Political Science (Int'l Relations) as well as an MBA from the University of Lagos, Nigeria. He has attended several Executive and Leadership Development Programmes organised by the Wharton Business School; the International Institute for Management Development (IMD); the Said Business School, Oxford University, and others.

He has over two decades of banking experience.

Emeke is the CEO, UBA Africa – Francophone with responsibility for building and growing the Bank's business and strengthening governance in UBA's Francophone Africa subsidiaries.

Prior to this, he was at various times, Regional CEO, Central Africa; CEO, UBA Central, East and Southern Africa; and, CEO, UBA West Africa. He also ran the Bank's Corporate Banking business, as well as Lagos and Western Nigeria.

Emeke was also the pioneer MD/CEO of UBA Cameroon.

Oliver Alawuba

Executive Director/CEO, UBA Africa –Anglophone

Appointed Executive Director in 2016

Mr. Oliver Alawuba has over twenty years working experience in the banking industry and academia. Oliver was at various times an Executive Director at Finbank Nigeria Plc (now FCMB Plc), MD/CEO UBA Ghana Limited, MD/CEO UBA West Africa and Deputy CEO UBA Africa Wholesale Banking. He is presently the Regional CEO, UBA Anglophone Africa.

He is an alumnus of the AMP and SEP programmes of the prestigious Insead Business School, France and London Business School respectively. He is also a Fellow of Nigerian Institute of Management and Honorary Senior Member of Chartered Institute of Bankers of Nigeria.

Uche Ike

Executive Director, Risk Management and Compliance

Appointed Executive Director in 2016

He holds a BSc degree in Accountancy and a Master of Business Administration degree from the University of Benin, Nigeria. He is an Associate member of the Institute of Chartered Accountants of Nigeria (ICAN). He has over two decades of banking experience spanning Operations, Internal Audit, Enterprise Risk Management, Fraud Management and Regulatory Compliance.

In his current role, he is responsible for coordinating the risk management activities of the bank. Prior to this role, he was the General Manager of UBA New York Branch and had also previously supervised operations in the East and South Banks of UBA Nigeria.

DIRECTORS (continued)

Puri Ibrahim

Executive Director, North Bank

Appointed Executive Director in 2016

Mr. Puri holds a Masters of Banking and Finance obtained from the Bayero University Kano and has over 29 years continuous banking experience. He joined UBA in 2006 and has held the following roles in the bank; Directorate Head North, Head Wholesale Banking North, Regional Director Abuja and Regional Bank Head North Central and North East.

Prior to joining UBA he worked with Savannah Bank Plc and Universal Trust Bank holding Management roles such as Regional Business Controller – North and Head Large Corporates North. In recognition of his excellent work ethic and leadership skills he bagged the Award for customer service excellence, Turnaround Manager of the Year and Most effective team lead.

He has attended several trainings in and outside the country including Executive leadership, Corporate Governance, Structured finance, Advanced Credit Analysis, Corporate finance and derivatives, Marketing and Relationship Management, Negotiation Skills, etc.

Chukwuma Nweke

Executive Director, Operations & Technology

Appointed Executive Director in 2016

He holds a BSc degree in Accountancy and an MBA from the University of Nigeria, Nsukka. He is an Associate member of the Institute of Chartered Accountants of Nigeria and an Honorary Member of the Chartered Institute of Bankers of Nigeria. He has more than two decades of experience spanning Banking Operations, Finance, Technology, Audit and Strategy.

Ayoku A Liadi

Executive Director (Lagos and West Bank)

He holds a BSc in Business Management from University of Nigeria, Nsukka. Ayoku is also a Chartered Accountant and member of the Institute of Chartered Accountants of Nigeria (ICAN).

Prior to joining UBA Plc in 2014, he had over two decades of banking experience in Business Transformation, Relationship Management, Banking Operations, Risk Management and Financial Control.

He was the Managing Director, Guaranty Trust Bank, Sierra Leone Limited where he led the bank to win the most profitable bank in Sierra Leone in 2013 as well as Financial Institution of the year 2013 and The Most Customer-Focused Bank Award 2012 by KPMG. He also had a stint at Zenith Bank and rose to the position of Deputy General Manager in 2006.

He has attended various local and offshore courses in Banking, Strategy, and Leadership among others.

Rose Okwechime

Non-Executive Director

Re-appointed Non-Executive Director in July 2012

She holds a Masters degree in Business Administration specialising in Banking and Finance. Currently, the Managing Director of Abbey Mortgage Bank Plc. Fellow of the Chartered Institute of Bankers of Nigeria, Fellow of the Institute of Directors and Fellow of the Institute of Bankers (London). She is an alumna of the International Institute of Management Development (IMD) in Lausanne, Switzerland and Harvard Business School, Boston, USA. She is a recipient of many awards including the Woman of Excellence Award.

Kola Jamodu, CFR

Non-Executive Director

Appointed Non-Executive Director in 2007

A Chartered Accountant (FCA), Chief Jamodu is also a fellow of the Chartered Institute of Management Accountants, London (FCMA), the Chartered Institute of Taxation of Nigeria (FCIT) and the Institute of Chartered Secretaries and Administrators of Nigeria (FCIS). His work experience spans the multinational sector in Nigeria, having worked in UAC, Unilever and PZ Industries where he rose to the position of Chief Executive and later appointed as the Chairman, thereby combining the position of the Chairman/Group Chief Executive of the Group.

An alumnus of the Harvard Business School, Boston, USA, and a former Minister of Industry of the Federal Republic of Nigeria. Chief Jamodu is the Immediate Past President, Manufacturers Association of Nigeria (MAN). He is currently the Chairman of the Boards of Nigerian Breweries Plc, PZ Cussons Nigeria Plc and Nutricima Limited. He is a recipient of National Merit Awards including Member of the Order of the Federal Republic of Nigeria (MFR), Officer of the Order of the Federal Republic of Nigeria (OFR) and Commander of the Order of the Federal Republic of Nigeria (CFR). He is also a recipient of the National Productivity Merit Award (NPMA).

Adekunle Olumide, OON

Non-Executive Director

Appointed Non-Executive Director in 2007

He is a quintessential diplomat, a distinguished career public servant and an accomplished technocrat of the organised private sector who holds a Second Class upper honours degree in History (London) from the then University College of Ibadan.

He is a former Federal Permanent Secretary and Chairman of the Nigerian Social Insurance Trust Fund (NSITF). He has represented Nigeria in many global fora, including as Minister-Counsellor at the Permanent Mission of Nigeria to the United Nations office in Geneva, member of the Board of the International Atomic Energy Agency (IAEA), Chairman of the Employment Committee of the International Labour Organisation (ILO) and Charge d'Affaires of the Nigerian Embassy in Gabon. He retired as the first Director-General/CEO of the Lagos Chamber of Commerce and Industry in 2005. He is currently the Consultant to the American Business Council.

Foluke K. Abdulrazaq

Non-Executive Director

Appointed Non-Executive Director in 2007

She holds an MSc degree in Banking and Finance from the University of Ibadan. She is also an Alumna of the Harvard Business School. She has 17 years of practical banking experience, the height of which was her appointment by the Central Bank/NDIC in September 1995 as the Executive Chairman of the Interim Management Board of Credite Bank Nigeria Limited

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

Mrs. Abdulrazaq has held several major board positions including Julius Berger Plc. A Council Member of the Bank Directors Association of Nigeria (BDAN) and a member of the Institute of Directors (IOD), she is a recipient of the 'Lagos State Woman of Excellence' Award in 1999 and a Justice of Peace (JP). She currently runs Bridge House College, Ikoyi – Lagos, a sixth-form College that offers first class pre-University Foundation and 'A' Levels for students seeking University Education in Nigeria and overseas.

Ja'afaru Paki

Non-Executive Director

Appointed Non-Executive Director in 2008

He obtained a DSc degree in Business Administration from Bradley University, USA. He has had a distinguished career working at Mobil Oil Nigeria, the Nigerian National Petroleum Corporation (NNPC) and Unipetrol Nigeria where he served as Managing Director/CEO between 1999 and 2001. He has held directorships in several organisations, including Kaduna State Housing and Property Development Authority, Kaduna State Industrialisation Board, African Petroleum, and Stallion Property and Development Company. He was Special Assistant on Petroleum Matters to Nigeria's President Olusegun Obasanjo (2003 – 2007). He also was a member of the National Stakeholders Working Group of Nigerian Extractive Industries Transparency Initiative. He is currently the Chairman of Nymex Investment Limited, Chairman Oxygen Manufacturing Company Limited, Chairman Al-Shifa Nigeria Limited and a Director on the Board of Advance Link Petroleum Limited.

ABOUT UBA
DIRECTORS (continued)

Yahaya Zekeri

Non-Executive Director

Appointed Non-Executive Director in 2010

He is a chartered accountant and seasoned banker with over 35 years' banking experience garnered across leading financial institutions. He is an associate member, Chartered Institute of Bankers, London (ACIB) and an associate member, Institute of Chartered Accountants of Nigeria (ICAN). He is also a fellow, Association of Chartered Certified Accountants, London (FCCA).

He attended various development courses at the Manchester Business School as well as Columbia University Business School.

Owanari Duke

Non-Executive Director

Appointed Non-Executive Director in July 2012

She holds an LLB degree from Ahmadu Bello University, Zaria (1983) and was called to the Nigerian Bar the following year. She is a former First Lady of Cross River State of Nigeria, an Entrepreneur, Legal Practitioner, certified Mediation/ Dispute Resolution Consultant, business coach and philanthropist.

Mrs. Duke is the Country Director, Empretec Nigeria Foundation, a United Nations Conference on Trade and Development (UNCTAD) Private Sector Support Initiative and is also the Chairman, Child Survival and Development Organisation of Nigeria (CS-DON), a maternal and childhood healthcare initiative. She is a founding partner in the Law firm of Duke and Bobmanuel and also chairs the Empretec Africa Forum, an association of all UNCTAD Empretec Centres in Africa.

Samuel Oni, FCA

Non-Executive Director

Appointed Non-Executive Director in 2015

High Chief Samuel Oni holds an MBA (Finance) from the University of Ilorin. Prior to his appointment, he was engaged in private practice following his retirement as the Director of Banking Supervision at the Central Bank of Nigeria where he played a very prominent role in the CBN intervention process during the financial crisis in 2009 which restored stability in the banking system; a role he performed very well and received a special commendation from the Board of the Central Bank of Nigeria.

He was also the Chairman of the Committee set up by the CBN to supervise the establishment of the Asset Management Corporation of Nigeria (AMCON). High Chief Samuel Oni is a Fellow of both the Association of Chartered Certified Accountants, London and the Institute of Chartered Accountants of Nigeria with over thirty five years of work experience.

ABOUT UBA

MANAGEMENT TEAM

Ugo Nwaghodoh

Group Chief Finance Officer

Ugo holds a BSc degree from the University of Ibadan, Nigeria and an MSc degree in Finance and Management from Cranfield University, England. He is a fellow of the Institute of Chartered Accountants of Nigeria and Institute of Credit Administration and a member of Cranfield Management Association.

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

Bili A Odum

Group Company Secretary

He holds an LLB (Hons) degree from Edo State University, Ekpoma, Nigeria and was enrolled as a Solicitor and Advocate of the Supreme Court of Nigeria in 1990. He is a member of the Chartered Institute of Arbitrators (United Kingdom), the Nigerian Bar Association and the International Bar Association. He is an alumnus of the Lagos Business School (Chief Executive Programme 18) and the New York Institute of Finance.

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

Franklyn Bennie

Group Chief Compliance Officer

Franklyn holds a BSc degree in Business Administration from Ahmadu Bello University Zaria and MBA from University of Lagos. He is an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria, Member, Association of Certified Anti-Money Laundering Specialist and Associate Member Nigeria Institute of Management [Chartered]

He is an experienced Compliance, Regulatory, and AML/CFT Risks professional of over two decades in the banking profession. Other areas of specialty include banking operations, local and international bank branch start-up; internal control and corporate governance.

Prior to his current role, he had worked with Citibank in various capacities including Chief Compliance Officer for Citi Nigeria; Compliance Head for Citi in West Africa and acting Compliance Head for Sub-Saharan Africa. He had a brief stint with Union Bank Plc as Regulatory and Franchise Risk Strategy Consultant leading the AML/CFT Compliance Transformation. He has attended several local and international trainings/seminars in banking operations, AML/CFT; managing and leading people

Emem Usoro

Head, Strategic Business Group (Lagos 2 Region)

Emem is currently the Regional Director, Lagos. She holds BSc (Biochemistry) and MBA degrees from the Obafemi Awolowo University, Ile-Ife. She is also an alumnus of the Lagos Business School and Harvard Business School.

Emem is a member of the Chartered Institute of Bankers of Nigeria (CIBN) and has over 20 years' banking experience. She has strong capabilities in relationship management, effective communication and business development, with a track record of winning and executing high-profile transactions. She has won several performance awards over the years of her career. She has strong competencies in corporate, commercial and public sector banking.

Prior to joining UBA in 2011, she was a Regional Executive in Bank PHB Plc (now Keystone Bank), where she was responsible for developing the commercial business of the Bank in Victoria Island region. Upon joining UBA , Emem was the Regional bank head Akwa Ibom and cross river bank , from there she became the directorate head for Abuja bank where she was saddled with the strategic responsibility of sustainably growing revenues, customer base and profitability of the region . She is now the regional director Lagos island 2 region.

ABOUT UBA

MANAGEMENT TEAM (continued)

Emmanuel Onokpasa

Group Treasurer

He holds a BSc (Honours) degree in Accounting from the University of Benin, Nigeria and he is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and Associate of the Chartered Institute of Taxation of Nigeria (CITN). He is an alumnus of the Harvard Business School, Boston and the Lagos Business School. His experience spans various areas of banking including Financial Markets, Operations, International Trade, Business Strategy and Structured Finance.

Mr. Onokpasa has had a distinguished career serving at different times as Group Treasurer at Diamond Bank and FinBank (now part of FCMB) after having a stint in consulting, auditing and taxation practice.

Rao Anant

Group Head, Customer Fulfilment Centre

Anant holds a Master of Commerce and an MBA from Sri Sathya Sai Institute of Higher Learning in India. A Banking Operations and Technology Professional for last two decades. He joined UBA in 2008. Prior to being the Director, Customer Fulfillment Centre, he was at different time, Head, Strategy and Business Transformation and Director, Global Shared Services Centre. He was responsible for setting up of the state-of-the-art Global Shared Services Centre for UBA Group and managed the transition of all the operations processes across the group for all UBA Bank and Non-Bank Subsidiaries.

Prior to UBA, Rao had a distinguished career working for 14 years in the areas of Operations and Technology in Citigroup. He led large transformational offshore projects for Citigroup in EMEA and Asia Pacific regions. Managed Consumer and Corporate Banking and Technology Operations for various countries under EMEA, Asia Pacific and North America regions. He has deep domain knowledge and diverse experience in Banking Operations and Financial Technology, Outsourcing, Offshore Operations, Business Transformation, Credit and Risk Management in the financial services industry.

Adesola Yomi-Ajayi

Group Head, Global Financial Institutions

She has a first degree from Obafemi Awolowo University, Ile-Ife and an MBA from the Aberdeen Business School.

Sola is a highly experienced banker with over twenty two (22) years banking experience cutting across Business Development (managing Corporate and Institutional relationships), Structured Lending, Transaction Banking, Commercial Banking, Correspondent Banking and Banking Operations.

Currently, the Directorate Head, Global Financial Institutions for UBA Group operating out of our London office, Sola has responsibility for managing UBA's relationships with Banks, Development Financial Organizations and Export Credit Agencies. In addition, she is responsible for originating and negotiating foreign currency debt funding for the Group as well as forging and managing UBA's strategic alliances across the globe.

She has benefited from the Judge Business School, University of Cambridge's executive education programme while also attending several industry specific training in banking and management. Sola is a Fellow of the Chartered Management Institute, UK.

Muyiwa Akinyemi

General Manager, Corporate Bank

Muyiwa holds a BSc degree in Accounting from Obafemi Awolowo University , Ile-Ife, Nigeria and he is an associate of the Institute of Chartered Accountants of Nigeria as well as member of various professional institutes.

He is a seasoned financial analyst, corporate and investment banker with over two decades experience spanning business advisory, financial control, investment banking; capital market services; wholesale banking – energy; government and corporate banking in Nigeria and across Africa. Prior to his current role, he was at different times, Director, Wholesale Banking, Rest of Africa, CEO, UBA Kenya, Head, Investment Banking, Head, Global Corporates, Regional Director, Retail Banking in UBA and erstwhile Standard Trust Bank Plc. Before joining Standard Trust Bank/ UBA in 1998, he had worked with Diamond Bank after having a stint in audit and financial services firms.

Muyiwa was trained in leading institutions, including Harvard Business School, Wits Business School, South Africa, amongst others.

Ayodeji Adigun

General Manager, Group Executive Office

He holds a BSc (First Class) degree in Accounting from the University of Lagos. He is a fellow of the Institute of Chartered Accountants of Nigeria (ICAN). He is also an associate member of the Chartered Institute of Management Accountants, UK (CIMA) and Chartered Institute of Taxation of Nigeria (CITA).

Ayodeji has worked in the academia, auditing and consulting firms and in several other banks including NAL Merchant Bank, Diamond Bank and Standard Trust Bank.

He has over two decades of banking and finance experience, with appreciably high competencies in financial control, financial management, performance management, project management, audit, strategic planning and business transformation.

Razak Shittu

General Manager, Energy Bank

Razak holds BSc and MBA degrees from the University of Ilorin. He has over 28 years' experience in banking, spanning development finance, operations and oil and gas. He has attended several local and international training including HBS, DC Gardner of London.

Razak is an alumnus of the USAID/IFESH Best & Brightest African Bankers programme which afforded him the opportunity to train at Mellon Bank, JP Morgan and OPIC in the USA. Before joining UBA, he had worked with NBCI, IMB, NNB and EcoBank.

Samuel Adikamkwu

Group General Counsel

He hold an LLB degree from the Bendel State University (now Ambrose Alli University), Ekpoma, Edo State NIgeria and an LLM degree from both his alma mater and the University of Lagos. He is a member of the Chartered Institute of Arbitrators, United Kingdom.

Before joining the banking industry in 1997, he lectured at the Ambrose Alli University, where he was the acting head of the department of Commercial Law in the faculty of Law. He was appointed Company Secretary/Legal Adviser of Standard Trust Bank (STB) Plc in 1997. Following the merger of STB Plc and UBA Plc, he became the Deputy Legal Adviser. In 2007, he was appointed the Group General Counsel. Mr Adikamkwu has attended several courses within and outside Nigeria.

Gboyega Sadiq

Group Chief Internal Auditor

He holds a first class BSc (Honours) degree in Accounting from the Obafemi Awolowo University Ile-Ife and is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and Honorary Senior Member of the Chartered Institute of Bankers of Nigeria. He also holds post-graduate degrees in Economics and Public Administration.

Gboyega has had a distinguished banking career spanning over 25 years in Operations and Control and more recently Audit. Before joining UBA (about 10 years ago), he has worked at Citibank Nigeria and Access Bank Plc where he occupied senior roles.

ABOUT UBA

MANAGEMENT TEAM (continued)

Feyi Ogoji

Head, Strategic Business Group (West Region)

Mr Feyi Ogoji Serves as Regional Director, Oyo and West Central of United Bank For Africa. He holds a BSc degree in Accounting and an MBA degree, both from University of Lagos. He is chartered accountant and a Fellow of the Institute of Chartered Accountants on Nigeria (ICAN), with over two decades of post-professional qualification experience in professional accounting practice and banking. He has functioned in various senior management capacities such as Group Chief Operating Officer, Regional bank CEO, Mid West, pioneer Regional Director, West – post UBA/STB merger. As a pioneer turnaround staff member of the standard Trust Bank Plc in 1997, he variously functioned as Divisional Head, Operations, Divisional Director, Customer Service, Head, Internal Control and Reconciliation. He has attended several local and international courses.

Dupe Olorunjo

Divisional Head, Corporate Bank

Dupe is a graduate of pharmacology from the University of Lagos, Nigeria and also holds a Masters In Business Administration from the University of Benin. She is an Alumna of Lagos Business School and Cranfield University UK.

She is a seasoned Corporate Banker with experience in Corporate Finance and Specialised credits. Before joining UBA in 2006, she also had successful careers at Nigerian American Merchant Bank; Commercial Bank Credit Lyonnais/ Capital Bank International;and Access Bank Plc.

Ebele Ogbue

General Manager, Wholesale Banking (Anglophone Africa)

Ebele holds a BSc (Honours) degree in Accounting from the University of Lagos and an MBA (IT & Management) from CASS Business School London.

His professional career started at Price Waterhouse in 1991, before his foray into banking, where he has spent the last two decades working at international banks such as, Citibank and Standard Chartered Bank, before joining UBA in 2004. His banking experience spans various areas of banking from Asset Based Finance to core Corporate Banking and Trade Finance.

Prior to his current role, he was MD/CEO, UBA Capital Europe Limited and the pioneer MD/CEO, UBA Liberia.

Patricia Aderibigbe

Group Head, Human Resources

Patricia Aderibigbe is responsible for UBA Group's Human Resource function across 19 African countries and its international subsidiaries. With the bank's focus on Excellence in service, Patricia's priority has been on culture transformation – engendering the core values of Enterprise, Execution and Excellence into our day-to-day work. This also involves adopting a digital mindset as a culture so that the customer continues to experience UBA in a different way.

A dynamic and passionate people leader, Patricia's background is firmly rooted in Human Resources, organisation and leadership development, Executive coaching as well as business operations, spanning over two decades, gained from working in 18 countries in Europe and now in Nigeria.

She holds two Masters Degrees – in English Literature and Employment Relations and Law from the University of Ibadan and Kingston University, UK respectively; her first degree is in English and Literature from the University of Benin.

Patricia is a Fellow of the Chartered Institute of Personnel and Development, a life member of the Institute of Directors, UK and served as a member of the UK employment tribunals until recently.

Franklin Erebor

General Manager, Wholesale Banking (Francophone Africa)

He holds a BSc (Honours) degree in Economics and an MBA Finance degree both from the University of Benin, Nigeria as well as an M.Phil in International Finance from the University of Glasgow, Scotland. He is an alumnus of Harvard Kennedy School of Government (USA), Harvard Business School (USA), Wharton Graduate School of Business (USA) and Stanford Graduate School of Business(USA). Mr. Erebor is a distinguished British Chevening Scholar and a multiple award winning senior African banking executive with 26 years experience in banking, spanning Anglophone, Francophone and Lusophone Africa and formulating industrial policy, leading change and co-ordinating cross-functional teams across geographies and global value chains.

He is an energy sector expert and thought leader, with vast experience in upstream/midstream/downstream structured finance, covering the entire energy value chain.

Roland Awo-Osagie

Chief Technology Officer

Roland holds a BSc in Industrial Mathematics from the University of Benin and MBA in Project Management from Federal University of Technology Owerri. He has also attended various management courses at Lagos Business School, Parity University London, Genesys University, London among other professional and management development programmes.

He is a seasoned practitioner in Information and Communication Technologies, Risk Management, Strategy, people and project management with over two decades of experience spanning Banking, Telecommunications, Managed Services and OEMs industries, playing different senior management roles in multiple geographies in Africa.

He has successfully executed several transformational projects which have greatly improved the information technology capacity, capabilities and operational efficiency of the bank. More recently a series of innovative projects embarked upon by him and his team have delivered unprecedented transaction success various e-channels. He lead a cross-functional team of experts across the banks, commissioned by the CBN/Banker committee to develop the Framework for Data Center Colocation under the Share Services Programme aimed at reducing the cost to serve of Banks across the industry.

He is responsible for Information and Communication Infrastructure Technology solutions, services and IT Operations at UBA Group.

Usman Isiaka

Head, Strategic Business Group (Lagos 3 Region)

Usman is a BSc Accounting graduate of Ahmadu Bello University Zaria (1989) with MBA from Bayero University, Kano. He is also a Fellow of Institute of Chartered Accountants of Nigeria (FCA). Prior to his appointment as Regional Director, Lagos 3 in June 2016, with oversight over the bank's branches in Ikeja, Agege and Ikorodu clusters, he was the Deputy Managing Director of UBA Ghana from January 2014 to May 2016.

He has been in the employment of the bank since May 2000 with various roles as Director, Group Internal Control; Director, Audit and Control UBA Africa/Deputy Group Chief Inspector and Divisional Head, Internal Control before moving into sales function in 2014.

Usman has attended various local and international training programmes on Audit, Control, Treasury, Risk Management and Compliance, Negotiation Skills and Transformational Leadership amongst others. He is happily married with children.

ABOUT UBA

MANAGEMENT TEAM (continued)

Kubi Momoh

Group Head, Risk Management

Kubi is a Chartered Accountant, RIMAN Associate, and holds a first degree in Accounting from Ahmadu Bello University, Zaria.

Her banking career has spans close to three decades. She started work as an Operations Staff before moving into Risk Management and Treasury, plus a stint in Trade Products. Kubi joined UBA in 2006. Prior to becoming the Group Head, Risk Management at UBA Plc, she was the Chief Risk Officer in another financial institution, during which time she was also a Non-Executive Director on the Board of an insurance company.

In her current position she has responsibility for operational, market, information technology and credit risk management across the UBA Group, ensuring that the risk profile aligns with the Group's risk appetite, asset quality standards, capital allocation and strategic growth targets. In addition to the duty to ensure the quality of the risk asset portfolio and business continuity, she is driving the Group's forward looking practice on risk management, a culture which enhances UBA's adaptability to emerging market and technology trends

Kubi is an industry knowledge resource, leveraging formal trainings in reputable global institutions and hands-on experience. She is renowned for her in-depth analysis, being a financial tele-analyst on macro trends.

Abubakar Bello

Head, Strategic Business Group (North 4 Region)

Mr. Abubakar Bello holds a Bachelor of Agriculture degree from Ahmadu Bello University Zaria, Nigeria, a Master Degree in Business and Commercial Law; and MBA from Bayero University Kano, Nigeria. He is an Honorary Senior Member (HCIB) of the Chartered Institute of Bankers of Nigeria (CIBN), an Associate of the Institute of Chartered Economists of Nigeria (ICEN) and a Pioneer Member of the Institute of Planning, Nigeria (IPN).

He has wealth of experience in banking and management which spans various areas of banking, managing Commercial, Retail, Corporate and Public Sector Clients; and has served in strategic leadership and management roles.

Mr. Bello commenced his banking career with the defunct FSB International Bank Plc after a stint in consulting at Afri-Projects Consortium. He has served at different times as Group Head Private Sector, Zenith Bank Plc; and Regional Head, Access Bank Plc.

ABOUT UBA

BOARD OF DIRECTORS

19 18 17 16 15 14 13 12 11 1 2 3 4 5 6 7 8 9 10

1. *Tony O. Elumelu, CON – Chairman of the Board*
2. *Kennedy Uzoka – GMD/CEO*
3. *Foluke Abdulrazaq*
4. *Yahaya Zekeri*
5. *Ja'afaru Paki*
6. *Kola Jamodu, CFR*
7. *Owanari Duke*
8. *Dan Okeke*
9. *Liadi Ayoku*
10. *Uche Ike*
11. *Joe Keshi, OON*
12. *Victor Osadolor*
13. *Samuel Oni, FCA*
14. *Rose Okwechime*
15. *Adekunle Olumide, OON*
16. *Emeke Iweriebor*
17. *Oliver Alawuba*
18. *Chukwuma Nweke*
19. *Puri Ibrahim*

GROUP MANAGEMENT

7 6 5 4 3 2 1

8

12 11 10 9

1. *Ugo Nwaghodoh*
2. *Feyi Ogoji*
3. *Isiaka Usman*
4. *Rao Anant*
5. *Franklyn Bennie*
6. *Razak Shittu*
7. *Gboyega Sadiq*
8. *Patricia Aderibigbe*
9. *Modupe Olorunjo*
10. *Franklin Erebor*
11. *Adesola Yomi-Ajayi*
12. *Emem Usoro*

STRATEGY AND BUSINESS REVIEW

STRATEGY AND BUSINESS REVIEW

CHAIRMAN'S STATEMENT

INTRODUCTION

Distinguished Fellow Shareholders,

It is my honour to present to you the 2016 Annual Report of our Bank, the United Bank for Africa Plc.

Let me begin by reminding you of our Bank's mission. We wish to be *the* bank of choice for every African; we wish to bring the benefits of financial inclusion to the many not the few; we wish to democratise banking for all.

For these reasons, we operate in every in every state in the Federal Republic of Nigeria; we have an African network of 19 countries, which we are continuing to expand; and this is why we are the *only* African bank to operate in New York, London and Paris.

Most importantly, we strive every day to deliver effective and efficient products and services to all our customers; to allow them to realise their ambitions: from saving for the future and paying school fees; to originating and financing complex transactions, which are contributing to the economic renaissance of Africa. It is why we lead in the provision of electronic banking services and why we are embracing the radical change that our industry is experiencing.

2016 was a challenging year. In Nigeria, the continued impact of the country's reliance on commodities, sharply rising inflation and a weakening Naira impacted all of us. This has created a difficult environment for our customers and we have acted to support them. We believe we are beginning to see the implementation of policies that will steer Nigeria to the economic potential that should be her destiny. The publication by the Federal Government of *the Economic Recovery & Growth Plan 2017 – 2020* provides ground for optimism and we are ready to play our role.

Across Africa, our strategy of diversification, allows us to operate in economies, such as *Côte* d'Ivoire and Tanzania, where economic growth remains very strong. Our pan-African network, with staff of more than 25 nationalities, and most importantly our pan-African customers are of ever-increasing importance to your Bank.

We remain optimistic about the global economic environment and our commitment to being Africa's global bank is unwavering. Within the Bank, we have executed further management change, drawing on the deep pool of talent that we nurture and which thrives in an environment that rewards success, dedication and loyalty.

Most importantly, we have continued to reward shareholders, investing in our franchise and taking action to ensure that your precious investment is both secure and can flourish.

OUR OPERATING ENVIRONMENT

It has been an eventful year, marked with rising political uncertainty. The Brexit referendum in the United Kingdom and the US election created challenges and raised questions about the existing global economic order. The potential policy shifts in the United States may impact both developed and developing economies. Notwithstanding the relative slowdown in the Chinese economy, we believe dedicated fiscal stimuli should sustain the commodity price recovery. For the first time in almost a decade, the Organization of Petroleum Exporting Countries surprised the market, agreeing to cut production by 1.2mbpd;

the successful implementation of which has supported the crude oil price, creating a new equilibrium at around USD55pb. Notwithstanding the downside risks from a strengthening US dollar and rising shale activities, the outlook on crude oil price remains, we believe, satisfactory. Commodity prices, which are critical for a number of the economies in which we operate, have risen, notably crude oil, copper, cotton, coffee and gold; and we urge governments to continue to reform and implement policies that create sustainable and broad-based economic growth. In East Africa, the challenge of drought is being confronted with fiscal and monetary policy measures, reducing the macro risk in those economies, which are expected to sustain strong growth in 2017. The IMF projects Kenya, Tanzania and Uganda to grow at 6.1%, 7.2% and 5.5% respectively. Amongst the 19 African countries, where we currently operate, there were successful elections in Uganda, Zambia and most recently Ghana, with the pre-and post-election events reinforcing the improving democratic future of Africa.

Whilst it was a year of economic recession and foreign currency scarcity in Nigeria, our biggest market, leading indicators reinforce our optimism that the economy has bottomed and should see positive GDP growth of around 2% in 2017; increasing from a 1.5% contraction in 2016. We support the Nigerian government's strong commitment to bringing peace and stability to those troubled areas of the country.

UBA FINANCIAL PERFORMANCE

I am very pleased to present the financial performance of our Bank, for the financial year ended December 2016.

Our results show the tenacity and enterprise of our management team and the staff and our ability to give our customers what they want. Our performance, notably in capital adequacy and risk management, illustrates the commitment of our Board to the best governance principles. We wish to focus on long-term growth, which is sustainable and will not sacrifice these goals for short-term gain or advantage.

In a challenging year, our Bank recorded strong growth in both top and bottom lines. Amidst the heightened risk environment, we recorded N384 billion earnings in the year; an impressive 22% growth, over our performance in 2015. This strong headline performance reflects the enhanced customer service and innovative product offerings of our Bank. Despite the impact of tight monetary policies on funding costs and rising domestic inflation in most of our chosen markets, we extracted efficiency gains from our investment in technology. Overall, our Bank grew profit before tax by 32% to N91 billion. More importantly, the Bank remains financially strong, our balance sheet is well protected and our commitment to exceeding regulatory requirements remains. Our capital adequacy ratio of 20% is substantially in excess of regulatory requirements and the Bank remains a net placer of funds at the interbank market in Nigeria, reflecting our consistent culture of keeping a well-liquid balance sheet. More so, our asset quality metrics are laudable, with a non-performing loan ratio of 3.9%, well below the industry average and regulatory thresholds.

CUSTOMER FOCUS

Now more than ever, we are focused on customer needs. We know that only by delivering customer excellence, will we create sustainable shareholder value. Project C1st was established in January 2016 to redesign the way the Bank interacts with customers through its people, technology and processes.

For a period of five months, a team that was carefully selected across the Group and across demographics, led by then Deputy Managing Director and now Group CEO, Kennedy Uzoka, assembled at our Head Office to work on designing a customer-focused strategic blueprint, that is transforming our Bank into a truly customer-focused institution.

The project delivered a series of initiatives that are helping to simplify our processes, improve turnaround time and deliver excellent services to our customers group-wide.

I am pleased to say, the results are already apparent, however, we will continue to ensure that all we do is dedicated to ensure every client interaction with the Bank provides delight and repeat business.

KEY SUCCESSES

I would like to take the opportunity to share some of our successes this year.

Our commitment to prudent lending to the oil and gas sector, critical to Nigeria's economy remains in place. The Bank was appointed as co-structuring bank for two upstream financing to raise over $2 billion, under the Nigerian National Petroleum Company's Join Venture (JV) alternative financing programme.

Across Africa, the Bank has won and executed important mandates, that demonstrate our ability and commitment to finance growth across our continent:

- We are financing the construction of a stadium in Douala, Cameroon, to host the African Cup of Nations in Cameroon in 2019. The project is valued at over $285 million.
- Over $250 million of trade financing was provided to the Senegalese state oil company, SAR by UBA Senegal.
- UBA Senegal also acted as Arranger and Bank Agent to raise $160 million for road infrastructure in Senegal.
- Over $100 million of trade financing for SONARA was provided by UBA Cameroon.
- $100 million Trade financing for SNPC, was implemented by UBA Congo Brazzaville.
- In Benin, we won the mandate to be one of the two banks for the United Nations in Benin.
- UBA Cameroon is the leading bank in providing electronic solutions for universities in Cameroon.
- UBA DRC is executing a mandate to provide electronic solutions to four universities in DRC.
- We are supporting governments with UBA's Digital Tax Collection Solutions in Senegal and Burkina Faso.

This shortlist illustrates the strength and diversity of our product and service offerings and our ability to deploy them across Africa.

NEW BOARD APPOINTMENTS

Reflecting our well established succession planning, Mr. Kennedy Uzoka was appointed Group Managing Director/CEO for our Bank, following the retirement of Mr. Phillips Oduoza, who led the Bank for six years. Having served as the Deputy Managing Director and CEO, UBA Africa, Mr. Uzoka's transition was seamless. The Board has strong confidence in his leadership and commitment to creating value for all shareholders. The Board also appointed Victor Osadolor as Deputy Managing Director, Oliver Alawuba, Uche Ike, Ayo Liadi, Chukwuma Nweke and Puri Ibrahim as Executive Directors, all from the internal management team of the Bank. These appointments reflect the rich pool of talent within the Bank, as well as the institutionalised process for career development with the UBA Group. The Board has great confidence in these appointments.

OUTLOOK

Most African countries are implementing policy measures that should help stimulate inclusive economic growth, ease macro pressures and lower the cost of doing business. Africa has experienced a difficult period; however, we welcome 2017 with renewed optimism. More so, for us at UBA, as we truly believe that "Africa is Rising". Our pan-African operations have delivered on the promises we made at the outset of our growth strategy and we are beginning to reap the benefits of one the largest networks in Africa.

As we navigate the fast changing market place, we are increasingly digitalising our core business, as we explore new markets and means of embracing customers. We are leveraging technology to improve customer experience, gain increased share of customers' wallet and offer new services. I am very optimistic that we will sustain the strong growth trajectory, as we continue to gain market share, leveraging our core values of Enterprise, Excellence and Execution.

The Board's oversight is dominated by our passion for service excellence, risk management, synergy extraction, people management and efficiency gains. We are convinced in the clear strategy of the new management, building on the work of their predecessors and we are confident in their execution, given their unparalleled commitment to delivering superior value to customers, shareholders and other relevant stakeholders. Thus, we look forward to building further on the impressive 2016 records of profit growth and benchmark asset quality metrics.

APPRECIATION

While 2016 was a particularly challenging year, it was a profitable one for UBA and the Bank achieved important further milestones in its strategic ambition. Our headline performance was strong and we achieved impressive qualitative operational improvements. These results would not have been possible without the committed and concerted effort of all our stakeholders.

I commend members of the Board and the Management for their selfless service towards delivering on our common goal of delivering superior value to shareholders. I would also like to take this opportunity to thank Phillips Oduoza, our former GMD/CEO, for all that he did in guiding UBA through a particularly challenging period. To all staff, I say thank for your commitment towards the vision of building an enduring financial institution for Africa and one that makes Africa proud.

Finally, I would like to thank our customers, whose loyalty is our pride and greatest asset. Thank you for always being there and we reiterate our commitment to serving you in the most exceptional way.

Thank you.

Tony O. Elumelu, CON
Chairman of the Board
FRC/2013/CIBN/00000002590


Take Control With
UBA Products App
Products and Services
Offers and Promotions
ATM/Branch Finder
Feedback
U-Direct
Interaction Centre

STRATEGY AND BUSINESS REVIEW

CEO'S REPORT

INTRODUCTION

Distinguished Shareholders,

On behalf of the Board of Directors, I am honoured to present to you, our Bank's performance for the 2016 financial year. This being the first year of my stewardship, I would like to start by thanking you, esteemed Shareholders, for investing in UBA Plc, and more importantly, for the trust and confidence you have placed in the Board and Management of the Bank.

Our primary goal is to consistently deliver superior and sustainable returns to you. Notwithstanding the bearish market in 2016, when the Nigerian Stock Exchange All Share Index plunged 6%, your share price rallied 33%, defying the negative market trend. This strong performance in the share price, is in addition to the total dividend of N0.60 kobo paid on every ordinary share of N0.50 each during the year. My colleagues and I are more than ever optimistic about the bright future of our Bank and the value creation for Shareholders. We have come a long way but there is still a lot of work to be done to fully realise our vision of being the undisputed leading Pan-African financial institution. I therefore, implore you to continue to extend your unflinching support to this new Management, as we consolidate our gains and unleash the huge potentials of our great Bank for the benefit of all Shareholders and other stakeholders.

Dear esteemed Shareholders, as we diligently execute our winning strategy, which I will discuss briefly in this report, I hereby, present the background to the Bank's financial performance as I reference a number of macroeconomic and industry developments that defined our business in 2016. It is pertinent that I highlight our qualitative achievements during the year as well as our winning strategy for the medium term.

OPERATING ENVIRONMENT: A MIXED BAG OF CHALLENGES AND OPPORTUNITIES

In 2016, the global economy was characterised by a number of uncertainties. The United Kingdom's referendum vote for "Brexit" which caused the consequent change in leadership, and the change of administration in the United States, all clouded the future of globalisation and raised concerns over the upcoming elections in France and Germany. Consequently, the flow of capital, trade and aids to frontier and emerging markets, particularly Africa, was subdued. The continuous slowdown in China and protracted weakness of the Euro area further waned global economic recovery, leading to lower demand for African commodities. Notwithstanding modest recovery in commodity prices arising from weak supply, the lagged impact of the 2014/15 commodity price cycle weakened the currencies of African countries, with notable impact on fiscal revenue and broad economic activities. More importantly, the fragile fiscal conditions in many African countries slowed down public sector investment, with attendant impact on overall economic growth. Sub-Sahara Africa GDP grew only 1.4% (from 5.1% and 3.4% GDP growth recorded in 2014 and 2015 respectively), especially as Nigeria slipped into recession and South Africa barely growing 0.1% in the year. Albeit all of this, it is delightful to note the positive outlook on SSA growth, as major economies turned the corner, with strong growth prospects for 2017 and beyond.

Whilst every year comes with challenges and of course opportunities, even amidst daunting circumstances, I must reckon that 2016 was an exceptionally challenging year. It was a season of recession in our Bank's biggest market, Nigeria and economic growth slowed to new lows in a few other countries, in which we operate. (A period of tight monetary policy across most of our markets, particularly in West and East African sub-regions, where interest rates were at decade high levels). The elevated interest rate environment was an obvious response to inflationary and exchange rate pressures, both of which had notable consequences on the overall macroeconomic and business environment. Being a business with multi-currency exposure, we had to proactively manage the currency risk exposure and rethink new ways to mitigate the rising cost of doing business as a result of inflationary pressures. Notwithstanding, 2016 was also a year of opportunities for us in a number of countries, as we broke new grounds and turned the challenges into opportunities. We leveraged electronic self-service channels as a convenient value proposition and cost efficient alternative to our wide network of brick and mortar branches and the revenue accretion from this initiative has been phenomenal.

The constantly changing macroeconomic environment witnessed notable regulatory responses. In Nigeria, the Monetary Policy Committee (MPC) hiked benchmark interest rate by 300bps to 14% (100bps in March and 200bps in July). The tight monetary policy increased our funding cost, at a time when we were cautious of raising lending rate in defence of our strong asset quality. The Central Bank of Nigeria announced the framework for a flexible exchange rate regime in June, 2016, technically leading to a 42% devaluation of the Naira from N199/USD to N282/USD. In addition, the CBN introduced the FX Futures to help smooth out foreign currency (FCY) demand and moderate the demand pressure at the Spot market. The Naira devaluation had implications for our cost of doing business and on earnings, capital and asset quality. In Kenya, the long debated interest rate regulation was signed into law, legislating maximum lending rate of 400bps above the CBK rate and setting minimum deposit rate at 70% of the CBK rate. This legislation has narrowed net interest margin and weakened banks' appetite for credit growth in Kenya. Given the easing inflationary pressure in Ghana, the MPC eased policy rate by 50bps to 25.5% in November 2016, the first easing in the past half-decade. Contrarily, the Bank of Mozambique consistently raised policy rate, resulting in an aggregate hike of 1,250 basis points to 23.25% in 2016, as it seeks to stabilise the Metical and rein in inflation. Overall, the year was eventful for regulations.

In spite of the macroeconomic challenges of 2016, we remain optimistic that the year 2017 will be a year of growth for the Group. The recent agreement between OPEC and non-OPEC producing countries to cut production was a welcome development which started yielding fruits for the oil producing countries in particular. The Bank has thoroughly reviewed the possible outcomes of 2017 and taken strategic steps to position and capture the inherent opportunities in the domestic and international scenes.

FINANCIAL HIGHLIGHT: PROVEN RESILIENCE

In the face of daunting competition, we leveraged our strong franchise to grow market share across our operations in Africa, gaining a better share of existing customers' wallet and onboarding new customers. Overall, we grew customer deposits by 19% to N2.5 trillion, despite the tight liquidity in most of our chosen markets. More significant is the growth in our retail deposits, as we leveraged digital channels to mobilise low cost deposits, mitigating the impact of the tight monetary policy in Nigeria on our funding cost. We progressed with our commitment to financing impactful and bankable projects across Africa. Isolating the impact of Naira devaluation, we grew our loan book by 18%, driven largely by strong loan creation in our African subsidiaries, where we funded a number of business expansion and infrastructure projects. Notably, our prudence and proactive approach to risk management was justified, as we sustained our asset quality (NPL ratio of 3.9%), in the challenging operating environment.

I am pleased to report a 22% year-on-year growth in our gross earnings to N384 billion. It is satisfying that all major income lines were strong. Whilst commission on turnover (COT) was abolished in Nigeria, the new account maintenance charge partly cushioned the impact of this discontinued income line. More importantly, the strong growth in transaction banking volume buoyed the growth of our non-interest income line, which grew 40% year-on-year and represented 31% of the gross earnings. During the year, we made significant investment in our digital banking platforms and e-campaign. It is encouraging to see that these innovative channels are helping to reduce the cost-to-serve whilst also becoming a strong income line for the Group. Notwithstanding the headline cost inflation in most of our countries of operation, our cost-to-income ratio improved 360bps in the year. Overall, the Group grew profit before tax by 32% to N91 billion, reflecting improving productivity and efficiency gains. We closed the year with a N72 billion profit after tax, which translates to 19% return on average equity and reinforces the resilience of our profitability. Esteemed Shareholders, I am more optimistic about our future performance than ever, as we continue to grow market share across Africa. Our two-pronged approach of earnings and cost optimisation will enhance our profitability in the years ahead. I would like to restate our commitment to delivering superior value to you – Shareholders – over the long term, as we build an enduring great institution that future generations of Africans can be proud of.

OUR WINNING STRATEGY

Increasing technology adoption and competition are revolutionising banking in Africa as never before seen, with every player competing to take the lead in new offerings. Given the intensifying competition for market share, everyone claims to be the best at what they do. Interestingly, as the industry evolves, we see new competition from a different perspective, and as such we have redefined our strategy for the next phase of our growth trajectory. We are ever committed to sustaining our culture of innovation in service and product offerings, investment in most relevant new technologies and continuous investment in human capital. All of which are the levers that continue to ensure our value creation to esteemed customers and Shareholders. Albeit, with the rapidly changing dynamics of the industry, we believe the fore strategic thrusts will have limited impact on the narratives of the African banking sector over the medium term. With technology and service becoming commoditised, the Customer will define the next "Great Banks". Therefore, whilst we have leveraged technology and service innovation for our past growth and we continue to invest in these relevant levers, we are pivoting our next growth phase through a rededicated focus on our esteemed Customers. It is on this note that we initiated the Customer First Project in 2016, which fundamentally changed the primary role of every employee of UBA to customer service, under my leadership as the "Chief Customer Service Officer".

A company may create strong value and it may even have the best technology and talent in the industry, as we do today but the customer determines the ultimate winner in the long run. We believe strongly that the sole umpire that will define our Greatness in the medium to long term is the Customer. Our age-long essence is to serve the customers, enabling individuals, households, businesses and governments fulfil their financial purpose through simple, convenient, value adding and affordable offerings. Hence, the customer, the most important stakeholder, will dominate our actions and inactions, as we deepen execution strategies to consolidate our market position and propel the growth and development of the African continent. In our first year of Customer-First, I am pleased to report that we have made tremendous progress in process, people and technology innovations. We have streamlined over 50 processes, leading to leaner, more efficient and automated operations that align with our vision of speed and accuracy. We have retooled our talent and performance management, ensuring that we put our rich human capital resources in their best fit. Being a service business, we cannot afford to get people management wrong. Thus, we have launched a well-balanced reward and correction mechanism that is increasingly creating healthy competition across the system. As we continuously work on meeting our staff expectations, the result is increasing customers' delight, as testimonies from customers continue to show. Being one big team, over 20 000 direct and support staff of UBA Plc have pledged that we will not rest, until excellent service is delivered at all times! Our technology investment is no longer business as usual. It is not just about the best technology, it is about what technology creates – the best value for our customers today and tomorrow. Our technology investment is more than ever, being guided by the cardinal objectives of providing convenient, simple, fast, secure, innovative and affordable service to customers, with keen passion to meet tomorrow's need of the customers today. Through these initiatives, our customers are increasingly attesting to the transparent, clear and rewarding benefits of doing business with us.

In summary, we shall continue to focus on:

- putting the customer first always;
- working with motivated and productive people; and
- consistently creating value for all our stakeholders.

MANAGEMENT TRANSITION: A STRONG CULTURE OF SUCCESSION PLANNING

Dear Shareholders, it is pertinent to appreciate the solid foundations laid by the former GMD/CEO, Mr Phillips Oduoza, who retired on 31 July, 2016, following a selfless service to our Bank. PO, as he is fondly called, is greatly missed for his rich experience, strong leadership and prudence. PO's perspectives and legacies will definitely remain good guidance to us. As Deputy Managing Director, during his tenure, the transition was seamless and it is noteworthy that my appointment is evidence of the well-nurtured succession planning in the Group.

At this point, I would like to appreciate the Board of Directors for fortifying the Management team under my stewardship. With the appointment of new colleagues into the Board, as Executive Directors, I am extremely optimistic about the future of the Bank. These appointments show the strength of the talent available within UBA and demonstrate our commitment to institutionalisation. We could not have put together a better leadership team at this time.

APPRECIATION

My utmost appreciation goes to our esteemed customers, who are the essence of our corporate existence. I dedicate the strong financial performance of this Bank to you, as it would not have been possible without your patronage. To you, esteemed Shareholders, I say thank for your unflinching support and belief in our long-term vision of creating Africa's Global Bank. I am indeed grateful to the Board, whose oversight and guidance remain the bedrock of our strength. I appreciate my colleagues for their commitment to our promise of delivering value to all stakeholders. We have made tremendous progress in our journey, but like you all know, we still have a lot of grounds to cover. Whilst we savour our success, we will not rest until we are the undisputed leading financial service institution in Africa. We will live out our vision and pledge!

We shall remain one Bank that unites the entire African continent for the benefits of Africans around the globe.

CONCLUSION

As we further our Customer First Philosophy, we are approaching 2017 with stronger optimism, especially as the outlook remains positive in most of our markets. We are not unaware of the macro challenges, competition and constantly changing customer preferences. Rather, we believe we are well equipped to win in the market. We will further sweat our unique Pan-African platform to improve productivity, extract efficiency gains and grow our share of customers' wallet across all business lines and markets. We will build on our strong governance culture, zero-tolerance for infractions and transparency in furthering our frontiers of leadership in the African market. Even as the macro risks subsides, we will remain prudent in our risk management practice, as we are committed to sustaining our asset quality and broader health of the institution.

Distinguished Shareholders, once again, on behalf of the Board of Directors of our Bank, I appreciate your kind support and I am confident that we will achieve greater milestones in 2017, as we look forward to delivering superior returns to you at all time.

Thank you.

Kennedy Uzoka

Kennedy Uzoka
GMD/CEO
FRC/2013/10DN/00000015087

STRATEGY AND BUSINESS REVIEW

GROUP FINANCIAL PERFORMANCE REVIEW

OPERATING ENVIRONMENT

Globally, 2016 was a volatile and memorable year, as it marked a new rhythm in a number of major economies, with implications for the world order. For instance, the Brexit referendum led to notable depreciation of the Euro and British Pounds, against the US Dollar. In addition, it had significant implications for emerging and frontier market currencies, which were just recovering from the 2015 pressure. The regime change in the United States fueled market uncertainties, as expectation of protectionist policies heightened concerns on the near term future of global trade, capital flows and migration. Incidentally, the events of "Brexit" and US regime change are shaping the political environment in three large Eurozone economies, which are due for elections in 2017; France, Germany and the Netherlands, thus reinforcing concerns on the future of globalisation. These uncertainties subdued international trade and capital flows, particularly to Africa.

Africa's GDP grew only 1.6% in 2016, as Nigeria, a powerhouse in the continent slipped into recession for the first time, in the past two and half decades. The drought in East and Southern Africa also weakened Africa's economic growth. In Nigeria, our biggest market, the economy contracted 2.5%, as foreign currency scarcity subdued manufacturing and trade activities, with attendant impact on other sectors of the economy. The civil unrest in the oil-rich Niger Delta plummeted oil output to historic low of 1.4mbpd during the year, thus leading to a 22% decline in oil and gas sector GDP with attendant impact for electricity supply. More so, weak fiscal revenue, leading to months of unpaid salaries in the civil service and obligations to contractors further waned aggregate demand and investment. Overall, all major sectors of the economy contracted, except the Agriculture and Information Communications Technology which grew 4.1% and 2.0% respectively. Incidentally, low oil and gas production and faltered power supply (due to gas shortages) heightened concerns on banks' asset quality, given loan exposure to these sectors.

Except for cocoa prices which plunged 19% in 2016, other commodity prices were up; crude oil, copper, coffee, cotton and gold rallied 48%, 37%, 14%, 11% and 10% respectively. Albeit, high public debt overhang, lagged impact of 2015 currency weakness and domestic constraints to production subdued economic growth in most African economies. Notably, GDP growth in Cameroon, Congo, Gabon and Ghana printed at 4.8%, 1.7%, 3.2% and 3.0% respectively, an average of 80bps cool-off relative to 2015 economic growth performance. Nonetheless, fiscal stimulus propped GDP growth in East Africa and economies of Senegal and Cote d'Ivoire where public spending on infrastructure stimulated economic activities; the economies of Cote D'Ivoire, Kenya, Senegal, Tanzania and Uganda grew 8.0%, 6.0%, 6.6%, 7.2% and 4.9% respectively.

In some of our chosen markets, the foreign currency scarcity and relatively weak production resulted into cost-push inflation, with headline inflation rate rising to 15.5%, 18.55%, 24.6% in Ghana, Nigeria and Mozambique. In Nigeria, the inflationary pressure largely reflected the pass-through impact of Naira devaluation, higher fuel price and electricity tariff. The relatively high inflation rate had notable impact on the cost of doing business in these inflationary countries. However, we have a benign outlook, as headline inflation is expected to ease in 2017. Whilst inflation rate remained relatively soft in East Africa (headline inflation stood at 6.4%, 5.0% and 5.7% in Kenya, Tanzania and Uganda in December 2016), the lagged impact of drought and currency weakness present downside risk to inflation outlook.

The Zambian Kwacha, Mozambican Metical, Ghanaian Cedi, Kenyan Shilling, Ugandan Shilling depreciated 11%, 49%, 11%, 1% and 7% against the greenback. The CFA, which is pegged to the Euro, also weakened 3% against the US dollar, reflecting the impact of Brexit referendum on the Euro. The Central Bank of Nigeria announced a flexible exchange rate regime in June 2016, leading to a 42% devaluation of the Naira from N199/USD to N282/USD. Whilst the CBN has since defended the local currency through a host of regulation and Secondary Market Intervention Sales (SMIS), the local unit weakened further, closing the year at N305/USD at the interbank market. More importantly, the gap between the interbank and parallel market exchange rate heightened the risk and expectation of further Naira devaluation. The sparse foreign currency liquidity slowed down FCY-related businesses like Letters of Credit and other international trade transactions. The devaluation/depreciation and overall scarcity of FCY strained the operating cash flow cycle of corporates, in addition to the impact on margin erosion as the pass through on product prices was not instantaneous. More so, local corporates with FCY obligations but local currency revenue cash flows recorded FCY losses, particularly in Nigeria, where the local currency devaluation was significant. Overall, the risk of asset quality deterioration was heightened, as the FCY liquidity challenge partly resulted to NPL formation in a number of banks.

Given the inflationary and exchange rate pressures, monetary policy authorities favoured macro stability over growth, thus informing the tight policy stance in a number of SSA economies. In Nigeria, the benchmark interest rate was hiked by 300bps to 14% to stem exchange rate and inflation pressures as well as ensure positive real rates that could encourage domestic savings and investment. The tight monetary policy increased cost of funds, given the regulated minimum savings deposit rate – 30% of MPR. In addition to the 90bps increase in savings deposit rate to 4.2%, there was notable impact on tenored deposit rates, which is highly sensitive to changes in interest rate environment. Notwithstanding the tight monetary policy, the interbank Naira market remained liquid, given the industry-wide risk-off sentiment towards credit creation. In Mozambique, the policy interest rate was hiked, thus leading to weak credit creation. On the other hand, policy authorities in East Africa and Ghana prioritised economic growth, thus taking a cautious accommodative stance. The Central Bank of Kenya cut interest rate by 100bps, to stimulate credit, particularly as the legislation on deposit and lending rates subdued credit growth. Also, the Bank of Ghana modestly relaxed its tight policy through a 50bps reduction in the policy rate to 25.5%.

Some of the notable monetary policy and regulatory developments that shaped the business environment in Nigeria and some other African countries are highlighted below;

NIGERIA

- The cash reserve requirement (CRR) was increased to 22.5% and the policy rate was hiked by 300bps to 14% (100bps and 200bps increase in March and July respectively).
- On June 20, the CBN initiated the flexible exchange rate regime, leading to a 42% devaluation of the Naira from N199.30/USD to N282/USD.

STRATEGY AND BUSINESS REVIEW

GROUP FINANCIAL PERFORMANCE REVIEW (continued)

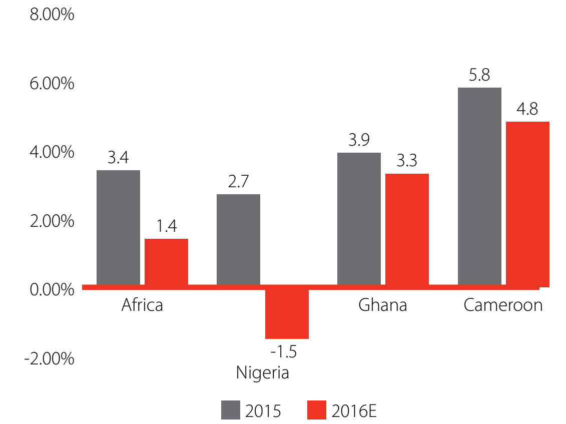
- In June, the CBN sold USD4.05 billion (USD0.58 billion spot and USD3.47 billion forwards) to corporate end-users in a bid to clear backlog demand.
- The CBN introduced the FX Forwards and Naira-settled Non-Deliverable Futures, with the target of smoothening-out demand and reducing pressure on the FX spot market.
- The CBN resumed sales of FCY to Bureau De Change operators through the international money transfer operators to improve FCY liquidity at the parallel market, with the target of bridging the gap between interbank and parallel market rates.
- The CBN directed Banks to allocate 60% of FCY sales for importation of raw materials, plant and equipment, a prioritisation aimed at supporting the manufacturing sector.

OTHER AFRICAN COUNTRIES

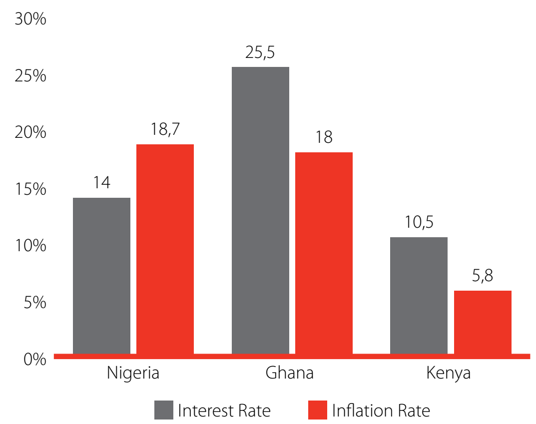
- **Ghana:** 50bps reduction in policy rate to 25.5%, as the Bank of Ghana sees less risk to inflation and signals renewed appetite for stimulating economic growth.
- **Kenya:** 150bps reduction in the CBK rate to 10%, as the policy authority aims at stimulating credit growth. Legislation on minimum deposit and maximum lending rates, which are pegged at 70% of the CBK rate and 400bps above the CBK rate respectively.
- **Uganda:** 500bps cut in policy interest rate to 12%; as the Bank of Uganda (BoU) seeks to stimulate growth and mitigate the impact of drought on the aggregate demand. More so, the BoU expects inflation to remain within medium term target of 5%.
- **Zambia:** The Bank of Zambia maintained policy interest rate at 15.5% through the year, to stem inflation and exchange rate pressure.
- **Mozambique:** The policy makers raised interest rate by 1,350bps to 23.25%, as inflation rose sharply to 28% in November 2016 and the Metical depreciated significantly.

Prolonged weakness of commodity prices slowed down African economies

GDP growth of selected African economies



African economies: Macroeconomic variables



Source: IMF, Respective Central Banks, UBA

INCOME STATEMENT ANALYSIS

- Leveraging the strong growth in both interest and non-interest income, the gross earnings grew by 22% year-on-year to N384 billion. Notably, some two-third of the growth in top-line was driven by the Africa subsidiaries (ex-Nigeria), which recorded strong growth in earnings. The subsidiaries contributed c.31% of gross earnings, a consistent improvement from barely 20% in 2012. The earnings performance of the subsidiaries partly reflects the strong asset growth as well as translation effect of the respective local currencies, given the relative weakness of the Naira.
- In Nigeria, whilst the foreign currency scarcity and policy uncertainties weakened economic activities, the bank leveraged its strong franchise and enhanced customer service to grow earnings by 9% in the domestic market. The higher cash reserve requirement, 2015 H2 conversion

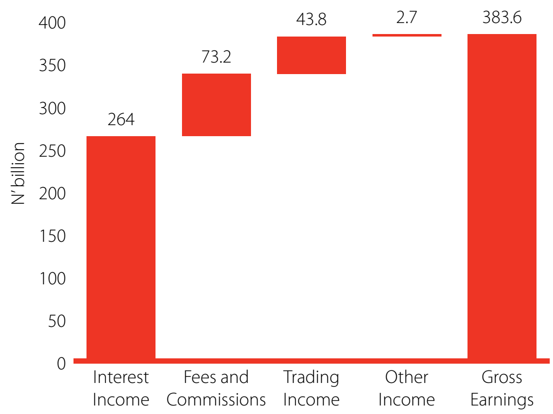
of state government loans into bonds and relatively low yield on sovereign instruments in 1H 2016 restrained interest income growth. More so, the full implementation of the Treasury Single Account (TSA) in 2016 sterilised both Naira and FCY liquidity. Albeit, strong growth in electronic banking income, higher transaction banking revenue, fair value gain on derivative and foreign currency revaluation gain buoyed the non-interest income line and overall earnings growth in Nigeria.

- Notwithstanding the elevated interest rate environment, 90bps regulatory-induced increase in savings rate to 4.2% and the 26% year-on-year growth in interest-bearing liabilities (deposits and borrowings), interest expense grew only 3%, reflecting the improved mix of deposits towards low cost savings and current accounts (CASA). In a proactive strategy to mitigate the impact of tight monetary policy on the bank's funding cost, the bank shed expensive tenured deposits and reinvigorated efforts for CASA deposits, which represented 79% of customer deposits by 2016 year-end (from 74% in 2015). Overall, the cost of funds (CoF) moderated 30bps to 3.7%. Given expectation of accommodative monetary policy in 2H 2017, there is upside for further moderation of CoF in the near term, especially as improving CASA ratio should taper out interest expense.
- The cautious effort to re-price loans in Nigeria was partly restrained by the challenging operating environment, thus, the yield on assets was relatively flat. However, improved liquidity and overall balance sheet management, coupled with lower CoF propped the net interest margin (NIMs) to 6.8%, the highest feat in the past three years. Having locked in high yields in 2016, we see further upside to NIMs, when CoF moderates in the future.
- Given the relatively weak fundamentals of Nigerian economy in the year (stagflation and foreign currency challenges), the probability of default (PD) on performing loans increased. This reflected the macroeconomic pressure on businesses, with attendant weakness in financial capacities of customers. In our prudent risk management practice, we increased the collective provisions on the performing loan book, as required by our collective impairment assessment models. Hence the increase in the group's portfolio impairment charge, especially as Naira devaluation also increased the size of the portfolio. In addition, a few assets were impaired during the year. Whilst the remedial and recovery unit is making progress on these impaired assets, the classification increased non-performing loan ratio to 3.9%. In line with our conservative risk management culture, we adequately provisioned for the impaired assets. Overall, the Group's cost of risk rose to 2.1%. Given the positive outlook on the macroeconomic environment in Nigeria and most of our chosen markets, we are upbeat on the quality of our portfolio, as the easing macro uncertainties should reduce the probability of default and future cost of risk.
- The relatively high domestic inflation in a number of our markets, like Nigeria, Ghana, Mozambique and Zambia impacted the cost of doing business. For instance, energy cost increased by some 50% in Nigeria and Ghana, in addition to notable rise in maintenance cost and repairs. Incidentally, the 43% Naira devaluation and some 15% depreciation of the Cedi also affected the FCY-related expenses such as information technology cost, travels, training and related bills. Notably, regulatory cost remains a major line item in the cost profile, as AMCON levy and NDIC Premium cumulatively accounted for 12% of operating expenses. Thus, operating expenses rose 13% year-on-year, a tolerable level when put in the perspective of the 18.6% domestic inflation in Nigeria and broader operating environment. More so, the Naira value of personnel cost at the subsidiaries rose by 36%, due to the weakness of the Nigerian Naira (our reporting currency) relative to the local currencies of our subsidiaries across Africa. Nonetheless, the cost-to-income ratio moderated 360bps to 63%, reflecting efficiency gains from our revenue optimisation and cost management initiatives.
- Overall, the Group recorded a strong 32% year-on-year growth in profit before tax to N91 billion, reflecting our entrepreneurship, enhanced customer service and improved productivity. We closed the year, with N72 billion profit after tax, translating to a 21% growth over 2015 performance and an impressive 19% return on average equity (RoAE). As we gain scale in our subsidiary operations and ramp up market share in Nigeria, at a relatively low marginal cost, the operational and cost efficiency gains will sustainably enhance the return on equity and overall value creation for shareholders.

In millions of Nigeria Naira

Profit analysis	**2016**	**2015**	**% change**
Gross earnings	**383,647**	314,844	21.9
Net interest income	**165,200**	133,599	23.7
Net operating income	**270,889**	210,257	28.8
Profit before tax	**90,642**	68,454	32.4
Income tax expense	**(18,378)**	(8,800)	–
Profit for the year	**72,264**	59,654	21.1

The constituents of gross earnings



STRATEGY AND BUSINESS REVIEW

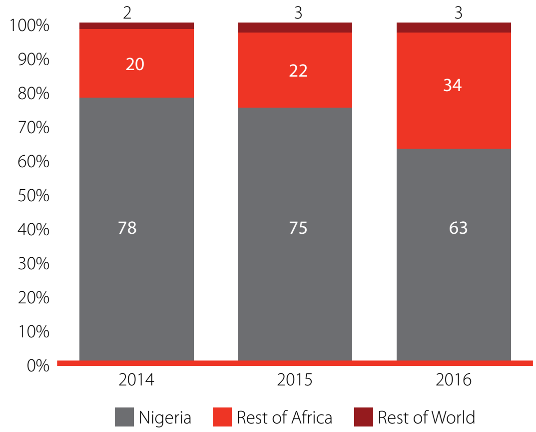
GROUP FINANCIAL PERFORMANCE REVIEW (continued)

SEGMENT ANALYSIS

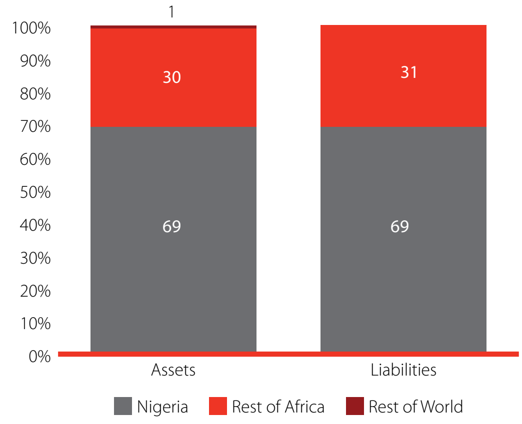
- Partly driven by the weakness of Nigerian Naira relative to other African currencies, the African subsidiaries ex-Nigeria (UBA Africa) doubled interest income and grew non-interest income by 17%. Overall, UBA Africa grew gross earnings by 69%, contributing 30% of the Group's top-line, from 21% in 2015 financial year. Interestingly, we had over 50% growth in dividends from subsidiaries, reflecting the stronger performance from the foreign operations and impact of Naira devaluation on FCY dividend income.
- We recorded the strongest growth in our corporate banking business, which contributed 48% of the Group's earnings in 2016, on the back of a strong growth in loans within this segment of the market. With corporate banking representing some three quarter of the Group's loan book, reflecting the conservative risk appetite of the Bank, this division grew earnings by 50%. Whilst the retail and commercial business division remains a strong source of low cost CASA, the soft earnings growth of 11% was driven largely by e-banking and transactional revenues, given the relatively flat loan growth.
- With the significant advances in the roll-out of our digital banking offerings across all markets, we recorded strong growth in electronic banking income in both Nigeria and the rest of Africa. We have the second highest number of active cards, ATMs and PoS in Nigeria, thus reflecting the strong 82% YoY growth in our electronic banking income. We more than doubled the fund transfer income, leveraging recent enhancement in our internet banking platform. We grew transaction service income by 38%, on the back of a strong growth in transaction volume. More so, the Customer First initiative, which is helping to streamline processes, in line with our lean model strategy, is consistently growing our share of customers' transactional banking volumes. Thus, the strong 40% growth in non-interest income is reflective of the strategic initiative of sweating the investment in our Pan-African platform, as we tap into our rich pool of growing customer base. The non-interest income contributed 31% of gross earnings (from 27% in 2015FY).
- Whilst yield optimisation and asset growth initiatives will continue to drive interest income growth, being our core earnings from financial intermediation, we are increasingly bullish on non-funded income, given immense transactional banking opportunities across our chosen markets. Our offerings are helping to formalise and simplify financial transactions, at relatively lower cost, thus reinforcing our optimism on our increasing market penetration across Africa. Interestingly, our transaction banking offerings are complementary to our financial intermediation business, as it strengthens our low cost deposit mobilisation.
- We recorded a N9 billion gain on our derivative position in 2016, leveraging our foreign currency liquidity. Even so, we like annuity-based fees and commissions, given our strategic focus on sustainable growth, we will consistently take advantage of opportunistic transactions that fits into our risk appetite.

Prolonged weakness of commodity prices slowed down African economies

Profit contribution by geography



Split of assets and liabilities by geography

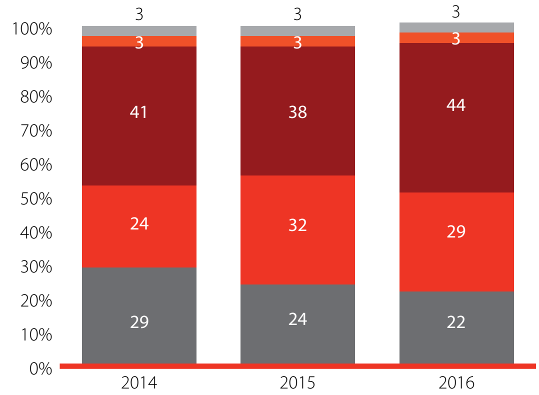


BALANCE SHEET ANALYSIS

- The Group's balance sheet grew 27% year-on-year to N3.5 trillion, crossing the N3 trillion mark. The asset growth was driven largely by strong growth in the foreign operations and currency devaluation in Nigeria. Given the macroeconomic environment in Nigeria, we were notably conservative on asset growth, with more appetite for market share and asset quality defense. In Nigeria, the balance sheet was relatively flat in real terms, but the Naira devaluation led to a 15% nominal growth in the asset base, given that some 30% of the Nigerian balance sheet was dollar denominated at the time of devaluation. Beyond the devaluation effect on translated asset base of the foreign operations, we gained significant market shares in markets like Ghana, Senegal, Cameroon and Congo Brazzaville. Overall, the subsidiaries now represent well over a quarter of the Group's asset, from barely 20% in 2016.
- For obvious macroeconomic reasons, we were very cautious on credit creation in Nigeria, where we grew loans by 10% in real terms, but for the currency devaluation that propped the loan book by over 20%. However, we leveraged stronger customer relationships, value adding offerings, improved market understanding and penetration to grow risk asset and balance sheet in relatively stable markets, where we recorded over 30% real growth in the loan book. Overall, the Group's loan portfolio recorded 18% and 45% real and nominal growth respectively. Notwithstanding the strong growth in loans, the net loan-to-deposit ratio remains modest at 61%, thus reinforcing the headroom for risk asset growth. Whilst locking in high yield on risk-free treasury assets, particularly in Nigeria and Ghana, we maintained a relatively short duration on the risk asset portfolio, given our appetite and macroeconomic uncertainties.
- The introduction of the Real Sector Support Facility Fund, to which banks are mandated to contribute 5% of deposits with the Central Bank of Nigeria (CBN), increased the encumbered assets of the Bank (some 10% of total assets) and consequently reduced the bank's money market placements. Overall, loans and advances and financial assets now represent 44% and 51% of the total assets respectively (compared to the 2015FY asset allocation of 38% and 55% respectively), reflecting the strong loan growth in the year. That been said, the loan-to-deposit ratio remains healthy at 61%. Whilst maintaining our prudent risk management culture, we will further explore opportunities in quality segments of the loan market, across our chosen markets, especially as imminent monetary accommodation in markets like Ghana, Kenya, Uganda, Zambia and Nigeria should moderate the yield on risk free sovereign instruments.

Balance sheet analysis

Balance sheet structure



In millions of Nigeria Naira

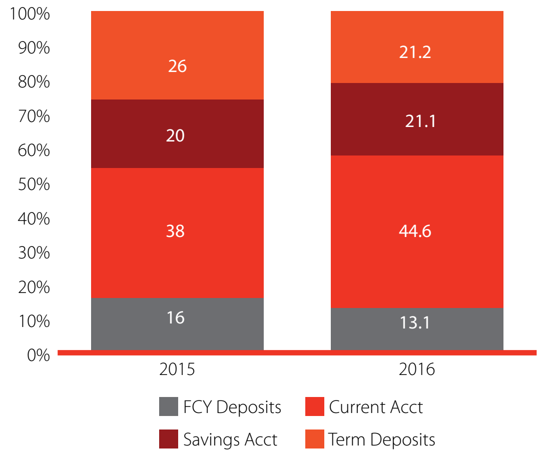
Balance sheet analysis	2016	2015	% change
Cash and bank balances	**760,930**	655,371	16.1
Financial instruments	**1,033,329**	869,928	18.8
Loans and advances	**1,528,084**	1,051,237	45.4
Property, plant and equipment	**93,932**	88,825	5.7
Other assets	**88,195**	87,261	1.1
Total assets	**3,504,470**	2,752,622	27.3

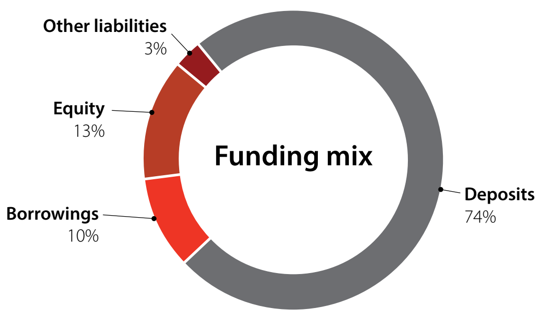
LIQUIDITY AND FUNDING

- In our culture of maintaining a sufficiently liquid balance sheet, especially in a rising interest rate cycle, the balance sheet remained adequately liquid through the year, with an average balance sheet liquidity of 42%, a significant buffer to the 30% minimum regulatory requirement. The relatively liquid balance sheet afforded the Bank to take advantage of interest rate volatilities in the interbank market in Nigeria, where the Bank is a major liquidity provider.
- Despite the foreign currency scarcity in Nigegia, the Bank maintained a relatively robust FCY position, meeting all obligations to correspondent banks and other counterparties, in addition to its FCY funding support to customers. The Bank raised over USD500 million in new FCY funding in the year from development finance institutions and an international bank. On the local currency funding, we leveraged our Customer First initiative, which has helped to enhance customer service, streamline processes and ultimately improved customer experience. There was notable improvement in the deposit mix, with low cost CASA now representing 79% of customer deposits (from 74% in 2015FY). More so, retail deposits grew by 38%, largely driven by a strong 29% and 112% growth in savings and retail domiciliary account balances. This improved deposit mix helped to mitigate the impact of the tight monetary policy environment on funding cost. The cost of funds remained stable at 3.7% despite the 90bps rise in savings deposit rate to 4.2%.

- Overall, customer deposits now funds 71% of the balance sheet (from 76% in 2015FY), following the strong 61% and 35% growth in borrowings and equity. Even as the behavioural pattern of the customer deposits reinforces the stability of the Group's balance sheet funding, the shift in funding base reflects strategic initiative towards deepening contractual long-term stable funding for the Group's balance sheet. More so, it reflects the bank's robust and proactive asset and liability management (ALM) framework that ensures optimal balance of assets and liabilities in different maturity and currency buckets. Thus, amidst relatively scarce foreign currency in Nigeria and a few other African markets, UBA remains liquid across its network of 22 countries, with an enhanced capacity to meet all obligations in both foreign and local currencies.

Funding structure

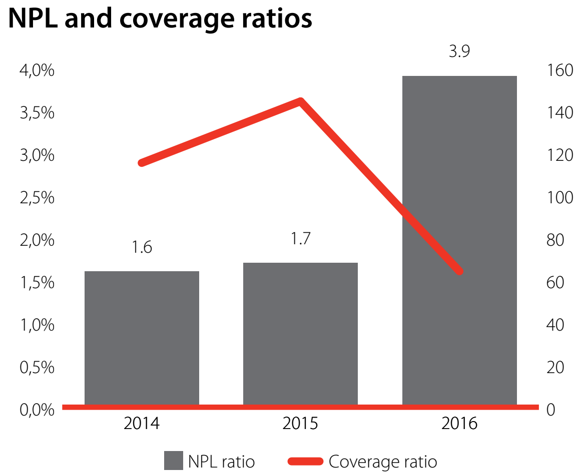




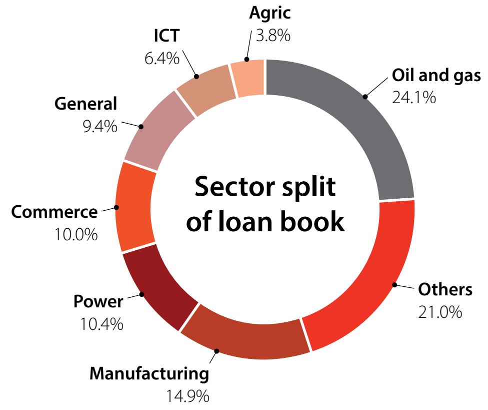
ASSET QUALITY

- The macroeconomic pressures, particularly in markets like Nigeria, subdued consumer wallet and aggregate demand, weakened corporate cash flows and broad fundamentals of businesses. More so, foreign currency scarcity had implications for the operating cash flow cycle/cash conversion cycle of businesses, which rely on importation of raw materials or finished products. Albeit, UBA faired relatively well, given the quality of the customer exposures and proactive risk mitigants. The non-performing loan ratio increased to 3.9%, as we conservatively classified impaired exposures, with high probability of default and past due obligations. Notwithstanding the adequate loan loss provisions made on these NPLs, the remedial and recovery units are working actively to ensure full recovery of the funds, through active engagement with the customers, activation of guarantees, monetisation of collaterals and a number of other measures, aimed at full recovery.
- The credit portfolio remains well diversified across the different segments of the market in various sectors and geographies, with particular focus on quality obligors in less volatile sectors. Notwithstanding the impact of Naira devaluation on the oil and gas exposures, the sector represents a modest 24% of the total loan book, compared to an industry average of over 25%. UBA has prudent risk management practices that ensures adequate portfolio diversification beyond the regulatory guidelines on sector and obligor concentration risks.
- More importantly, the Group has a proactive credit monitoring programme that ensures active client engagement. This risk management practice has proven to be effective in sustaining the quality of our assets, as our discipline in credit creation cuts across the entire process of risk assessment to recoveries.

Asset quality



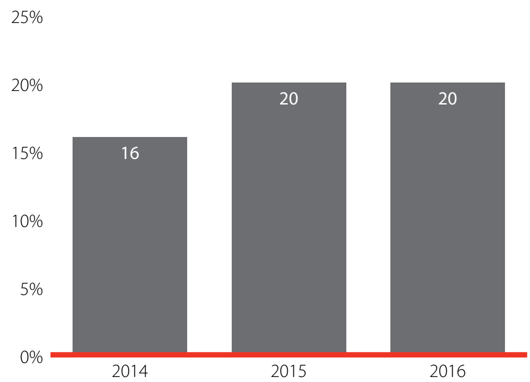
Asset quality



CAPITAL ADEQUACY

- The Naira devaluation had notable increase in the risk weighted asset of the Bank, with relatively less impact on the equity base. Nonetheless, the Bank remains adequately capitalised, with an enhanced BASEL II capital adequacy ratio of 20%, buoyed by the strong internal capital generation (given strong profitability and prudent earnings retention). The capital adequacy ratio remains well above regulatory requirement of 15% for international commercial banks in Nigeria. In line with our proactive capital management practice, we routinely sensitize the portfolio to different exchange rates and the Bank remains adequately capitalised even under bearish exchange rate scenarios of 30% further devaluation of the Naira. Thus, the Bank's capital buffer over regulatory threshold, reinforces the capacity to grow and fulfill near to medium term growth targets, at no risk of further capital raising.
- During the 2016 financial year, the Bank grew shareholders' fund by 16% to N391 billion and the Group's total equity grew 35% to N448 billion, driven majorly by internally generated capital. In addition to the tier-1 equity capital, the bank has stable tier-II capital; which provide complementary support to the equity capital.
- The Group has a robust capital allocation and management strategy that ensures optimal allocation of capital across geographies and business segments, with the overall objective of enhancing shareholder value creation at the Group.

Strong BASEL II capital adequacy ratio
Well ahead of regulatory threshold



CONSUMER AND DIGITAL BANKING REPORT

In 2016, we fully integrated our digital banking, consumer banking (liability products, remittances, collections) and personal banking functions. This has proved efficient for product development and management and more importantly, customer service. The integration of all product management activities has improved cross selling and customer experience, across our digital banking channels.

SIMPLICITY, SPEED AND CONVENIENCE

In today's world, banking must be simple, agile and convenient. Hence, we want to be sure customers are not struggling to make a choice amongst our several deposit offerings. We acknowledge the need to be crystal clear in our offerings and communication to the customers. Thus, we rationalised our deposit account offerings to UBA Savings Account and UBA Current Account, integrating all incentives and attractions in the different product suites into these two standardised accounts. Across our chosen markets in Africa, these account types are available in the respective local currencies, US Dollar, Pounds (GBP) and the Euro. Both account types, irrespective of the choice currency, have equal features of digital channel capabilities. For instance, the savings account now has capability to accept cheque deposits up to N2 million per day in Nigeria, but the daily limit of cheque deposit varies across the countries of operations.

We currently have close to 10 million accounts across the Group and we are leveraging digital channels to grow customer acquisition. Beyond the traditional branch enrolment of customers, new account opening channels have been deployed. Notably, our Unstructured Supplementary Service Data (USSD) code – *919 is fast penetrating the market in Nigeria, particularly amongst millenials. It's simple and convenient. All that is required is to dial *919# and it is compatible with any type of phone. We recently introduced eMailMoni App; a personalised application that allows you to send and receive money through email. Our online banking platform has been overhauled and we are encouraged by the positive feedback from customers, whose experience has been refreshing. UBA Internet Banking has a self-enrolment function that allows customers to open an account or enrol their account in the online platform through a simplified process.

CUSTOMER SEGMENTATION AND COMMUNICATION

Having streamlined our product offerings into UBA Savings Account and UBA Current Account, we have segmented our consumer banking customers into relevant clusters; students, professionals, self-employed and expatriates. This technology-driven customer segmentation enhances the efficiency of marketing communication, as we personalise customer communications and streamline information flow to what is particularly relevant to each customer. This initiative has ensured that every customer only gets information that is value adding to them. It avoids undue information overload and distraction to our customers, who deserve the best service. Overall, these initiatives are improving our customers' experience and we are constantly improving our offerings and customer service in line with formal and informal feedbacks, interactions and customer profiling.

INTERNATIONAL REMITTANCES

UBA partners WesternUnion in 12 countries, and MoneyGram in 16 countries. In addition, we recently cultivated a new partnership with Ria in Nigeria, in addition to our operation of Wari in five countries. More importantly, as we gain more market share and more Nigerians depend on us for remittance flows, we have positioned our business to partner all CBN-licensed inward remittance companies, subject to our compliance assessment. This decision will further consolidate our market share as the preferred remittance gateway and settlement bank.

DIGITAL BANKING PRODUCTS

CARDS

We successfully rolled out MasterCard offerings in the remaining African subsidiaries, thus fulfilling our target of offering both Mastercards and Visa Debit Cards in all our chosen markets. More so, our card issuance is now instant, with the option for customer personalisation. In Nigeria, UBA also issue Verve as local cards. Having issued over 7 million debit cards, we remain a leading bank across most electronic channels, particularly ATMs and PoS. In addition to being payment cards, all UBA debit cards are now enabled as the key to self-enrolment on all channels. In 2017, we will roll out China Union Debit Cards, which should further ease transaction banking for our growing Chinese customers in Africa as well as African entrepreneurs, who trade with China.

Prepaid cards are issued across Africa on Visa card scheme. Whilst our MasterCard Prepaid has been limited to Nigeria, where we have over a million cards in issue, we are expanding the coverage to our subsidiaries across Africa in 2017.

We are deepening our credit card penetration, as we leverage analytics to direct marketing initiatives to qualified customers.

ATMs

UBA has deployed over 2,000 ATMs. The ATMs accept all local and international cards. With the second largest ATM network in Nigeria, we processed over N1.2 trillion transactions in 2016, over 20% market share. In addition to cash withdrawal, our ATMs are transaction oriented, serving as platforms for money transfer (both intra and interbank transfers), bill payment, airtime vending, etc.

POINT OF SALE

UBA has deployed over 12,000 PoSs across our network, over 70% of which are in Nigeria, where we account for some 8% of the total PoS deployment, with some 12% market share, when measured through total industry transaction in 2016. All our PoS has capability to accept Visa, MasterCard and local cards in all the countries where we operate. Interestingly, the capabilities on PoSs have been extended to other services such as cash withdrawal, bill payments, transfer and airtime vending.

INTERNET BANKING

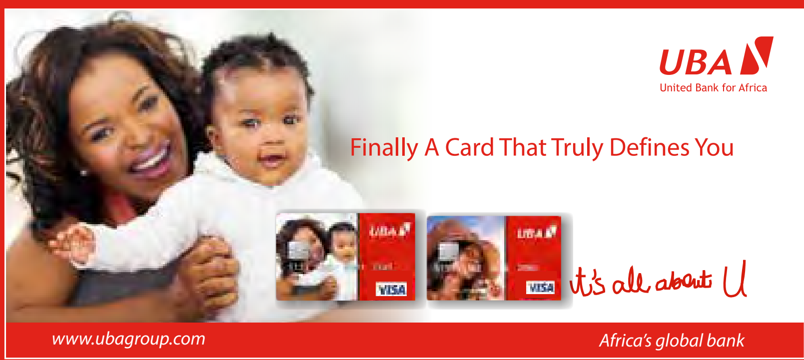
UBA Internet Banking platform has enabled our customers to experience all transaction banking services 24/7 securely online. Across our network, we processed over 7 million transactions, valued at over N600 billion in 2016. The extension of cashless policy to all states of the federation in Nigeria and the reinstatement of penalty for non-compliance will dramatically drive e-channel adoption, particularly internet banking.

MOBILE BANKING (APPS AND USSD)

Mobile banking is presented to customers in the form of Apps on App stores as well as Unstructured Supplementary Service Data (USSD) *919#. We are encouraged by the growing number of mobile banking subscribers, particularly millennial, who find it more convenient to transact via their mobile phones. We processed over N70 billion transaction on the mobile banking platforms in 2016, as we continue to penetrate the market, with enhanced functionalities and capabilities.

NEW CHANNELS: EMAILMONI AND CHAT BANKING

Many of our young customers are on emails and social media where they chat with each other, expressing feelings, sharing moments and educating one another. We have extended transaction platforms to include capability to send money to email addresses, as well as capability for the customers to manage bank accounts through social media platforms. The platform to send money to email addresses has been introduced as a website and as an App on App stores as eMailMoni. The UBA Chat Banking that will enable transactions through Messengers, Telegraphs, Skype and Twitter will be launched in 2017.



RESPONSIBILITY AND SUSTAINABILITY

Corporate Social Responsibility Report
Sustainability Report


UBA
ted Bank for Africa
UBA
Africa's global ba

RESPONSIBILITY AND SUSTAINABILITY

CORPORATE SOCIAL RESPONSIBILITY REPORT

We believe a highly educated and well informed youth is critical to the future of Africa. Quality education is therefore crucial in developing the manpower needed by Africa to exploit emerging opportunities and propel the continent to higher levels of development.

UBA Foundation is actively involved in a number of educational initiatives and projects, particularly those that will not only bridge the literacy gap but encourage intellectual development amongst African children. One of UBA Foundation's interventions in the educational system is the National Essay Competition (NEC) for secondary schools. Another ongoing initiative of the Foundation is "Read Africa".

THE 2016 NATIONAL ESSAY COMPETITION

The 2016 National Essay Competition was held in Nigeria, Ghana and Senegal producing a total of nine winners and 36 finalists. Twelve finalists emerged from each of the three countries where the competition was held and were invited to write a second essay under the Bank's supervision. Three winners were then selected from each country and announced at a grand finale held in the respective countries. All 36 finalists received a branded laptop computer each to help with their education.

In Nigeria, 16-year-old Agbugui Amanosi Felicia of Loyola Jesuit College was the winner of the N1,000,000.00 prize. Master Arigi Bill Beckley, 16, of Global Kids Academy, Arkilla, Sokoto came second and won N750,000.00, while the third prize went to Sanni Mistura of Sacred Heart Catholic College, Ibara, Abeokuta who won N500,000.00. The students received their prizes in the form of educational grants to study in any African University of their choice.

L-R: ED, Second runner up, Mistura Sanni; Winner, UBA Foundation National Essay Competition 2016, Agbugui Amanosi Felicia; first runner up, Arigi Bill Beckley and GMD/CEO, Kennedy Uzoka at the grand finale and prize giving ceremony of the 2016 National Essay Competition in Nigeria

In Ghana, Miss Hannah Akahoho Segbefia, 17, of Wesley Girl's Senior High was the winner of the competition and won the coveted $5,000 prize. Miss Kasha Kuipo was the first runner up with a prize of $3,500 and the second runner up was master Angaag Nathaniel Awentiirin, who won $2,500. As with the tradition of the competition, the three winners receive their prizes in the form of educational grants to study in any African University of their choice.

L-R: MD/CEO, UBA Ghana, Abiola Bawuah and Winner, 2016 National Essay Competition in Ghana, Hannah Akahoho Segbefia at the grand finale of the 2016 National Essay Competition in Ghana

In Senegal, the competition was won by Sadio Sow of Lycee de Sokone Secondary School with Adja Fatou Kine Fall of Institution Notre Dame and Absa Amar of Lycee John Fitzgerald Kennedy emerging first and second runner up. All three winners will receive XOF2,800,000.00, XOF2,000,000.00 and XOF1,200,000.00 respectively in the form of educational grants to study in any African University of their choice.

L-R: second runner up, Absa Amar; Winner, 2016 National Essay Competition in Senegal, Sadio Sow and first runner up, Adja Fatou Kine Fall

READ AFRICA

Read Africa is an annual initiative of the Foundation designed to rekindle the dwindling culture of reading amongst the African Youth. In 2016, the Foundation procured and distributed 24,000 copies of the book *What Sunny Saw in the Flames* by Nnedi Okoroafor to the Bank's English speaking subsidiaries (Nigeria included) for donation to secondary schools. The Bank also donated book bags to the school children during the Read Africa sessions.

Students of Caleb British International School, Lagos, reading a portion of the book donated by UBA foundation, during a "Read Africa" session.

ENVIRONMENT AND ECONOMIC EMPOWERMENT

UBA Foundation maintains gardens in Lagos. These gardens beautify the parts of the city where they are located. They also provide employment to the gardeners/cleaners that maintain the gardens and their surroundings. The Foundation also beautified Okpanam Road roundabout in Asaba, Delta State and assisted with the renovation/completion of the Nigerian Law School, Lagos campus.

The Foundation employs over 25 under privileged young people who are encouraged to further their education during the time that they are not at work. Most of them who started out with Senior Secondary School Certificates have either concluded their degree programmes or are in the process.

OTHER PROJECTS AND DONATIONS

- Capacity building support to the Federal Ministry of Solid Minerals and Development
- Building of a medical centre in Enugu
- Donation of an MP250KVA Generating set to the special fraud unit of the Nigerian Police
- Donation of 40 desktop computers to the ICT facility at the National Institute for Policy and Strategic Studies (NIPSS)
- Monetary donations to Jesuit Memorial College

RESPONSIBILITY AND SUSTAINABILITY

SUSTAINABILITY REPORT

In United Bank for Africa Plc, we think long term and we think mutual success. Thus, we conduct our business in line with the utmost sustainability principles. It has been empirical proven that high ESG companies outperform low ESG companies in Africa over different time horizon. It is on this note that we are encouraged and committed to continuously improve our policy and practice towards environmental, social and governance principles, in our day to day business. In addition, we are championing the campaign for ESG compliance with our customers through a number of initiatives and incentives.

Our sustainability journey had been propelled by our commitments to the United Nations Environment Programme's Financial Institutions Statement on the Environment and Sustainable Development (UNEP FI), the Central Bank of Nigeria's Sustainable Banking Principles (NSBP) and the IFC Performance Standards.

ENVIRONMENTAL AND SOCIAL FOOTPRINT

Across our operations, we continuously work towards improving energy efficiency, reduction of pollution, optimisation of resource utilisation and improvement in the quality-of-life for people in our communities. It is imperative to state that we have achieved a lot in this regard, but in our culture, we are never satisfied with the best, we believe we can always do better.

To reduce greenhouse emission arising from air and road travels. We have reduced business travels to only circumstances that are critically important, as we leverage video conferencing technology, closed user Group chatting platforms, conference calls and established blogs to aid communication and knowledge exchange across the Group. In addition to the use of energy saving lightings, in 2016, we installed a traffic censor that ensures lightings are automatically turned off when there is no body within a specified perimeter in the work space.

The cooling systems at the head office in Nigeria are powered through water channels, which are also recycled for use. This helps to minimise carbon emission from power generation and also enhances our water utilisation efficiency.

The sanctity of the environment is a key consideration for our operations across the Group. We adhere strictly to electronic workflows and filings, which help to minimise printing and paper works. The Bank has a programmed workflow that limits printing to the "unavoidable".

UBA carries out yearly environmental and sustainability risk assessment in all its business offices across Nigeria and other countries of operation, in line with the Bank's policy.

The Bank has a strong Environmental, Social and Governance (ESG) team, which continuously train all staff and monitor compliance with ESG principles, both from the perspective of the Bank's operations as well as its lending/transaction activities with customers. These and a number of other initiatives continue to align with our strategic drive of being one of the most environmentally friendly institutions in Africa, irrespective of the broad macroeconomic and social challenges on the continent.

We have a strict policy on credit compliance with ESG principles. This helps to ensure that all project finance or other forms of credit granted to our customers are towards environmentally and socially friendly businesses. A key consideration in loan appraisal is regulatory and/or independent report on environmental and social compliance. In addition to such report, we carry out independent periodic evaluation of environmental and social compliance on our customer's projects, financed by the Bank, with visitations to host communities, as a second level check on the impact of such projects on the environment and compliance with agreed practice of mitigating negative environmental impact.

EMPLOYMENT AND LABOUR RELATIONS

To retain the best brains, UBA recruits, develops, and rewards talented individuals. Our new employees usually resume into a robust orientation (onboarding) programme. Here, they are formally welcomed and the culture and values of UBA are inculcated in them in a warm and cordial environment, before they are deployed to their various departments and business offices.

The orientation programme provides a smooth and seamless transition for new employees. All aspects of banking, and UBA processes, procedures and policies are taught to new employees. The orientation programme also places special emphasis on the ethics, rules, and regulations in the banking sector.

On labour relations, UBA complies with all applicable laws, rules and regulations of the countries in which it operates.

HEALTH AND SAFETY

UBA is revered for its compliance with relevant regulations and laws across all our chosen countries of operation, particularly as regards human capital related matters. The Bank has a robust Safety and Physical Security Risk Management Policy, which is diligently implemented. UBA has a robust practice on retainership in hospitals across Nigeria to handle medical needs of staff, in addition to the medical clinic at the head office and first aids in all business offices. Every year, the Bank mandates staff members to go for Wellness Test in partnership with our HMO.

The Bank provides and maintains safe premises, machinery, systems and processes for the workplace. We enforce strict health and safety rules and practices at the work environment; and these are reviewed and tested regularly for effectiveness. Employees are encouraged to take reasonable care of themselves and others by observing all health and safety policies and promptly reporting potential health and other hazards to supervisors or designated safety officers. There are appointed safety and health champions in each floors of our head office and across all business offices. These health champions are saddled with the responsibility to ensure and help maintain the highest possible safety standards in our work place and they are routinely trained to effectively discharge this responsibility. The health support officers are trained on basic First Aid Administration in the workplace so as to cater for minor health emergency as the need may arise.

Fire prevention and fire-fighting equipment are installed at strategic locations within the Bank's premises, while occasional fire drills are conducted to create awareness amongst employees on emergency response techniques. We also have Health and Safety Policy documents that clearly define the Bank's safety procedures and practices. These policy documents are deployed on our intranet for easy access to all staff. Employees are encouraged to familiarise themselves with the instructions and procedures, such as the location of fire extinguishers in their work area as well as fire exits and assembly points. There are also clear signs and floor guides in all offices to guide employees, customers and guests towards the nearest fire or emergency exit points.

Every year, our employees undergo Fire Prevention and Safety Management trainings to enhance their safety consciousness and emergency responses both in the office and at home. We have also appointed and trained some of our employees as Fire Wardens on evacuation of staff and customers in cases of emergency and create safety awareness.

In 2016, the Bank secured Fire Safety and Emergency Action Plan Certification issued by the Federal Fire Service which demonstrates that the Bank is in conformity with the Federal Government standard on fire safety. The Bank also refurbished the Hydrant System in our head office building to ensure that all hydrant point have enough pressure during fire-fighting. Our fire service also gives support to customers and neighbouring offices/buildings during fire outbreak in their various office locations.

As at year-end 2016, the Bank had 50 trained Fire Warden at the head office in Nigeria and in-country head offices at the subsidiaries outside of Nigeria. We plan to extend this practice to our business offices in the coming years.

TRAINING AND EDUCATION

Training serves as a vehicle for the development and transfer of requisite skills with the aim of building an empowered, knowledgeable and experienced workforce. We therefore strive to offer to our employees, opportunities that enhance their professional growth and development, and assist them to attain their full potential and live their career dreams. Our trainings can be informal/on-the-job (at unit/department level), or formal (classroom or on-line via the Learning Management System (LMS). Employees are encouraged to avail themselves of every opportunity presented via any of these training platforms to acquire relevant skills.

Following the outcome of team engagements and on-the-job assessments, via staff appraisals and Line Management feedbacks , training needs are identified and this feedback is built into employees' training plans. Employees are subsequently nominated to attend relevant courses which may be organised by UBA Academy or external training institutes; either local or international.

EQUAL REMUNERATION FOR BOTH GENDERS

UBA has male and female gender representation in its workforce. The Bank offers equal remuneration for men and women who are at the same level and for work of equal value, as set out in the Equal Remuneration Convention of the International Labor Organisation (ILO). We also have a policy of non-discrimination against women during pregnancy and after childbirth. Our female employees are entitled to maternity leave for a period of 12 weeks or 60 working days with full pay, in accordance with the local employment laws in Nigeria and we comply with local laws in every other country where we operate. On resumption from maternity leave, nursing mothers are entitled to early closing time for another 12 weeks. In compliance with all relevant human rights and labour laws, the Bank ensures equality in employee management. All staff in the organisation receives the same remuneration across the same level, irrespective of gender. Recruitment is carried out without prejudice and with respect for the human rights of all the parties involved.

Employees have equal access to training and career advancement without any form of discrimination. Female staff are represented at all levels of management. Precisely, 46% of our subsidiary CEOs are female and female represents 46% of the total workforce of the Group, as highlighted below. These statistics further reinforce the equal opportunity given to all employees, irrespective of gender.

TOTAL DISTRIBUTION BY GENDER

Male	6,632
Female	5,676
Total number of staff	12,308
Proportion of male gender	54 %
Proportion of female gender	46%

HUMAN RIGHTS

UBA gives equal opportunity to all, irrespective of gender, ethnicity, religion, physical disability and other social backgrounds. The institution encourages free expression and association within the ambit of extant laws and regulations of each country where we operate and in compliance with relevant policies of the institution, particularly in terms of work hours. Staff are free to air their views through various media, as enshrined in the internal communication policy of the Bank, including the quarterly electronic chats with the Executive Management, quarterly Human Capital Clinics, dedicated emails for internal complaints, whistle-blowing, etc. UBA also has a staff Cooperative Society, which admits members on a voluntary basis and the leadership is elected by members. This registered association is aimed at enhancing the economic and social wellbeing of its members, which includes current and retired staff of UBA Plc.

Corporate Governance on environmental and social life is an important aspect of our commitment to sustainable practices as a financial institution. We strive to achieve a high level of corporate governance; it is essentially balancing the interest of all our stakeholders. We acknowledge that it is not enough for a company to be profitable but must also strive to demonstrate a global standard practice of corporate governance. Typically, the Board is charged with overseeing corporate governance practices Group-wide. One of the tenets of corporate governance is ensuring that there are clear lines of responsibility, authority and accountability and making sure appropriate responsibilities and measures are in place.

The Group Environmental Risk Managers, in conjunction with the Banks' Sustainability Officers have continued in their efforts and responsibility to guide, implement and promote sustainable principles Bank-wide.

FORCED OR COMPULSORY LABOUR

The Bank insists on the commitment of customers, contractors and sub-contractors in complying with relevant statutes on employment, with particular emphasis on child abuse. We continue to improve on internal policies and structures aimed at strengthening and monitoring compliance in our dealings with third parties across our entire value chain.

CORE BANKING IMPROVEMENT PROGRAMME (FINACLE 10 IMPLEMENTATION)

The core banking application is a major part of our transaction processing and process automation platform and is one of the key areas of focus in transforming our IT in 2016.

The programme for the implementation upgrade from Finacle 7 to the latest release of Finacle (Finacle 10) for the entire UBA Group was approved by the Board of the bank and the implementation commenced in March, 2014 with training of the Core Team constituted by the Bank. Nigeria was the first country to go-live in April, 2015 and the rollout to all the 18 African subsidiaries was completed in 2016.

The Core Banking Improvement Programme (Finacle 10) implementation covered the upgrade of the latest versions of Finacle Core, Finacle Treasury and Finacle E-banking (UBA Internet Banking) for the entire UBA Group.

- All the existing modules, functionalities, products and customisations on Finacle 7 Core, Finacle 6 Treasury and Finacle 6 E-Banking were migrated/upgraded to the Finacle 10 versions.
- The following new modules of Finacle 10 Core were installed and implemented:
  - i. Customer Relationship Management (CRM) with Customer Information File (CIF)
  - ii. Multi Entity
  - iii. Watch Wiz
  - iv. Finacle Solution Delivery Platform (FSDP)
  - v. Single Sign On (SSO)
  - vi. Signature Verification System (SVS)
  - vii. Liquidity Management
  - viii. Deposit Enhancements
  - ix. Loan Enhancements
- Some key new functionalities and requirements were delivered via customisations done by the Bank team and CWG/Infosys.
- The full transaction history data on Finacle 7 Core was migrated to Finacle 10 Core.
- The Value at Risk Module (VaR) was implemented and deployed on Finacle 10 Treasury.

CORPORATE SOCIAL RESPONSIBILITY PROGRAMME

We leverage our Corporate Social Responsibility programme, anchored by UBA Foundation to clean up the environment. Having adopted some public locations across different cities, we take responsibility for the cleaning and maintenance of these public locations, whilst also engaging the public on the dire need and advantages of conserving the purity of the environment.

Annual projects like the UBA Foundation National Essay Competition for Senior Secondary School students in Nigeria and some African Countries, prostate cancer awareness campaign, Read Africa initiative and various donations, including hostels and lecture theatres , hospital equipment, Generator

Set, Educational grant, school bags to school children, desktop computers and laptops to mention a few.

In recognition of UBA's effort towards environmental sustainability and other core focus of our CSR initiatives, UBA Foundation emerged "Most Outstanding Company in CSR" at the 2016 CSR award hosted by the Sustainability, Entrepreneurship and Responsibility Awards (SERAS), leading fellow prominent financial and non-financial institutions in the country.

CUSTOMER ENGAGEMENT AND SERVICE EXPERIENCE

- During the year under review, we made incremental investments in traditional and alternative operating channels to enhance the robustness of our customer engagement.
- The Virtual Sales Force (VSF) Unit of the Bank was established to manage telemarketing and improve the quality of customer engagement. This generated deposit of N2.14 billion in the year and reactivated over 5,700 dormant/inactive accounts during the year.
- Simplified the Group Response Portal (GRP) for ease-of-use and simplicity in logging customers' complaints, requests and enquiries.
- Developed a Self-service Mobile App for Complaints that will be available to customers for download.
- Developed Service Management System which will improve the overall customer experience of the Bank. The System is designed with the following capabilities: 720° view of customers, computer telephony integration, knowledge management, workflow, reporting and analytics, etc.
- Commissioned SMS/USSD Banking which will introduce customers to self-service options such as: Account balance enquiry, mini statement request, stop cheque, etc.
- Commissioned non-Straight Through Process (STP) Self-Service options on UBA Internet Banking platform. Customers can make request for services including: cheque book, block card, debit card. They can also channel complaints on the internet banking platform for failed ATM transactions, airtime top-up, etc.
- Implemented Conversocial; a state of the art Social Media Customer Service Solution for effective handling of all Social Media interactions across all the channels.
- Provided a complete view of customers' interactions across all the social media channels with robust MIS and Analytics Capabilities.
- Strengthened our social media footprints by registering and actively managing additional social media platforms, Instagram, Facebook, Twitter to improve customer engagement and access.


UBA
United Bank for Africa
Paying bills with U-MOBILE is child's play
P A Y
Making payments with U-MOBILE is easier, faster and stress-free.
No assistance required. No need to visit the bank.
Other features:
Send money | Pay bills | Buy airtime | Check balance
APP
Get it now
Download the U-Mobile App from your App store or scan QR code
Africa • New York • London • Paris
www.ubagroup.com
e-Mail: cfc@ubagroup.com
Africa's global bank

EXCELLENT SERVICE…DELIVERED

Our Core Values: The 3 EEEs

E

ENTERPRISE

- Own The Task
- Go The Extra Mile, Solve Problems
- Show Initiative
- Break Barriers
- Be Innovative

E

EXCELLENCE

- Be Responsive and Passionate
- Surpass Customer's Expectations Always
- Maintain Quality Standards
- Be Meticulous - Make It Simple Always
- Be Professional - Integrity, Friendly and Genuine

E

EXECUTION

- Get It Done
- Get It Done Now
- Get It Done Very Well ...Always Have The End In Mind

GOVERNANCE

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and independent auditor's report for the year ended 31 December 2016.

1. LEGAL FORM

United Bank for Africa Plc was incorporated in Nigeria as a limited liability company on 23 February 1961, under the Companies Ordinance [Cap 37] 1922. It took over the assets and liabilities of the British and French Bank Limited, which had carried on banking business in Nigeria since 1949. UBA merged with Standard Trust Bank Plc on 1 August 2005 and acquired Continental Trust Bank Limited on 31 December 2005.

There has been no material changes to the nature and legal form of Group's business from the previous year.

2. MAJOR ACTIVITIES AND BUSINESS REVIEW

UBA Plc is engaged in the business of banking and provides Corporate, Commercial, Consumer and International Banking, Trade Services, Treasury and Digital Banking. Pension custody service is offered through a subsidiary. UBA Plc carries out banking activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and the prospects for the ensuing year is contained in the CEO's report.

The Bank operates in 18 other African countries, outside of Nigeria; Ghana, Republic of Benin, Liberia, Côte d'Ivoire, Burkina Faso, Guinea, Senegal, Sierra Leone, Mozambique, Zambia, Uganda, Tanzania, Kenya, Congo DR, Congo Brazzaville, Cameroon, Chad and Gabon. UBA also operates in United Kingdom, United States and France.

3. RESULTS AT A GLANCE

The Group recorded an impressive 22% year-on-year growth in gross earnings and a 32% year-on-year growth in profit before tax to N91 billion. Below is the highlight of the Group's operating performance for the period under review;

	Group		Bank	
In millions of Nigerian Naira	**2016**	**2015**	**2016**	**2015**
Profit before tax	**90,642**	68,454	**57,649**	50,735
Tax	**(18,378)**	(8,800)	**(10,108)**	(3,093)
Profit after tax	**72,264**	59,654	**47,541**	47,642
Other comprehensive income	**65,886**	6,168	**26,896**	8,119
Total comprehensive income	**138,150**	65,822	**74,437**	55,761
Total comprehensive income attributable to:				
– Equity holders of the bank	**130,783**	65,108	**74,437**	55,761
– Non-controlling interest	**7,367**	714	**–**	–
	138,150	65,822	**74,437**	55,761

4. DIVIDENDS

The Board of Directors, pursuant to the powers vested on it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a final dividend of N0.55 per Share (31 December 2015: N0.40 per share), which in addition to the N0.20 per Share paid as interim dividend amounts to a total dividend of N0.75 per Share (2015: N0.60). These dividends are paid from the retained earnings account as at 31 December 2016. This is subject to approval by Shareholders at the next Annual General Meeting. The proposed dividend is subject to withholding tax at the appropriate tax rate.

5. DIRECTORS

S/N	Name	Designation
1	Mr. Tony O. Elumelu, CON	Non-Executive Director (Chairman)
2	Ambassador Joe Keshi, OON	Non-Executive Director (Vice-Chairman)
3	Mr. Kennedy Uzoka	Executive Director (GMD/CEO)
4	Mr. Victor Osadolor	Executive Director (DMD)
5	Mr. Dan Okeke	Executive Director
6	Mr. Emeke Iweriebor	Executive Director
7	Mr. Oliver Alawuba	Executive Director
8	Mr. Uche Ike	Executive Director
9	Mr. Ayoku Liadi	Executive Director
10	Mr. Ibrahim Puri	Executive Director
11	Mr. Chukwuma Nweke	Executive Director
12	Chief Kola Jamodu, CFR	Non-Executive Director
13	Mrs. Rose Okwechime	Non-Executive Director
14	Mr. Yahaya Zekeri	Non-Executive Director
15	Mrs. Foluke Abdulrazaq	Non-Executive Director
16	Mrs. Owanari Duke	Non-Executive Director
17	High Chief Samuel Oni	Non-Executive Director
18	Mr. Adekunle Olumide, OON	Non-Executive Director
19	Alhaji Ja'afaru Paki	Non-Executive Director

Note: Mr Femi Olaloku, Ms. Obi Ibekwe and Mr. Phillips Oduoza were on the Board until their retirement on 31 May 2016, 30 June 2016 and 31 July 2016 respectively. Mr. Victor Osadolor was appointed to the Board on 1 June 2016 and Messrs. Uche Ike, Ayoku Liadi, Puri Ibrahim, Chukwuma Nweke and Oliver Alawuba were appointed to the Board on 1 August 2016.

In accordance with Articles 97 of the Articles of Association of the Bank, the following Directors will retire by rotation and being eligible, offer themselves for re-election:

1. Alhaji Ja'afaru Paki
2. Mr. Adekunle Olumide, OON
3. Chief Kola Jamodu, CFR

DIRECTORS' REPORT (continued)

6. DIRECTORS' INTEREST IN THE SHARES OF UBA PLC

The interest of Directors in the issued share capital of the Bank as recorded in the register of Directors' shareholding and/or as notified by the Directors for the purpose of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange is as follows:

		31 Dec 2016		31 Dec 2015	
S/N	Name	Direct holding	Indirect holding	Direct holding	Indirect holding
1	Mr. Tony O. Elumelu, CON	**189,851,584**	**1,883,024,416**	189,851,584	1,883,024,416
2	Amb. Joe Keshi, OON	**433,499**	**–**	433,499	–
3	Mr. Kennedy Uzoka	**37,173,909**	**–**	37,173,909	–
4	Mr. Victor Osadolor	**16,583,126**	**–**	N/A	–
5	Mr. Dan Okeke	**30,279,136**	**–**	26,119,627	–
6	Mr. Emeke Iweriebor	**5,073,123**	**–**	3,209,871	–
7	Mr. Oliver Alawuba	**12,000**	**–**	N/A	–
8	Mr. Uche Ike	**10,120,395**	**–**	N/A	–
9	Mr. Ayo Liadi	**1,080,000**	**–**	N/A	–
10	Mr. Ibrahim Puri	**–**	**–**	–	–
11	Mr. Chukwuma Nweke	**1,059,860**	**–**	N/A	–
12	High Chief Samuel Oni, FCA	**2,065**	**–**	–	–
13	Mr. Adekunle Olumide, OON	**3,282,556**	**–**	3,282,556	–
14	Chief Kola Jamodu, CFR	**657,415**	**64,510**	657,415	59,192
15	Alhaji Ja'afaru Paki	**–**	**23,924,983**	–	23,924,983
16	Mrs. Foluke Abdulrazaq	**10,000,000**	**11,120,000**	10,000,000	11,120,000
17	Mr. Yahaya Zekeri	**499,999**	**–**	499,999	–
18	Mrs. Rose Okwechime	**–**	**30,113,961**	–	30,113,961
19	Mrs. Owanari Duke	**86,062**	**–**	86,062	–

The details of indirect holding of Directors in the issued share capital of the Bank is as below:

S/N	Name	Companies	Indirect holding	Total Indirect holding
1	Mr. Tony O. Elumelu, CON	HH Capital	140,843,816	1,883,024,416
		Heirs holdings	1,742,180,600	
2	Mrs. Rose Okwechime	Infant Jesus Academy	30,113,961	30,113,961
3	Chief Kola Jamodu, CFR	JAMKOL Inv. Limited	64,510	64,510
4	Mrs. Foluke Abdulrazaq	Bridge House College	11,120,000	11,120,000
5	Alhaji Ja'afaru Paki	NYMEX Inv. Limited	23,924,983	23,924,983

7. DIRECTORS' INTEREST IN CONTRACTS

For the purpose of section 277 of CAMA, all contracts with related parties during the year were conducted at arm's-length. Information concerning related parties transactions are disclosed in note 42 to the financial statements.

8. ANALYSIS OF SHAREHOLDINGS

The details of shareholding of the Bank as at 31 December 2016 is as stated below:

Range	Holdings	Holders %	Cumm	Units	Units %	Units Cumm
1 – 1000	28,038	10.16	28,038	13,329,563	0.04	13,329,563
1,001 – 5,000	121,218	43.93	149,256	303,195,262	0.84	316,524,825
5.001 – 10,000	46,188	16.74	195,444	315,834,982	0.87	632,359,807
10,001 – 50,000	57,177	20.70	252,561	1,195,852,724	3.30	1,828,212,531
50,001 – 100,000	11,368	4.12	263,929	767,099,560	2.11	2,595,312,091
100,001 – 500,000	9,335	3.38	273,264	1,897,438,875	5.23	4,492,750,966
500,001 – 1,000,000	1,294	0.47	274,558	898,343,030	2.48	5,391,093,996
1,000,001 – 5,000,000	1,068	0.39	275,626	2,124,813,919	5.86	7,515,907,915
5,000,001 – 10,000,000	124	0.04	275,750	874,289,721	2.41	8,390,197,636
10,000,001 – 50,000,000	110	0.04	275,860	2,217,968,686	6.11	10,608,166,322
50,000,001 – 100,000,000	13	0.00	275,873	882,960,105	2.43	11,491,126,427
100,000,001 – 500,000,000	37	0.01	275,910	10,560,460,094	29.11	22,051,586,521
500,000,001 – 1,000,000,000	12	0.00	275,922	7,298,342,949	20.12	29,349,929,470
1,000,000,001 and above	4	0.00	275,926	6,929,596,851	19.10	36,279,526,321
	275,926	**100.00**		**36,279,526,321**	**100.00**	

9. SUBSTANTIAL INTEREST IN SHARES: SHAREHOLDING OF 5% AND ABOVE

According to the Register of Shareholders as at 31 December 2016, no Shareholder held more than 5% of the share capital of the Bank except the following:

Shareholders	Shareholding	% holding
Stanbic Nominees	4,090,498,886	11.3
UBA Staff Share Investment Trust	2,231,381,417	6.2
Mr. Tony O. Elumelu, CON (Direct and Indirect holding)	2,072,876,000	5.7

10. DIRECTORS' RESPONSIBILITIES

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

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

11. TRADING IN SHARES OF UBA PLC

A total of 6,460,100,431 units of UBA shares were traded on the Nigerian Stock Exchange in 2016, representing 17.8% of the shares outstanding. The stock gained 33% in the period, closing the year at N4.50 (from N3.38 as at 1 January 2016).

12. ACQUISITION OF OWN SHARES

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

The Group has a Board approved Global Personal Investment Policy, which covers Directors, staff, and related parties. The policy prevents employees, Directors and related individuals/companies from insider dealings on the shares of UBA Plc and related parties. The essence of the policy is to prevent the abuse of confidential non-public information that may be gained during the execution of UBA's business. In addition, the policy serves to ensure compliance with the local laws and/or regulatory requirements. In accordance with the NSE Rule Book and Amendments to the Listing Rules, UBA observes closed periods, within which affected persons/corporates are restricted from trading on the shares of the Bank.

There was no case of violation within the period under review.

13. DONATIONS

As a part of our commitment to the development of host communities and the broader environment within which we operate, a total of N321,729,616.00 (Three Hundred and Twenty One Million, Seven Hundred and Twenty Nine Thousand, Six Hundred and Sixteen Naira Only) was given out as donations and charitable contributions during the 2016 financial year. The beneficiaries of the donations are as follows:

Beneficiary/Project	Amount (N)
Nigerian Law School, Lagos Campus Hostel Project	50,000,000
Internally Displaced Persons (IDPs)	50,000,000
Construction of Primary Health Care Centre in Enugu State	35,000,000
Federal Ministry of Solid Minerals Development	30,000,000
University of Lagos	17,634,667
African Economic Policy and Development Initiative	16,812,500
Nigerian Economic Summit Group	15,000,000
University of Benin	15,000,000
Nigeria Police Force, Lagos	15,158,011
Chartered Institute of Bankers of Nigeria	11,000,000
National Youth Service Corps	10,679,000
National Institute for Policy and Strategic Studies	10,500,000
Kebbi State Central Market Rehabilitation Fund	10,000,000
Enugu State 2016 Investment Summit	10,000,000
Ekiti State Government Road Rehabilitation Project	5,150,000
Performing Arts School of Nigeria	5,000,000
Nigerian Mission to UNESCO	3,310,000
Babcock University	1,500,000
Nigerian Electronic Fraud Forum	1,227,938
Nigerian Bar Association	1,000,000
Institute of Chartered Accountants of Nigeria	1,000,000
Loval Government Establishment Pension Office, Lagos State	1,000,000
Others	5,757,500
Total	**321,729,616**

14. PROPERTY AND EQUIPMENTS

Movements in fixed assets/property and equipments during the period are shown on note 30. In the opinion of the Directors, the market value of the Bank's property, plant and equipment is not less than the value shown in the financial statement.

15. POST-BALANCE SHEET EVENTS

There are no post-balance sheet events which could have had material effect on the financial state of affairs as at 31 December 2016 and the profit for the year ended that date.

16. EMPLOYMENT AND EMPLOYEES

Employment of Physically Challenged Persons

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

Health, Safety at Work and Welfare of Employees

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy working conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. The Bank has a comprehensive health insurance scheme for staff, through which medical needs of staff and their immediate family members are met. In addition, the Bank provides first aid in all business offices and has a medical facility at the Head Office.

Fire prevention and fire-fighting equipment are installed in strategic locations at all business offices, in addition to hosting a full fire service operation at the Head Office.

The Bank operates a contributory pension plan in accordance with the Pension Reform Act, 2004, wherein the Bank contributes 10% of employees' basic salary, housing and transport allowance to the designated pension fund administration chosen by each employee. As a part of the scheme, Bank also remit employees' contribution of 8% of the relevant compensation to the same account, as provided by the Pension Reform Act, 2004, as amended.

Employee Involvement and Training

The Bank encourages participation of its employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Bank provides formal and informal opportunities where employees deliberate on issues affecting the Bank and employees' interest, with a view to making inputs to decision thereon. The Bank places premium on the development of its manpower. In addition to the routine online Executive Chat, wherein employees interact with the Management to discuss issues of customer and employee satisfaction, the GMD/CEO operates an open door policy and encourages employees to channel suggestions and complaints to him as may be required. The Human Capital Management Division also holds a monthly HR Clinic to address relevant employee welfare and career satisfaction.

Research and Development

As a part of its daily business, the Bank carries out research into new banking products and services to anticipate and meet customer's need and to ensure excellent service is delivered at all time.

Demographics of our workforce

During the period under review, the Group employed staff across the different businesses and geographies where it operates. Below is the details of the employee demographics:

Group staff distribution by nationality and location during 2016 financial year

Nationality	Location	Headcount
Nigerians	Nigeria	9,287
	Other 18 African countries	33
	USA	2
	United Kingdom	7
Francophone Africans	Nigeria	12
	Other 18 African countries	1,725
Anglophone Africans	Nigeria	8
	Other 18 African countries	1,123
Mozambicans	Mozambique	79
Indians	Nigeria	2
Americans	New York	28
Europeans	Nigeria	1
Other nationalities	United Kingdom	1
Total		**12,308**

DIRECTORS' REPORT (continued)

Staff distribution by gender during 2015 financial year

Description	Gender	Headcount	% of total
Group	Male	6,632	54
	Female	5,676	46
	Total	**12,308**	**100**
Bank	Male	4,994	53
	Female	4,389	47
	Total	**9,383**	**100**

Average gender analysis of the Bank's Board of Directors and Top Management Staff during the period

Description	Gender	Headcount	% of total
Board of Directors	Male	16	84
	Female	3	16
	Total	**19**	**100**
Top Management	Male	59	73
	Female	22	27
	Total	**81**	**100**

Detailed average gender analysis of Board of Directors and Top Management Staff during the period

	Male		Female		
Description	Headcount	% of total	Headcount	% of total	Total
Non-Executive Directors	7	70	3	30	10
Executive Directors	9	100	–	–	9
General managers	16	70	7	30	23
Deputy general managers	16	80	4	20	20
Assistant general managers	27	71	11	29	38
Total	**75**	**75**	**25**	**25**	**100**

17. AUDIT COMMITTEE

Pursuant to section 359(3) of the Companies and Allied Matters Act Cap 20 Laws of the Federation of Nigeria 2004, the Bank has an Audit Committee comprising three non-executive Directors and three Shareholders as follows:

1. Mr. Valentine Ozigbo — Chairman/Shareholder
2. Mr. Matthew Esonanjor — Shareholder
3. Alhaji Umar Al-Kassim — Shareholder
4. Mrs. Foluke Abdulrazaq — Non-Executive Director
5. Mrs. Owanari Duke — Non-Executive Director
6. Mr. Adekunle Olumide, OON — Non-Executive Director

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

18. AUDITORS

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

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

19. DISCLOSURE OF CUSTOMER COMPLAINTS IN THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

	Number		Amount claimed (N)		Amount refunded (N)	
Description	**2016**	**2015**	**2016 (N'million)**	**2015 (N'million)**	**2016 (N'million)**	**2015 (N'million)**
Pending complaints B/F	4,252	5,046	3,386	2,333		
Received complaints	362,511	359,355	41,171	296,273		
Resolved complaints	360,749	359,959	43,329	290,897	576	777
Unresolved complaints escalated to CBN for intervention	6	190	81.00	4,323.00		
Unresolved complaints pending with the bank C/F	6,008	4,252	1,147.00	3,386.00		
Percentage of complaints/transaction volume	0.27	0.20				

Over time, the Bank refunded the sum of N3,679,878,495.71 in respect of excess COT, monthly charges and negotiable current account maintenance fees to customers.

By order of the Board

Bili A. Odum
FRC/2013/NBA/00000001S954
Group Company Secretary
57 Marina, Lagos
27 January 2017

GOVERNANCE
COMPLAINTS AND FEEDBACK

INTRODUCTION

United Bank for Africa Plc is a customer focused Pan-African financial services Group. Our aim is to deliver excellent customer service and provide high quality financial solutions to our over eight million customers in the 22 countries where we operate. At each of our multiple contact points with customers, we aim to proactively exceed their expectations. Customer feedback is thus an effective tool in our relentless effort to delight our customers at all points of interaction with the Bank.

To achieve excellent customer service delivery in line with the Bank's focus, UBA Staff worldwide are continuously trained to have a strong customer service orientation and be customer-centric in every aspect of the Bank's operations thereby fulfilling the Bank's promise to Customers, as contained in its charter. The Bank's customer service charter requires all staff to:

- Be respectful – We know the "The Customer is King" and is the purpose of our business;
- Be courteous and friendly in all our interactions with the customer;
- Process transactions without delay and attend to enquiries promptly;
- Investigate and resolve complaints promptly;
- Listen attentively:
  - Communicate honestly and proactively;
  - Leverage our technical knowledge to fully support the customer's needs; and
  - Show appreciation at all times.

COMPLAINTS CHANNELS

To ensure an effective feedback process, UBA has established different channels through which customers can reach the Bank on all issues – be it an enquiry/complaint/request or a feedback. The channels include;

Customer Fulfillment Center (CFC) – A 24/7 Multi-Lingual Customer Contact Centre, where customers can call in to lodge complaints, make requests or enquiries about our products and services.

Dedicated E-mail address – A dedicated e-mail address cfc@ubaGroup.com is available to customers 24/7 to send in their complaints/requests. This e-mail channel is manned by our highly skilled and effective correspondents that accurately deliver high quality service to UBA customers and prospects alike.

Hot Lines in the branches – Branded toll-free phones called "UBA Hotline" have been placed in designated Business Offices to enable customers call the Customer Fulfillment Centre to relay their complaints, requests and enquiries. Calls received through this channel are handled by designated inbound call agents. The calls are given priority so as to reassure the customers of the Bank's total commitment to serve them.

Suggestion/Complaint Box – Customers' Complaint boxes are maintained in all our Business Offices to facilitate the tracking, resolution, reporting and dissemination of customer complaints and feedback.

Web – On the UBA website www.ubaGroup.com, customers can also log in and register their complaints through the link "Do You Have Feedback?" Such Complaints are automatically routed to CFC for resolution. Customers also have the option of chatting online real time with our highly skilled agents through the "Live Chat" channel, Face book | Twitter | LinkedIn | Google+ | YouTube | UBA Blog.

Post – A dedicated Post Office Box number 5551 is also available exclusively for receiving customer complaints by post.

RESOLUTION STRUCTURE

In order to ensure that Customers' complaints, enquiries and requests are promptly resolved, the Bank has put in place a dedicated Complaints' Management Team supervised by a Senior Officer of the Bank, who is responsible for prompt investigation and resolution of customers' complaints within the approved timelines. The unit is manned by highly skilled personnel with rich and diverse banking experience to promptly resolve customer complaints. The Bank maintains a robust Customer Complaints Management system, which is managed by well trained staff of the Customer Service Division and reports generated are periodically reviewed by Executive Management to see where processes can be improved to enhance customer service.

The complaints management system ensures that customers' issues are promptly treated as specified within the established framework and turnaround time.

The process flow of customer complaint and resolution is as follows:

- The Bank's touch point (Business office, CFC (Calls, Telemarketing and E-mail), Social media; Twitter, Linkedin, Facebook and Live chat) that receives the customer's complaint acknowledges and registers the complaint on the Customer Contact Manager (CCM), the bank's automated complaints management system.
- The complaint is reviewed and it is determined if the complaint could be resolved at first level.
- Where the complaint can be resolved at the first level, a resolution is provided to the customer.
- If such complaint cannot be resolved at the first level, the touch point forwards the complaint to Operations Specialists at the Resolution Unit to resolve.
- Upon resolution, the customer is contacted and the required feedback provided to the customer.
- The complaint is then closed in the system.
- Where customer is not satisfied with the resolution outcome and a rejoinder is sent, more attention is given to it by the Unit Head to further analyze and resolve the issues raised and final outcome communicated to the customer.

Feedback on customers' complaints to the Bank – Monthly Complaints Dash Board

A Monthly Performance Feedback dash board on customers' complaints is provided to Management and relevant Departments within the Bank to address the root causes of complaints and issues raised by customers.

The feedback dash board ensures that:

- Improvement opportunities are quickly identified and brought to bear.
- The quality of customer service is improved and standardized across all the customer touch points of the Bank.
- Customer retention is improved through increased customer satisfaction.
- Training and re-training is also done on a regular basis to keep abreast the development in the industry.

GOVERNANCE

CORPORATE GOVERNANCE REPORT

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

The Board is of the opinion that UBA Plc has in all material respects, complied with the requirements of the CBN code, the SEC code, and its own governance charters, during the 2016 financial year.

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

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

As at 31 December 2016, the Board comprised a Non-Executive Chairman, a Non-Executive Vice Chairman, eight (8) other Non-Executive Directors, which includes three (3) Independent Non-Executive Directors and nine (9) Executive Directors (which include the GMD/CEO and the Deputy Managing Director), all of whom bring a wide range of skills and experience to the Board.

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

In addition to the Board Committees, there are a number of Management Committees which ensure effective and good corporate governance at the managerial level.

A. THE BOARD

The Board presently consists of 19 members, nine of whom, inclusive of the GMD/CEO are Executive Directors and 10 Non-Executive Directors. The Non-Executive Directors have the requisite integrity, skills and experience to bring independent judgment to bear on Board deliberations and discussions.

Responsibility

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman is primarily responsible for the working of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and comprises all Executive Directors. The Board's primary responsibility is to increase Shareholder wealth. The Board is accountable to Shareholders and is responsible for the management of the relationships with its various stakeholders.

Executive Management is accountable to the Board for the development and implementation of strategy and policies. The Board regularly reviews Group performance, matters of strategic concern and any other matters it regards as material.

The Board meets quarterly and additional meetings are convened as the need arises. In 2016 the Board met seven (7) times.

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

Appointments and Retirements

During the course of the year, Mr. Victor Osadolor, Mr. Uche Ike, Mr. Oliver Alawuba, Mr. Chukwuma Nweke, Mr. Ayoku Liadi, and Mr. Ibrahim Puri were appointed as Executive Directors to the Board; and Mr. Phillips Oduoza, Mr. Femi Olaloku and Ms Obi Ibekwe retired.

Professional Independent Advice

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

B. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board has presented a balanced assessment of the Company's position and prospects. The Board is mindful of its responsibilities and is satisfied that in the preparation of its Financial Report, it has met its obligation under the Group's Code of Corporate Governance.

The Directors make themselves accountable to the Shareholders through regular publication of the Group's financial performance and Annual Reports. The Board has ensured that the Group's reporting procedure is conveyed on the most recent infrastructure to ensure accuracy. This procedure involves the monitoring of performance throughout the financial year, in addition to monthly reporting of key performance indicators.

PricewaterhouseCoopers acted as external auditors to the Group during the 2016 financial year. Their report is contained on pages 66 – 73 of this Annual Report.

Internal Controls

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

C. CONTROL ENVIRONMENT

The Board has continued to place emphasis on risk management as an essential tool for achieving the Group's objectives. Towards this end, it has ensured that the Group has in place robust risk management policies and mechanisms to ensure identification of risk and effective control.

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

D. SHAREHOLDER'S RIGHTS

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

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

E. BOARD COMMITTEES

The Board of UBA Plc has the following committees, namely, the Board Audit Committee, the Board Risk Management Committee, the Finance and General Purpose Committee, the Nominations and Governance Committee, the Board Credit Committee and the Statutory Audit Committee.

BOARD AUDIT COMMITTEE

The Board Audit committee comprises:

1	Mr. Adekunle Olumide, OON	Chairman
2	Mrs. Foluke Abdulrazaq	Member
3	Chief Kola Jamodu, CFR	Member
4	Mrs. Rose Okwechime	Member
5	Mrs. Owanari Duke	Member
6	High Chief Samuel Oni, FCA	Member

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

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

S/n	Members	Number of meetings held	Number of meetings attended by members
1	Mr. Adekunle Olumide	5	5
2	Mrs. Foluke Abdulrazaq	5	4
3	Chief Kola Jamodu	5	5
4	Mrs. Rose Okwechime	5	5
5	Mrs. Owanari Duke	5	5
6	High Chief Samuel Oni	5	5

Board Risk Management Committee

The Board Risk Management Committee comprises of the following Directors:

1	Chief Kola Jamodu, CFR	Chairman
2	Mr. Kennedy Uzoka	Member
3	Mr. Victor Osadolor	Member
4	Alhaji Ja'afaru Paki	Member
5	Mrs. Rose Okwechime	Member
6	Mr. Adekunle Olumide, OON	Member
7	High Chief Samuel Oni, FCA	Member
8.	Mr. Uche Ike	Member

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

S/n	Members	Number of meetings held	Number of meetings attended
1	Chief Kola Jamodu	5	5
2	Mr. Kennedy Uzoka*	5	2
3	Alh. Ja'afaru Paki	5	5
4	Mr. Adekunle Olumide	5	5
5	Mr. Victor Osadolor*	5	1
6	Mrs. Rose Okwechime	5	5
7	High Chief Samuel Oni	5	5
8.	Mr. Uche Ike**	5	1

** Appointed to the Committee in August 2016.*

*** Appointed to the Committee in November 2016*

BOARD CREDIT COMMITTEE

The Board Credit Committee is made up of four (4) Non-Executive Directors and one (1) Executive Director. The Committee is responsible for approval of credit facilities in the Company. It reviews all credits granted by the Company and meetings are held at least once a quarter.

Members of the Board Credit Committee are:

1	Mrs. Foluke Abdulrazaq	Chairman
2	Alhaji Ja'afaru Paki	Member
3	Mr. Yahaya Zekeri	Member
4	Mrs. Owanari Duke	Member
5	Mr. Uche Ike	Member

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

S/n	Members	Number of meetings held	Number of meetings attended
1	Mrs. Foluke Abdulrazaq	7	7
2	Alh. Ja'afaru A. Paki	7	7
3	Mrs. Owanari Duke	7	7
4	Mr. Yahaya Zekeri	7	7
5	Mr Uche Ike*	7	1

** Appointed to the Committee in November 2016.*

Nominations and Governance Committee

The Nominations and Governance Committee is comprised of four (4) Non-Executive Directors and the Committee has responsibility of reviewing, considering, and determining the appropriate remuneration payable to the Bank's Executive Directors. The Committee meets at least once every quarter.

The Nominations and Governance Committee is comprised of four (4) Non-Executive Directors namely:

1	Mrs. Rose Okwechime	Chairman
2	Mrs. Foluke Abdulrazaq	Member
3	Mr. Yahaya Zekeri	Member
4	Mrs. Owanari Duke	Member

S/n	Members	Number of meetings held	Number of meetings attended
1	Mrs. Rose Okwechime	5	5
2	Mrs. Foluke Abdulrazaq	5	5
3	Mr. Yahaya Zekeri	5	5
4	Mrs. Owanari Duke	5	5

FINANCE AND GENERAL PURPOSE COMMITTEE

The purpose of the Finance and General Purpose Committee is to, amongst other things; discharge the Board's responsibilities with regard to strategic direction and budgeting and to provide oversight on financial matters and the performance of the Group.

The Members of the Finance and General Purpose Committee are as follows:

1	Mrs. Owanari Duke	Chairman
2	Mr. Adekunle Olumide, OON	Member
3	Alhaji Ja'afaru Paki	Member
4	Mr. Kennedy Uzoka	Member
5	Mr. Victor Osadolor	Member

S/n	Members	Number of meetings held	Number of meetings attended
1	Mrs. Owanari Duke	6	6
2	Mr. Adekunle Olumide, OON	6	5
3	Alhaji Ja'afaru Paki	6	5
4	Mr. Kennedy Uzoka	6	4
5	Mr. Victor Osadolor*	6	3

** Appointed to the Committee in August 2016*

STATUTORY AUDIT COMMITTEE

The Statutory Board Committee: The Statutory Audit Committee was set up in accordance with the provisions of the Companies and Allied Matters Act, CAP20, 2004. It comprises of a mixture of Non-Executive Directors and ordinary Shareholders elected at the Annual General Meeting. Its terms of reference include the monitoring of processes designed to ensure compliance by the Group in all respects with legal and regulatory requirements, including disclosure, controls and procedures and the impact (or potential impact) of developments related thereto. It evaluates annually, the independence and performance of the External Auditors. The committee also reviews with Management and the External Auditors the annual audited financial statement before its submission to the Board.

The Members of the Statutory Audit Committee in 2016 are as follows:

S/n	Members	Designation	Number of meetings held	Number of meetings attended
1.	Mr. Valentine Ozigbo	Chairman/Shareholder	4	4
2.	Mr. Matthew Esonanjor	Shareholder	4	4
3.	Alhaji Umar Al-Kassim	Shareholder	4	4
4.	Mrs. Foluke Abdulrazaq	Non-Executive Director	4	4
5.	Mr. Adekunle Olumide, OON	Non-Executive Director	4	3
6.	Mrs. Owanari Duke	Non-Executive Director	4	4

CORPORATE GOVERNANCE REPORT (continued)

ATTENDANCE AT BOARD MEETINGS

Membership and attendance at Board Meetings are set out below:

S/n	Members	Number of meetings held	Number of meetings attended
1	Tony O. Elumelu, CON	7	7
2	Joe. C. Keshi, OON	7	7
3	Phillips Oduoza****	7	4
4	Kennedy Uzoka	7	7
5	Victor Osadolor***	7	4
6	Femi Olaloku*	7	3
7	Dan Okeke	7	7
8	Emeke Iweriebor	7	7
9	Obi Ibekwe**	7	3
10	Uche Ike*****	7	3
11	Oliver Alawuba*****	7	3
12	Chukwuma Nweke*****	7	3
13	Ayoku Liadi*****	7	3
14	Ibrahim Puri*****	7	3
15	Chief Kola Jamodu, CFR	7	6
16	Alhaji Ja'afaru Paki	7	6
17	Adekunle Olumide, OON	7	7
18	Mrs. Rose Okwechime	7	7
19	Yahaya Zekeri	7	7
20	Foluke Abdulrazaq	7	6
21	High Chief Samuel Oni, FCA	7	7
22	Owanari Duke	7	7

* *Retired in May 2016.*
** *Retired in June 2016.*
*** *Appointed to the Board in June 2016.*
**** *Retired in July 2016.*
***** *Appointed to the Board in August 2016.*

EXECUTIVE MANAGEMENT COMMITTEES

These are Committees comprising of senior management of the Bank. The committees are also risk driven as they are basically set up to identify, analyze, synthesize and make recommendations on risks arising from day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as risk issues occur to immediately take actions and decisions within the confines of their powers. Some of these Executive Management Committees include the Group Asset and Liability Committee (GALCO), the Executive Credit Committee (ECC), the Operational Efficiency Committee (OEC)/IT Steering Committee (ITSC), the Group Risk Management Committee (GRMC) and the Executive Management Committee (EMC).

DIRECTORS' COMPENSATION

Package	Type	Description	Timing
Basic salary	Fixed	This is part of gross salary package for Executive Directors only It reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Paid monthly during the financial year
13th month salary	Fixed	This is part of gross salary package for Executive Directors only It reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Paid in a month during the financial year
Directors fees	Fixed	This is paid quarterly to Non-executive Directors only	Paid quarterly
Sitting allowances	Fixed	Sitting allowances are paid to the Non-Executive Directors only for attending Board and Board Committee meetings	Paid after each meeting

REPORT OF THE STATUTORY AUDIT COMMITTEE TO MEMBERS OF UNITED BANK FOR AFRICA PLC

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

- We confirm that we have seen the audit plan and scope, and the Management Letter on the audit of the Group fianncial statement and the responses to the said letter.
- In our opinion, the plan and scope of the audit for the period ended 31 December 2016 were adequate. We have reviewed the auditors' findings and we are satisfied with the Management responses thereon.
- We also confirm that the accounting and reporting policies of the Bank are in accordance with legal and regulatory requirements and ethical practices.
- Related party transactions and balances are disclosed in note 42 to the financial statements as required by the provisions of the Central Bank of Nigeria circular 85D/1//2004 dated 18 February 2004 on "Disclosure of Insider-Related Credits in Financial Statements". This disclosure was reviewed and found to be as analysed in the financial statements as at 31 December 2016.

Valentine Ozigbo
FRC/2013/ICAN/00000005347
Chairman , Statutory Audit Committee

Members of the Statutory Audit Committee are as follows:

1.	Mr. Valentine Ozigbo	Chairman/Shareholder
2.	Mr. Matthew Esonanjor	Shareholder
3.	Alhaji AlKassim Umar	Shareholder
4.	Mrs. Foluke Abdulrazaq	Non-Executive Director
5.	Mrs. Owanari Duke	Non-Executive Director
6.	Mr. Adekunle Olumide, OON	Non-Executive Director

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Report of External Consultants on the Board Performance Appraisal of United Bank for Africa Plc

We have performed the procedures agreed with United Bank for Africa Plc ("UBA") in respect of the evaluation of the Board of UBA for the year ended 31 December, 2016 in accordance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Code of Corporate Governance (CCG) 2014 for Banks and Discount Houses "CBN CCG". Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures' engagements.

The procedures were performed in accordance with the CBN CCG which mandates an annual evaluation of the Board and individual directors with specific focus on the Board structure and composition, responsibilities, proceedings and relationships, individual director's competences and respective roles in the performance of the Board.

The field work was performed based on the statement of work. The evaluation is limited in nature, and as such may not necessarily disclose all significant matters about the company or reveal irregularities, if any, in the underlying information.

Our approach included the review of UBA's Corporate Governance framework, and all relevant policies and procedures. We obtained written representation through questionnaires administered to the Board members and conducted face to face interviews and conference calls with the directors and key personnel of the Company. On the basis of our work, the Board of United Bank for Africa Plc has largely complied with the requirements of the CBN CCG during the year ended December 31, 2016.

The outcome of the review and our recommendations have been articulated and included in our detailed report to the Board.

Bunmi Akinde
Partner Advisory Services
FRC/2012/ICAN/00000000187

March 10, 2017

A member firm of Ernst & Young Global Limited.

GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, Cap 20 Laws of the Federation of Nigeria 2004, and Sections 24 and 28 of the Banks and Other Financial Institutions Act CAP B3 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank and of the profit or loss for the period ended 31 December 2016 and in so doing they ensure that:

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

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

The Directors are of the opinion that the 2016 financial statements give a true and fair view of the state of the financial affairs of the Bank and Group.

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

Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least 12 months from the date of this statement.

On behalf of the Directors

Kennedy Uzoka

Kennedy Uzoka
FRC/2013/IODN/00000015087

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

To the members of United Bank for Africa Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of United Bank for Africa Plc ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2016 and of their consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

United Bank for Africa Plc's consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2016;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers We focused on this area because of the significant value of loans and advances and also because the directors make significant and subjective judgements over the timing, estimation and recognition of the related loan loss reserve. The directors make an assessment for impairment on a number of significant loans by assessing the loans for impairment triggers individually. On these category of loans, the directors make assumptions regarding the identification of impairment triggers and the magnitude and timing of future cash flows including those arising from pledged collateral. Loans that are not individually tested for impairment and those that have been tested but unimpaired are assessed collectively on a portfolio basis. This assessment is based on impairment models with significant assumptions including values for probability of default and loss given default. This matter is considered a key audit matter in both the separate and consolidated financial statements. *See Note 25 to the financial statements for further information.*	We understood and tested the design and operating effectiveness of the controls over the estimation of loan loss reserves. We performed our tests along the two broad categories of loans and advances i.e. the "specifically assessed portfolio" comprising a number of high value loans; and the "collectively assessed portfolio" comprising individually low value loans and some high value loans which were assessed to be unimpaired. For the specifically assessed portfolio of loans, we applied a risk based testing approach in selecting a sample of customer loans for testing. We reviewed correspondences included in the customer files, account statements and publicly available information on obligors which were used in determining the existence of impairment triggers. For loans assessed to have impairment triggers, we tested, the calculation of impairment by reviewing the forecasts cash flows used in the impairment calculations. In addition, we challenged the directors' assumptions around the amount and timing of cash flows used in the impairment calculations. We then formed our own view as to the recoverable amounts of the loans by discounting these future cash flows using the individual loan's effective interest rates. For the category of loans assessed collectively, we reviewed the impairment models used by the directors, to confirm consistency with prior periods and with our understanding of the business and industry. We tested collective impairment inputs e.g. the Loss Given Default (LGD) and the Probability of Default (PD) by reviewing against historical data and other client information. We then recalculated the collective impairment reserve amount for the portfolio and compared with the directors' estimate.

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Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax asset We focused on this area because of the magnitude of UBA Plc's deferred tax asset and the uncertainties around the directors' judgement in their estimation of the future taxable profits upon which deductible temporary differences or unused tax losses or credits will be applied. This matter is considered a key audit matter in both the separate and consolidated financial statements. *See Note 32 to the financial statements for further information.*	We adopted a substantive approach to testing the recoverability of the Group's deferred tax asset balance. We obtained the cash flow projections and forecast taxable profits used to support the directors' recognition of the deferred tax asset. We then challenged the cash flow forecasts and deferred tax utilization computations. Specifically we, - tested the cashflow forecast provided by the directors by challenging the assumptions on the growth rate of taxable and non- taxable transaction income vis-à-vis the historical trends and current business plan; and - used our tax specialists to challenge the directors' assessment of the relative useful lives of the components of the deferred tax asset in line with the applicable tax laws. This was used to assess the viability of the directors' plan for the recoverability of the deferred tax asset.

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Key audit matter	How our audit addressed the key audit matter
Valuation of available for sale unquoted equity financial instruments	
We focused on this area because of the subjective judgments involved in estimating the carrying value of the unquoted equity securities at the year-end date and the relative size of the balance. In particular we focused on UBA Plc's unquoted equity investments where the directors' have applied a discounted cashflow (DCF) valuation technique to determine their fair values. This category of investment securities account for 95% of the total portfolio of unquoted equity securities and there is no active market for them. This matter is considered a key audit matter in both the separate and consolidated financial statements. *See Note 26 to the financial statements for further information.*	We adopted a substantive approach to testing this balance by obtaining and performing audit procedures on the directors' independent valuation of all unquoted equity investment securities performed using the discounted cash flow valuation technique. We challenged the cash flow forecasts used by the directors in their independent valuation of these securities by revalidating with information on the business plans of the investee companies, their historical performance and long term economic outlook. We used our internal valuation experts to test the reasonableness of the discount rates, long term growth rates, applicability of the methodology applied and mathematical accuracy of the valuation models used in the directors' estimate. Our valuation experts also performed an independent valuation to determine if the values ascribed to the investee companies were within an acceptable range of outcomes.

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Key audit matter	How our audit addressed the key audit matter
Impairment assessment for Goodwill We focused on this area because of the magnitude of the carrying amount of goodwill and because the goodwill is recognized on Cash Generating Units (CGUs) in different economic environments. This increased the level of subjectivity involved in estimating the carrying amount of the goodwill at the year end date. In particular, the directors exercise judgement in: • identifying the CGUs to which goodwill is allocated; and • assessing the "value in use" of the CGUs by estimating future cashflows and making assumptions on the applicable discount rates. This matter is considered a key audit matter in the consolidated financial statements only. *See Note 31 to the financial statements for further information.*	We obtained the directors' assessment of impairment of the Group's goodwill and challenged the assumptions used in the impairment model. We focused on the appropriateness of the directors' identification of CGUs, their estimation of future cash flows and appropriateness of discount rates applied. Specifically, we: - challenged the directors' basis of allocating goodwill to identified CGUs; - obtained the board approved business plans and related cashflow forecasts for the related CGUs to which goodwill is allocated and challenged the forecast by comparing with the historical performance and long term economic outlook; and - used our internal valuation experts to test the reasonableness of the discount rates, long term growth rates, the applicability of the methodology applied and the mathematical accuracy of the impairment model used by the directors.

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Other information

The directors are responsible for the other information. The other information comprises the Directors Report, Statement of Directors' Responsibilities, Corporate Governance Report, Audit Committee Report, Statement of Value Added and Five Year Financial Summary, which we obtained prior to the date of this auditor's report. The Group's complete Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, the Banks and Other Financial Institutions Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of

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the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the Bank has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the Bank's statements of financial position and statement of comprehensive income are in agreement with the books of account;

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 42 to the financial statements; and

v) except for the contraventions disclosed in Note 47 to the financial statements, there were no penalties for contraventions of relevant circulars issued by the Central Bank of Nigeria.

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria
Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

24 March 2017

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Bank	
In millions of Nigerian Naira	Notes	2016	2015	2016	2015
Gross earnings		**383,647**	314,844	**269,895**	247,378
Interest income	10	**263,970**	229,629	**177,313**	185,919
Interest expense	11	**(98,770)**	(96,030)	**(68,525)**	(83,161)
Net interest income		**165,200**	133,599	**108,788**	102,758
Net impairment loss on loans and receivables	12	**(27,683)**	(5,053)	**(25,521)**	(3,491)
Net interest income after impairment on loans and receivables		**137,517**	128,546	**83,267**	99,267
Fee and commission income	13	**73,199**	61,892	**49,836**	42,103
Fee and commission expense	14	**(13,988)**	(8,557)	**(11,139)**	(6,740)
Net trading and foreign exchange income	15	**43,820**	20,366	**32,678**	12,615
Other operating income	16	**2,658**	2,957	**10,068**	6,741
Employee benefit expenses	17	**(64,614)**	(57,446)	**(43,501)**	(42,033)
Depreciation and amortisation	18	**(8,650)**	(7,968)	**(6,281)**	(6,281)
Other operating expenses	19	**(79,237)**	(71,216)	**(57,279)**	(54,937)
Share of loss of equity-accounted investee	28(c)	**(63)**	(110)	**–**	–
Profit before income tax		**90,642**	68,454	**57,649**	50,735
Income tax expense	20	**(18,378)**	(8,800)	**(10,108)**	(3,093)
Profit for the year		**72,264**	59,654	**47,541**	47,642
Other comprehensive income					
Items that will be reclassified to the income statement:					
Exchange differences on translation of foreign operations		**38,960**	(1,937)	**–**	–
Fair value reserve (available-for-sale financial assets):					
Net fair value gain during the year		**28,114**	7,310	**28,084**	7,324
Net amount transferred to the income statement		**(1,188)**	795	**(1,188)**	795
Other comprehensive income for the year, net of tax		**65,886**	6,168	**26,896**	8,119
Total comprehensive income for the year		**138,150**	65,822	**74,437**	55,761
Profit for the year attributable to:					
Owners of Parent		**69,404**	58,604	**47,541**	47,642
Non-controlling interest		**2,860**	1,050	**–**	–
Profit for the year		**72,264**	59,654	**47,541**	47,642
Total comprehensive income attributable to:					
Owners of Parent		**130,783**	65,108	**74,437**	55,761
Non-controlling interest		**7,367**	714	**–**	–
Total comprehensive income for the year		**138,150**	65,822	**74,437**	55,761
Earnings per share attributable to owners of the parent:					
Basic and diluted earnings per share (Naira)	21	**2.04**	1.79	**1.31**	1.36

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

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Bank	
In millions of Nigerian Naira	Notes	2016	2015	2016	2015
ASSETS					
Cash and bank balances	22	**760,930**	655,371	**610,910**	590,774
Financial assets held for trading	23	**52,295**	11,249	**52,295**	11,249
Derivative assets	33(a)	**10,642**	1,809	**10,642**	1,809
Loans and advances to banks	24	**22,765**	14,600	**23,850**	14,591
Loans and advances to customers	25	**1,505,319**	1,036,637	**1,090,355**	822,694
Investment securities	26	**970,392**	856,870	**533,016**	568,203
Other assets	27	**37,849**	40,488	**31,192**	22,528
Investment in equity-accounted investee	28	**2,925**	2,236	**1,770**	1,770
Investment in subsidiaries	29	**–**	–	**70,702**	65,767
Property and equipment	30	**93,932**	88,825	**80,252**	80,145
Intangible assets	31	**14,361**	11,369	**4,905**	4,954
Deferred tax assets	32	**33,060**	33,168	**29,696**	31,853
TOTAL ASSETS		**3,504,470**	2,752,622	**2,539,585**	2,216,337
LIABILITIES					
Derivative liabilities	33(b)	**14**	327	**14**	327
Deposits from banks	34	**109,080**	61,066	**30,484**	350
Deposits from customers	35	**2,485,610**	2,081,704	**1,698,859**	1,627,060
Other liabilities	36	**110,596**	54,885	**72,901**	34,219
Current tax liabilities	20	**5,134**	6,488	**522**	634
Borrowings	37	**259,927**	129,896	**259,927**	129,896
Subordinated liabilities	38	**85,978**	85,620	**85,978**	85,620
Deferred tax liabilities	32	**62**	15	**–**	–
TOTAL LIABILITIES		**3,056,401**	2,420,001	**2,148,685**	1,878,106
EQUITY					
Share capital	39	**18,140**	18,140	**18,140**	18,140
Share premium	39	**117,374**	117,374	**117,374**	117,374
Retained earnings	39	**138,623**	113,063	**110,152**	100,900
Other reserves	39	**160,714**	77,250	**145,234**	101,817
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**434,851**	325,827	**390,900**	338,231
Non-controlling interest in subsidiaries		**13,218**	6,794	**–**	–
TOTAL EQUITY		**448,069**	332,621	**390,900**	338,231
TOTAL LIABILITIES AND EQUITY		**3,504,470**	2,752,622	**2,539,585**	2,216,337

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

The financial statements were approved by the Directors on 27 January 2017

Kennedy Uzoka

Ugo A. Nwaghodoh
Group Chief Finance Officer
FRC/2012/ICAN/00000000272

Tony O. Elumelu, CON
Chairman, Board of Directors
FRC/2013/CIBN/00000002590

Kennedy Uzoka
Group Managing Director/CEO
FRC/2013/IODN/00000015087

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

Group

	Attributable to equity holders of the parent										
In millions of Nigerian Naira	Share Capital	Share premium	Transl-ation reserve	Regula-tory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-Con-trolling interest	Total equity
At 1 January 2015	16,491	107,932	(4,053)	5,280	23,243	(32,301)	56,291	87,047	259,930	5,476	265,406
Profit for the year	–	–	–	–	–	–	–	58,604	58,604	1,050	59,654
Exchange differences on translation of foreign operations	–	–	(1,601)	–	–	–	–	–	(1,601)	(336)	(1,937)
Fair value change in (available-for-sale) financial assets	–	–	–	–	7,310	–	–	–	7,310	–	7,310
Net amount transferred to income statement	–	–	–	–	795	–	–	–	795	–	795
Total comprehensive income for the year	–	–	(1,601)	–	8,105	–	–	58,604	65,108	714	65,822
Transfer between reserves	–	–	–	12,887	–	–	9,159	(22,046)	–	–	–
Transactions with owners									–	–	–
Proceeds from rights issue	1,649	9,442	–	–	–	–	–	–	11,091	–	11,091
Sale of treasury shares	–	–	–	–	–	240	–	–	240	–	240
Change in ownership interest in subsidiaries	–	–	–	–	–	–	–	(776)	(776)	776	–
Dividends	–	–	–	–	–	–	–	(9,766)	(9,766)	(172)	(9,938)
At 31 December 2015	18,140	117,374	(5,654)	18,167	31,348	(32,061)	65,450	113,063	325,827	6,794	332,621
At 1 January 2016	**18,140**	**117,374**	**(5,654)**	**18,167**	**31,348**	**(32,061)**	**65,450**	**113,063**	**325,827**	**6,794**	**332,621**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**69,404**	**69,404**	**2,860**	**72,264**
Exchange differences on translation of foreign operations	**–**	**–**	**34,453**	**–**	**–**	**–**	**–**	**–**	**34,453**	**4,507**	**38,960**
Fair value change in (available-for-sale) financial assets	**–**	**–**	**–**	**–**	**28,114**	**–**	**–**	**–**	**28,114**	**–**	**28,114**
Net amount transferred to income statement	**–**	**–**	**–**	**–**	**(1,188)**	**–**	**–**	**–**	**(1,188)**	**–**	**1,188**
Total comprehensive income for the year	**–**	**–**	**34,453**	**–**	**26,926**	**–**	**–**	**69,404**	**130,783**	**7,367**	**138,150**
Transfer between reserves	**–**	**–**	**–**	**13,208**	**–**	**–**	**8,416**	**(21,624)**	**–**	**–**	**–**
Transactions with owners											
Sale of treasury shares	**–**	**–**	**–**	**–**	**–**	**461**	**–**	**–**	**461**	**–**	**461**
Change in ownership interest in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,692)**	**(1,692)**	**(410)**	**(2,102)**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(20,528)**	**(20,528)**	**(533)**	**(21,061)**
At 31 December 2016	**18,140**	**117,374**	**28,799**	**31,375**	**58,274**	**(31,600)**	**73,866**	**138,623**	**434,851**	**13,218**	**448,069**

Bank

In millions of Nigerian Naira	Share Capital	Share premium	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
At 1 January 2015	16,491	107,932	5,206	23,866	44,208	84,230	281,933
Profit for the year	–	–	–	–	–	47,642	47,642
Fair value change in (available-for-sale) financial assets	–	–	–	7,324	–	–	7,324
Net amount transferred to income statement	–	–	–	795	–	–	795
Total comprehensive income for the year	–	–	–	8,119	–	47,642	55,761
Transfer between reserves	–	–	12,054	–	8,364	(20,418)	–
Transactions with owners							–
Proceeds from rights issue	1,649	9,442	–	–	–	–	11,091
Dividends	–	–	–	–	–	(10,554)	(10,554)
At 31 December 2015	18,140	117,374	17,260	31,985	52,572	100,900	338,231
At 1 January 2016	**18,140**	**117,374**	**17,260**	**31,985**	**52,572**	**100,900**	**338,231**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**47,541**	**47,541**
Fair value change in (available-for-sale) financial assets	**–**	**–**	**–**	**28,084**	**–**		**28,084**
Net amount transferred to income statement	**–**	**–**	**–**	**(1,188)**	**–**		**(1,188)**
Total comprehensive income for the year	**–**	**–**	**–**	**26,896**	**–**	**47,541**	**74,437**
Transfer between reserves	**–**	**–**	**9,390**	**–**	**7,131**	**(16,521)**	**–**
Transactions with owners							
Dividends	**–**	**–**	**–**	**–**	**–**	**(21,768)**	**(21,768)**
At 31 December 2016	**18,140**	**117,374**	**26,650**	**58,881**	**59,703**	**110,152**	**390,900**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Bank	
In millions of Nigerian Naira	Notes	2016	2015	2016	2015
Cash flows from operating activities					
Profit before income tax		**90,642**	68,454	**57,649**	50,735
Adjustments for:					
Depreciation of property and equipment	18	**7,397**	6,896	**5,203**	5,310
Amortisation of intangible assets	18	**1,253**	1,072	**1,078**	971
Specific impairment charge on loans to customers	12	**20,896**	2,285	**16,579**	1,941
Portfolio impairment charge on loans to customers	12	**4,471**	1,213	**5,622**	589
Portfolio impairment charge/(reversal) on loans to banks	12	**167**	(96)	**171**	(112)
Write-off of loans and advances	12	**2,340**	3,524	**2,299**	1,250
Impairment charge on other assets	12	**2,024**	611	**1,280**	442
Net fair value loss on derivative financial instruments	15	**(9,146)**	4,109	**(9,146)**	4,109
Foreign currency revaluation gains	15	**(15,139)**	(3,164)	**(12,373)**	(3,133)
Dividend income	16	**(1,803)**	(2,404)	**(9,498)**	(6,274)
Loss on disposal of property and equipment	19	**190**	14	**214**	14
Write-off of property and equipment	30	**–**	143	**–**	143
Write-off of intangible assets	31	**135**	–	**135**	–
Net interest income		**(165,200)**	(137,939)	**(108,788)**	(107,098)
Share of loss of equity-accounted investee	28	**63**	110	**–**	–
		(61,710)	(55,172)	**(49,575)**	(51,113)
Changes in operating assets and liabilities					
Change in financial assets held for trading		**(35,568)**	(8,269)	**(35,568)**	(8,269)
Change in cash reserve balance		**(100,021)**	34,042	**(68,067)**	33,882
Change in loans and advances to banks		**(8,332)**	33,589	**(9,430)**	34,512
Change in loans and advances to customers		**(496,389)**	28,200	**(292,161)**	58,113
Change in other assets		**47,882**	(9,974)	**2,429**	1,166
Change in deposits from banks		**48,014**	1,838	**30,134**	(1,176)
Change in deposits from customers		**403,906**	(87,959)	**71,799**	(185,217)
Change in placement with banks		**22,171**	48,350	**(11,717)**	76,565
Change in other liabilities and provisions		**55,178**	(8,853)	**38,682**	(6,990)
Interest received		**263,970**	233,969	**177,313**	190,259
Interest paid		**(89,413)**	(91,876)	**(59,168)**	(79,007)
Income tax paid	20(c)	**(19,577)**	(7,004)	**(8,063)**	(4,317)
Net cash provided from/(used in) operating activities		**30,111**	110,881	**(213,392)**	58,408
Cash flows from investing activities					
Proceeds from sale/redemption of investment securities		**653,365**	426,992	**635,324**	392,264
Purchase of investment securities		**(833,296)**	(617,564)	**(605,425)**	(510,229)
Purchase of property and equipment	30	**(15,927)**	(6,480)	**(7,610)**	(5,345)
Purchase of intangible assets	31	**(1,359)**	(2,287)	**(1,036)**	(1,749)
Additional investment in subsidiaries		**–**	–	**(4,935)**	–
Proceeds from disposal of property and equipment		**4,361**	63	**2,006**	63
Dividend received		**1,803**	2,404	**9,498**	6,274
Net cash (used in)/provided from investing activities		**(191,053)**	(196,872)	**27,822**	(118,722)
Cash flows from financing activities					
Proceeds from rights issue		**–**	11,091	**–**	11,091
Proceeds from borrowings	37	**243,029**	35,228	**243,029**	35,228
Repayment of borrowings	37	**(121,997)**	(22,978)	**(121,997)**	(22,978)
Proceeds from sale of treasury shares		**461**	240	**–**	–
Dividend paid to owners of the parent		**(20,528)**	(9,766)	**(21,768)**	(10,554)
Dividend paid to non-controlling interests*		**(172)**	–	**–**	–
Net cash from financing activities		**100,793**	13,815	**99,264**	12,787
Net decrease in cash and cash equivalents		**(60,149)**	(72,176)	**(86,306)**	(47,527)
Effects of exchange rate changes on cash and cash equivalents		**93,336**	(539)	**32,136**	913
Cash and cash equivalents at beginning of year	22	**347,856**	420,571	**290,586**	337,200
Cash and cash equivalents at end of year	22	**381,043**	347,856	**236,416**	290,586

** This amount represents actual cash dividends paid to non-controlling interest holders during the year. This differs from the amount disclosed in the statement of changes in equity which represents accruals for dividends not yet paid.*

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

United Bank for Africa Plc (the "Group") is a Nigerian registered company with address at 57 Marina, Lagos, Nigeria. The consolidated financial statements of the Group for the year ended 31 December 2016 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

The financial statements for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 27 January 2017.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments which are measured at fair value.
- Financial assets held for trading which are measured at fair value.
- Available-for-sale financial instruments which are measured at fair value.

3.2 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"), but presented in Nigerian Naira (N) which is the Group's functional currency and the Group's presentation currency.

3.3 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.

The estimates and underlying assumptions are reviewed on an ongoing 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. Information about significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 8.

3.4 BASIS OF CONSOLIDATION

(a) Subsidiaries

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 BASIS OF CONSOLIDATION (continued)

(b) Business combinations

Business combinations are accounted for using the acquisition method.

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

- the fair value of the consideration transferred; plus
- the amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;
- less the net amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

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

(c) Disposal of subsidiaries

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

(d) 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.

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

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

(f) Associates

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

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

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 BASIS OF CONSOLIDATION (continued)

corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

3.5 FOREIGN CURRENCY

(a) Foreign currency transactions

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

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

(b) 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.

3.6 INTEREST INCOME AND INTEREST EXPENSE

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

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

3.7 FEES AND COMMISSIONS INCOME AND EXPENSES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 NET TRADING AND FOREIGN EXCHANGE INCOME

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

3.9 DIVIDEND INCOME

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

3.10 INCOME TAX

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

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

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

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

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

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

3.11 FINANCIAL INSTRUMENTS

Initial recognition and measurement

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

Subsequent measurement

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

(a) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS (continued)

Subsequent measurement (continued)

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

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

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

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

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis;
- A group of financial assets is managed and its performance evaluated on a fair value basis;
- The financial assets consist of debt host and embedded derivatives that must be separated.

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

(c) Available-for-sale

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

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

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

(d) Loans and receivables

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

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

(e) Financial liabilities

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS (continued)

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

(a) 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 when 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 Group'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 Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS (continued)

Impairment of financial assets (continued)

(a) Assets carried at amortised cost (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 relevant procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in impairment loss on loans and receivables whilst impairment charges relating to investment securities (held-to-maturity and loans and receivables categories) are classified in "Net gains/(losses) on investment securities".

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

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

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

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

(b) 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 it is determined that the assets are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge-off decisions are generally based on a product-specific past due status.

Assets pledged as collateral

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS (continued)

Impairment of financial assets (continued)

(b) Available-for-sale financial assets (continued)

Incomes and expenses are presented on a net basis only when permitted under IFRS 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, but retains either all risks and rewards of the transferred assets or a portion of them. If all or a substantial part of risks and rewards are retained, then the transferred assets are not derecognised. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

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

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

Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group 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 Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 CASH AND BANK BALANCES

Cash and bank balances include notes and coins on hand, current balances with other banks, balances held with central banks and placements with banks which are used by the Group in the management of its short-term commitments.

Cash and cash equivalents as referred to in the cash flow statement comprises cash-on-hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

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

3.13 TRADING ASSETS

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

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

3.14 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.

3.15 PROPERTY AND EQUIPMENT

(a) 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.

(b) 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.

(c) 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:

Land	Not depreciated
Buildings	50 years
Leasehold improvements	Over the shorter of the useful life of item or the lease period
Aircraft	Between 16 and 20 years
Motor vehicles	5 years
Furniture and Fittings	5 years
Computer hardware	5 years
Equipment	5 years
Work in progress	Not depreciated
Lifts*	10 years

** In the financial statements, lifts are not treated as a separate class of property and equipment. They are included as part of buildings.*

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 PROPERTY AND EQUIPMENT (continued)

(c) Depreciation (continued)

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

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

(d) 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.

3.16 INTANGIBLE ASSETS

(a) 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 cash flows from a cash-generating unit with the carrying value of its net assets, including attributable goodwill. Impairment losses on goodwill are not reversed.

(b) Software

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

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life not exceeding five years, from the date that it is available for use. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates.

3.17 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses relating to goodwill are not reversed in future periods.

3.18 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.

3.19 DEPOSITS AND DEBT SECURITIES ISSUED

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

Debt securities issued 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.

3.20 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.

3.21 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.

3.22 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.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 EMPLOYEE BENEFITS (continued)

Termination benefits

The Group recognises termination benefits as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within 12 months and are accounted for as short-term benefits.

Short-term employee benefits

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

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

3.23 SHARE CAPITAL AND RESERVES

(a) Share issue costs

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

(b) Dividend on ordinary shares

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

(c) Treasury shares

Where the Group or any member of the Group purchases the Group'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.

3.24 EARNINGS PER SHARE

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

3.25 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.

3.26 STOCK OF CONSUMABLES

Stock of consumables comprise materials to be consumed in the process of rendering of services as well as banking accessories held for subsequent issuance to customers. They are measured at the lower of cost and net realisable value. Cost comprises costs of purchase and other costs incurred in bringing the items of stock to their present location and condition. Net realisable value is the estimated issuance price. When items of stock are issued to customers, their carrying amount is recognised as an expense in the period in which the related revenue is recognised.

3.27 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

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

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

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

(ii) Disclosure Initiatives (Amendments to IAS 1)

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

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

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

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

- The intangible asset is expressed as a measure of revenue (i.e where a measure of revenue is the limiting factor on the value that can be derived from the asset).
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

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

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

These amendments to IFRS 10 and IAS 28 clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

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

(v) IFRS 14 Regulatory Deferral Accounts

IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted IFRS. Its purpose is to allow rate-regulated entities adopting IFRS for the first time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the International Accounting Standards Board (IASB) can complete its comprehensive project on rate regulated activities. This standard has no impact on the Group's consolidated and separate financial statements as the Group is neither a first time IFRS adopter nor a rate-regulated entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

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

The amendments state that:

- Where a joint operator acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, it must apply all of the principles on business combinations accounting as set out in IFRS 3 Business Combinations, and other standards.
- In addition, the joint operator must disclose the information required by IFRS 3 and other IFRSs for business combinations.

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

3.29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The standards and interpretations that are issued, but not yet effective as at 31 December 2016 are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

(a) IFRS 9 Financial Instruments

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

In 2016, the Group set up a multidisciplinary implementation team with members from its Risk Management, Finance and Operations teams to prepare for IFRS 9 implementation. The Project is sponsored by the Chief Risk and Financial officers, who report to the Board's Finance and General Purpose Committee. The initial assessment and gap analysis phase of the project was completed at the end of 2016.

Based on the initial assessment carried out by the Group, the impact of application of the new standard is as follows:

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Group has concluded that:

- the majority of loans and advances to banks, loans and advances to customers and other financial assets that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9.
- Financial assets held for trading are expected to continue to be measured at FVPL.
- The majority of the debt securities classified as available for sale under IAS 39 are expected to be measured at amortised cost or FVOCI.
- Debt securities classified as held to maturity are expected to continue to be measured at amortised cost.

Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Group will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

(a) IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

The Group will establish a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Group will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan.

In comparison to IAS 39, the Group expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

The Group will categorize its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

Stage 1 – Performing loans

When loans are first recognised, the Group will recognise an allowance based on 12-month expected credit losses. This will also be applicable to financial assets that are not considered to have suffered a significant increase in their credit risk since the end of the previous reporting period.

Stage 2 – Underperforming loans

When a loan shows a significant increase in credit risk, the Group will record an allowance for the lifetime expected credit loss. The Group will consider whether there has been a significant increase in credit risk of an asset by comparing the lifetime probability of default upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment will be based on forward-looking assessment that takes into account a number of economic scenarios, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk will be assumed if the borrower falls more than 30 days past due in making its contractual payments.

When estimating lifetime ECLs for undrawn loan commitments, the Group will estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down. For financial guarantee contracts, the Group will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

Stage 3 – Impaired loans

The Group will recognise the lifetime expected credit losses for these loans. In addition, in Stage 3 the Group will accrue interest income on the amortised cost of the loan net of impairment allowances. Financial assets will be included in Stage 3 when there is objective evidence that the loan is credit impaired. The criteria of such objective evidence are the same as under the current IAS 39 methodology. Accordingly, the Group expects the population to be generally the same under both standards. The impairment calculation will be the same as for Stage 2 loans with the probability of default set to 100%. When forbearance results in the derecognition of the original loan, the new loan will be classified as originated credit-impaired. Other than originated credit-impaired loans, loans will be transferred from out of Stage 3 if they no longer meet the criteria of credit-impaired after a probation period of not more than two years.

Other financial assets

The Group will record impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

(a) IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

For "low risk" FVOCI debt securities, the Group intends to apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition and will calculate ECL as explained in Stage 1 above. Such instruments will generally include traded, investment-grade securities where the borrower has a strong capacity to meet its contractual cash flow obligations in the near-term and adverse changes in economic and business conditions in the longer-term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group will not consider instruments to have low credit risk simply because of the value of collateral. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Group's other financial instruments.

Forward-looking information

The Group will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs. Forward-looking information such as macro-economic factors (e.g., unemployment, GDP growth and interest rates) and economic forecasts will be considered. To evaluate a range of possible outcomes, the Group intends to formulate three scenarios: a base case, a worse case and a better case. The base case scenario represents the more likely outcome resulting from the Group's normal financial planning and budgeting process, while the better and worse case scenarios represent more optimistic or pessimistic outcomes. For each scenario, the Group will derive an ECL and apply a probability weighted approach to determine the impairment allowance.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018. The new hedging rules are, however, not expected to impact the Group.

(b) IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferror anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.

The Group does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

(c) IFRS 16 Leases

The IASB issued the new standard for accounting for leases – IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise "short-term" leases and leases of "low-value" assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

(d) Amendments to IAS 12 Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Group is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

(e) Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g.,gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Group is currently evaluating the impact.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT

4.1 INTRODUCTION AND OVERVIEW

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

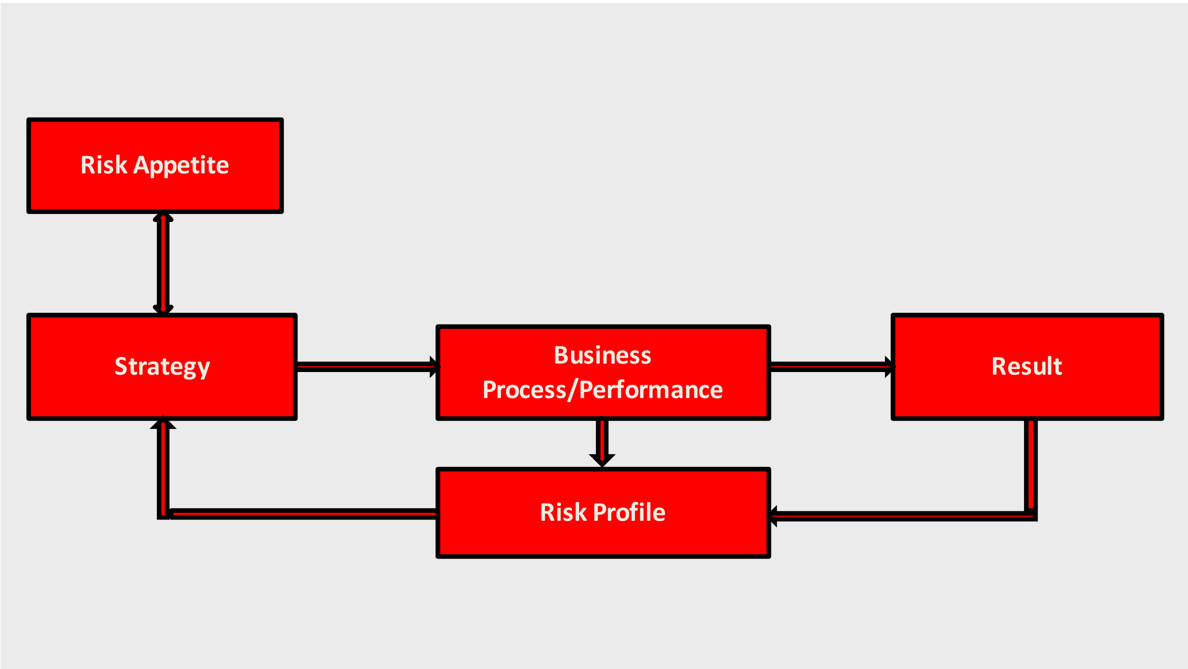
1. meet and exceed best practice global standards as defined by local and international regulatory bodies. We intend to achieve this by adhering to the principles of the Basel II Accords as adopted by the Central Bank of Nigeria (CBN);
2. ensure sustainable profitability and enterprise value protection by maintaining growth within appropriate risk-control boundaries; and
3. enhance corporate governance by involving the Board and Senior Management in setting the tone for the risk management agenda.

The key elements of the ERM framework are intended to enhance risk identification, measurement, control and reporting.

(a) Risk Management Strategy

UBA's risk management strategy is based on an embedded risk management process from the strategy formulation level to the business unit decision-making. The strategic risk management objectives include:

- Evaluation of the strategic risks faced by the Group in the continuously evolving environment;
- Allocate resources in line with strategic objectives and risks;
- Determine the tolerable risk profile and formulate the acceptable risk appetite for the Group;
- Establish adequate risk management and internal control systems to support the business and the risk appetite; and
- Establish proper feedback mechanism as input into the strategic risk management process.



4. FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND RISK PROFILE (continued)

(b) Risk Management Culture

There is a commitment to ensuring that risk management is enshrined as a culture in the Group, from the Board of Directors to the individual business unit. There is considerable effort to infuse the risk/reward evaluation in the decision-making process in order to ensure that there is proper assessment of risk dimension in process design, performance appraisal, limit establishment, portfolio creation, monitoring activities and audit process. The aim is also to encourage a culture of constant re-evaluation of risk profile and prompt risk mitigation action, where required.

In order to do this, there is proper dissemination of information and policies, development of frameworks, and staff training to ensure that all staff are adequately aware of their roles in the risk management process of the Group. As part of the risk culture, we aim to ensure the following:

- General understanding and uniform application of risk management principles;
- Strong and visible commitment from senior management;
- Clearly defined responsibility and accountability;
- Central oversight of risk management across the enterprise;
- Central oversight of corporate governance across the enterprise;
- Ownership of risk management is at all levels; and
- Clearly defined risk appetite.

(c) Roles and Responsibilities

The key players in the risk management framework and their responsibilities are as follows:

Board of Directors

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

- Ensuring an appropriate corporate governance framework is developed and operated;
- Providing guidelines regarding the management of risk elements in the Group;
- Approving Group risk management policies;
- Determination of the Group's risk appetite;
- Ensuring that management controls and reporting procedures are satisfactory and reliable;
- Approving large credit exposures beyond the limit of the Board Credit Committee; and
- Approving capital demand plans based on risk budgets.

Board Committees

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

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

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

Management Committees

Key Management Committees include:

i) **Executive Management Committee (EMC)**

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

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

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND RISK PROFILE (continued)

(c) Roles and Responsibilities (continued)

ii) **Executive Credit Committee (ECC)**

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

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

iii) **Group Asset and Liability Committee**

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

In playing this role, GALCO does the following:

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

iv) **Criticized Assets Committee**

The Criticized Assets Committee is a management committee which reviews Past Due Obligations (PDOs) and

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND RISK PROFILE (continued)

(c) Roles and Responsibilities (continued)

v) **Group Risk Management Committee**

The responsibilities of the Group Risk Management Committee are as follows:

(a) To support the EMC in the discharge of its risk management responsibilities which includes but is not limited to the management of risk, determining risk tolerance levels, risk appetite, risk monitoring, risk assurance and risk disclosures for the Group.

(b) To review, assess and make recommendations on the integrity and adequacy of the overall risk management function of the Group.

(c) To review, assess and make recommendations to the Executive Management Committee regarding policies relating to risk management.

(d) To review risk limits and periodic risk and compliance reports and make recommendations to the Executive Management Committee.

(e) Recommend risk approval limits to Executive Management Committee.

(f) To review and recommend on an annual basis the update of the risk management policies, frameworks and procedures of the Group.

(g) Advise Executive Management Committee on any emerging risks that the Group is or could be exposed to and recommend mitigation actions.

(h) Monitor overall risk management framework to ensure that the framework is uniformly applied in all the entities in the Group.

(i) Review IT Risk Management and make recommendations in accordance with the risk appetite of the Group.

(j) Monitor the Basel II Accord Capital Framework implementation and compliance program in the Group.

(k) Periodic review of the Risk Assets Portfolio and Limits in line with internal and regulatory benchmarks.

(l) Review and recommend yearly Risk Management staffing model and manpower development programs.

Group Chief Risk Officer

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

(d) Central Risk Management Functions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(continued)

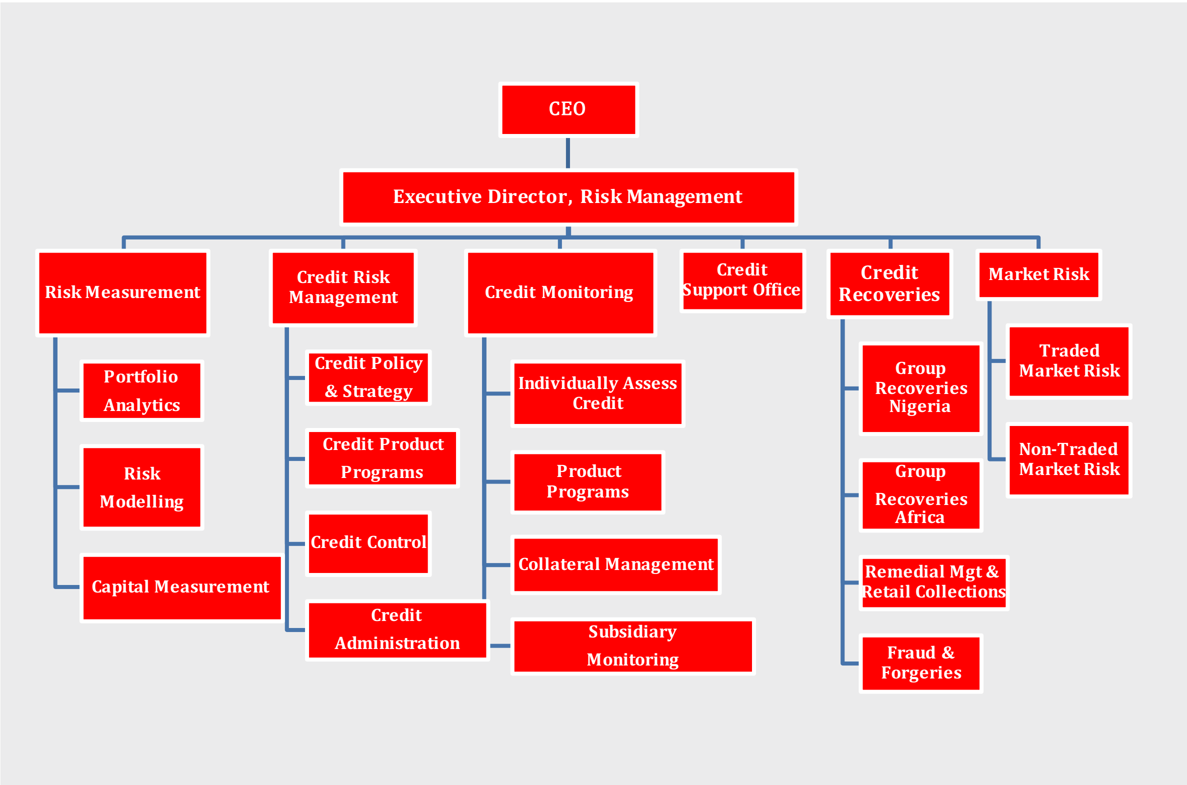
4. FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND RISK PROFILE (continued)

(e) Risk Management Structure

The Group has in place an independent Risk Management Directorate which is essential to UBA's growth and earnings sustainability.

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



4. FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND RISK PROFILE (continued)

(f) Risk Management Policies

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

i) **Risk Appetite**

A key responsibility of the Board is the determination of the organization's risk appetite. This is codified in a Risk Appetite framework which considers the level of risk that the Group is willing to take in pursuit of its business objectives. This is expressed as the Group's appetite for earnings volatility across all businesses from a credit, marketing and liquidity risk perspective.

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

ii) **Approval Authority**

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

iii) **Risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group applies a concentration risk management framework that sets exposure limits as a function of capital across all dimensions of its asset portfolio including geography, sector, obligor, product etc. This is closely monitored to ensure diversification of risk.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK

(a) Overview

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations. Credit represent a significant part of the overall risk exposure of the Group and is largely represented by the loans and advances on the books of the Group. The Group has several policies and frameworks in place for managing credit risk accross the Group.

i) **Credit Risk Management (CRM)**

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

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

ii) **Credit Risk Governance**

The Board through Board Credit Committee (BCC) is responsible for the overall governance of credit risk and the management of the credit portfolio of the Group. It reviews and recommends credit policies to the Board. The Executive Credit Committee (ECC) sets frameworks and guidelines for credit risk management for the Group and reviews and recommends for approval to the BCC all credit-related policies for the Group. ECC monitors implementation and compliance with credit policy paying particular attention to the following:

a. Credit concentration
b. Credit portfolio performance
c. Credit quality

With regards to approval of credit facilities, the ECC approves facilities that are above the limit of the GMD, while the BCC approves credit facilities that are above the limit of the ECC. The Board of Directors is the overall approving authority, approving credit facilities that are above the limit of the BCC.

iii) **Credit Monitoring**

Credit monitoring runs as a separate group of risk management to improve oversight of loan performance. Its primary function is to continuously monitor the bank's loan portfolio to ensure ongoing portfolio performance and achievement of portfolio quality targets. Credit Monitoring ensures all loans are booked in line with the Group's policy. They also identify exceptions which may prevent the loan from being paid in a timely manner. Observed Credit exceptions are escalated for possible resolution, sanction implementation and management attention. The Group takes proactive steps to ensure follow up on accounts showing signs of delinquency.

iv) **Credit Concentration Management**

The Group has a Credit Concentration Risk Management policy which provides a framework within which lending decisions can be made so as to ensure an adequate level of diversification of the Group's credit portfolio. The policy provides risk-based limits that restrict lending activities to within the Group's desired risk appetite and tolerance.

The Group ensures that:

- It manages its portfolio by ensuring adequate diversification across industries, segments and jurisdictions to maintain high portfolio quality and liquidity
- Provides risk based concentration limits to ensure that exposures to single obligors, sectors and countries are contained within acceptable risk appetite.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(a) Overview (continued)

v) **Credit Risk Measurement**

In measuring credit risk of loans and advances to various counterparties, the Group considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. Our credit exposure comprises wholesale and retail loans and advances. The Group's policy is to lend principally on the basis of our customers' repayment capacity through quantitative and qualitative evaluation. However we strive to ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

In the estimation of credit risk, the Group estimates the following parameters:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default

Probability of Default

This is the probability that an obligor or counterparty will default over a given period, usually one year.

Loss Given Default

LGD is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1 – recovery rate). Our methods for estimating LGD includes both quantitative and qualitative factors.

Exposure at default

This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilization of the undrawn commitment at default.

vi) **General Risk Rating Process**

The Group adopts a two-dimensional approach to the assessment of credit risk in the Risk Rating Process for all businesses. Obligors are assigned an Obligor Risk Rating (ORR) while a Facility Risk Rating (FRRs) is assigned to facilities. However certain obligors, retail and commercial loans applicants that do not have a risk rating, must access credit through product programmes while those that have credit ratings can access through the individually assessed credit window. Scoring system is used for consumer loans whereby loans that achieve a predetermined minimum score are approved.

Inputs used to determine obligor risk ratings (ORRs) are derived based on quantitative and qualitative factors. The quantitative factors are primarily based on a metrics that uses information on the obligor's financial position while the qualitative factors include:

- Management quality
- Industry risks
- Company profile
- Economic factors

The integrity of the Group's portfolio management process is dependent on accurate and timely risk ratings. Deterioration in credit risks is quickly identified and communicated to facilitate prompt action. The rating is reviewed when there is a default and this is reflected in the management of such portfolio. The default also leads to prevention of further drawdown while steps are taken to recover the oustanding balance and/or realise the collateral.

Deterioration in credit risk are identified based on factors such as

- Ratings downgrade
- Missed payments
- Non-compliance with loan covenants
- Deterioration of quality/value of collateral

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(a) Overview (continued)

vii) **Credit Rating of Counterparty/Obligor**

All risk rating processes are reviewed and validated periodically to ensure relevance to business realities, and relate to loans and advances to customers, loans and advances to banks, financial assets held for trading and investment securities. External ratings may also be obtained where such is available. The Risk Rating buckets and definitions are as highlighted below:

UBA Risk Buckets and Definition

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

The risk ratings are a primary tool in the review and decision-making in the credit process. The Group does not lend on unsecured basis to obligors that are below investment grade (BB and above). The Group will not lend to obligors in the unacceptable risk range.

viii) **Remedial Management Process**

This process is managed by the Group Remedial & Recovery Division (GRRD). Depending on the severity of classification, the Group undertakes remedial corrective action geared towards ensuring performance of weak credits. Early attention, including substantive discussions with borrowers, is required to correct deficiencies.

Remedial process covers the evaluation, analysis or restructuring of credit facilities for existing PDOs. It may include new extensions of credit and/or restructuring of terms. Some of the possible actions are summarised as follows:

- Rate/Payment modification or longer-term payment relief – adjusting interest rates or payment frequency;
- Ageing/Extension: Modifying the length of the loan;
- Cash Out: Refinancing a loan at a higher principal amount in order to get additional funds for other uses;
- Short Sale – Loan is discounted to prevent imminent foreclosure; and
- Deed in lieu – Voluntary conveyance of interest in property to the Bank.

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

ix) **Work out and recovery**

The Remedial Management & Credit Recovery Division ("RMCRD") is the collections arm of Credit Risk Management that evaluates, monitors and supervises the re-structuring, repayments and collections of all past due obligations that have been prudential classified and show early warning signs of default. The division has a three level governance structure:

Level 1 is an oversight and supervisory function performed by the Divisional Head through the Regional Heads;

Level 2 is a supervisory and management function performed by the Regional Heads through the Zonal Heads; and

Level 3 is an operational function performed by the Zonal Head in conjunction with the Recovery/Remedial officers from the regional bank offices.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(a) Overview (continued)

ix) Work out and recovery (continued)

RMCRD maintains effective governance and control over its entire process and adopts a standard methodology consisting of five steps.

Risk Management and Credit Recovery Division Methodology

Steps	Activities
1. Identification	Identification of past due obligations due for recovery, collections and remedial action Identification of strategies to be adopted Identification of the least cost alternative of achieving timely collections within resource constraints
2. Assessment and Implementation	Accurate review and professional assessment of credit records Implementation of identified strategies Update the database
3. Management and Monitoring	Proffer professional work-out situations to aid prompt settlement Review identified strategies for adequacy in managing past due obligations Proffer solutions that will aid the credit decision-making process
4. Controlling	Establish key control processes, practices and reporting requirements on a case-by-case basis Ensure work-out situations align with UBA's strategic framework Proffer solutions that will aid the credit decision-making process
5. Reporting	Communicate learning points from case profiles on past due obligations in order to improve the quality of lending practices Report cases of imminent crystallisation of default Present remedial actions to reduce and/or mitigate default

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk exposure

i) Maximum exposure to credit risk before collateral held or other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. The Group's maximum exposure to credit risk is represented by the net carrying amounts of the financial assets with the exception of financial and other guarantees issued by the Group for which the maximum exposure to credit risk is represented by the maximum amount the Group would have to pay if the guarantees are called on.

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure Group		Maximum exposure Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Cash and bank balances				
Current balances with banks	**180,071**	130,255	**150,140**	113,634
Unrestricted balances with Central Banks	**89,721**	62,233	**27,788**	22,241
Money market placements	**42,927**	150,101	**51,101**	153,186
Restricted balances with Central Banks	**376,689**	276,668	**341,656**	273,589
Financial assets held for trading				
Treasury bills	**47,638**	11,121	**47,638**	11,121
Bonds	**4,657**	128	**4,657**	128
Loans and advances to banks:				
Term loan	**22,765**	14,600	**23,850**	14,591
Loans to individuals				
Overdraft	**40,082**	46,391	**33,367**	41,982
Term loan	**74,815**	67,987	**25,024**	32,144
Loans to corporate entities and others				
Overdraft	**278,512**	198,587	**172,537**	139,789
Term loan	**1,095,643**	703,525	**843,160**	588,632
Others	**16,267**	20,147	**16,267**	20,147
Available-for-sale investment securities				
Treasury bills	**155,315**	193,816	**147,153**	189,644
Bonds	**40,790**	32,757	**17,233**	32,253
Held-to-maturity investment securities				
Treasury bills	**240,559**	150,774	**–**	–
Promissory notes	**281**	255	**281**	255
Bonds	**452,794**	430,345	**288,311**	297,539
Other assets	**18,095**	27,721	**20,723**	16,320
Total	**3,177,621**	2,517,411	**2,210,886**	1,947,195
Loans exposure to total exposure (%)	**48**	42	**50**	43
Debt securities exposure to total exposure (%)	**30**	33	**23**	27
Other exposures to total exposure (%)	**22**	26	**27**	30
Credit risk exposures relating to off-balance sheet assets are as follows:				
Performance bonds and guarantees	**388,884**	77,030	**135,127**	71,319
Letters of credits	**202,122**	149,488	**168,600**	107,262
	591,006	226,518	**303,727**	178,581
Bonds and guarantee exposure to total exposure (%)	**66**	34	**44**	40
Letters of credit exposure to total exposure (%)	**34**	66	**56**	60
Credit risk exposures relating to loan commitment are as follows:				
Loan commitment to corporate entities and others				
Term loan	**108,014**	123,458	**108,014**	123,458
	108,014	123,458	**108,014**	123,458

There are no loan commitments to individuals.

The credit risk exposure as at year-end is representative of the average exposure in the year.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk exposure (continued)

ii) Credit concentration – location

The Group monitors concentrations of credit risk by sector, geographic location and industry. Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security. The amounts stated are net of impairment allowances.

An analysis of concentrations of credit risk at the reporting date is shown below:

31 December 2016	**Group**				**Bank**			
In millions of Nigerian Naira	**Nigeria**	**Rest of Africa**	**Rest of the world**	**Total**	**Nigeria**	**Rest of Africa**	**Rest of the world**	**Total**
Financial assets								
Cash and bank balances:								
Current balances with banks	–	17,343	162,728	180,071	–	555	149,585	150,140
Unrestricted balances with Central Banks	27,788	61,933	–	89,721	27,788	–	–	27,788
Money market placements	8,959	20,472	13,496	42,927	8,959	1,226	40,916	51,101
Restricted balances with Central Banks	341,656	35,033	–	376,689	341,656	–	–	341,656
Financial assets held for trading:								
Treasury bills	47,638	–	–	47,638	47,638	–	–	47,638
Government bonds	4,657	–	–	4,657	4,657	–	–	4,657
Loans and advances to banks:								
Corporates	22,752	–	13	22,765	22,752	1,098	–	23,850
Loans and advances to customers:								
Individuals:								
Overdrafts	33,367	6,715	–	40,082	33,367	–	–	33,367
Term loans	25,024	49,791	–	74,815	25,024	–	–	25,024
Corporates:								
Overdrafts	172,537	105,975	–	278,512	172,537	–	–	172,537
Term loans	843,160	252,483	–	1,095,643	843,160	–	–	843,160
Others	16,267	–	–	16,267	16,267	–	–	16,267
Investment securities:								
Held-to-maturity								
Treasury bills	–	240,559	–	240,559	–	–	–	–
Bonds	264,940	173,466	14,388	452,794	264,940	14,231	9,140	288,311
Promissory notes	281	–	–	281	281	–	–	281
Available-for-sale								
Treasury bills	147,153	8,162	–	155,315	147,153	–	–	147,153
Bonds	17,233	23,557	–	40,790	17,233			17,233
Other assets	11,609	6,126	360	18,095	11,609	9,114	–	20,723
Total financial assets	1,985,021	1,001,615	190,985	3,177,621	1,985,021	26,224	199,641	2,210,886
Commitments and guarantees								
Performance bonds and guarantees	135,127	253,757	–	388,884	135,127	–	–	135,127
Letters of credits	147,383	14,937	39,802	202,122	147,383	–	21,217	168,600
Total commitments and guarantees	282,510	268,694	39,802	591,006	282,510	–	21,217	303,727

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk exposure (continued)

ii) Credit concentration – location (continued)

31 December 2015	Group				Bank			
In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the world	Total	Nigeria	Rest of Africa	Rest of the world	Total
Financial assets								
Cash and bank balances:								
Current balances with banks	–	13,830	116,425	130,255	–	–	113,634	113,634
Unrestricted balances with Central Banks	22,241	39,992	–	62,233	22,241	–	–	22,241
Money market placements	117,885	8,658	23,558	150,101	117,885	8,658	26,643	153,186
Restricted balances with Central Banks	273,589	3,079	–	276,668	273,589	–	–	273,589
Financial assets held for trading:								
Treasury bills	11,121	–	–	11,121	11,121	–	–	11,121
Government bonds	128	–	–	128	128	–	–	128
Loans and advances to banks								
Corporates	8,182	–	6,418	14,600	8,182	–	6,409	14,591
Loans and advances to customers:								
Individuals:								
Overdrafts	41,982	4,409	–	46,391	41,982	–	–	41,982
Term loans	32,144	35,843	–	67,987	32,144	–	–	32,144
Corporates:								
Overdrafts	139,789	58,798	–	198,587	139,789	–	–	139,789
Term loans	588,632	114,893	–	703,525	588,632	–	–	588,632
Others	20,147	–	–	20,147	20,147	–	–	20,147
Investment securities:								
Held-to-maturity								
Treasury bills	–	150,774	–	150,774	–	–	–	–
Bonds	282,301	142,083	5,961	430,345	282,301	9,277	5,961	297,539
Promissory notes	255	–	–	255	255	–	–	255
Available-for-sale								
Treasury bills	189,644	4,172	–	193,816	189,644	–	–	189,644
Bonds	32,253	504	–	32,757	32,253	–	–	32,253
Other assets	13,590	14,061	70	27,721	13,590	2,660	70	16,320
Total financial assets	1,773,883	591,096	152,432	2,517,411	1,773,883	20,595	152,717	1,947,195
Commitments and guarantees								
Performance bonds and guarantees	71,319	5,711	–	77,030	71,319	–	–	71,319
Letters of credits	101,077	39,185	9,226	149,488	101,077	–	6,185	107,262
Total commitments and guarantees	172,396	44,896	9,226	226,518	172,396	–	6,185	178,581

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk exposure (continued)

iii) Credit concentration – industry

The following table analyses the Group's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Group's counterparties. The amounts stated are net of impairment allowances.

In millions of Nigerian Naira	Agri-culture	Con-struct-ion and Real Estate	Edu-cation	Finance and Insur-ance	General	General Com-merce	Govern-ments	Infor-mation and Commu-nication	Manu-factur-ing	Oil and Gas	Power and Energy	Trans-porta-tion and Storage	Total
Group													
31 December 2016													
Cash and bank balances:													
Current balances with banks	–	–	–	180,071	–	–	–	–	–	–	–	–	180,071
Unrestricted balances with Central Banks	–	–	–	89,721	–	–	–	–	–	–	–	–	89,721
Money market placements	–	–	–	42,927	–	–	–	–	–	–	–	–	42,927
Restricted balances with Central Banks	–	–	–	376,689	–	–	–	–	–	–	–	–	376,689
Financial assets held for trading:													
Treasury bills	–	–	–	–	–	–	47,638	–	–	–	–	–	47,638
Government bonds	–	–	–	–	–	–	4,657	–	–	–	–	–	4,657
Loans and advances to banks	–	–	–	22,765	–	–	–	–	–	–	–	–	22,765
Loans and advances to customers:													
Individuals													
Overdrafts	–	–	–	–	40,082	–	–	–	–	–	–	–	40,082
Term loans	–	–	–	–	74,815	–	–	–	–	–	–	–	74,815
Corporates													
Overdrafts	27,548	14,266	1,986	1,908	4,343	37,449	19,706	3,430	58,813	85,838	19,870	3,355	278,512
Term loans	29,842	140,138	17,057	65,522	22,542	111,835	49,355	92,673	151,098	277,198	137,066	1,317	1,095,643
Others	145	14	–	–	–	1,847	–	–	14,246	15	–	–	16,267
Investment securities:													
Held-to-maturity													
Treasury bills	–	–	–	–	–	–	240,559	–	–	–	–	–	240,559
Bonds	–	–	–	25,701	–	–	426,675	–	209	–	–	209	452,794
Promissory notes	–	–	–	281	–	–	–	–	–	–	–	–	281
Available-for-sale				–	–	–	–	–	–	–	–	–	
Treasury bills	–	–	–	–	–	–	155,315	–	–	–	–	–	155,315
Bonds	–	–	–	–	–	–	40,790	–	–	–	–	–	40,790
Other assets	–	–	–	8,759	9,336	–	–	–	–	–	–	–	18,095
Total financial assets	57,535	154,418	19,043	814,344	151,118	151,131	984,695	96,103	224,366	363,051	156,936	4,881	3,177,621
Commitments and guarantees													
Performance bonds and guarantees	2	139,819	1,678	7	62	94,787	809	15,236	89,803	32,532	13,962	187	388,884
Letters of credits	584	440	–	130	700	24,061	–	–	166,603	9,250	284	70	202,122
Total commitments and guarantees	586	140,259	1,678	137	762	118,848	809	15,236	256,406	41,782	14,246	257	591,006

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk exposure (continued)

iii) Credit concentration – industry (continued)

In millions of Nigerian Naira	Agri-culture	Con-struct-ion and Real Estate	Edu-cation	Finance and Insur-ance	General	General Com-merce	Govern-ments	Infor-mation and Commu-nication	Manu-factur-ing	Oil and Gas	Power and Energy	Trans-porta-tion and Storage	Total
Bank													
31 December 2016													
Financial assets													
Cash and bank balances:													
Current balances with banks	–	–	–	150,140	–	–	–	–	–	–	–	–	150,140
Unrestricted balances with Central Banks	–	–	–	27,788	–	–	–	–	–	–	–	–	27,788
Money market placements	–	–	–	51,101	–	–	–	–	–	–	–	–	51,101
Restricted balances with Central Banks	–	–	–	341,656	–	–		–	–	–	–	–	341,656
Financial assets held for trading:	–	–	–	–	–	–		–	–	–	–	–	
Treasury bills	–	–	–	–	–	–	47,638	–	–	–	–	–	47,638
Government bonds	–	–	–	–	–	–	4,657	–	–	–	–	–	4,657
Loans and advances to banks	–	–	–	23,850	–	–	–	–	–	–	–	–	23,850
Loans and advances to customers:													
Individuals													
Overdrafts	–	–	–	–	33,367	–	–	–	–	–	–	–	33,367
Term loans	–	–	–	–	25,024	–	–	–	–	–	–	–	25,024
Corporates					–								
Overdrafts	21,205	11,453	1,540	508	5,155	19,621	18,829	653	39,779	38,134	14,493	1,167	172,537
Term loans	19,624	51,908	16,662	63,127	21,009	78,793	36,457	82,653	127,887	231,678	112,457	905	843,160
Others	145	14	–	–	–	1,847			14,246	15	–	–	16,267
Investment securities:					–	–	–						
Held-to-maturity						–	–	–	–	–	–	–	
Treasury bills	–	–	–		–	–	–	–	–	–	–	–	–
Bonds	–	–	–	25,701	–	–	262,192	–	209	–	–	209	288,311
Promissory notes	–	–	–	281	–	–	–	–	–		–	–	281
Available-for-sale					–	–	–	–	–	–	–	–	
Treasury bills	–	–	–	–	–	–	147,153	–	–	–	–	–	147,153
Bonds	–	–	–	–	–	–	17,233	–	–	–	–	–	17,233
Other assets	–	–	–	16,496	4,227	–	–		–	–	–	–	20,723
Total financial assets	40,974	63,375	18,202	700,648	88,782	100,261	534,159	83,306	182,121	269,827	126,950	2,281	2,210,886
Commitments and guarantees													
Performance bonds and guarantees	–	53,966	1,677	–	1	29,788	808	588	2,915	31,458	13,798	128	135,127
Letters of credits	584	440	–	–	701	8,142	–	–	149,129	9,250	284	70	168,600
Total commitments and guarantees	584	54,406	1,677	–	702	37,930	808	588	152,044	40,708	14,082	198	303,727

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk exposure (continued)

iii) Credit concentration – industry (continued)

In millions of Nigerian Naira	Agri-culture	Con-struct-ion and Real Estate	Edu-cation	Finance and Insur-ance	General	General Com-merce	Govern-ments	Infor-mation and Commu-nication	Manu-factur-ing	Oil and Gas	Power and Energy	Trans-porta-tion and Storage	Total
Group													
31 December 2015													
Cash and bank balances:													
Current balances with banks	–	–	–	130,255	–	–	–	–	–	–	–	–	130,255
Unrestricted balances with Central Banks	–	–	–	62,233	–	–	–	–	–	–	–	–	62,233
Money market placements	–	–	–	150,101	–	–	–	–	–	–	–	–	150,101
Restricted balances with Central Banks	–	–	–	276,668	–	–	–	–	–	–	–	–	276,668
Financial assets held for trading:	–	–	–				–	–	–	–	–	–	
Treasury bills	–	–	–	–	–	11,121	–	–	–	–	–	–	11,121
Government bonds	–	–	–	–	–	128	–	–	–	–	–	–	128
Loans and advances to banks	–	–	–	14,600	–	–	–	–	–	–	–	–	14,600
Loans and advances to customers:													
Individuals													
Overdrafts	–	2,287	–	–	44,104	–	–	–	–	–	–	–	46,391
Term loans	–	4,201	–	–	63,786								67,987
Corporates													–
Overdrafts	26,335	12,728	923	1,609	2,642	40,119	6,661	7,382	42,167	46,730	8,195	3,096	198,587
Term loans	26,703	34,297	15,700	57,221	14,990	51,655	52,894	71,833	116,909	157,729	96,328	7,266	703,525
Others	–	–	–	–	–	3,534	–	62	16,551	–	–	–	20,147
Investment securities:													
Held-to-maturity													
Treasury bills	–	–	–	–	–	–	150,774	–	–	–	–	–	150,774
Bonds	–	–	–	38,689	–	–	391,038	–	314	–	–	304	430,345
Promissory notes	–	–	–	–	255	–		–	–	–	–	–	255
Available-for-sale		–	–	–	–	–		–	–	–	–	–	
Treasury bills	–	–	–	–	–	–	193,816	–	–	–	–	–	193,816
Bonds	–	–	–	–	–	–	32,757	–	–	–	–	–	32,757
Other assets	–	–	–	19,925	7,796	–	–	–	–	–	–	–	27,721
Total financial assets	53,038	53,513	16,623	751,301	133,573	106,557	827,940	79,277	175,941	204,459	104,523	10,666	2,517,411
Commitments and guarantees													
Performance bonds and guarantees	56	23,843	–	5,183	1	6,092	900	733	873	24,467	13,885	997	77,030
Letters of credits	1,238	8,605	–	65	292	34,423	–	5,891	49,142	49,245	545	42	149,488
Total commitments and guarantees	1,294	32,448	–	5,248	293	40,515	900	6,624	50,015	73,712	14,430	1,039	226,518

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk exposure (continued)

iii) Credit concentration – industry (continued)

In millions of Nigerian Naira	Agri-culture	Con-struct-ion and Real Estate	Edu-cation	Finance and Insur-ance	General	General Com-merce	Govern-ments	Infor-mation and Commu-nication	Manu-factur-ing	Oil and Gas	Power and Energy	Trans-porta-tion and Storage	Total
Bank													
31 December 2015													
Financial assets													
Cash and bank balances:													
Current balances with banks	–	–	–	113,634	–	–	–	–	–	–	–	–	113,634
Unrestricted balances with Central Banks	–	–	–	22,241	–	–	–	–	–	–	–	–	22,241
Money market placements	–	–	–	153,186	–	–	–	–	–	–	–	–	153,186
Restricted balances with Central Banks	–	–	–	273,589	–	–	–	–	–	–	–	–	273,589
Financial assets held for trading:	–	–	–	–	–	–		–	–	–	–	–	
Treasury bills	–	–	–	–	–	–	11,121	–	–	–	–	–	11,121
Government bonds	–	–	–	–	–	–	128	–	–	–	–	–	128
Loans and advances to banks	–	–	–	14,591	–	–							14,591
Loans and advances to customers:													
Individuals													
Overdrafts	–	2,287	–	–	39,695	–	–	–	–	–	–	–	41,982
Term loans	–	4,201	–	–	27,943	–	–	–	–	–	–	–	32,144
Corporates													–
Overdrafts	19,259	11,769	893	998	1,049	19,213	4,560	3,126	37,190	34,282	5,305	2,145	139,789
Term loans	20,006	33,457	15,212	53,669	18,431	29,329	20,851	64,770	106,566	135,776	87,698	2,867	588,632
Others	–	–	–	–	–	3,534	–	62	16,551	–	–	–	20,147
Investment securities:													
Held-to-maturity													–
Treasury bills	–	–	–	–	–	–	–	–					–
Bonds	–	–	–	38,689	–	–	258,232	–	314	–	–	304	297,539
Promissory notes	–	–	–	255	–	–	–	–	–	–	–	–	255
Available-for-sale				–	–	–	–	–	–	–	–	–	
Treasury bills	–	–	–	–	–	–	189,644	–	–	–	–	–	189,644
Bonds	–	–	–	–	–	–	32,253	–	–	–	–	–	32,253
Other assets	–	–	–	15,095	1,225	–	–	–	–	–	–	–	16,320
Total financial assets	39,265	51,714	16,105	685,947	88,343	52,076	516,789	67,958	160,621	170,058	93,003	5,316	1,947,195
Commitments and guarantees													
Performance bonds and guarantees	–	20,635	–	5,183	–	4,527	900	733	867	23,592	13,885	997	71,319
Letters of credits	1,235	1,304	–	65	249	11,869	–	1,742	48,384	42,334	38	42	107,262
Total commitments and guarantees	1,235	21,939	–	5,248	249	16,396	900	2,475	49,251	65,926	13,923	1,039	178,581

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality

The Group manages the credit quality of its financial assets using internal credit ratings. It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

The credit quality of the Group's loans and advances are categorized as follows:

Neither past due nor impaired

These are loans and securities where contractual interest or principal payments are not past due.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). These are loans and securities specifically impaired.

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Group renegotiates loans to customers to maximise collection opportunities and minimise the risk of default. The revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. As at 31 December 2016, the carrying amount of loans with renegotiated terms was N22.64 billion (December 2015: N22.54 billion). There are no other financial assets with renegotiated terms as at 31 December 2016 (December 2015: nil).

Impairment assessment under IFRS

The Group assesses its impairment for the purpose of IFRS reporting using a two-way approach which are individual assessment and portfolio assessment.

(a) Portfolio assessment

Loans and advances that are not specifically impaired are assessed under collective impairment. For the purpose of collective impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to contractual terms.

(b) Individual assessment

The Group reviews and revises impairment triggers for each loan asset portfolio to ensure that a trigger identifies a possible loss event as early as possible, which would result in the earliest possible recognition of losses within the IFRS framework. The Group estimates impairment based on the shortfall between the present value of estimated future cash flows and the asset carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality (continued)

i) The table below shows the credit quality by class of asset for all financial assets exposed to credit risk.

31 December 2016	Group				Bank			
In millions of Nigerian Naira	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash and bank balances:								
Current balances with banks	180,071	–	–	180,071	150,140	–	–	150,140
Unrestricted balances with Central Banks	89,721	–	–	89,721	27,788	–	–	27,788
Money market placements	42,927	–	–	42,927	51,101	–	–	51,101
Restricted balances with Central Banks	376,689	–	–	376,689	341,656	–	–	341,656
Financial assets held for trading:								
Treasury bills	47,638	–	–	47,638	47,638	–	–	47,638
Government bonds	4,657	–	–	4,657	4,657	–	–	4,657
Loans and advances to banks	23,047	–	–	23,047	24,145	–	–	24,145
Loans and advances to customers:								
Individuals:								
Overdrafts	39,158	3,780	5,571	48,509	7,937	2,719	30,530	41,186
Term loans	73,986	1,771	2,724	78,481	24,456	724	540	25,720
Corporates:								
Overdrafts	231,393	33,581	28,471	293,445	152,603	23,576	3,856	180,035
Term loans	1,053,624	41,486	23,740	1,118,850	803,853	32,924	19,934	856,711
Others	16,444	–	–	16,444	16,444	–	–	16,444
Investment securities:								
Held-to-maturity								
Treasury bills	240,559	–	–	240,559	–	–	–	–
Bonds	452,794	–	–	452,794	288,311	–	–	288,311
Promissory notes	281	–	–	281	281	–	–	281
Available-for-sale								
Treasury bills	155,315	–	–	155,315	147,153	–	–	147,153
Bonds	40,790	–	–	40,790	17,233	–	–	17,233
Other assets	18,095	–	3,555	21,650	20,723	–	2,259	22,982
Gross financial assets	3,087,189	80,618	64,061	3,231,868	2,126,119	59,943	57,119	2,243,181

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality (continued)

Allowance for impairment on financial assets is as follows:

31 December 2016	Group				Bank			
In millions of Nigerian Naira	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Specific allowance								
Loans and advances to customers								
Individuals	–	–	9,019	9,019	–	–	8,291	8,291
Corporates	–	–	12,802	12,802	–	–	8,816	8,816
Other assets	–	–	3,555	3,555	–	–	2,259	2,259
	–	–	25,376	25,376	–	–	19,366	19,366
Portfolio allowance								
Loans and advances to customers								
Individuals	2,929	145	–	3,074	203	21	–	224
Corporates	22,566	2,949	–	25,515	11,523	887	–	12,410
Loans and advances to banks	282	–	–	282	295	–	–	295
	25,777	3,094	–	28,871	12,021	908	–	12,929
Total impairment allowance on financial assets	25,777	3,094	25,376	54,247	12,021	908	19,366	32,295
Net amount	3,061,412	77,524	38,685	3,177,621	2,114,098	59,035	37,753	2,210,886

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality (continued)

31 December 2015	Group				Bank			
In millions of Nigerian Naira	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Financial assets								
Cash and bank balances:								
Current balances with banks	130,255	–	–	130,255	113,634	–	–	113,634
Unrestricted balances with Central Banks	62,233	–	–	62,233	22,241	–	–	22,241
Money market placements	150,101	–	–	150,101	153,186	–	–	153,186
Restricted balances with Central Banks	276,668	–	–	276,668	273,589	–	–	273,589
Financial assets held for trading:								
Treasury bills	11,121	–	–	11,121	11,121	–	–	11,121
Government bonds	128	–	–	128	128	–	–	128
Loans and advances to banks	14,632	–	–	14,632	14,632	–	–	14,632
Loans and advances to customers:								
Individuals:								
Overdrafts	40,471	3,417	5,791	49,679	38,282	2,756	4,144	45,182
Term loans	67,068	2,494	1,250	70,812	31,528	757	603	32,888
Corporates:								
Overdrafts	145,575	50,037	10,494	206,106	105,593	36,632	1,831	144,056
Term loans	689,024	25,302	767	715,093	572,410	20,471	1	592,882
Others	20,729	–	–	20,729	20,729	–	–	20,729
Investment securities:								
Held-to-maturity								
Treasury bills	150,774	–	–	150,774	–	–	–	–
Bonds	430,345	–	–	430,345	297,539	–	–	297,539
Promissory notes	255	–	–	255	255	–	–	255
Available-for-sale								
Treasury bills	193,816	–	–	193,816	189,644	–	–	189,644
Bonds	32,757	–	–	32,757	32,253	–	–	32,253
Other assets	27,721	–	1,267	28,988	16,320	–	1,020	17,340
Gross financial assets	**2,443,673**	**81,250**	**19,569**	**2,544,492**	**1,893,084**	**60,616**	**7,599**	**1,961,299**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality (continued)

Allowance for impairment on financial assets is as follows:

31 December 2015	Group				Bank			
In millions of Nigerian Naira	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Specific allowance								
Loans and advances to customers								
Individuals	–	–	3,554	3,554	–	–	3,619	3,619
Corporates	–	–	3,227	3,227	–	–	2,412	2,412
Other assets	–	–	1,267	1,267	–	–	1,020	1,020
	–	**–**	**8,048**	**8,048**	**–**	**–**	**7,051**	**7,051**
Portfolio allowance								
Loans and advances to customers								
Individuals	2,409	150	–	2,559	310	15	–	325
Corporates	14,884	1,558	–	16,442	5,737	950	–	6,687
Loans and advances to banks	32	–	–	32	41	–	–	41
	17,325	**1,708**	**–**	**19,033**	**6,088**	**965**	**–**	**7,053**
Total impairment allowance on financial assets	**17,325**	**1,708**	**8,048**	**27,081**	**6,088**	**965**	**7,051**	**14,104**
Net carrying amount	**2,426,348**	**79,542**	**11,521**	**2,517,411**	**1,886,996**	**59,651**	**548**	**1,947,195**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality (continued)

ii) The internal credit rating of financial assets that are neither past due nor impaired at the reporting date is as follows:

In millions of Nigerian Naira	Very Low risk	Low risk	Accept-able risk	Moder-ately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Group								
31 December 2016								
Cash and bank balances:								
Current balances with banks	–	180,071	–	–	–	180,071	–	180,071
Unrestricted balances with Central Banks	89,721	–	–	–	–	89,721	–	89,721
Money market placements	–	42,927	–	–	–	42,927	–	42,927
Restricted balances with Central Banks	376,689	–	–	–	–	376,689	–	376,689
Financial assets held for trading:								
Treasury bills	47,638	–	–	–	–	47,638	–	47,638
Government bonds	4,657	–	–	–	–	4,657	–	4,657
Loans and advances to banks	–	23,047	–	–	–	23,047	(282)	22,765
Loans and advances to customers:								
Individuals:								
Overdrafts	28,965	–	10,193	–	–	39,158	(169)	38,989
Term loans	–	–	73,986	–	–	73,986	(2,760)	71,226
Corporates:								
Overdrafts	2,845	27,494	200,961	93	–	231,393	(9,708)	221,685
Term loans	31,906	91,667	930,051	–	–	1,053,624	(12,681)	1,040,943
Others	–	7,350	9,094	–	–	16,444	(177)	16,267
Investment securities:								
Held-to-maturity:								
Treasury bills	240,559	–	–	–	–	240,559	–	240,559
Bonds	408,813	42,540	1,441	–	–	452,794	–	452,794
Promissory notes	281	–	–	–	–	281	–	281
Available-for-sale:								
Treasury bills	155,315	–	–	–	–	155,315	–	155,315
Bonds	40,790	–	–	–	–	40,790	–	40,790
Other assets	–	–	–	–	18,095	18,095	–	18,095
	1,428,179	415,096	1,225,726	93	18,095	3,087,189	(25,777)	3,061,412

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality (continued)

In millions of Nigerian Naira	Very Low risk	Low risk	Accept-able risk	Moder-ately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Group								
31 December 2015								
Cash and bank balances:								
Current balances with banks	–	130,255	–	–	–	130,255	–	130,255
Unrestricted balances with Central Banks	62,233	–	–	–	–	62,233	–	62,233
Money market placements	–	150,101	–	–	–	150,101	–	150,101
Restricted balances with Central Banks	276,668	–	–	–	–	276,668	–	276,668
Financial assets held for trading:								
Treasury bills	11,121	–	–	–	–	11,121	–	11,121
Government bonds	128	–	–	–	–	128	–	128
Loans and advances to banks	–	14,632	–	–	–	14,632	(32)	14,600
Loans and advances to customers:								
Individuals:								
Overdrafts	–	–	40,471	–	–	40,471	(293)	40,178
Term loans	–	–	67,068	–	–	67,068	(2,116)	64,952
Corporates:								
Overdrafts	3,911	6,261	124,646	10,757	–	145,575	(4,108)	141,467
Term loans	29,160	144,758	479,339	35,767	–	689,024	(10,194)	678,830
Others	–	2,617	17,443	669	–	20,729	(582)	20,147
Investment securities:								
Held-to-maturity:								
Treasury bills	150,774	–	–	–	–	150,774	–	150,774
Bonds	371,325	56,354	2,666	–	–	430,345	–	430,345
Promissory notes	255	–	–	–	–	255	–	255
Available-for-sale:								
Treasury bills	193,816	–	–	–	–	193,816	–	193,816
Bonds	32,757	–	–	–	–	32,757	–	32,757
Other assets	–	–	–	–	27,721	27,721	–	27,721
	1,132,148	**504,978**	**731,633**	**47,193**	**27,721**	**2,443,673**	**(17,325)**	**2,426,348**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality (continued)

In millions of Nigerian Naira	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Bank								
31 December 2016								
Cash and bank balances:								
Current balances with banks	–	150,140	–	–	–	150,140	–	150,140
Unrestricted balances with Central Banks	27,788	–	–	–	–	27,788	–	27,788
Money market placements	–	51,101	–	–	–	51,101	–	51,101
Restricted balances with Central Banks	341,656	–	–	–	–	341,656	–	341,656
Financial assets held for trading:								
Treasury bills	47,638	–	–	–	–	47,638	–	47,638
Government bonds	4,657	–	–	–	–	4,657	–	4,657
Loans and advances to banks	1,098	23,047	–	–	–	24,145	(295)	23,850
Loans and advances to customers:								
Individuals:								
Overdrafts	–	–	7,937	–	–	7,937	(51)	7,886
Term loans	–	–	24,456	–	–	24,456	(152)	24,304
Corporates:								
Overdrafts	2,855	27,494	122,161	93	–	152,603	(4,889)	147,714
Term loans	35,213	87,995	680,645	–	–	803,853	(6,457)	797,396
Others	–	7,350	9,094	–	–	16,444	(177)	16,267
Investment securities:								
Held-to-maturity:								
Treasury bills	–					–	–	–
Bonds	244,330	42,540	1,441	–	–	288,311	–	288,311
Promissory notes	281	–	–	–	–	281	–	281
Available-for-sale:								
Treasury bills	147,153	–	–	–	–	147,153	–	147,153
Bonds	17,233	–	–	–	–	17,233	–	17,233
Other assets	–	–	–	–	20,723	20,723	–	20,723
	869,902	389,667	845,734	93	20,723	2,126,119	(12,021)	2,114,098

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality (continued)

In millions of Nigerian Naira	Very Low risk	Low risk	Accept-able risk	Moder-ately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Bank								
31 December 2015								
Cash and bank balances:								
Current balances with banks	–	113,634	–	–	–	113,634	–	113,634
Unrestricted balances with Central Banks	22,241	–	–	–	–	22,241	–	22,241
Money market placements	–	153,186	–	–	–	153,186	–	153,186
Restricted balances with Central Banks	273,589	–	–	–	–	273,589	–	273,589
Financial assets held for trading:								
Treasury bills	11,121	–	–	–	–	11,121	–	11,121
Government bonds	128	–	–	–	–	128	–	128
Loans and advances to banks	–	14,632	–	–	–	14,632	(41)	14,591
Loans and advances to customers:								
Individuals:								
Overdrafts	–	–	38,282	–	–	38,282	(172)	38,110
Term loans	–	–	31,528	–	–	31,528	(138)	31,390
Corporates:								
Overdrafts	3,911	6,261	84,664	10,757	–	105,593	(1,579)	104,014
Term loans	29,679	144,758	362,206	35,767	–	572,410	(3,576)	568,834
Others	–	2,617	17,443	669	–	20,729	(582)	20,147
Investment securities:								
Held-to-maturity:								
Treasury bills	–	–	–	–	–	–	–	–
Bonds	238,519	56,354	2,666	–	–	297,539	–	297,539
Promissory notes	255	–	–	–	–	255	–	255
Available-for-sale:			–	–	–	–	–	–
Treasury bills	189,644	–	–	–	–	189,644	–	189,644
Bonds	32,253	–	–	–	–	32,253	–	32,253
Other assets	–	–	–	–	16,320	16,320	–	16,320
	801,340	**491,442**	**536,789**	**47,193**	**16,320**	**1,893,084**	**(6,088)**	**1,886,996**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit quality (continued)

iii) The age analysis of financial assets which are past due but not impaired at the reporting date are shown below.

31 December 2016	Group				Bank			
In millions of Nigerian Naira	Past due Up to 30 days	Past due by 30 to 60 days	Past due by 60 to 90 days	Total	Past due Up to 30 days	Past due by 30 to 60 days	Past due by 60 to 90 days	Total
Loans and advances to customers:								
Individuals:								
Overdrafts	655	134	2,991	3,780	258	106	2,355	2,719
Term loans	617	130	1,024	1,771	327	43	354	724
Corporates:								
Overdrafts	20,510	6,878	6,193	33,581	3,616	6,670	13,290	23,576
Term loans	18,624	22,243	619	41,486	14,350	18,033	541	32,924
Gross amount	40,406	29,385	10,827	80,618	18,551	24,852	16,540	59,943
Portfolio allowance:								
Individuals:								
Overdrafts	(26)	(2)	(47)	(75)	(1)	(1)	(15)	(17)
Term loans	(18)	(6)	(46)	(70)	(1)	–	(3)	(4)
Corporates:								
Overdrafts	(1,080)	(41)	(1,058)	(2,179)	(80)	(27)	(612)	(719)
Term loans	(440)	(287)	(43)	(770)	(87)	(66)	(15)	(168)
Net carrying amount	38,842	29,049	9,633	77,524	18,382	24,758	15,895	59,035
31 December 2015								
Loans and advances to customers:								
Individuals:								
Overdrafts	679	229	2,509	3,417	30	219	2,507	2,756
Term loans	411	488	1,595	2,494	80	437	240	757
Corporates:								
Overdrafts	15,528	15,517	18,992	50,037	6,307	12,295	18,030	36,632
Term loans	8,152	6,508	10,642	25,302	6,630	6,508	7,333	20,471
Gross amount	24,770	22,742	33,738	81,250	13,047	19,459	28,110	60,616
Portfolio allowance:								
Individuals:								
Overdrafts	(34)	(2)	(14)	(50)	–	(1)	(11)	(12)
Term loans	(21)	(2)	(77)	(100)	–	(2)	(1)	(3)
Corporates:								
Overdrafts	(426)	(551)	(336)	(1,313)	(108)	(467)	(282)	(857)
Term loans	(107)	(42)	(96)	(245)	(21)	(42)	(30)	(93)
Net carrying amount	24,182	22,145	33,215	79,542	12,918	18,947	27,786	59,651

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(d) Statement of Prudential Adjustments

Provisions under prudential guidelines are determined using the time-based provisioning prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines and the Central Banks of the foreign subsidiaries' regulations. This is at variance with the incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

However, Banks would be required to comply with the following:

Provisions for loans recognized in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

- Prudential Provisions is greater than IFRS provisions; the excess provision resulting therefrom should be transferred from the general reserve account to a "regulatory risk reserve".
- Prudential Provisions is less than IFRS provisions; IFRS-determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

As at 31 December 2016, the difference between the Prudential provision and IFRS impairment was N31.375 billion for the Group (December 2015: N18.167 billion) and N26.650 billion for the Bank (December 2015: N17.260 billion) requiring a transfer of N13.208 billion from retained earnings to the regulatory risk reserve for the Group and a transfer of N9.390 billion from the retained earnings to regulatory risk reserve for the Bank, as disclosed in the statement of changes in equity. This amount represents the difference between the provisions for credit and other known losses as determined under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and the Central Banks of foreign subsidiaries, and the impairment reserve as determined in line with IAS 39 as at year-end.

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Total impairment based on IFRS	**50,692**	27,085	**30,036**	14,104
Total impairment based on Prudential Guidelines	**82,067**	45,252	**56,686**	31,364
Regulatory credit risk reserve	**(31,375)**	(18,167)	**(26,650)**	(17,260)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(e) Credit collateral

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and updated periodically. Collateral generally is not held over loans and advances to banks except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is usually also not held against investment securities.

Irrespective of how well a credit proposal is structured, a second way out in form of adequate collateral coverage for all loans is a major requirement in order to protect the bank from incurring loan losses due to unforeseen events resulting from deterioration of the quality of a loan.

Consequently, the Group issues appropriate guidelines for acceptability of loan collateral from time to time. These articulate acceptable collateral in respect of each credit product including description, required documentation for perfection of collateral and minimum realisable value.

All items pledged as security for loan facilities are insured with the Bank noted as the first loss payee.

Some of the collaterals acceptable to the Bank under appropriate documentations are briefly described as follows:

1. Cash

   Cash is the most liquid and readily realisable form of security and the most acceptable to the Bank. Furthermore, cash pledged must be in the same currency as the credit and also in the possession of the Bank either in savings or a deposit account.

2. Treasury bills/certificates

   Treasury bills/certificates are acceptable as bank security provided the instruments are purchased through the Bank and have been properly assigned to the bank. Since payments are channelled through the Bank on due dates, realisation of the security is relatively easy.

3. Stock and shares

   Stocks and shares of reputable quoted companies are acceptable collateral securities. Unquoted shares are usually not acceptable as collaterals.

4. Legal mortgage

   The Bank takes and perfects its interest in acceptable property that are transferred by the obligor as collateral for loan, such that in case of any default by the obligor, the Bank would not require a court order before realising the security. Location restrictions are, however, specified in respect of landed property.

5. Debenture

   The Bank accepts to take a charge on both current and non-current assets of a borrower by a debenture which is a written acknowledgement of indebtedness by a company usually given under its seal and also sets out the terms for repayment of interest and principal of the credit. A debenture is executed by an obligor in favour of the Bank and it gives a specific or general charge on the company's assets, both present and future.

6. Life insurance policies

   Generally, life policy with a reputable insurance company approved by the Bank and free of restrictions adverse to the Bank's interest is an acceptable security for loan. This could be an endowment policy or whole life policy, though the Bank prefers the endowment policy.

7. Guarantees

   The Bank accepts guarantees from well-rated banks as well as acceptable parties (guarantors) as additional comfort and security for her credits. A guarantee is a written promise by one person called the guarantor or surety to be answerable for the debt, default or miscarriage of another person called principal debtor.

   UBA also accepts unconditional insurance credit and performance bonds of first class insurance companies and also the guarantee of the Federal and State Governments. Other guarantees must, however, be supported by tangible assets for them to become valid for lending.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(e) Credit collateral (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Loans to individuals				
Against individually impaired				
Property	**267**	224	**8**	224
Others	**9,676**	3,909	**11,945**	1,616
	9,943	4,133	**11,953**	1,840
Against past due but not impaired				
Property	**2,509**	986	**2,509**	986
Others	**4,507**	5,210	**2,159**	2,811
	7,016	6,196	**4,668**	3,797
Against neither past due nor impaired				
Property	**11,973**	9,146	**11,585**	9,146
Others	**74,812**	104,085	**23,152**	66,356
	86,785	113,231	**34,737**	75,502
Total for loans to individuals	**103,744**	123,560	**51,358**	81,139
Loans to corporates				
Against individually impaired				
Property	**28,170**	1,416	**27,315**	4
Others	**18,292**	9,141	**1,819**	1,367
	46,462	10,557	**29,134**	1,371
Against past due but not impaired				
Property	**12,838**	35,002	**12,777**	30,364
Others	**134,694**	80,439	**88,253**	66,842
	147,532	115,441	**101,030**	97,206
Against neither past due nor impaired				
Property	**350,410**	277,849	**333,648**	264,651
Others	**840,081**	464,699	**506,256**	335,619
	1,190,491	742,548	**839,904**	600,270
Total for loans to corporates	**1,384,485**	868,546	**970,068**	698,847
Total for loans and advances to customers	**1,488,229**	992,106	**1,021,426**	779,986

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(e) Credit collateral (continued)

Details of collateral held against loans and advances and their carrying amounts are shown below. The Group manages collaterals for loans and advances based on the nature of those collaterals.

31 December 2016	Group		Bank	
In millions of Nigerian Naira	Total exposure	Value of collateral	Total exposure	Value of collateral
Loans and advances to banks				
Unsecured	**22,765**	**–**	**23,850**	**–**
Loans and advances to customers				
Secured against real estate	**299,395**	**406,167**	**287,991**	**387,842**
Secured against cash	**8,649**	**6,292**	**3,626**	**6,292**
Secured against other collateral*	**1,122,309**	**1,075,770**	**717,920**	**627,292**
Unsecured	**74,966**	**–**	**80,818**	**–**
	1,505,319	**1,488,229**	**1,090,355**	**1,021,426**
31 December 2015				
Loans and advances to banks				
Unsecured	14,600	–	14,591	–
Loans and advances to customers				
Secured against real estate	257,686	324,623	239,472	305,375
Secured against cash	4,041	5,754	4,041	5,754
Secured against other collateral*	705,196	661,729	524,018	468,857
Unsecured	69,714	–	55,163	–
	1,036,637	**992,106**	**822,694**	**779,986**

* *Other collateral are mainly domiciliation of payments (sales, invoices, salaries, allowances and terminal benefits), lien on shipping documents, corporate guarantees and similar collaterals.*

Other financial assets comprising cash and bank balances (including balances with Central Banks), financial assets held for trading, investment securities and accounts receivable are not secured. The Group's investment in government securities and its cash and balances with Central Banks are not considered to require collaterals given their sovereign nature.

Repossessed collateral

During the year, the Group took possession of property amounting to N1.818 billion (2015: N249 million) held as collateral against certain loans. These collaterals have been realised and used in offsetting the affected customers' outstanding obligations.

Details of collaterals realised during the year is as shown below:

	Loans and advances to customers			
	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Property	**1,818**	249	**1,185**	158
Equities	**3**	–	**3**	–
	1,821	249	**1,188**	158

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK

(a) Overview

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet maturing obligations or can only access these financial resources at excessive cost. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of cash flows under normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Group met all its financial commitments and obligations without any liquidity risk issues in the course of the year.

i) **Liquidity Risk Management**

The Group manages its liquidity prudently in all geographical locations and for all currencies. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the expected maturity date. To mitigate these uncertainties, our funding base is diverse and largely customer-driven, while customer assets are of short tenor. In addition we have contingency funding plans including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions. We have significant levels of marketable securities, including government securities that can be monetised or pledged as collateral in the event of a liquidity stress.

Contingency funding plans are reviewed and approved annually. They provide a broad set of Early Warning Indicators, an escalation framework and a set of management actions that could be effectively implemented by the appropriate level of senior management in the event of a liquidity stress. A similar plan is maintained within each country.

ii) **Liquidity Risk Governance**

The Group Asset and Liability Committee (GALCO) is the responsible governing management body that monitors liquidity management metrics. Liquidity in each country is managed by the country ALCO within pre-defined liquidity limits and in compliance with Group liquidity policies and practices, as well as local regulatory requirements. Group Market Risk and Group Treasury propose and oversee the implementation of policies and other controls relating to the above risks.

iii) **Liquidity Risk Measurement**

There are two measures used across the Group for managing liquidity risk namely: liquidity ratio mechanism which is a statutory requirement from most Central Banks in order to protect third party deposits, and funding gap analysis of assets and liabilities. The funding gap analysis is applied through the use of a maturity ladder by assessing all the bank's cash inflows against outflows to identify the potential for net shortfalls or net funding requirements (i.e. a cumulative net excess or deficit of funds) at selected maturity dates. The maturity ladder is monitored on a day-to-day basis and stress testing is undertaken on a quarterly basis by applying different scenarios to the maturity ladder and assessing the bank's funding requirements under each scenario. All UBA businesses and subsidiaries also construct their maturity ladder and compile reports based on agreed assumptions which is consolidated into a global report for Group ALCO review. The country treasurer for each subsidiary/Group Head Balance Sheet Management also documents the appropriate actions and includes the same into the Contingency Funding Plan (CFP) for implementation.

Liquidity stress testing is also performed for each of UBA Group's major entities and operating subsidiaries. Stress testing and scenario analyses are intended to quantify the potential impact of a liquidity event on the balance sheet and liquidity position, and to identify viable funding alternatives that can be utilized. These scenarios include assumptions about significant changes in key funding sources, market triggers (such as credit ratings), potential uses of funding and political and economic conditions in certain countries. These conditions include expected and stressed market conditions as well as Company-specific events.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

(b) Liquidity ratios

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitment maturing within one month.

The liquidity position of the Group remained strong in the course of the year and materially above the minimum liquidity ratio requirement of 30% prescribed by the Central Bank of Nigeria which is UBA Plc's lead regulator. Details of the Bank's ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	Dec 2016	Dec 2015
At year-end	**38.57%**	52.57%
Average for the year	**41.97%**	42.61%
Maximum for the year	**46.72%**	52.57%
Minimum for the year	**35.52%**	35.70%

(c) Analysis of financial assets and liabilities by remaining contractual maturities

The tables below show the undiscounted cash flow on the Group's financial liabilities and on the basis of the earliest possible contractual maturity. The Gross nominal inflow/outflow disclosed in the table is the contractual, undiscounted cash flows on the financial liabilities or commitments, except for derivatives assets and liabilities which are stated at their fair values.

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. Demand and savings deposits are expected to remain stable or increase, while unrecognised loan commitments are not expected to be drawn down immediately.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

(c) Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Maturity analysis for financial liabilities

31 December 2016

In millions of Nigerian Naira	Carrying amount	Gross nominal amount	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year
Group							
Non-derivative financial liabilities							
Deposits from banks	109,080	109,248	24,576	47,834	36,838	–	–
Deposits from customers:							
Retail Customers:							
Term deposits	209,673	211,561	106,636	93,368	10,970	200	387
Current deposits	151,407	151,407	151,407	–	–	–	–
Savings deposits	524,751	526,500	526,500	–	–	–	–
Domiciliary deposits	73,384	73,384	73,384	–	–	–	–
Corporate Customers:							
Term deposits	317,468	320,456	185,643	71,971	62,831	–	11
Current deposits	957,628	957,628	957,628	–	–	–	–
Domiciliary deposits	251,299	251,299	251,299	–	–	–	–
Other liabilities	110,147	104,641	71,971	16,584	11,420	1,334	3,332
Borrowings	259,927	276,841	205	10,889	57,026	109,391	99,330
Subordinated liabilities	85,978	122,986	–	3,750	2,488	26,279	90,469
Total financial liabilities	3,050,742	3,105,951	2,349,249	244,396	181,573	137,204	193,529
Derivative liabilities:							
Cross Currency Swap	14	14	14	–	–	–	–
Contingents and loan commitments:							
Performance bonds and guarantees	388,884	388,884	24,741	38,147	128,010	139,648	58,338
Letters of credit	202,122	202,122	25,876	30,150	96,077	35,074	14,945
Loan commitments	108,014	108,014	–	4,385	–	29,631	73,998
Assets used to manage liquidity							
Cash and bank balances	760,930	761,223	341,314	43,220	–	–	376,689
Financial assets held for trading:							
Treasury bills	47,638	56,444	56,444	–	–	–	–
Bonds	4,657	5,674	5,674	–	–	–	–
Loans and advances to banks	22,765	22,905	21,753	1,152	–	–	–
Loans and advances to customers:							
Individual:							
Term loans	74,815	83,071	16,091	14,118	13,641	17,989	21,232
Overdrafts	40,082	40,082	40,082	–	–	–	–
Corporates:							
Term loans	1,095,643	1,240,086	223,329	102,388	69,519	171,030	673,820
Overdrafts	278,512	278,512	278,512	–	–	–	–
Others	16,267	17,150	1,824	8,783	4,473	1,270	800
Investment securities:							
Available-for-sale:							
Treasury bills	155,315	172,702	1,599	24,378	33,352	113,373	–
Bonds	40,790	102,206	802	2,073	133	2,971	96,227
Held-to-maturity:							
Treasury bills	240,559	240,559	7,589	103,440	11,448	38,070	80,012
Bonds	452,794	996,421	14,284	3,849	21,549	71,657	885,082
Other assets	18,095	18,095	18,095	–	–	–	–
Derivative assets	10,642	10,642	1,139	2,614	6,889	–	–
Total financial assets	3,259,504	4,045,772	1,028,531	306,015	161,004	416,360	2,133,862
Gap	(490,272)	240,787	(1,371,349)	(11,063)	(244,656)	74,803	1,793,052

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

(c) Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Maturity analysis for financial liabilities (continued)

31 December 2016

In millions of Nigerian Naira	Carrying amount	Gross nominal amount	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year
Bank							
Non-derivative financial liabilities							
Deposits from banks	30,484	30,531	6,868	13,368	10,295	–	–
Deposits from customers:							
Retail Customers:							
Term deposits	182,996	185,298	93,068	81,958	9,739	174	359
Current deposits	83,285	83,285	83,285	–	–	–	–
Savings deposits	434,883	436,333	436,333	–	–	–	–
Domiciliary deposits	51,284	51,284	51,284	–	–	–	–
Corporate Customers:							
Term deposits	214,588	217,618	125,483	48,928	43,200	–	7
Current deposits	524,921	524,921	524,921	–	–	–	–
Domiciliary deposits	206,902	206,902	206,902	–	–	–	–
Other liabilities	72,503	68,878	47,374	10,916	7,517	878	2,193
Borrowings	259,927	276,841	205	10,889	57,026	109,391	99,330
Subordinated liabilities	85,978	122,986	–	3,750	2,488	26,279	90,469
Total financial liabilities	2,147,751	2,204,877	1,575,723	169,809	130,265	136,722	192,358
Derivative liabilities:							
Cross Currency Swap	14	14	14	–	–	–	–
Contingents and loan commitments:							
Performance bonds and guarantees	135,127	135,127	8,597	13,255	44,480	48,524	20,271
Letters of credit	168,600	168,600	21,584	25,150	80,143	29,257	12,466
Loan commitments	108,014	108,014	–	4,385	–	29,631	73,998
Assets used to manage liquidity							
Cash and bank balances	610,910	611,259	218,153	51,450	–	–	341,656
Financial assets held for trading:							
Treasury bills	47,638	56,444	56,444	–	–	–	–
Bonds	4,657	5,674	5,674	–	–	–	–
Loans and advances to banks	23,850	23,995	23,030	965	–	–	–
Loans and advances to customers:							
Individual:							
Term loans	25,024	28,856	5,382	4,722	4,871	6,779	7,102
Overdrafts	33,367	33,367	33,367	–	–	–	–
Corporates:							
Term loans	843,160	954,316	171,864	78,793	53,499	131,617	518,543
Overdrafts	172,537	172,537	172,537	–	–	–	–
Others	16,267	16,660	1,833	8,663	4,332	1,166	666
Investment securities:							
Available-for-sale							
Treasury bills	147,153	163,626	1,515	23,097	31,599	107,415	–
Bonds	17,233	43,180	339	876	56	1,255	40,654
Held-to-maturity:							
Bonds	288,311	634,459	9,095	2,451	13,721	45,627	563,565
Other assets	20,723	20,723	20,723	–	–	–	–
Derivative asset	10,642	10,642	1,139	2,614	6,889	–	–
Total financial assets	2,261,472	2,775,738	721,095	173,631	114,967	293,859	1,472,186
Gap	(298,034)	159,106	(884,823)	(38,968)	(139,921)	49,725	1,173,093

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

(c) Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Maturity analysis for financial liabilities (continued)

31 December 2015

In millions of Nigerian Naira	Carrying amount	Gross nominal amount	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year
Group							
Non-derivative financial liabilities							
Deposits from banks	61,066	61,168	61,168	–	–	–	–
Deposits from customers:							
Retail Customers:							
Term deposits	160,967	164,099	68,001	92,822	3,276	–	–
Current deposits	126,931	126,931	126,931	–	–	–	–
Savings deposits	407,036	408,054	408,054	–	–	–	–
Domiciliary deposits	34,507	34,507	34,507	–	–	–	–
Corporate Customers:							
Term deposits	384,015	387,488	224,028	112,664	50,796	–	–
Current deposits	673,358	673,358	673,358	–	–	–	–
Domiciliary deposits	294,890	294,890	294,890	–	–	–	–
Other liabilities	54,455	43,563	36,556	3,526	2,138	1,343	–
Borrowings	129,896	133,011	–	6,593	46,920	46,441	33,057
Subordinated liabilities	85,620	149,153	–	–	12,786	12,786	123,581
Total financial liabilities	**2,412,741**	**2,476,222**	**1,927,493**	**215,605**	**115,916**	**60,570**	**156,638**
Derivative liabilities:							
Cross Currency Swap	327	327	327	–	–	–	–
Contingents and loan commitments:							
Performance bonds and guarantees	77,030	77,030	9,244	3,081	33,123	10,784	20,798
Letters of credit	149,488	149,488	40,362	71,754	34,382	2,990	–
Loan commitments	123,458	123,458	15,506	21,263	–	4,170	82,519
Assets used to manage liquidity							
Cash and bank balances	655,371	620,183	319,098	12,108	7,693	4,616	276,668
Financial assets held for trading:							
Treasury bills	11,121	11,516	11,516	–	–	–	–
Bonds	128	100	100	–	–	–	–
Loans and advances to banks	14,600	14,646	10,840	3,806	–	–	–
Loans and advances to customers:							
Individual:							
Term loans	67,987	81,046	7,919	5,869	11,239	7,657	48,362
Overdrafts	46,391	46,391	46,391	–	–	–	–
Corporates:							
Term loans	703,525	811,995	180,132	120,266	70,362	79,529	361,706
Overdrafts	198,587	198,587	198,587	–	–	–	–
Others	20,147	20,231	20,231	–	–	–	–
Investment securities:							
Available-for-sale:							
Treasury bills	193,816	198,805	17,403	88,607	19,980	72,815	–
Bonds	32,757	39,200	–	1,943	49	1,992	35,216
Held-to-maturity:							
Treasury bills	150,774	339,633	29,730	151,374	34,133	124,396	–
Bonds	430,345	969,395	12,102	3,170	8,104	23,097	922,922
Other assets	27,721	27,721	27,721	–	–	–	–
Derivative asset	1,809	1,809	1,809	–	–	–	–
Total financial assets	**2,555,079**	**3,381,258**	**883,579**	**387,143**	**151,560**	**314,102**	**1,644,874**
Gap	**(207,965)**	**554,733**	**(1,109,353)**	**75,440**	**(31,861)**	**235,588**	**1,384,919**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

(c) Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Maturity analysis for financial liabilities (continued)

31 December 2015

In millions of Nigerian Naira	Carrying amount	Gross nominal amount	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year
Bank							
Non-derivative financial liabilities							
Deposits from banks	350	351	351	–	–	–	–
Deposits from customers:							
Retail Customers:							
Term deposits	142,811	146,380	60,380	83,030	2,970	–	–
Current deposits	89,150	89,150	89,150	–	–	–	–
Savings deposits	351,982	352,950	352,950	–	–	–	–
Domiciliary deposits	31,462	31,462	31,462	–	–	–	–
Corporate Customers:							
Term deposits	303,597	308,110	177,260	89,804	41,046	–	–
Current deposits	452,550	452,550	452,550	–	–	–	–
Domiciliary deposits	255,508	255,508	255,508	–	–	–	–
Other liabilities	33,827	31,098	24,008	3,526	2,138	1,343	83
Borrowings	129,896	133,011	–	6,593	46,920	46,441	33,057
Subordinated liabilities	85,620	149,153	–	–	12,786	12,786	123,581
Total financial liabilities	**1,876,753**	**1,949,723**	**1,443,619**	**182,953**	**105,860**	**60,570**	**156,721**
Derivative liabilities:							
Cross Currency Swap	327	327	327	–	–	–	–
Contingents and loan commitments:							
Performance bonds and guarantees	71,319	71,319	8,558	2,853	30,667	9,985	19,256
Letters of credit	107,262	107,262	28,961	51,486	24,670	2,145	–
Loan commitments	123,458	123,458	15,506	21,263	–	4,170	82,519
Assets used to manage liquidity							
Cash and bank balances	590,774	591,718	293,211	12,357	7,851	4,710	273,589
Financial assets held for trading:		–					
Treasury bills	11,121	11,516	11,516	–	–	–	–
Bonds	128	100	100	–	–	–	–
Loans and advances to banks	14,591	14,638	10,834	3,804	–	–	–
Loans and advances to customers:							
Individual:							
Term loans	32,144	39,136	3,744	2,775	5,673	4,079	22,865
Overdrafts	41,982	41,982	41,982	–	–	–	–
Corporates:							
Term loans	588,632	679,387	150,714	100,626	58,871	66,541	302,635
Overdrafts	139,789	139,789	139,789	–	–	–	–
Others	20,147	20,231	20,231	–	–	–	–
Investment securities:							
Available-for-sale:							
Treasury bills	189,644	194,526	17,028	86,700	19,550	71,248	–
Bonds	32,253	38,597	–	1,913	48	1,961	34,675
Held-to-maturity:							
Treasury bills	–	–	–	–	–	–	–
Bonds	297,539	670,236	8,367	2,192	5,603	15,969	638,105
Other assets	16,320	16,320	16,320	–	–	–	–
Derivative asset	1,809	1,809	1,809	–	–	–	–
Total financial assets	**1,976,873**	**2,459,985**	**715,645**	**210,367**	**97,596**	**164,508**	**1,271,869**
Gap	**(202,246)**	**207,896**	**(781,326)**	**(48,188)**	**(63,601)**	**87,638**	**1,013,373**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK

(a) Overview

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of these portfolios separately. The trading portfolios comprise positions arising from market-making and warehousing of customer-derived positions while non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities as well as financial instruments designated as available for sale and held to maturity.

i) **Market Risk Management**

The objective of market risk management in UBA is to ensure that all significant market risks are identified, measured, and managed in a consistent and effective manner across the Group in order to stabilize earnings and capital and also to ensure that the Group carries out its affairs within acceptable parameters and in line with the market risk appetite.

Market risk achieves the above stated objective, through a mix of quantitative and statistical controls which covers the underlisted activities:

- Market data collection and statistical analysis.
- Limit determination based on market volatility.
- Stop loss limit utilisation monitoring.
- Position monitoring.
- New trading products risk assessment.
- P&L attribution analysis.
- Pricing model validation and sign off.
- Trading portfolio stress testing.
- Regulatory limit monitoring.
- Position data extraction and Internal limit monitoring.
- Contingency funding plan maintenance and testing.
- Risk profile reporting to GALCO.

The universal market risk factors in UBA Group are interest rates, foreign exchange rates and equity prices. The associated market risks are:

- Foreign currency risk: arising from changes in exchange rates.
- Interest rate risk: arising from changes in yield curves and credit spreads.
- Equity risk: arising from changes in the prices of equities, equity indices and equity baskets.

ii) **Market Risk Governance**

The Board of Directors is responsible for determining UBA Group's risk appetite and tolerance limits for all its market risk exposures. Senior management is responsible for supporting the Board in determining market risk appetite and tolerance limits as well as putting in place all requisite processes, procedures and tools to ensure proper implementation of a robust system for managing, monitoring and reporting market risk appetite. The Board through the Board Risk Management Committee (BRMC) is responsible for the overall governance of market risk as well as defining the terms of reference and delegating responsibilities to both the Group Risk Management Committee (GRMC) and Group Asset & Liability Management Committee (GALCO). GALCO has Group oversight and is charged with ensuring that market risks are managed homogeneously in all areas of operation. Further to the above, oversight of market risk is vested in BRMC, GALCO and the Finance & General Purpose Committee (FGPC) while the day-to-day management rests with the Executive Director, Risk Management, Corporate Governance & Compliance. The Group Market Risk Division is not only responsible for the development of detailed risk management policies but is also involved in the day-to-day review of their implementation. The market risk management policies are usually validated/approved by the Board in accordance with the approval guidelines. Trading limits are approved by GALCO and F&GPC and ratified by the Board while exposures against these limits are monitored by the market risk management team.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(a) Overview (continued)

iii) Market Risk Measurement

The Group's policy is that all trading activities are undertaken within the context of the approved Market Risk Management appetite and limits. The Market Risk Management team is responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in market risk management policy and other related policies.

The Group uses limits, triggers, Value at Risk (VaR), earnings-at-risk, gap analyses and scenario analyses to measure and control the market risk exposures within its trading and banking books. The Group also performs regular stress tests on its banking and trading books.

iv) Approach to Managing Market Risk in the Trading Book

The techniques used to ensure and control trading book market risk include limit monitoring, daily valuation of positions, Value at Risk (VaR), Backtesting, stop loss triggers, stress testing/sensitivity analysis etc.

Market Risk Limits: The Bank has put in place specific market risk limits and triggers (regulatory and in-house) to prevent undue risk exposure to the Group. Market risk limits are based on recommendations by GALCO and approved by the Board. Position limits, transaction size and portfolio volume limits are in place for each trading portfolio. UBA Group sets various limits for total market risk and specific foreign exchange, interest rate, equity and other price risks. All limits are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a daily basis by Group Market Risk and Internal Control. Limit excesses are escalated and approved under a delegated authority structure and reported to the GALCO. Excesses are also reported monthly to the Group Risk Management Committee (GRMC) and quarterly to the Board Risk Management Committee (BRMC).

Stop Loss Triggers: Stop loss triggers are used to protect the profitability of the trading desk. They establish decision points to confirm the Group's tolerance for accepting trading risk losses on a cumulative basis. The triggers are monitored on a daily basis by the market risk management team.

Daily Valuation of Market Risk Positions: Mark to Market (MTM) for relevant products/positions is done in line with International Financial Reporting Standard (IFRS). All market risk financial instruments are categorised into:

1) Trading – valued on fair accounting methodology and MTM daily.
2) Available For Sale (AFS) – valued on fair accounting methodology and MTM monthly.
3) Held to Maturity (HTM) – This portfolio is not MTM because positions are held until maturity.

Marking-to-market is at least the daily valuation of positions at readily available close out prices that are sourced independently. Where marking-to-market is not possible, marking-to-model technique is employed. Marking-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. Assets that must be marked-to-model either don't have a regular market that provides accurate pricing, or valuations rely on a complex set of reference variables and time frames. E.g. complex financial instruments and derivatives.

Stress Testing: Market risk management complements the VaR measurement by regular stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible. Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions including when longer holding periods may be required to exit positions. Consistent stress-testing methodology is applied to trading and non-trading books. Stress testing methodology considers both historical market events and forward-looking scenarios. The stress testing scenarios include market and credit scenarios, portfolio-specific scenarios and macro-economic scenarios. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

Factor Sensitivities: Factor sensitivities are expressed as the change in the value of a position for a defined change in a market risk factor, such as a change in the value of the Nigerian Government Treasury bill for a one hundred basis point change in interest rates. UBA Group's Market Risk Management, within the Risk organisation, works to ensure that factor sensitivities are calculated and monitored for all material risks taken in the trading portfolios.

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(a) Overview (continued)

v) Approach to Managing Market Risk in the Non-Trading Portfolio

Market risk from non-trading portfolios stems from the potential impact of changes in interest rates and foreign exchange rates on UBA's net interest revenues, the changes in accumulated other comprehensive income/(loss) from its investment portfolios and capital invested in foreign currencies.

The management of banking book-related market risk exposures involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book MTM profit or loss) and economic value of equity. Market risk in the banking book arises as a result of the mismatch between the future yield on assets and their funding cost and also the different repricing characteristics of banking book assets and liabilities. UBA Group uses a variety of tools to track and manage this risk. These tools include:

- Re-pricing gap analysis
- Liquidity gap analysis
- Earnings-at-Risk (EAR)
- Sensitivity Analysis

vi) Exposure to interest rate risk – non-trading portfolio

UBA Group's principal measure of risk to net interest revenue is interest rate exposure (IRE). This is the risk that changes in interest rates could have a negative impact on the Bank's margins, earnings and capital. The objective of the Bank's interest rate risk management is to ensure that earnings are stable and predictable over time. The Bank is exposed to interest rate risk through the interest-bearing assets and liabilities in its trading and banking books. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the Group balance sheet, mainly due to different repricing characteristics of banking book assets and liabilities.

Interest rate risk is managed principally through monitoring interest rate gaps and having pre-approved limits for re-pricing bands. There will always be a mis-match between maturing assets and maturing liabilities, and changes in interest rates means that the Net Interest Margin (NIM) is affected on a daily basis by maturing and re-pricing activities. This change is measured through calculation of Earnings at Risk (EaR) on a portfolio over the life of its assets and liabilities. EaR is usually calculated at various levels of change to simulate the likely change in the course of normal business or the expected risk where there is an unusual market event.

GALCO has oversight for compliance with these limits and execution of gapping strategy is carried out by Group Treasury.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

In order to manage changes in interest rates effectively, the Group may modify pricing on new customer loans and deposits, purchase fixed-rate securities, issue debt that is either fixed or floating or enter into derivative transactions that have the opposite risk exposures. UBA regularly assesses the viability of these and other strategies to reduce its interest rate risks and implements such strategies when it believes those actions are prudent.

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The table below is a summary of the Group's interest rate gap position at the reporting date. All assets, liabilities and derivatives instruments are allocated to gap intervals based on either their repricing or maturity characteristics. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of their contractual re-pricing or maturity dates. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling. Overall non-trading interest rate risk positions are managed by Group Treasury which uses investment securities, advances to other financial institutions (banks and discount houses) to manage the overall position arising from the Group's non-trading activities.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

31 December 2016

		Re-pricing period					
In millions of Nigerian Naira	Carrying amount	<1 month	1 – 3 months	3 – 6 months	6 –12 months	More than 1 year	Non-interest bearing
Group							
Cash and bank balances	760,930	–	42,927	–	–	–	718,003
Financial assets held for trading:			–	–	–	–	–
Treasury bills	47,638	47,638					
Bonds	4,657	4,657	–	–	–	–	–
Loans and advances to banks	22,765	21,854	911	–	–	–	–
Loans and advances to customers:							
Individual							
Term loans	74,815	4,053	12,503	2,996	5,792	49,471	–
Overdrafts	40,082	40,082	–	–	–	–	–
Corporates							
Term loans	1,095,643	101,372	111,592	62,919	104,978	714,782	–
Overdrafts	278,512	278,512	–	–	–	–	–
Others	16,267	9,400	6,057	608	202	–	–
Investment securities:							
Treasury bills	395,874	4,076	62,136	85,008	244,654	–	–
Bonds and promissory notes	493,865	15,235	5,373	22,248	75,708	375,302	–
Equity	80,653	–	–	–	–	–	80,653
Derivative assets	10,642	–	–	–	–	–	10,642
Other assets	18,095	–	–	–	–	–	18,095
	3,340,438	526,879	241,499	173,779	431,334	1,139,555	827,393
Derivative liability	14	–	–	–	–	–	14
Deposits from banks	109,080	26,680	46,929	35,471	–	–	–
Deposits from customers	2,485,610	610,997	533,196	321,084	178,451	197,636	644,246
Other liabilities	110,147	–	–	–	–	–	110,147
Subordinated liabilities	85,978	–	–	–	20,575	65,403	–
Borrowings	259,927	–	–	45,544	122,025	92,358	–
	3,050,756	637,677	580,125	402,099	321,051	355,397	754,407
Gap	289,682	(110,798)	(338,626)	(228,320)	110,283	784,158	72,986

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

31 December 2015

		Re-pricing period					
In millions of Nigerian Naira	Carrying amount	<1 month	1 – 3 months	3 – 6 months	6 –12 months	More than 1 year	Non-interest bearing
Group							
Cash and bank balances	655,371	105,244	22,428	14,018	8,411	–	505,270
Financial assets held for trading:							
Treasury bills	11,121	11,121					
Bonds	128	128	–	–	–	–	–
Loans and advances to banks	14,600	10,813	3,787	–	–	–	–
Loans and advances to customers:							
Individual							
Term loans	67,987	7,732	5,598	10,479	6,688	37,490	–
Overdrafts	46,391	5,276	3,820	7,150	4,563	25,582	–
Corporates							
Term loans	703,525	175,881	114,721	65,605	69,458	277,860	–
Overdrafts	198,587	49,647	32,383	18,519	19,606	78,432	–
Others	20,147	5,037	3,285	1,879	1,989	7,957	–
Investment securities:							
Treasury bills	344,590	30,165	153,583	34,631	126,211	–	–
Bonds and promissory notes	463,357	–	22,953	576	23,529	416,299	–
Equity	48,923	–	–	–	–	–	48,923
Derivative assets	1,809	26	1,783	–	–	–	–
Other assets	27,721	–	–	–	–	–	27,721
	2,604,257	**401,070**	**364,341**	**152,857**	**260,455**	**843,620**	**581,914**
Derivative liability	327	7	320	–	–	–	–
Deposits from banks	61,066	61,066	–	–	–	–	–
Deposits from customers	2,081,704	1,040,852	895,133	145,719	–	–	–
Other liabilities	54,455	–	–	–	–	–	54,455
Subordinated liabilities	85,620	–	–	–	–	85,620	–
Borrowings	129,896	–	–	49,947	23,595	56,354	–
	2,413,068	**1,101,925**	**895,453**	**195,666**	**23,595**	**141,974**	**54,455**
Gap	**191,189**	**(700,855)**	**(531,112)**	**(42,809)**	**236,860**	**701,646**	**527,459**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

31 December 2016

		Re-pricing period					
In millions of Nigerian Naira	Carrying amount	<1 months	1 – 3 months	3 – 6 months	6 –12 months	More than 1 year	Non-interest bearing
Bank							
Cash and bank balances	610,910	–	51,101	–	–	–	559,809
Financial assets held for trading:							
Treasury bills	47,638	47,638	–	–	–	–	–
Bonds	4,657	4,657	–	–	–	–	–
Loans and advances to banks	23,850	22,896	954	–	–	–	–
Loans and advances to customers:							
Individual							
Term loans	25,024	3,144	5,010	2,348	3,478	11,044	–
Overdrafts	33,367	33,367	–	–	–	–	–
Corporates							
Term loans	843,160	84,691	73,225	56,894	76,135	552,215	–
Overdrafts	172,537	172,537	–	–	–	–	–
Others	16,267	9,400	6,057	608	202	–	–
Investment securities:							
Treasury bills	147,153	1,515	23,097	31,599	90,942	–	–
Bonds and promissory notes	305,825	9,434	3,327	13,777	46,882	232,405	–
Equity	80,038	–	–	–	–	–	80,038
Derivative assets	10,642	–	–	–	–	–	10,642
Other assets	20,723	–	–	–	–	–	20,723
	2,341,791	389,279	162,771	105,226	217,639	795,664	671,212
Derivative liability	14	–	–	–	–	–	14
Deposits from banks	30,484	7,456	13,115	9,913	–	–	–
Deposits from customers	1,698,859	416,648	363,606	218,959	121,692	134,775	443,179
Other liabilities	72,503	–	–	–	–	–	72,503
Subordinated liabilities	85,978	–	–	–	20,575	65,403	–
Borrowings	259,927	–	–	45,544	122,025	92,358	–
	2,147,765	424,104	376,721	274,416	264,292	292,536	515,696
Gap	194,026	(34,825)	(213,950)	(169,190)	(46,653)	503,128	155,516

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

31 December 2015

		Re-pricing period					
In millions of Nigerian Naira	Carrying amount	<1 month	1 – 3 months	3 – 6 months	6 –12 months	More than 1 year	Non-interest bearing
Bank							
Cash and bank balances	590,774	110,494	21,346	13,341	8,005	–	437,588
Financial assets held for trading:							
Treasury bills	11,121	11,121	–	–	–	–	–
Bonds	128	128	–	–	–	–	–
Loans and advances to banks	14,591	10,806	3,785	–	–	–	–
Loans and advances to customers:							
Individual							
Term loans	32,144	3,656	2,647	4,954	3,162	17,725	–
Overdrafts	41,982	4,774	3,457	6,471	4,130	23,150	–
Corporates							
Term loans	588,632	147,158	95,986	54,891	58,115	232,482	–
Overdrafts	139,789	34,947	22,795	13,036	13,801	55,210	–
Others	20,147	5,037	3,285	1,879	1,989	7,957	–
Investment securities:							
Treasury bills	189,644	16,601	84,524	19,059	69,460	–	–
Bonds and promissory notes	330,047	–	–	21,473	24,323	284,251	–
Equity	48,512	–	–	–	–	–	48,512
Derivative assets	1,809	26	1,783	–	–	–	–
Other assets	16,320	–	–	–	–	–	16,320
	2,025,640	**344,748**	**239,608**	**135,104**	**182,985**	**620,775**	**502,420**
Derivative liability	327	327	–	–	–	–	–
Deposits from banks	350	350	–	–	–	–	–
Deposits from customers	1,627,060	813,530	699,636	113,894	–	–	–
Other liabilities	33,827	–	–	–	–	–	33,827
Subordinated liabilities	85,620	–	–	–	–	85,620	–
Borrowings	129,896	–	–	49,947	23,595	56,354	–
	1,877,080	**814,207**	**699,636**	**163,841**	**23,595**	**141,974**	**33,827**
Gap	**148,560**	**(469,459)**	**(460,028)**	**(28,737)**	**159,390**	**478,801**	**468,593**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

ii) **Fixed income instruments re-pricing gap**

Interest rate sensitivity analysis of fixed rate financial instruments

The table below shows the impact of interest rate changes (increase/decrease) on the Group's fixed income portfolios and the effect on profit and loss and OCI, assuming 2% (200 basis points) changes with other variables remaining constant and also assuming there is no asymmetrical movement in yield curve.

Statement of financial position interest rate sensitivity (fair value and cash flow interest rate risk)

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Decrease	**(4,968)**	(4,756)	**(4,334)**	(4,663)
Asset	**(4,968)**	(4,756)	**(4,334)**	(4,663)
Liability	**–**	–	**–**	–
Increase	**4,968**	4,756	**4,334**	4,663
Asset	**4,968**	4,756	**4,334**	4,663
Liability	**–**	–	**–**	–

The aggregate figures presented above are further segregated into their various components as shown below:

	Group		Bank	
Financial assets held for trading				
Treasury bills	**47,638**	11,121	**47,638**	11,121
Government bonds	**4,657**	128	**4,657**	128
	52,295	11,249	**52,295**	11,249
Impact on income statement:				
Favourable change @ 2% increase in interest rates	**1,046**	225	**1,046**	225
Unfavourable change @ 2% reduction in interest rates	**(1,046)**	(225)	**(1,046)**	(225)
Available-for-sale investment securities:				
Treasury bills	**155,315**	193,816	**147,153**	189,644
Government bonds	**40,790**	32,757	**17,233**	32,253
Total	**196,105**	226,573	**164,386**	221,897
Impact on other comprehensive income statement:				
Favourable change @ 2% increase in interest rates	**3,922**	4,531	**3,288**	4,438
Unfavourable change @ 2% reduction in interest rates	**(3,922)**	(4,531)	**(3,288)**	(4,438)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

ii) **Fixed income instruments re-pricing gap (continued)**

Interest rate sensitivity analysis of floating rate financial instruments

The tables below shows the impact of interest rate changes (increase/decrease) on the Group's floating-rate financial instrument portfolios and the effect on income statement. The sensitivity analysis is based on a conservative assumption of 50 basis point change on the instrument with other variables remaining constant and also assuming there is no asymmetrical movement in yield curve.

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Borrowings				
Standard Chartered Bank (note 37.3)	**–**	39,994	**–**	39,994
European Investment Bank (EIB) (note 37.4)	**1,951**	1,590	**1,951**	1,590
Syndicated facility (note 37.5)	**27,542**	41,710	**27,542**	41,710
Africa Trade Finance Limited (note 37.6)	**15,145**	19,906	**15,145**	19,906
Afrexim (note 37.7)	**30,399**	–	**30,399**	–
African Development Bank (note 37.8)	**36,204**	–	**36,204**	–
Credit Suisse (note 37.9)	**94,483**	–	**94,483**	–
	205,724	103,200	**205,724**	103,200
Impact on income statement:				
Favourable change @ 0.5% increase in prices	**(1,029)**	(516)	**(1,029)**	(516)
Unfavourable change @ 0.5% reduction in prices	**1,029**	516	**1,029**	516

Price sensitivity analysis for financial instruments measured at fair value

The table below shows the impact of price changes (increase/decrease) on the Group's financial assets measured at fair value and the effect on profit and loss. For the purpose of sensitivity analysis, a conservative assumption of 2% change in prices with other variables remaining constant was made.

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Financial assets held for trading				
Treasury bills	**47,638**	11,121	**47,638**	11,121
Government bonds	**4,657**	128	**4,657**	128
	52,295	11,249	**52,295**	11,249
Impact on income statement:				
Favourable change @ 2% increase in prices	**(1,046)**	(225)	**(1,046)**	(225)
Unfavourable change @ 2% reduction in prices	**1,046**	225	**1,046**	225
Derivative assets	**10,642**	1,809	**10,642**	1,809
Impact on income statement:				
Favourable change @ 2% increase in prices	**(213)**	(36)	**(213)**	(36)
Unfavourable change @ 2% reduction in prices	**213**	36	**213**	36
Derivative liabilities	**14**	327	**14**	327
Impact on income statement:				
Favourable change @ 2% increase in prices	**–**	7	**–**	7
Unfavourable change @ 2% reduction in prices	**–**	(7)	**–**	(7)

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

ii) Fixed income instruments re-pricing gap (continued)

Price sensitivity analysis for available-for-sale financial instruments

The table below shows the impact of price changes (increase/decrease) on the Group's available-for-sale financial instruments and the effect on other comprehensive income. For debt securities which are categorised under level 1 in the fair value hierarchy, a 2% change in prices has been assumed with other variables remaining constant.

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Debt securities				
Available-for-sale investment securities:				
Treasury bills	**155,315**	193,816	**147,153**	189,644
Government bonds	**40,790**	32,757	**17,233**	32,253
Total	**196,105**	226,573	**164,386**	221,897
Impact on other comprehensive income statement:				
Favourable change @ 2% increase in prices	**3,922**	4,531	**3,288**	4,438
Unfavourable change @ 2% reduction in prices	**(3,922)**	(4,531)	**(3,288)**	(4,438)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

iii) **Equity price risk**

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available-for-sale. Sensitivity analysis for the Group's equity securities is shown below.

Sensitivity analysis for level 1 equity securities is based on average movement in share price index for quoted shares during the year. Price sensitivity analysis for the Group's level 2 unquoted equities was based on assumptions of a 2% change in the last trading prices obtained from over-the-counter (OTC) trades that were done as at the reporting date. For unquoted equity securities categorised under level 3 in the fair value hierachy, 5% increases/decreases were assumed for the significant unobservable inputs (cost of equity and terminal growth rates).

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Level 1 Equity Sensitivities				
Impact on other comprehensive income:				
Favourable change @ 2% increase in prices	–	1	–	1
Unfavourable change @ 2% reduction in prices	–	(1)	–	(1)
Level 1 Equity Positions				
Impact on other comprehensive income:				
Available-for-sale investment securities	–	9	–	9
Total	–	9	–	9
Level 2 Equity Sensitivities				
Impact on other comprehensive income:				
Favourable change @ 2% increase in prices	**57**	74	**57**	74
Unfavourable change @ 2% reduction in prices	**(57)**	(74)	**(57)**	(74)
Level 2 Equity Positions				
Available-for-sale investment securities:	**2,855**	3,684	**2,855**	3,684
Total	**2,855**	3,684	**2,855**	3,684
Level 3 Equity Sensitivities				
Impact on other comprehensive income:				
Favourable change @ 5% decrease in unobservable inputs	**4,776**	3,214	**4,776**	3,214
Favourable change @ 5% increase in unobservable inputs	**(3,712)**	(2,590)	**(3,712)**	(2,590)
Level 3 Equity Positions				
Available-for-sale investment securities	**77,798**	45,230	**77,183**	44,819
Total	**77,798**	45,230	**77,183**	44,819

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(c) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is primarily controlled via policies around trading limits. The Board and Group ALCO set limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions. These limits must be in line with regulatory Open Position Limit (OPL). Compliance with both internal limits and regulatory limits are monitored daily with zero tolerance for limit breaches. These limits include OPL, dealers' limit, overnight/intra-day limits, maturity gap limits, management action trigger, product limits, counterparty limits and cross border limits.

The tables below show foreign currencies to which the Group had exposure at the end of the reporting period and the sensitivity of the Group's profit before tax and equity to changes in exchange rates. The analysis calculates the effect of reasonably possible movement of the foreign exchange rates against the Nigerian Naira (all other variables being constant) on the income statement due to changes to the carrying amounts of the Group's foreign currency sensitive financial assets and liabilities. A negative amount in the table reflects a potential net reduction in the income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Nigerian Naira would have resulted in an equivalent but opposite impact.

For the purpose of disclosing the sensitivity analysis for foreign currency risk, the Group's foreign currency risk arising from the translation of its foreign operations are not taken into account even though they may have an impact on equity. This is because foreign currency risk can only arise on financial instruments denominated in a currency other than the functional currency in which they are measured and translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the Group's presentation currency.

The information disclosed on the net foreign currency (FCY) exposure is representative of the average exposure in the year. The Bank believes that for each foreign currency exposure, it is reasonable to assume 15% depreciation of the Naira holding all other variables constant.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(c) Exchange rate exposure limits (continued)

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
Group						
31 December 2016						
Cash and bank balances	**435,386**	**143,287**	**22,673**	**7,134**	**152,450**	**760,930**
Financial assets held for trading	**52,295**	**–**	**–**	**–**	**–**	**52,295**
Derivative assets	**–**	**10,642**	**–**	**–**	**–**	**10,642**
Loans and advances to banks	**–**	**22,765**	**–**	**–**	**–**	**22,765**
Loans and advances to customers	**608,810**	**517,517**	**2,386**	**62**	**376,544**	**1,505,319**
Investment securities	**509,491**	**39,052**	**–**	**–**	**421,849**	**970,392**
Other assets	**7,497**	**5,769**	**–**	**–**	**4,829**	**18,095**
Total financial assets	**1,613,479**	**739,032**	**25,059**	**7,196**	**955,672**	**3,340,438**
Derivative liability	**–**	**–**	**14**	**–**	**–**	**14**
Deposits from banks	**214**	**86,772**	**1,093**	**27**	**20,974**	**109,080**
Deposits from customers	**1,276,739**	**462,403**	**16,092**	**6,013**	**724,363**	**2,485,610**
Other liabilities	**42,201**	**40,575**	**2,456**	**1,274**	**23,641**	**110,147**
Borrowings	**54,203**	**205,724**	**–**	**–**	**–**	**259,927**
Subordinated liabilities	**85,978**	**–**	**–**	**–**	**–**	**85,978**
Total financial liabilities	**1,459,335**	**795,474**	**19,655**	**7,314**	**768,978**	**3,050,756**
Net FCY Exposure		**(56,442)**	**5,404**	**(118)**	**186,694**	
Increase in currency rate (Naira depreciation)		**15%**	**15%**	**15%**	**15%**	
Effect on profit before tax		**(8,466)**	**811**	**(18)**	**28,004**	**20,331**
Effect on equity		**–**	**–**	**–**	**–**	**–**
31 December 2015						
Cash and bank balances	363,832	182,772	22,700	5,749	80,318	655,371
Financial assets held for trading	11,249	–	–	–	–	11,249
Derivative assets	–	1,809	–	–	–	1,809
Loans and advances to banks	–	14,600	–	–	–	14,600
Loans and advances to customers	525,381	320,487	373	593	189,803	1,036,637
Investment securities	530,062	46,147	–	–	280,661	856,870
Other assets	13,508	10,204	1,209	–	2,800	27,721
Total financial assets	**1,444,032**	**576,019**	**24,282**	**6,342**	**553,582**	**2,604,257**
Derivative liability	–	327	–	–	–	327
Deposits from banks	685	57,745	797	–	1,839	61,066
Deposits from customers	1,129,325	514,752	14,630	5,363	417,634	2,081,704
Other liabilities	14,909	13,583	4,211	697	21,055	54,455
Borrowings	46,602	83,294	–	–	–	129,896
Subordinated liabilities	85,620	–	–	–	–	85,620
Total financial liabilities	**1,277,141**	**669,701**	**19,638**	**6,060**	**440,528**	**2,413,068**
Net FCY exposure		(93,682)	4,644	282	113,054	
Increase in currency rate (Naira depreciation)		15%	15%	15%	15%	
Effect on profit before tax		(14,052)	697	42	16,958	3,645
Effect on equity		–	–	–	–	–

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(c) Exchange rate exposure limits (continued)

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
Bank						
31 December 2016						
Cash and bank balances	**435,386**	**158,869**	**9,003**	**6,548**	**1,104**	**610,910**
Financial assets held for trading	**52,295**	**–**	**–**	**–**	**–**	**52,295**
Derivative assets	**–**	**10,642**	**–**	**–**	**–**	**10,642**
Loans and advances to banks	**–**	**23,850**	**–**	**–**	**–**	**23,850**
Loans and advances to customers	**600,685**	**487,240**	**2,371**	**59**	**–**	**1,090,355**
Investment securities	**499,212**	**33,804**	**–**	**–**	**–**	**533,016**
Other assets	**11,076**	**9,556**	**91**	**–**	**–**	**20,723**
Total financial assets	**1,598,654**	**723,961**	**11,465**	**6,607**	**1,104**	**2,341,791**
Derivative liability	**–**	**–**	**14**	**–**	**–**	**14**
Deposits from banks	**–**	**30,484**	**–**	**–**	**–**	**30,484**
Deposits from customers	**1,276,739**	**408,043**	**8,345**	**5,730**	**2**	**1,698,859**
Other liabilities	**37,803**	**31,370**	**1,170**	**1,063**	**1,097**	**72,503**
Borrowings	**54,203**	**205,724**	**–**	**–**	**–**	**259,927**
Subordinated liabilities	**85,978**	**–**	**–**	**–**	**–**	**85,978**
Total financial liabilities	**1,454,723**	**675,621**	**9,529**	**6,793**	**1,099**	**2,147,765**
Net FCY Exposure		**48,340**	**1,936**	**(186)**	**5**	
Increase in currency rate (Naira depreciation)		**15%**	**15%**	**15%**	**15%**	
Effect on profit before tax		**7,251**	**290**	**(28)**	**1**	**7,514**
Effect on equity		**–**	**–**	**–**	**–**	**–**
31 December 2015						
Cash and bank balances	417,416	154,420	12,910	5,277	751	590,774
Financial assets held for trading	11,249	–	–	–	–	11,249
Derivative assets	–	1,809	–	–	–	1,809
Loans and advances to banks	–	14,591	–	–	–	14,591
Loans and advances to customers	550,148	271,598	361	587	–	822,694
Investment securities	525,231	42,972	–	–	–	568,203
Other assets	14,307	2,008	5	–	–	16,320
Total financial assets	**1,518,351**	**487,398**	**13,276**	**5,864**	**751**	**2,025,640**
Derivative liability	–	327	–	–	–	327
Deposits from banks	–	350	–	–	–	350
Deposits from customers	1,165,495	451,728	4,822	5,012	3	1,627,060
Other liabilities	24,158	7,891	1,062	589	127	33,827
Borrowings	46,602	83,294	–	–	–	129,896
Subordinated liabilities	85,620	–	–	–	–	85,620
Total financial liabilities	**1,321,875**	**543,590**	**5,884**	**5,601**	**130**	**1,877,080**
Net FCY exposure		(56,192)	7,392	263	621	
Increase in currency rate (Naira depreciation)		15%	15%	15%	15%	
Effect on profit before tax		(8,429)	1,109	39	93	(7,188)
Effect on equity		–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

(continued)

5. CAPITAL

The Bank maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of local banking supervisors. The Group's lead regulator, the Central Bank of Nigeria (CBN) sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria (CBN) and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

5.1 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk of its activities. In order to maintain or adjust its capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. Capital management is overseen by the Board of Directors who have overall responsibility for ensuring adequate capital is maintained for the Group.

The Group has a process of ensuring adequate capital is maintained and this process includes:

- Capital planning.
- Prudent portfolio management.
- Capital adequacy stress testing.
- Contingency planning.

The objective of the capital management process is to:

- Adequately assess impairment losses and impact on capital impairment;
- Meet CBN's capital adequacy requirements; and
- Optimise the use and allocation of capital resources and align our target capital with our optimum capital structure.

5.2 REGULATORY CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group monitors regulatory capital using the capital adequacy ratio. This ratio is calculated as total regulatory capital divided by risk weighted assets. Total regulatory capital and risk weighted assets are calculated as shown in the table below.

The Central Bank of Nigeria sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

The Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group's regulatory capital is split into two tiers:

Tier 1 capital includes ordinary share capital, share premium, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital includes qualifying subordinated liabilities and the element of the fair value reserve relating to unrealised gains on financial instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. Elements of Tier 2 capital are limited to a maximum of one-third of Tier 1 capital, after making deductions of goodwill, deferred tax asset and other intangible assets but before deductions of investments.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

During the year, the Group's strategy, which was unchanged, was to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. UBA Plc operates under an international banking authorization with a minimum regulatory capital of N50 billion and a minimum capital adequacy ratio of 15%. During the year, the Group complied with all external capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

5. CAPITAL (continued)

5.2 REGULATORY CAPITAL (continued)

	Bank	
In millions of Nigerian Naira	**Dec 2016**	**Dec 2015**
Tier 1 capital		
Ordinary share capital	**18,140**	18,140
Share premium	**117,374**	117,374
Retained earnings	**110,152**	102,169
Other reserves	**59,703**	52,572
Gross Tier 1 capital	**305,369**	290,255
Less:		
Deferred tax on accumulated losses	**20,848**	24,666
Intangible assets	**4,905**	4,954
Staff share investment trust	**29,772**	30,491
Tier 1 capital after regulatory deduction	**249,844**	230,144
Investment in subsidiaries	**(35,351)**	(32,884)
Eligible Tier 1 capital	**214,493**	197,260
Tier 2 capital		
Fair value reserve for available-for-sale securities	**58,881**	31,985
Subordinated liabilities	**37,500**	48,500
Less: limit of Tier 2 to Tier 1 capital	**(13,100)**	(3,770)
Qualifying Tier 2 capital before deductions	**83,281**	76,715
Less: Investment in subsidiaries	**(35,351)**	(32,884)
Net Tier 2 capital	**47,930**	43,831
Qualifying capital		
Net Tier 1 regulatory capital	**214,493**	197,260
Net Tier 2 regulatory capital	**47,930**	43,831
Total qualifying capital	**262,423**	241,091
Composition of risk-weighted assets:		
Risk-weighted amount for credit risk	**1,023,703**	939,031
Risk-weighted amount for operational risk	**270,281**	249,924
Risk-weighted amount for market risk	**37,917**	19,417
Total Basel II risk-weighted assets	**1,331,901**	1,208,372
Basel II capital ratios		
Risk-weighted capital adequacy ratio	**20%**	20%

The above capital adequacy computation is based on the Revised Basel II guidelines advised by the Central Bank of Nigeria effective 24 June 2015.

5.3 CAPITAL ALLOCATION

The allocation of capital between specific operations and activities is to a large extent driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision-making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer-term strategic objectives.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

6. FAIR VALUE MEASUREMENT

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

6.1 VALUATION MODELS

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity and debt investments classified as trading securities or available-for-sale.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- **Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rate, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. The Group's valuation methodology for securities uses a discounted cash flow methodology and dividend discount methodology. The methodologies are often used by market participants to price similar securities.

6. FAIR VALUE MEASUREMENT (continued)

6.1 VALUATION MODELS (continued)

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa such as interest rate swaps, fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgement is required to select the most appropriate point in the range.

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads and relevant risk premiums.

6.2 VALUATION FRAMEWORK

The Group has an established control framework with respect to the measurement of fair values. This framework includes an Investor Relations and Portfolio Investments Management Unit which is independent of front office management and reports to the Group Chief Financial Officer, and which has overall responsibility for valuations. There is also the Risk Measurement unit responsible for independently verifying the results of third party valuation. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models and changes to models involving both Product Control and Group Market Risk;
- Periodic calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous month, by a committee of senior Product Control and Group Market Risk personnel.

When third party information, such as broker quotes or pricing services, is used to measure fair value, the risk measurement unit assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

6. FAIR VALUE MEASUREMENT (continued)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements are recurring.

In millions of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Group					
31 December 2016					
Assets					
Financial assets at fair value through profit or loss	23				
Government bonds		**4,657**	**–**	**–**	**4,657**
Treasury bills		**47,638**	**–**	**–**	**47,638**
Derivative assets measured at fair value through profit and loss	33(a)	**–**	**10,642**	**–**	**10,642**
Available-for-sale investment securities:	26				
Treasury bills		**155,315**	**–**	**–**	**155,315**
Bonds		**40,790**	**–**	**–**	**40,790**
Equity investments		**–**	**2,855**	**77,798**	**80,653**
Total assets		**248,400**	**13,497**	**77,798**	**339,695**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	**–**	**14**	**–**	**14**
Bank					
31 December 2016					
Assets					
Financial assets at fair value through profit or loss:	23				
Government bonds		**4,657**	**–**	**–**	**4,657**
Treasury bills		**47,638**	**–**	**–**	**47,638**
Derivative assets measured at fair value through profit and loss	33(a)	**–**	**10,642**	**–**	**10,642**
Available-for-sale investment securities:	26				**–**
Treasury bills		**147,153**	**–**	**–**	**147,153**
Bonds		**17,233**	**–**	**–**	**17,233**
Equity investments		**–**	**2,855**	**77,183**	**80,038**
		216,681	**13,497**	**77,183**	**307,361**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	**–**	**14**	**–**	**14**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

6. FAIR VALUE MEASUREMENT (continued)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (continued)

In millions of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Group					
31 December 2015					
Assets					
Financial assets at fair value through profit or loss:	23				
Government bonds		128	–	–	128
Treasury bills		11,121	–	–	11,121
Derivative assets measured at fair value through profit and loss	33(a)	–	1,809	–	1,809
Available-for-sale investment securities:	26				
Treasury bills		193,816	–	–	193,816
Bonds		32,757	–	–	32,757
Equity investments		9	3,684	45,230	48,923
		237,831	**5,493**	**45,230**	**288,554**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	**–**	**327**	**–**	**327**
Bank					
31 December 2015					
Assets					
Financial assets at fair value through profit or loss	23				
Government bonds		128	–	–	128
Treasury bills		11,121	–	–	11,121
Derivative assets measured at fair value through profit and loss	33(a)	–	1,809	–	1,809
Available-for-sale investment securities:	26				–
Treasury bills		189,644	–	–	189,644
Bonds		32,253	–	–	32,253
Equity investments		9	3,684	44,819	48,512
		233,155	**5,493**	**44,819**	**283,467**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	**–**	**327**	**–**	**327**

The following table presents the changes in level 3 instruments during the year. Level 3 instruments are all investment securities (unquoted equities).

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Balance, beginning of year	**45,230**	41,952	**44,819**	41,952
Transfer out of level 3 (see (i) below)	**–**	(785)	**–**	(785)
Gain recognised in other comprehensive income (under fair value gain on available-for-sale)	**32,377**	3,652	**32,377**	3,652
Write-off during the year	**(13)**	–	**(13)**	–
Translation differences	**204**	411	**–**	–
Balance, end of year	**77,798**	45,230	**77,183**	44,819

6. FAIR VALUE MEASUREMENT (continued)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (continued)

(i) The fair value of the Group's equity investment in CSCS Limited was previously categorised as level 3 in the fair value hierarchy. This was because the shares was not listed on an exchange and there were no recent observable arm's length transactions in the shares. In 2015 however, CSCS shares became available for over-the-counter (OTC trades). The fair value measurement was therefore transferred from level 3 to level 2. There were no transfers from level 2 to level 3 in 2016.

(ii) Level 2 fair value measurements

These prices are a reflection of the actual fair value of the investments, as transactions consummated under the OTC trades were arms length transactions. The Group's Level 2 derivative contracts were valued using interest rate parity method discounted for passage of time. Inputs to the valuation models are all based on market conditions existing at the end of each reporting period. These derivative contracts are not traded in active markets.

(iii) Level 3 fair value measurements – Unobservable inputs used in measuring fair value

All valuation processes and techniques are subject to review and approval by the Finance and General Purpose Committee of the Board of Directors. There was no change in the Group's valuation technique during the year.

The table below sets out information about significant unobservable inputs used as at 31 December 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 31 December 2016 N'million	Fair value as at 31 December 2015 N'million	Valuation technique	Unobser-vable input	Range of estimates for unobservable inputs (31 December 2016)	Range of estimates for unobservable inputs (31 December 2015)	Relationship of unobservable inputs to fair value
Unquoted equity securities	76,321	44,208	Income Approach (Discounted cash flow method)	Cost of equity	9.79% – 32.07%	10.16% – 32.3%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	2.5% – 3%	2% – 3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
	570	337	Income Approach (Dividend discount model)	Cost of equity	14.63% – 32.07%	13.9% – 28.8%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	8.6% – 20.7%	8.8% – 14%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

6. FAIR VALUE MEASUREMENT (continued)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (continued)

(iii) Level 3 fair value measurements – Unobservable inputs used in measuring fair value (continued)

Significant unobservable inputs are developed as follows:

Discounted cashflow

- The Group used the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.
- The risk free rate was determined using the yield on 30-year US Treasury bond (for unquoted securities denominated in USD) and longest tenored Federal Government of Nigeria bond (for unquoted securities denominated in Nigerian naira).
- Equity risk premium was determined using market returns computed from PricewaterhouseCoopers and KPMG industry surveys.
- Beta estimates were obtained from Damodaran Online.

Dividend discount model

- The Group used the build-up approach to determine cost of equities for its various unquoted equities which were fair valued using dividend discount model at year end.
- The risk free rate was determined using the yield on the longest tenored sovereign bonds.
- The dividend growth rate was determined using the historical five years weighted average growth rate of dividends paid by the respective entities
- Equity risk premium were obtained from Damodaran Online (with specific focus on emerging markets data), adjusted for size premium.

(iv) Level 3 fair value measurements – Effect of unobservable inputs on fair value measurement

The Group believes that its estimates of fair values are appropriate. However, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the cost of equity or terminal growth rate by a reasonable possible value, in isolation, would have the following effects on other comprehensive income for the year:

	Effect on other comprehensive income (OCI)			
In millions of Nigerian Naira	2016		2015	
Key Assumption	5% Increase	5% Decrease	5% Increase	5% Decrease
Cost of Equity	**(2,475)**	**(2,517)**	(4,178)	4,562
Terminal Growth Rate	**1,848**	**(1,842)**	1,588	(1,348)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

6. FAIR VALUE MEASUREMENT (continued)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The table below sets out the fair values of financial instruments not carried at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Group					
31 December 2016					
Assets					
Cash and bank balances	**–**	**760,930**	**–**	**760,930**	**760,930**
Loans and advances to banks	**–**	**–**	**23,023**	**23,023**	**22,765**
Loans and advances to customers:					
Individual:					
Term loans	**–**	**–**	**76,894**	**76,894**	**74,815**
Overdrafts	**–**	**–**	**44,691**	**44,691**	**40,082**
Corporate:					
Term loans	**–**	**–**	**1,106,093**	**1,106,093**	**1,095,643**
Overdrafts	**–**	**–**	**286,643**	**286,643**	**278,512**
Others		**–**	**16,444**	**16,444**	**16,267**
Investment securities – Held-to-maturity:					
Treasury bills	**240,559**	**–**	**–**	**240,559**	**240,559**
Bonds	**401,502**	**–**	**–**	**401,502**	**452,794**
Other assets	**–**	**18,095**	**–**	**18,095**	**18,095**
Liabilities					
Deposits from banks	**–**		**109,080**	**109,080**	**109,080**
Deposits from customers	**–**	**–**	**2,543,500**	**2,543,500**	**2,485,610**
Subordinated liabilities	**–**	**80,917**	**–**	**80,917**	**85,978**
Other liabilities	**–**	**110,147**	**–**	**110,147**	**110,147**
Borrowings	**–**	**–**	**266,853**	**266,853**	**259,927**
31 December 2015					
Assets					
Cash and bank balances	–	655,371	–	655,371	655,371
Loans and advances to banks	–	14,616	–	14,616	14,600
Loans and advances to customers:					
Individual:					
Term loans	–	69,239	–	69,239	67,987
Overdrafts	–	49,679	–	49,679	46,391
Corporate:					
Term loans	–	700,011	–	700,011	703,525
Overdrafts	–	206,106	–	206,106	198,587
Others	–	20,729	–	20,729	20,147
Investment securities – Held-to-maturity:					
Treasury bills	150,774	–	–	150,774	150,774
Bonds	457,186	–	–	457,186	430,345
Other assets	–	28,312	–	28,312	28,312
Liabilities					
Deposits from banks	–	–	61,066	61,066	61,066
Deposits from customers	–	–	2,165,984	2,165,984	2,081,704
Subordinated liabilities	–	94,984	–	94,984	85,620
Other liabilities	–	54,455	–	54,455	54,455
Borrowings	–	–	128,357	128,357	129,896

NOTES TO THE FINANCIAL STATEMENTS

(continued)

6. FAIR VALUE MEASUREMENT (continued)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (continued)

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Bank					
31 December 2016					
Assets					
Cash and bank balances	–	**610,910**	–	**610,910**	**610,910**
Loans and advances to banks	–	–	**24,120**	**24,120**	**23,850**
Loans and advances to customers:					
Individual:					
Term loans	–	–	**25,719**	**25,719**	**25,024**
Overdrafts	–	–	**37,204**	**37,204**	**33,367**
Corporate:					
Term loans	–	–	**851,202**	**851,202**	**843,160**
Overdrafts	–	–	**177,574**	**177,574**	**172,537**
Others	–	–	**16,444**	**16,444**	**16,267**
Investment securities – Held-to-maturity:					
Treasury bills	–	–	–	–	–
Bonds	**237,019**	–	–	**237,019**	**288,311**
Other assets	–	**20,723**	–	**20,723**	**20,723**
Liabilities					
Deposits from banks	–	–	**30,484**	**30,484**	**30,484**
Deposits from customers	–	–	**1,744,085**	**1,744,085**	**1,698,859**
Subordinated liabilities	–	**80,917**	–	**80,917**	**85,978**
Other liabilities	–	**72,503**	–	**72,503**	**72,503**
Borrowings	–	–	**266,853**	**266,853**	**259,927**
31 December 2015					
Assets					
Cash and bank balances	–	590,774	–	590,774	590,774
Loans and advances to banks	–	14,591	–	14,591	14,591
Loans and advances to customers:					
Individual:					
Term loans	–	31,315	–	31,315	32,144
Overdrafts	–	45,182	–	45,182	41,982
Corporate:					
Term loans	–	592,362	–	592,362	588,632
Overdrafts	–	144,056	–	144,056	139,789
Others	–	20,729	–	20,729	20,147
Investment securities – Held-to-maturity:					
Treasury bills	–	–	–	–	–
Bonds	316,097	–	–	316,097	297,539
Other assets	–	16,320	–	16,320	16,320
Liabilities					
Deposits from banks	–	350	–	350	350
Deposits from customers	–	1,696,708	–	1,696,708	1,627,060
Subordinated liabilities	–	94,984	–	94,984	85,620
Other liabilities	–	31,098	–	31,098	33,827
Borrowings	–	128,357	–	128,357	129,896

6. FAIR VALUE MEASUREMENT (continued)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (continued)

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Group's financial statements. These fair values were calculated for disclosure purposes only.

(i) **Cash and bank balances**

The carrying amount of cash and cash equivalents is a reasonable approximation of fair value.

(i) **Loans and advances**

Loans and advances are net of charges for impairment. To improve the accuracy of the valuation estimate for loans, homogenous loans are grouped into portfolios with similar characteristics. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(i) **Investment securities**

The fair value for investment securities is based on market prices from financial market dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(i) **Other assets**

The bulk of these financial assets have short (less than 3months) maturities and their amounts are a reasonable approximation of fair value.

(i) **Deposits from banks and customers**

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(i) **Other liabilities**

The carrying amount of financial liabilities in other liabilities is a reasonable approximation of fair value.

(i) **Interest bearing loans and borrowings**

The estimated fair value of fixed interest-bearing borrowings not quoted in an active market is based on discounted cash flows using the contractual interest rates for these debts over their remaining maturity.

(i) **Subordinated liabilities**

The fair value of subordinated liabilities is based on market prices from financial market dealer price quotations.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

7. OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. In the normal course of business, the Group may enter into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at the reporting date, and shows in the "Net" column what the impact would be on the Group's statement of financial position if all set off rights were exercised.

Group

31 December 2016	Amounts offset		
In millions of Nigerian Naira	Gross amounts	Gross amounts offset	Net amounts presented
Financial assets:			
– Electronic payments receivable (note 27)*	**32,164**	**(23,853)**	**8,311**
Financial liabilities:			
– Creditors and payables (note 36)*	**72,484**	**(23,853)**	**48,631**

Group

31 December 2015	Amounts offset		
In millions of Nigerian Naira	Gross amounts	Gross amounts offset	Net amounts presented
Financial assets:			
– Electronic payments receivable (note 27)*	42,142	(22,577)	19,565
Financial liabilities:			
– Creditors (note 36)*	50,825	(22,577)	28,248

Bank

31 December 2016	Amounts offset		
In millions of Nigerian Naira	Gross amounts	Gross amounts offset	Net amounts presented
Financial assets:			
– Electronic payments receivable (note 27)*	**28,835**	**(23,853)**	**4,982**
Financial liabilities:			
– Creditors (note 36)*	**53,591**	**(23,853)**	**29,738**

Bank

31 December 2015	Amounts offset		
In millions of Nigerian Naira	Gross amounts	Gross amounts offset	Net amounts presented
Financial assets:			
– Electronic payments receivable (note 27)*	31,932	(22,577)	9,355
Financial liabilities:			
– Creditors (note 36)*	42,673	(22,577)	20,096

* *Standard terms of electronic banking and similar payment transactions allow for net settlement of payments in the normal course of business.*

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below.

These disclosures supplement the commentary on financial risk management (see note 4).

(a) KEY SOURCES OF ESTIMATION UNCERTAINTY

i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.11.

The specific counterparty component of the total allowances for impairment applies to financial instruments evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter-party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way interest losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 3.11. Further disclosures on the Group's valuation methodology have been made on note 6.1. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

iii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future taxable profits based on expected revenues for the next five years. Details of the Group's recognised and unrecognised deferred tax assets and liabilities are as disclosed in note 32.

iv) Valuation of derivative contracts

The fair value of the Group's derivatives is determined by using valuation techniques. Inputs to the valuation models are all based on market conditions existing at the end of each reporting period. The Group has used interest rate parity method discounted for passage of time in the valuation of its foreign exchange derivative contracts. These derivative contracts are not traded in active markets.

The table below shows the fair value of the Group's derivatives if there is 5% change in interest rates or a 15% change in foreign currency exchange rates.

	Interest rates		Exchange rates	
In millions of Naira	**5% decrease**	**5% increase**	**15% decrease**	**15% increase**
Derivative assets	**9,797**	**9,577**	8,697	10,676
Derivative liabilities	**(14)**	**(14)**	(12)	(16)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Critical accounting judgements made in applying the Group's accounting policies include:

i) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see the Group's accounting policy on valuation of financial instruments in note 3.11.

ii) Allowance for credit losses

In estimating credit losses, the Group considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default – PD) , the portion of the loan expected to be irrecoverable at the time of loan default (loss given default – LGD) and expected amount that is outstanding at the point of default. The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD.

	31 December 2016		31 December 2015	
In millions of Naira	Probability of Default-PD	Loss Given Default-LGD	Probability of Default-PD	Loss Given Default-LGD
Increase/decrease				
1% increase	**122**	**122**	30	24
1% decrease	**(122)**	**(122)**	(30)	(24)

iii) Impairment testing for cash-generating units containing goodwill

On an annual basis, the Group carries out impairment assessments of its cash-generating units containing goodwill. The recoverable amounts of the cash-generating units (CGU) are determined based on value-in-use calculations which require the use of estimates including discount rates and terminal growth rates. Management's estimates of the recoverable amounts of these CGU's is sensitive to these estimates. The key assumptions underlying the recoverable amounts as well as sensitivity analysis of these key assumptions are disclosed in note 31.

iv) Impairment of available-for-sale financial assets

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financial cash flows. The sensitivity analysis of level 3 equity instruments and its impact on other comprehensive income are shown in note 6(v).

v) Determination of impairment of property and equipment, and intangible assets, excluding goodwill

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash-generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash-generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

9. OPERATING SEGMENTS

Segment information is presented in respect of the Group's geographic segments which represents the primary segment reporting format and is based on the Group's management and reporting structure. The Group Managing Director who is also the Chief Operating Decision-Maker (CODM), reviews the Group's performance along these business segments and resources are allocated accordingly.

Geographical Segments

The Group operates in the following geographical regions:

Nigeria: This comprises UBA Plc (excluding the branch in New York), UBA Pensions Custodian Limited and FX Mart Limited.

Rest of Africa: This comprises all subsidiaries in Africa, excluding Nigeria. The African subsidiaries have been aggregated into one reportable segment as they are deemed to have similar economic characteristics.

Rest of the world: This comprises UBA Capital Europe Limited and UBA New York branch. Although this part of the business is not large enough to be presented as a separate reporting segment, it has been included here as it is seen as a potential growth segment which is expected to materially contribute to Group revenue in the future. The entities within this reporting segment have been aggregated into one reportable segment as they have similar economic characteristics.

Business Segments

The Group operates in the following main business segments:

Corporate banking – This business segment provides a broad range of financial solutions to multinationals, regional companies, state-owned companies, non-governmental organisations, international and multinational organisations and financial institutions.

Retail/ Commercial banking – This business segment has presence in all major cities in Nigeria and in 19 other countries across Africa where the Group has operations. It provides commercial banking products and services to the middle and retail segments of the market.

Treasury and financial markets – This segment provides innovative financing and risk management solutions and advisory services to the Group's corporate and institutional customers. The segment is also responsible for formulation and implementation of financial market products for the Group's customers.

No single external accounts for 10% or more of the Group's revenues.

The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the income statement.

Inter-segment transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-segment transactions that are recognised in assets are also eliminated. Transfer prices between operating segments are based on the Group's internal pricing framework.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

9. OPERATING SEGMENTS (continued)

Business segments (continued)

(a) GEOGRAPHICAL SEGMENTS

The following tables show the distribution of the Group's operating income, assets and liabilities based on the location of the customers and assets respectively for the years ended 31 December 2016 and 31 December 2015:

i) 31 December 2016

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
External revenues	**255,404**	**121,941**	**9,794**	**(3,492)**	**383,647**
Derived from other geographic segments	**13,392**	**–**	**–**	**(13,392)**	**–**
Total revenue	**268,796**	**121,941**	**9,794**	**(16,884)**	**383,647**
Profit before tax	**58,503**	**31,397**	**3,413**	**(2,671)**	**90,642**
Interest income	**171,435**	**88,998**	**8,770**	**(5,233)**	**263,970**
Interest expenses	**(68,355)**	**(34,491)**	**(1,159)**	**5,235**	**(98,770)**
Share of loss in equity-accounted investee	**–**	**(63)**	**–**	**–**	**(63)**
Impairment loss recognised in profit or loss	**(24,626)**	**(8,499)**	**(896)**	**6,338**	**(27,683)**
Income tax expenses	**(11,267)**	**(7,074)**	**(37)**	**–**	**(18,378)**
Profit for the year	**47,236**	**24,323**	**3,376**	**(2,671)**	**72,264**
Total segment assets[i]	**2,601,765**	**1,144,933**	**101,979**	**(344,207)**	**3,504,470**
Total segment liabilities	**2,229,739**	**1,021,354**	**83,123**	**(277,815)**	**3,056,401**
[i]Includes:					
Investments in associate accounted for by using the equity method	**–**	**2,925**	**–**	**–**	**2,925**
Expenditure for reportable segment:					
Depreciation	**5,185**	**2,124**	**88**	**–**	**7,397**
Amortisation	**1,110**	**125**	**18**	**–**	**1,253**

ii) 31 December 2015

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
External revenues	244,096	67,715	6,012	(2,979)	314,844
Derived from other geographic segments	4,032	–	–	(4,032)	–
Total revenue	**248,128**	**67,715**	**6,012**	**(7,011)**	**314,844**
Profit before tax	52,291	18,801	1,950	(4,588)	68,454
Interest income	182,928	43,059	5,078	(1,436)	229,629
Interest expenses	(83,021)	(13,571)	(874)	1,436	(96,030)
Share of profit/(loss) in equity-accounted investee	–	(110)	–	–	(110)
Impairment loss recognised in profit or loss	(3,470)	(1,612)	45	(16)	(5,053)
Income tax expenses	(4,134)	(4,666)	–	–	(8,800)
Profit for the year	**48,157**	**14,135**	**1,950**	**(4,588)**	**59,654**
Total segment assets[1]	2,223,644	656,093	63,609	(190,724)	2,752,622
Total segment liabilities	1,883,087	584,764	51,934	(99,784)	2,420,001
[1]Includes:					
Investments in associate accounted for by using the equity method	–	2,236	–	–	**2,236**
Expenditure for reportable segment:					
Depreciation	5,304	1,547	45	–	**6,896**
Amortisation	999	73	–	–	**1,072**

9. OPERATING SEGMENTS (continued)

Business Segments (continued)

(b) BUSINESS REPORTING

The following table presents income and profit and certain asset and liability information for the Group's business segments:

i) 31 December 2016

In millions of Nigerian Naira	Corporate	Retail and commercial	Treasury and financial markets	Total
Revenue:				
Derived from external customers	**146,863**	**163,838**	**72,946**	**383,647**
Derived from other business segments	**(30,238)**	**63,734**	**(33,496)**	**–**
Total revenue	**116,625**	**227,572**	**39,450**	**383,647**
Interest expenses	**(65,415)**	**(28,094)**	**(5,261)**	**(98,770)**
Fee and commission expense	**(69)**	**(13,913)**	**(6)**	**(13,988)**
Net impairment loss on financial assets	**(981)**	**(25,647)**	**(1,055)**	**(27,683)**
Operating expenses	**(6,612)**	**(121,857)**	**(15,382)**	**(143,851)**
Depreciation and amortisation	**(88)**	**(8,556)**	**(6)**	**(8,650)**
Share of loss of equity-accounted investee	**–**	**(63)**	**–**	**(63)**
Profit before income tax	**43,460**	**29,442**	**17,740**	**90,642**
Taxation	**(5,774)**	**(9,390)**	**(3,214)**	**(18,378)**
Profit for the year	**37,686**	**20,052**	**14,526**	**72,264**
Loans and advances	**1,115,713**	**266,380**	**145,991**	**1,528,084**
Deposits from customers and banks	**439,117**	**1,971,185**	**184,388**	**2,594,690**
Total segment assets	**1,097,483**	**1,731,463**	**675,524**	**3,504,470**
Total segment liabilities	**955,928**	**1,512,079**	**588,394**	**3,056,401**

ii) 31 December 2015

Revenue:				
Derived from external customers	108,257	126,374	80,213	314,844
Derived from other business segments	(7,185)	58,817	(51,632)	–
Total revenue	101,072	185,191	28,581	314,844
Interest expenses	(62,874)	(27,754)	(5,402)	(96,030)
Fee and commission expense	(39)	(8,514)	(4)	(8,557)
Net impairment loss on financial assets	(1,782)	(3,271)	–	(5,053)
Operating expenses	(7,293)	(111,108)	(10,271)	(128,672)
Depreciation and amortisation	(44)	(7,917)	(7)	(7,968)
Share of loss of equity-accounted investee	–	(110)	–	(110)
Profit before income tax	29,040	26,517	12,897	68,454
Taxation	(3,733)	(3,409)	(1,658)	(8,800)
Profit for the year	25,307	23,108	11,239	59,654
Loans and advances	731,945	215,667	103,625	1,051,237
Deposits from customers and banks	497,522	1,507,510	137,738	2,142,770
Total segment assets	841,216	1,177,716	733,690	2,752,622
Total segment liabilities	737,121	1,039,980	642,900	2,420,001

NOTES TO THE FINANCIAL STATEMENTS

(continued)

10. INTEREST INCOME

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Cash and bank balances	**7,827**	13,030	**7,035**	12,360
Loans and advances to banks	**1,838**	1,223	**1,982**	1,223
Loans and advances to customers:				
– To individuals:				
Term loans	**6,105**	5,024	**4,389**	4,163
Overdrafts	**1,902**	1,966	**1,211**	1,629
– To corporates:				
Term loans	**126,129**	108,711	**86,538**	91,226
Overdrafts	**30,809**	30,531	**27,411**	25,299
Others	**516**	201	**239**	167
Investment securities:				
– Treasury bills	**45,755**	36,737	**15,629**	29,794
– Bonds	**43,063**	32,129	**32,853**	19,981
– Promissory notes	**26**	77	**26**	77
	263,970	229,629	**177,313**	185,919

(i) *Interest income includes accrued interest on impaired loans of N2.904 billion for the Group (Bank: N369 million) for the year ended 31 December 2016 and N1.290 billion for the Group (Bank: N897 million) for the year ended 31 December 2015.*

(ii) *Certain items under interest income in the comparative period were reclassified to net trading and foreign exchange income in order to align with current year presentation. Details of the amounts reclassified are disclosed in Note 46.*

11. INTEREST EXPENSE

Deposits from banks	**11,252**	6,837	**6,333**	2,509
Deposits from customers	**65,639**	72,510	**40,313**	63,969
Borrowings	**8,999**	3,849	**8,999**	3,849
Subordinated liabilities	**12,880**	12,834	**12,880**	12,834
	98,770	96,030	**68,525**	83,161

12. IMPAIRMENT LOSS ON LOANS AND RECEIVABLES

Impairment losses on loans and advances to customers:				
– Specific impairment (note 25(d))	**20,896**	2,285	**16,579**	1,941
– Portfolio impairment (note 25(d))	**4,471**	1,213	**5,622**	589
– Portfolio impairment charge/(reversal) on loans to banks (note 24)	**167**	(96)	**171**	(112)
Write-off on loans and advances	**2,340**	3,524	**2,299**	1,250
Recoveries on loans written-off	**(2,215)**	(2,484)	**(430)**	(619)
Impairment loss on accounts receivable (note 27(a))	**2,024**	611	**1,280**	442
	27,683	5,053	**25,521**	3,491

NOTES TO THE FINANCIAL STATEMENTS

(continued)

In millions of Nigerian Naira	Group Dec 2016	Group Dec 2015	Bank Dec 2016	Bank Dec 2015
13. FEE AND COMMISSION INCOME				
Credit-related fees and commissions	**8,703**	10,119	**6,057**	7,014
Commission on turnover	**907**	11,303	**–**	9,890
Account maintenance fee	**4,206**	–	**4,206**	–
Electronic banking income	**30,466**	17,188	**25,571**	14,065
Funds transfer fees	**4,721**	2,176	**542**	899
Trade transactions income	**7,729**	7,852	**3,817**	3,570
Remittance fee	**3,746**	3,261	**2,525**	1,704
Commissions on transactional services	**8,568**	6,190	**4,481**	4,002
Pension funds custody fees	**4,153**	3,803	**–**	–
Internal transfer pricing charges (note (i) below)	**–**	–	**2,637**	959
	73,199	61,892	**49,836**	42,103

(i) This represents charges for royalty, Executive Management service, intra-group support and information technology support services provided by the Bank to the subsidiaries.

	Group Dec 2016	Group Dec 2015	Bank Dec 2016	Bank Dec 2015
14. FEE AND COMMISSION EXPENSE				
E-Banking related expenses	**13,090**	7,820	**10,290**	6,014
Trade related expenses	**277**	202	**268**	202
Funds transfer expenses	**621**	535	**581**	524
	13,988	8,557	**11,139**	6,740
15. NET TRADING AND FOREIGN EXCHANGE INCOME				
Fixed income securities[1]	**5,329**	4,349	**5,329**	4,349
Foreign exchange trading income	**14,206**	16,962	**5,830**	9,242
Foreign currency revaluation gain	**15,139**	3,164	**12,373**	3,133
Fair value gain/(loss) on derivatives (see note 33 (c))	**9,146**	(4,109)	**9,146**	(4,109)
	43,820	20,366	**32,678**	12,615

[1] This includes gains and losses arising from sales and purchases of "held for trading" securities, as well as changes in their fair value.

	Group Dec 2016	Group Dec 2015	Bank Dec 2016	Bank Dec 2015
16. OTHER OPERATING INCOME				
Dividend income (note (i) below)	**1,803**	2,404	**9,498**	6,274
Rental income (note (ii) below)	**393**	384	**383**	384
Income on cash handling	**462**	169	**187**	83
	2,658	2,957	**10,068**	6,741

(i) Included in dividend income for the Bank is the sum of N7.77 billion (December 2015: N4.35 billion) being dividend received from subsidiaries. This amount has been eliminated in the Group results.

(ii) Rental income relates to income earned from tenants occupying excess space on the Bank's premises. These premises do not qualify for classification as investment property as they are held neither to earn rentals nor for capital appreciation, but as owner-occupied property.

	Group Dec 2016	Group Dec 2015	Bank Dec 2016	Bank Dec 2015
17. EMPLOYEE BENEFIT EXPENSES				
Wages and salaries	**62,385**	55,394	**42,193**	40,635
Defined contribution plans	**2,229**	2,052	**1,308**	1,398
	64,614	57,446	**43,501**	42,033
18. DEPRECIATION AND AMORTISATION				
Depreciation of property and equipment (note 30)	**7,397**	6,896	**5,203**	5,310
Amortisation of intangible assets (note 31)	**1,253**	1,072	**1,078**	971
	8,650	7,968	**6,281**	6,281

NOTES TO THE FINANCIAL STATEMENTS

(continued)

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015

19. OTHER OPERATING EXPENSES

	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Directors' fees	**40**	40	**40**	40
Banking sector resolution cost	**11,082**	11,694	**11,082**	11,694
Deposit insurance premium	**6,976**	7,868	**6,562**	7,808
Non-deposit insurance costs	**1,954**	1,594	**904**	670
Auditors' remuneration	**490**	450	**319**	290
Occupancy and premises maintenance costs	**8,545**	8,414	**3,056**	4,126
Business travels	**4,846**	3,558	**3,583**	2,654
Advertising, promotions and branding	**3,630**	4,015	**3,082**	3,513
Contract services	**9,609**	6,528	**7,275**	5,551
Communication	**3,693**	3,095	**1,332**	1,543
IT support and related expenses	**4,901**	2,055	**4,638**	1,867
Printing, stationery and subscriptions	**3,185**	2,771	**2,362**	1,828
Security and cash handling expenses	**2,659**	3,566	**1,619**	1,577
Fuel, repairs and maintenance	**12,333**	9,601	**8,645**	7,456
Bank charges	**133**	284	**24**	162
Donations	**669**	320	**322**	117
Training and human capital development	**3,724**	1,378	**1,680**	890
Penalties	**246**	2,969	**209**	2,969
Loan recovery expenses	**332**	1,012	**331**	168
Loss on disposal of property and equipment (note 19(i))	**190**	14	**214**	14
	79,237	71,226	**57,279**	54,937

(i) Loss on disposal of property and equipment was classified under "Other operating income" in the prior year financial statements. This amount was reclassified to "Other operating expenses" in the current year to align with current year presentation. Details of the amounts reclassified are disclosed in note 46.

20. TAXATION

	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Recognised in the statement of comprehensive income				
(a) Current tax expense				
Current year	**13,999**	8,877	**3,827**	3,093
Adjustment for current tax of prior period	**4,224**	–	**4,124**	–
	18,223	8,877	**7,951**	3,093
(b) Deferred tax expense/(credit)				
Origination and reversal of temporary differences (note 32)	**155**	(77)	**2,157**	–
Total income tax expense	**18,378**	8,800	**10,108**	3,093
(c) Current tax liabilities				
Balance, beginning of year	**6,488**	4,615	**634**	1,858
Tax paid	**(19,577)**	(7,004)	**(8,063)**	(4,317)
Income tax charge	**18,223**	8,877	**7,951**	3,093
Balance, end of year	**5,134**	6,488	**522**	634

20. TAXATION (continued)

(d) Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the Bank (Parent). The reconciliation of amount reported as tax expense in the statement of comprehensive income to the income tax using the domestic corporation tax rate is presented below:

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Domestic corporation tax rate	**30%**	30%	**30%**	30%
Profit before income tax	**90,642**	68,454	**57,649**	50,735
Income tax using the domestic corporation tax rate	**27,193**	20,536	**17,295**	15,221
Tax effects of:				
Capital gains tax	**–**	1	**–**	–
Withholding tax on dividend	**789**	585	**720**	418
Information Technology Levy	**609**	884	**571**	502
Education tax	**62**	334	**–**	130
Mimimum tax/excess dividend tax adjustment	**4,587**	–	**4,487**	–
Interim dividend tax adjustment – current year	**2,177**	2,043	**2,177**	2,043
Effect of permanent differences – income not subject to tax	**(19,234)**	(20,358)	**(17,337)**	(17,224)
Effect of permanent differences – expenses not deductible	**127**	4,775	**127**	2,003
Effect of excess deferred tax recognised	**2,068**	–	**2,068**	–
Total income tax expense in comprehensive income	**18,378**	8,800	**10,108**	3,093

Income tax payable for the parent is based on the minimum tax provisions in the Nigerian tax law, which is applicable to companies that do not have taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

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21. EARNINGS PER SHARE

The calculation of basic earnings per share as at 31 December 2016 was based on the profit attributable to ordinary shareholders of N69.404 billion (Bank: N47.541 billion) and the weighted average number of ordinary shares outstanding of 34,053,857,094 (Bank: 36,279,526,321). The weighted average number of ordinary shares of the Group excludes treasury shares held by the Parent's Staff Share Investment Trust. The Bank had no dilutive instruments as at year-end (December 2015: nil). Hence the basic and diluted earnings per share are equal.

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Profit attributable to equity holders of the parent	**69,404**	58,604	**47,541**	47,642
Weighted average number of ordinary shares outstanding	**34,054**	32,777	**36,280**	35,093
Basic and diluted earnings per share (Naira)	**2.04**	1.79	**1.31**	1.36

22. CASH AND BANK BALANCES

	Group Dec 2016	Group Dec 2015	Bank Dec 2016	Bank Dec 2015
Cash	**71,522**	36,114	**40,225**	28,124
Current balances with banks	**180,071**	130,255	**150,140**	113,634
Unrestricted balances with central banks	**89,721**	62,233	**27,788**	22,241
Money market placements	**42,927**	150,101	**51,101**	153,186
Restricted balances with central banks (note (i) below)	**376,689**	276,668	**341,656**	273,589
	760,930	655,371	**610,910**	590,774
(i) Restricted balances with central banks comprise:				
Mandatory reserve deposits with central banks (note (a) below)	**321,971**	276,668	**286,938**	273,589
Special Intervention Reserve (note (b) below)	**54,718**	–	**54,718**	–
	376,689	276,668	**341,656**	273,589

(a) This represents amounts held as 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.

(b) This represents the Bank's contribution to the Central Bank of Nigeria's (CBN) Real Sector Support Facility (RSSF), warehoused in the Special Intervention Reserve held with the CBN. The Real Sector Support Facility is to be channeled towards increasing credit to priority sectors of the Nigerian economy. As stipulated by the CBN, the Bank's contribution is 5% of its total Naira deposits.

	Group Dec 2016	Group Dec 2015	Bank Dec 2016	Bank Dec 2015
(ii) Cash and cash equivalents for the purpose of the statements of cash flows include the following :				
Cash and current balances with banks	**251,593**	166,369	**190,365**	141,758
Unrestricted balances with central banks	**89,721**	62,233	**27,788**	22,241
Money market placements (less than 90 days)	**31,656**	116,659	**10,190**	123,992
Financial assets held for trading (less than 90 days)	**8,073**	2,595	**8,073**	2,595
Cash and cash equivalents	**381,043**	347,856	**236,416**	290,586

23. FINANCIAL ASSETS HELD FOR TRADING

	Group Dec 2016	Group Dec 2015	Bank Dec 2016	Bank Dec 2015
Government bonds	**4,657**	128	**4,657**	128
Treasury bills (less than 90 days maturity) (note (i) below)	**8,073**	2,595	**8,073**	2,595
Treasury bills (above 90 days maturity)	**39,565**	8,526	**39,565**	8,526
	52,295	11,249	**52,295**	11,249
Current	**52,295**	11,249	**52,295**	11,249

(i) This represents treasury bills held for trading, with maturity within three months from the date of purchase. They are highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are included as cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Fixed income trading activities are restricted to the parent alone.

24. LOANS AND ADVANCES TO BANKS

	Group		Bank	
In millions of Nigerian Naira	**Dec 2016**	**Dec 2015**	**Dec 2016**	**Dec 2015**
Term loans:				
Gross amount	**23,047**	14,632	**24,145**	14,632
Portfolio impairment	**(282)**	(32)	**(295)**	(41)
	22,765	14,600	**23,850**	14,591
Current	**4,378**	14,600	**5,463**	14,591
Non-current	**18,387**	–	**18,387**	–
Current	**22,765**	14,600	**23,850**	14,591
Impairment allowance on loans and advances to banks				
Portfolio impairment				
Balance, beginning of year	**32**	106	**41**	131
Net impairment charge/(reversal) in the year	**167**	(96)	**171**	(112)
Exchange difference	**83**	22	**83**	22
Balance, end of year	**282**	32	**295**	41

25. LOANS AND ADVANCES TO CUSTOMERS

(a) 31 December 2016

	In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
(i)	**Group**					
	Loans to individuals	**126,990**	**(9,019)**	**(3,074)**	**(12,093)**	**114,897**
	Loans to corporate entities and other organisations	**1,428,739**	**(12,802)**	**(25,515)**	**(38,317)**	**1,390,422**
		1,555,729	**(21,821)**	**(28,589)**	**(50,410)**	**1,505,319**
	Loans to individuals					
	Overdraft	**48,509**	**(8,183)**	**(244)**	**(8,427)**	**40,082**
	Term loans	**78,481**	**(836)**	**(2,830)**	**(3,666)**	**74,815**
		126,990	**(9,019)**	**(3,074)**	**(12,093)**	**114,897**
	Loans to corporate entities and other organisations					
	Overdraft	**293,445**	**(3,046)**	**(11,887)**	**(14,933)**	**278,512**
	Term loans	**1,118,850**	**(9,756)**	**(13,451)**	**(23,207)**	**1,095,643**
	Others	**16,444**	**–**	**(177)**	**(177)**	**16,267**
		1,428,739	**(12,802)**	**(25,515)**	**(38,317)**	**1,390,422**
(ii)	**Bank**					
	Loans to individuals	**66,906**	**(8,291)**	**(224)**	**(8,515)**	**58,391**
	Loans to corporate entities and other organisations	**1,053,190**	**(8,816)**	**(12,410)**	**(21,226)**	**1,031,964**
		1,120,096	**(17,107)**	**(12,634)**	**(29,741)**	**1,090,355**
	Loans to individuals					
	Overdraft	**41,186**	**(7,751)**	**(68)**	**(7,819)**	**33,367**
	Term loan	**25,720**	**(540)**	**(156)**	**(696)**	**25,024**
		66,906	**(8,291)**	**(224)**	**(8,515)**	**58,391**
	Loans to corporate entities and other organisations					
	Overdraft	**180,035**	**(1,890)**	**(5,608)**	**(7,498)**	**172,537**
	Term loan	**856,711**	**(6,926)**	**(6,625)**	**(13,551)**	**843,160**
	Others	**16,444**	**–**	**(177)**	**(177)**	**16,267**
		1,053,190	**(8,816)**	**(12,410)**	**(21,226)**	**1,031,964**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

25. LOANS AND ADVANCES TO CUSTOMERS (continued)

		In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
(b)	**31 December 2015**						
	(i)	**Group**					
		Loans to individuals	120,491	(3,554)	(2,559)	(6,113)	114,378
		Loans to corporate entities and other organisations	941,928	(3,227)	(16,442)	(19,669)	922,259
			1,062,419	(6,781)	(19,001)	(25,782)	1,036,637
		Loans to individuals					
		Overdraft	49,679	(2,945)	(343)	(3,288)	46,391
		Term loans	70,812	(609)	(2,216)	(2,825)	67,987
			120,491	(3,554)	(2,559)	(6,113)	114,378
		Loans to corporate entities and other organisations					
		Overdraft	206,106	(2,098)	(5,421)	(7,519)	198,587
		Term loan	715,093	(1,129)	(10,439)	(11,568)	703,525
		Others	20,729	–	(582)	(582)	20,147
			941,928	(3,227)	(16,442)	(19,669)	922,259
	(ii)	**Bank**					
		Loans to individuals	78,070	(3,619)	(325)	(3,944)	74,126
		Loans to corporate entities and other organisations	757,667	(2,412)	(6,687)	(9,099)	748,568
			835,737	(6,031)	(7,012)	(13,043)	822,694
		Loans to individuals					
		Overdraft	45,182	(3,016)	(184)	(3,200)	41,982
		Term loans	32,888	(603)	(141)	(744)	32,144
			78,070	(3,619)	(325)	(3,944)	74,126
		Loans to corporate entities and other organisations					
		Overdraft	144,056	(1,831)	(2,436)	(4,267)	139,789
		Term loans	592,882	(581)	(3,669)	(4,250)	588,632
		Others	20,729	–	(582)	(582)	20,147
			757,667	(2,412)	(6,687)	(9,099)	748,568

		Group		Bank	
	In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
(c)	Current	**597,591**	288,455	**432,856**	227,669
	Non-current	**907,728**	748,182	**657,499**	595,025
		1,505,319	1,036,637	**1,090,355**	822,694

25. LOANS AND ADVANCES TO CUSTOMERS (continued)

(d) Impairment allowance on loans and advances to customers

(i) Specific impairment

Group

31 December 2016	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	**2,945**	**609**	**2,098**	**1,129**	**–**	**6,781**
Net impairment charge for the year (note 12)	**9,030**	**311**	**3,202**	**8,353**	**–**	**20,896**
Loans written off	**(4,508)**	**(232)**	**(2,764)**	**–**	**–**	**(7,504)**
Exchange difference	**716**	**148**	**510**	**274**	**–**	**1,648**
Balance, end of year	**8,183**	**836**	**3,046**	**9,756**	**–**	**21,821**

Bank

31 December 2016	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	**3,016**	**603**	**1,831**	**581**	**–**	**6,031**
Net impairment charge for the year (note 12)	**8,739**	**–**	**1,754**	**6,086**	**–**	**16,579**
Loans written off	**(4,004)**	**(63)**	**(1,695)**	**–**	**–**	**(5,762)**
Exchange difference	**–**	**–**	**–**	**259**	**–**	**259**
Balance, end of year	**7,751**	**540**	**1,890**	**6,926**	**–**	**17,107**

Group

31 December 2015	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	771	786	2,190	1,976	–	5,723
Net impairment charge for the year (note 12)	2,252	–	459	(426)	–	2,285
Loans written off	(9)	(106)	(355)	(244)	–	(714)
Exchange difference	(69)	(71)	(196)	(177)	–	(513)
Balance, end of year	2,945	609	2,098	1,129	–	6,781

Bank

31 December 2015	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	603	458	1,106	1,932	–	4,099
Net impairment charge for the year (note 12)	2,413	145	733	(1,350)	–	1,941
Loans written off	–	–	(8)	(1)	–	(9)
Balance, end of year	3,016	603	1,831	581	–	6,031

NOTES TO THE FINANCIAL STATEMENTS

(continued)

25. LOANS AND ADVANCES TO CUSTOMERS (continued)

(d) Impairment allowance on loans and advances to customers (continued)

(ii) Portfolio impairment

Group

31 December 2016	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	**343**	**2,216**	**5,421**	**10,439**	**582**	**19,001**
Net impairment charge for the year (note 12)	**(191)**	**17**	**5,006**	**44**	**(405)**	**4,471**
Exchange difference	**92**	**597**	**1,460**	**2,968**	**–**	**5,117**
Balance, end of year	**244**	**2,830**	**11,887**	**13,451**	**177**	**28,589**

Bank

31 December 2016	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	**184**	**141**	**2,436**	**3,669**	**582**	**7,012**
Net impairment charge for the year (note 12)	**(116)**	**15**	**3,172**	**2,956**	**(405)**	**5,622**
Balance, end of year	**68**	**156**	**5,608**	**6,625**	**177**	**12,634**

Group

31 December 2015	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	270	693	2,297	14,501	27	17,788
Net impairment charge for the year (note 12)	73	1,523	3,124	(4,062)	555	1,213
Balance, end of year	343	2,216	5,421	10,439	582	19,001

Bank

31 December 2015	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	249	211	1,718	4,218	27	6,423
Net impairment charge for the year (note 12)	(65)	(70)	718	(549)	555	589
Balance, end of year	184	141	2,436	3,669	582	7,012

NOTES TO THE FINANCIAL STATEMENTS

(continued)

26. INVESTMENT SECURITIES

	Group		Bank	
In millions of Nigerian Naira	**Dec 2016**	**Dec 2015**	**Dec 2016**	**Dec 2015**
Available-for-sale investment securities comprise (see note (i)):				
Treasury bills	**155,315**	193,816	**147,153**	189,644
Bonds	**40,790**	32,757	**17,233**	32,253
Equity investments	**80,653**	48,923	**80,038**	48,512
	276,758	275,496	**244,424**	270,409
Held-to-maturity investment securities comprise (see note (i)):				
Treasury bills	**240,559**	150,774	**–**	–
FGN Promissory notes	**281**	255	**281**	255
Bonds	**452,794**	430,345	**288,311**	297,539
	693,634	581,374	**288,592**	297,794
Carrying amount	**970,392**	856,870	**533,016**	568,203
Current	**339,612**	588,895	**188,647**	230,579
Non-current	**630,780**	267,975	**344,369**	337,624
	970,392	856,870	**533,016**	568,203

(i) Included in available-for-sale and held-to-maturity investment securities are financial assets pledged as collateral which cannot be re-pledged or resold by the counterparties. These financial assets are as follows:

	Group		Bank	
In millions of Nigerian Naira	**Dec 2016**	**Dec 2015**	**Dec 2016**	**Dec 2015**
Bonds (available-for-sale)	**14,178**	5,409	**14,178**	5,409
Treasury bills (available-for-sale)	**62,566**	–	**62,566**	–
Bonds (held-to-maturity)	**283,070**	94,260	**215,750**	94,260
Treasury bills (held-to-maturity)	**43,640**	–	**–**	–
	403,454	99,669	**292,494**	99,669

27. OTHER ASSETS

	Group		Bank	
In millions of Nigerian Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Financial assets				
Electronic payments receivables	**8,311**	19,565	**4,982**	9,355
Accounts receivable	**12,891**	9,063	**6,486**	2,245
Inter-company receivables	**–**	–	**3,085**	1,323
Dividends receivable	**–**	–	**8,429**	4,417
Pension custody fees receivable	**448**	360	**–**	–
	21,650	28,988	**22,982**	17,340
Non-financial assets				
Prepayments	**15,097**	8,589	**6,881**	4,643
Recoverable taxes	**587**	591	**78**	–
Stock of consumables	**4,070**	3,587	**3,510**	1,565
	19,754	12,767	**10,469**	6,208
Allowance for impairment on accounts receivable	**(3,555)**	(1,267)	**(2,259)**	(1,020)
Carrying amount	**37,849**	40,488	**31,192**	22,528
(a) Movement in impairment on accounts receivable				
At start of year	**1,267**	1,898	**1,020**	1,221
Charge for the year (note 12)	**2,024**	611	**1,280**	442
Balances written off	**(41)**	(1,226)	**(41)**	(643)
Exchange difference	**305**	(16)	**–**	–
Balance, end of year	**3,555**	1,267	**2,259**	1,020
(b) Current	**33,945**	38,199	**30,881**	21,566
Non-current	**7,459**	3,556	**2,570**	1,982
	41,404	41,755	**33,451**	23,548

28. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE

Set out below, is information on the Group's investment in equity accounted investee as at 31 December 2016. The Associate Company (UBA Zambia Limited) has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of the Group's ownership interest is the same as the proportion of voting rights held.

There are no published price quotations for the Group's investment in the Associate Company. There are no restrictions on the ability of the Associate Company to transfer funds to the Group in the form of cash dividends or repayment of loans and advances neither are there any contingent liabilities relating to the Group's interest in the Associate Company.

(a) Nature of investment in associates

Name of entity	Country of incorporation	Place of business	Nature of business	% of ownership interest	Measurement method
UBA Zambia Bank Limited	Zambia	Zambia	Banking	49	Equity method

(b) Summarised financial information for Associate

(i) Summarised balance sheet

In millions of Nigerian Naira	Dec 2016	Dec 2015
Assets		
Cash and cash equivalents	**8,868**	3,087
Other current assets	**6,939**	3,376
Non-current assets	**983**	627
Total assets	**16,790**	7,090
Financial liabilities	**12,901**	4,460
Other current liabilities	**337**	484
Total liabilities	**13,238**	4,944
Net assets	**3,552**	2,146

(ii) Summarised statement of comprehensive income

Operating income	**2,062**	1,798
Operating expense	**(1,947)**	(1,765)
Net impairment loss on financial assets	**(243)**	(254)
Loss before tax	**(128)**	(221)
Income tax expense	**–**	–
Loss for the year	**(128)**	(221)
Other comprehensive income	**–**	–
Total comprehensive income	**(128)**	(221)

The information above reflects the amounts presented in the financial statements of the Associate Company (and not UBA Group's share of those amounts). There are no differences in the accounting policies of the Associate Company and the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

28. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE (continued)

(c) Movement in investment in equity-accounted investee

	Group		Bank	
In millions of Nigerian Naira	**2016**	**2015**	**2016**	**2015**
Balance, beginning of year	**2,236**	2,986	**1,770**	1,770
Share of current year's result	**(63)**	(110)	**–**	–
Foreign currency translation differences	**752**	(640)	**–**	–
Balance, end of year	**2,925**	2,236	**1,770**	1,770

(d) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the interest in the associate is shown below:

In millions of Nigerian Naira	**December 2016**	**December 2015**
Opening net assets	**2,146**	3,674
Loss for the year	**(128)**	(221)
Foreign currency translation differences	**1,534**	(1,307)
Closing net assets	**3,552**	2,146
Group's interest in associate (49%)	**1,739**	1,050
Notional goodwill	**1,186**	1,186
Carrying amount	**2,925**	2,236

NOTES TO THE FINANCIAL STATEMENTS

(continued)

29. INVESTMENT IN SUBSIDIARIES

(a) Holding in subsidiaries

In millions of Nigerian Naira	Year of acquisition/ Commence-ment	Holding %	Non-controlling interest %	Country	Industry	Bank December 2016	Bank December 2015
Bank subsidiaries							
UBA Ghana Limited	2004	91%	9%	Ghana	Banking	**8,048**	8,048
UBA Cameroun (SA)	2007	100%	–	Cameroun	Banking	**1,845**	1,845
UBA Côte d'Ivoire	2008	100%	–	Côte d'Ivoire	Banking	**5,995**	5,995
UBA Liberia Limited	2008	100%	–	Liberia	Banking	**2,330**	2,330
UBA (SL) Limited	2008	100%	–	Sierra Leone	Banking	**1,269**	1,269
UBA Uganda Limited	2008	74%	26%	Uganda	Banking	**3,705**	2,718
UBA Burkina Faso	2008	64%	36%	Burkina Faso	Banking	**5,352**	5,352
UBA Benin	2008	76%	24%	Benin Republic	Banking	**6,726**	6,726
UBA Kenya Bank Limited	2009	81%	19%	Kenya	Banking	**3,744**	1,770
UBA Chad (SA)	2009	89%	11%	Chad	Banking	**2,440**	2,440
UBA Senegal (SA)	2009	86%	14%	Senegal	Banking	**2,400**	2,400
UBA Tanzania Limited	2010	80%	20%	Tanzania	Banking	**2,757**	1,770
UBA Gabon	2010	100%	–	Gabon	Banking	**2,760**	2,760
UBA Guinea (SA)	2010	100%	–	Guinea	Banking	**1,475**	1,475
UBA Congo DRC (SA)	2011	100%	–	Congo DRC	Banking	**2,500**	2,500
UBA Congo Brazzaville (SA)	2011	100%	–	Congo Brazzaville	Banking	**3,024**	3,024
UBA Mozambique (SA)	2011	85%	15%	Mozambique	Banking	**1,856**	869
Non-bank subsidiaries							
UBA Pensions Custodian Limited (see (ii) below)	2004	100%	–	Nigeria	Pension custody	**2,000**	2,000
UBA FX Mart Limited (see (iii) below)	2008	100%	–	Nigeria	Banking	**502**	502
UBA Capital Europe Limited (see (iv) below)	2012	100%	–	United Kingdom	Investment banking	**9,974**	9,974
UBA Retail Financial Services Limited (see (v) below)	2008	100%	–	Nigeria	Banking	**–**	–
					–	**70,702**	**65,767**

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

29. INVESTMENT IN SUBSIDIARIES (continued)

(a) Holding in subsidiaries (continued)

The movement in investment in subsidiaries during the year is as follows:

	Bank	
In millions of Nigerian Naira	December 2016	December 2015
Balance, beginning of the year	**65,767**	65,767
Additional investments during the year	**4,935**	–
Balance, end of year	**70,702**	**65,767**

During the year, the Bank made additional investments in four subsidiaries (UBA Uganda, UBA Mozambique, UBA Tanzania and UBA Kenya) totaling N4.935 billion. These additional investments have been reflected in the subsidiaries' capital as at 31 December 2016.

(i) UBA Ghana, UBA Cameroon SA, UBA Côte d'ivoire, UBA Liberia, UBA Uganda, UBA Burkina Faso, UBA Chad SA, UBA Senegal SA, UBA Benin, UBA Kenya, UBA Tanzania, UBA Gabon, UBA Guinea, UBA Sierra Leone, UBA Mozambique, UBA Congo DRC and UBA Congo Brazzaville are engaged in the business of banking and provide corporate, commercial, consumer and international banking, trade services, cash management and treasury services.

(ii) UBA Pension Custodian Limited obtained an operating license on 20 February 2006 and commenced operations in Nigeria on 3 May 2006. It principally operates as a custodian of pension assets, to hold and deal in such assets as directed by the Pension Fund Administrators and in line with regulations of the National Pension Commission in conformity with the Pensions Reforms Act 2004 and as amended in 2014.

(iii) UBA FX Mart was incorporated on 30 January 2008 and commenced operations on 22 May 2008. It operates as a licensed *bureau de change*, dealing in foreign currency and traveller's cheques. In January 2015, Management made a decision to suspend the Company's operations. As at the reporting date, the Company is yet to resume operations.

(iv) UBA Capital Europe Limited is a London-based investment banking company which was incorporated on 25 September 1995. It is primarily engaged in brokerage, trade finance and wealth management businesses.

(v) UBA Retail Financial Services Limited was established in 2008 to provide a wide range of financial services targeting non-bank customers through non-branch channels such as direct sales agents, telemarketing, internet, consumer outlets, dealers and microfinance banks. The Company ceased operations in 2012 and is currently undergoing liquidation.

(vi) Significant restrictions: There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of any member of the Group to the extent that regulation does not inhibit the Group from having access, and in liquidation scenario, this restriction is limited to its level of investment in the entity.

(b) Non-controlling interests

(i) The total non-controlling interest at the end of the year of N13.218 billion (2015: N6.794 billion) is attributed to the following non-fully owned subsidiaries:

	Bank	
In millions of Nigerian Naira	December 2016	December 2015
UBA Ghana Limited	**2,205**	1,272
UBA Burkina Faso	**4,364**	2,471
UBA Benin	**940**	670
UBA Uganda Limited	**1,364**	349
UBA Kenya Bank Limited	**1,332**	357
UBA Senegal (SA)	**1,612**	954
UBA Mozambique (SA)	**222**	135
UBA Chad (SA)	**734**	385
UBA Tanzania Limited	**445**	201
	13,218	**6,794**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

29. INVESTMENT IN SUBSIDIARIES (continued)

(b) Non-controlling interests (continued)

(i) (continued)

Transactions with non-controlling interests

During the year, UBA Kenya, UBA Uganda, UBA Mozambique and UBA Tanzania issued additional shares. These additional shares were acquired by both UBA Plc (the Parent) and existing non-controlling interests. The amounts invested by UBA Plc and the non-controlling interests in each of these subsidiaries during the year and the effect on the carrying amount of non-controlling interests is as follows:

In millions of Nigerian Naira	Investment by UBA Plc	Investment by non-controlling interests	Total investment in the year	Additional interest acquired by UBA Plc (%)	Decrease in non-controlling interest
UBA Kenya Bank Limited	1,974	458	2,432	–	–
UBA Uganda Limited	987	305	1,292	4	188
UBA Mozambique Limited	987	1,678	2,665	15	222
UBA Tanzania Limited	987	392	1,379	–	–
	4,935	**2,833**	**7,768**	**–**	**410**

The changes in UBA Plc's interest in these subsidiaries did not result in a loss of control and was thus accounted for as an equity transaction. The effect of these transactions with non-controlling interests on the equity attributable to the owners of UBA Plc is as follows:

	Bank	
In millions of Nigerian Naira	December 2016	December 2015
Consideration received from non-controlling interests for additional interest in subsidiaries	**2,833**	–
Carrying amount of non-controlling interest acquired by UBA Plc	**410**	–
Consideration paid by UBA Plc for additional interest in subsidiaries	**(4,935)**	–
Effect of transactions with non-controlling interests on equity attributable to the Parent	**(1,692)**	**–**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

29. INVESTMENT IN SUBSIDIARIES (continued)

(b) Non-controlling interests (continued)

(i) Set out below is summarised financial information for each subsidiary that has non-controlling interests as at 31 December 2016. The amounts disclosed for each subsidiary are before inter-company eliminations.

	UBA Ghana Limited		UBA Burkina Faso		UBA Benin	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015
Summarised balance sheet						
Cash and bank balances	**51,197**	9,878	**10,048**	5,234	**7,863**	2,152
Other financial assets	**218,811**	117,261	**152,678**	96,741	**87,089**	54,468
Non-financial assets	**1,210**	687	**3,576**	2,475	**2,001**	948
Total assets	**271,218**	**127,826**	**166,302**	**104,450**	**96,953**	**57,568**
Financial liabilities	**236,274**	108,001	**152,810**	96,932	**91,032**	51,896
Other liabilities	**11,050**	4,180	**1,458**	703	**1,941**	2,852
Total liabilities	**247,324**	**112,181**	**154,268**	**97,635**	**92,973**	**54,748**
Net assets	**23,894**	**15,645**	**12,034**	**6,815**	**3,980**	**2,820**
Summarised statement of comprehensive income						
Revenue	**49,617**	**17,082**	**10,549**	**8,069**	**7,419**	**4,360**
Profit for the year	**10,283**	4,828	**2,293**	1,341	**536**	594
Other comprehensive income	**–**	–	**–**	–		–
Total comprehensive income	**10,283**	**4,828**	**2,293**	**1,341**	**536**	**594**
Total comprehensive income allocated to non-controlling interest	**949**	446	**831**	496	**127**	140
Dividends paid to non-controlling interests	**533**	172	**–**	–	**–**	–
Summarised cash flows						
Cash flows from operating activities	**55,190**	(28,126)	**43,248**	(1,017)	**35,929**	(10,541)
Cash flows from financing activities	**(1,681)**	(2,939)	**–**	(674)	**–**	(534)
Cash flows from investing activities	**(12,190)**	(34)	**(38,434)**	(233)	**(30,218)**	68
Net increase/(decrease) in cash and cash equivalents	**41,319**	**(31,099)**	**4,814**	**(1,924)**	**5,711**	**(11,007)**

29. INVESTMENT IN SUBSIDIARIES (continued)

(b) Non-controlling interests (continued)

(ii) (continued)

	UBA Uganda Limited		UBA Kenya Bank Limited		UBA Senegal (SA)	
In millions of Nigerian Naira	**December 2016**	**December 2015**	**December 2016**	**December 2015**	**December 2016**	**December 2015**
Summarised balance sheet						
Cash and bank balances	**4,920**	4,274	**1,153**	6,128	**24,827**	10,757
Other financial assets	**8,099**	4,834	**14,992**	8,114	**74,031**	36,850
Non-financial assets	**2,081**	247	**1,127**	760	**874**	501
Total assets	**15,100**	**9,355**	**17,272**	**15,002**	**99,732**	**48,108**
Financial liabilities	**7,418**	6,878	**10,134**	12,635	**83,935**	37,720
Other liabilities	**2,436**	1,298	**127**	490	**3,866**	3,325
Total liabilities	**9,854**	**8,176**	**10,261**	**13,125**	**87,801**	**41,045**
Net assets	**5,246**	**1,179**	**7,011**	**1,877**	**11,931**	**7,063**
Summarised statement of comprehensive income	**–**	–	**–**	–	**–**	–
Revenue	**2,149**	**1,470**	**1,467**	**1,341**	**5,947**	**4,387**
Profit/(loss) for the year	**2,315**	(141)	**363**	(518)	**2,045**	1,705
Other comprehensive income	**–**	(2)	**–**	–		
Total comprehensive income	**2,315**	**(143)**	**363**	**(518)**	**2,045**	**1,705**
Total comprehensive income allocated to non-controlling interest	**695**	(42)	**69**	(98)	**276**	239
Dividends paid to non-controlling interests	**–**	–	**–**	–	**–**	–
Summarised cash flows						
Cash flows from operating activities	**1,241**	(1,727)	**(2,391)**	880	**28,428**	146
Cash flows from financing activities	**987**	(42)	**1,974**	1,019	**–**	(523)
Cash flows from investing activities	**(1,582)**	8	**(4,558)**	38	**(14,358)**	(163)
Net increase/(decrease) in cash and cash equivalents	**646**	**(1,761)**	**(4,975)**	**1,937**	**14,070**	**(540)**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

29. INVESTMENT IN SUBSIDIARIES (continued)

(b) Non-controlling interests (continued)

(ii) (continued)

	UBA Mozambique (SA)		UBA Chad		UBA Tanzania	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015
Summarised balance sheet						
Cash and bank balances	**3,986**	1,956	**29,506**	5,354	**2,804**	2,015
Other financial assets	**1,646**	2,745	**29,172**	14,587	**8,014**	11,544
Non-financial assets	**91**	112	**730**	529	**386**	580
Total assets	**5,723**	**4,813**	**59,408**	**20,470**	**11,204**	**14,139**
Financial liabilities	**4,228**	3,230	**51,747**	16,197	**8,893**	12,745
Other liabilities	**18**	1,134	**986**	770	**86**	388
Total liabilities	**4,246**	**4,364**	**52,733**	**16,967**	**8,979**	**13,133**
Net assets	**1,477**	**449**	**6,675**	**3,503**	**2,225**	**1,006**
Summarised statement of comprehensive income	**–**	–	**–**	–	**–**	–
Revenue	**352**	**836**	**4,072**	**2,400**	**647**	**1,446**
Profit/(loss) for the year	**(431)**	(448)	**1,281**	335	**(491)**	(160)
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**(431)**	**(448)**	**1,281**	**335**	**(491)**	**(160)**
Total comprehensive income allocated to non-controlling interest	**(129)**	(135)	**141**	37	**(98)**	(32)
Dividends paid to non-controlling interests	**–**	–	**–**	–	**–**	–
Summarised cash flows						
Cash flows from operating activities	**1,139**	409	**26,486**	(1,908)	**912**	(956)
Cash flows from financing activities	**987**	852	**–**	159	**987**	358
Cash flows from investing activities	**(96)**	77	**(2,334)**	(5)	**(1,110)**	25
Net increase/(decrease) in cash and cash equivalents	**2,030**	**1,338**	**24,152**	**(1,754)**	**789**	**(573)**

30. PROPERTY AND EQUIPMENT

(a) As at 31 December 2016

Group

In millions of Nigerian Naira	Land	Buildings	Lease-hold improve-ments	Aircraft	Motor vehicles	Furniture and fittings	Com-puter hard-ware	Equip-ment	Work in progress	Total
Cost										
Balance at 1 January 2016	31,967	29,287	7,715	11,750	11,601	7,309	29,105	29,722	2,925	161,381
Additions	174	1,653	1,966	–	1,151	2,306	1,501	2,774	4,402	15,927
Reclassifications (Note i)	(101)	490	467	–	138	12	3	736	(1,745)	–
Disposals	(43)	(642)	(142)	(3,186)	(869)	(1,100)	(1,074)	(1,246)	(192)	(8,494)
Transfers (Note ii)	–	–	–	–	–	–	17	–	(129)	(112)
Exchange difference (Note iii)	255	1,330	1,956	–	1,116	1,085	1,551	1,481	203	8,977
Balance at 31 December 2016	32,252	32,118	11,962	8,564	13,137	9,612	31,103	33,467	5,464	177,679
Accumulated depreciation										
Balance at 1 January 2016	–	10,668	3,659	1,822	9,124	5,895	22,486	18,902	–	72,556
Charge for the year	–	645	596	460	726	736	1,819	2,415	–	7,397
Reclassifications (Note i)	–	(18)	18	–	–	–	(11)	11	–	–
Disposals	–	(173)	(78)	(1,432)	(645)	(395)	(628)	(592)	–	(3,943)
Transfers (Note ii)	–	–	–	–	–	–	17	–	–	17
Exchange difference (Note iii)	–	1,511	1,478	–	764	1,039	1,465	1,463	–	7,720
Balance at 31 December 2016	–	12,633	5,673	850	9,969	7,275	25,148	22,199	–	83,747
Carrying amounts										
Balance at 31 December 2016	32,252	19,485	6,289	7,714	3,168	2,337	5,955	11,268	5,464	93,932
Balance at 31 December 2015	31,967	18,619	4,056	9,928	2,477	1,414	6,619	10,820	2,925	88,825

[i] *During the year, certain items of property and equipment were reclassified in between asset classes in seeking to achieve more granularity. As a result, the notes to the financial statements for Property and Equipment was represented. Further details of are disclosed in Notes 30(b) and 30(c).*

[ii] *Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets – purchased software (work in progress) during the year as disclosed in Note 31.*

[iii] *Exchange differences arise from the translation of the property and equipment in the Group's foreign operations.*

[iv] *There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2015: nil).*

30. PROPERTY AND EQUIPMENT (continued)

(a) As at 31 December 2016 (continued)

Bank

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2016	31,425	24,200	2,799	11,750	9,481	5,218	26,008	25,574	2,537	138,992
Additions	148	151	36	–	843	1,422	284	763	3,963	7,610
Reclassifications (Note i)	(101)	232	395	–	138	12	3	736	(1,415)	–
Disposals	(43)	(18)	–	(3,186)	(599)	(32)	(403)	(331)	(192)	(4,804)
Transfers (Note ii)	–	–	–	–	–	–	17	–	(129)	(112)
Write-off	–	–	–	–	–	–	–	–	–	–
Exchange difference (Note iii)	–	–	103	–	5	46	47	2	–	203
Balance at 31 December 2016	31,429	24,565	3,333	8,564	9,868	6,666	25,956	26,744	4,764	141,889
Accumulated depreciation										
Balance at 1 January 2016	–	7,952	1,252	1,822	7,534	4,426	19,790	16,071	–	58,847
Charge for the year	–	371	91	460	482	296	1,520	1,983	–	5,203
Reclassifications (Note i)	–	(18)	18	–	–	–	(11)	11	–	–
Disposals	–	(3)	–	(1,432)	(413)	(32)	(391)	(313)	–	(2,584)
Transfers (Note ii)	–	–	–	–	–	–	17	–	–	17
Exchange difference (Note iii)	–	–	60	–	3	45	45	1	–	154
Balance at 31 December 2016	–	8,302	1,421	850	7,606	4,735	20,970	17,753	–	61,637
Carrying amounts										
Balance at 31 December 2016	31,429	16,263	1,912	7,714	2,262	1,931	4,986	8,991	4,764	80,252
Balance at 31 December 2015	31,425	16,248	1,547	9,928	1,947	792	6,218	9,503	2,537	80,145

(i) *During the year, certain items of property and equipment were reclassified in between asset classes in seeking to achieve more granularity. As a result, the notes to the financial statements for Property and Equipment was represented. Further details of are disclosed in Notes 30(b) and 30(c).*

(ii) *Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets – purchased software (work in progress) during the year as disclosed in Note 31.*

(iii) *Exchange differences arise from the translation of the property and equipment of the UBA New York branch.*

(iv) *There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2015: nil).*

30. PROPERTY AND EQUIPMENT (continued)

(a) As at 31 December 2015

Group

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Other transportation equipment	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost											
Balance at 1 January 2015	31,970	27,582	7,136	12,521	–	10,553	7,048	26,422	25,388	9,201	**157,821**
Additions	14	235	375	–	–	1,042	205	1,081	1,225	2,303	**6,480**
Reclassifications (Note i)	–	1,477	109	(12,521)	11,750	346	162	1,935	4,677	(7,935)	**–**
Disposals	–	(200)	(673)	–	–	(477)	(249)	(548)	(770)	–	**(2,917)**
Transfers (Note ii)	–	–	–	–	–	–	–	2	–	(757)	**(755)**
Write-off	–	–	–	–	–	(3)	–	–	(91)	(105)	**(199)**
Exchange difference (Note iii)	(17)	193	768	–	–	140	143	213	(707)	218	**951**
Balance at 31 December 2015	**31,967**	**29,287**	**7,715**	**–**	**11,750**	**11,601**	**7,309**	**29,105**	**29,722**	**2,925**	**161,381**
Accumulated depreciation											
Balance at 1 January 2015	–	9,954	3,472	1,615	–	8,627	5,549	20,378	18,710	–	**68,305**
Charge for the year	–	659	321	–	533	658	346	2,441	1,938	–	**6,896**
Reclassifications (Note i)	–	149	4	(1,615)	1,289	175	97	25	(124)	–	**–**
Disposals	–	(266)	(336)	–	–	(385)	(191)	(539)	(675)	–	**(2,392)**
Transfers (Note ii)	–	–	–	–	–	–	–	–	–	–	**–**
Write-off	–	(1)	–	–	–	(3)	–	–	(80)	–	**(84)**
Exchange difference (Note iii)	–	173	198	–	–	52	94	181	(867)	–	**(169)**
Balance at 31 December 2015	**–**	**10,668**	**3,659**	**–**	**1,822**	**9,124**	**5,895**	**22,486**	**18,902**	**–**	**72,556**
Carrying amounts											
Balance at 31 December 2015	**31,967**	**18,619**	**4,056**	**–**	**9,928**	**2,477**	**1,414**	**6,619**	**10,820**	**2,925**	**88,825**
Balance at 31 December 2014	**31,970**	**17,628**	**3,664**	**10,906**	**–**	**1,926**	**1,499**	**6,044**	**6,678**	**9,201**	**89,516**

(i) During the year, certain items of property and equipment were reclassified in between asset classes in seeking to achieve more granularity. As a result, the notes to the financial statements for Property and Equipment was represented. Further details of are disclosed in Notes 30(b) and 30(c).

(ii) Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets – purchased software (work in progress) during the year as disclosed in Note 31.

(iii) Exchange differences arise from the translation of the property and equipment in the Group's foreign operations.

30. PROPERTY AND EQUIPMENT (continued)

(a) As at 31 December 2015 (continued)

Bank

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Other transportation equipment	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost											
Balance at 1 January 2015	31,411	22,610	2,763	12,521	–	8,495	4,952	23,386	20,320	9,013	**135,471**
Additions	14	113	10	–	–	962	150	935	1,084	2,077	**5,345**
Reclassifications (Note i)	–	1,477	109	(12,521)	11,750	252	127	1,883	4,614	(7,691)	**–**
Disposals	–	–	(103)	–	–	(226)	(17)	(210)	(353)	–	**(909)**
Transfers (Note ii)	–	–	–	–	–	–	–	2	–	(757)	**(755)**
Write-off	–	–	–	–	–	(3)	–	–	(91)	(105)	**(199)**
Exchange difference (Note iii)	–	–	20	–	–	1	6	12	–	–	**39**
Balance at 31 December 2015	**31,425**	**24,200**	**2,799**	**–**	**11,750**	**9,481**	**5,218**	**26,008**	**25,574**	**2,537**	**138,992**
Accumulated depreciation											
Balance at 1 January 2015	–	7,433	1,280	1,615	–	7,088	4,164	17,845	14,996	–	**54,421**
Charge for the year	–	371	58	–	533	447	177	2,113	1,611	–	**5,310**
Reclassifications (Note i)	–	149	4	(1,615)	1,289	175	97	25	(126)	–	**(2)**
Disposals	–	–	(103)	–	–	(173)	(17)	(209)	(330)	–	**(832)**
Transfers (Note ii)	–	–	–	–	–	–	–	3	–	–	**3**
Write-off	–	(1)	–	–	–	(3)	–	–	(80)	–	**(84)**
Exchange difference (Note iii)	–	–	13	–	–	–	5	13	–	–	**31**
Balance at 31 December 2015	**–**	**7,952**	**1,252**	**–**	**1,822**	**7,534**	**4,426**	**19,790**	**16,071**	**–**	**58,847**
Carrying amounts											
Balance at 31 December 2015	**31,425**	**16,248**	**1,547**	**–**	**9,928**	**1,947**	**792**	**6,218**	**9,503**	**2,537**	**80,145**
Balance at 31 December 2014	**31,411**	**15,177**	**1,483**	**10,906**	**–**	**1,407**	**788**	**5,541**	**5,324**	**9,013**	**81,050**

(i) *During the year, certain items of property and equipment were reclassified in between asset classes in seeking to achieve more granularity. As a result, the notes to the financial statements for Property and Equipment was represented. Further details of are disclosed in Notes 30(b) and 30(c).*

(ii) *Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets – purchased software (work in progress) during the year as disclosed in Note 31.*

(iii) *Exchange differences arise from the translation of the property and equipment of the UBA New York branch.*

30. PROPERTY AND EQUIPMENT (continued)

(b) During the year, the Group discontinued the presentation of "Other Transportation Equipment" as a separate class of property and equipment in order to provide information that is more relevant to users of the financial statements. As a result, items previously presented in "other transportation equipment" were reclassified to other classes of property and equipment. The comparative notes were thus represented to reflect the reclassification. The reclassifications are as follows:

	Cost		Accumulated depreciation	
	Group	Bank	Group	Bank
In millions of Nigerian Naira	December 2015	December 2015	December 2015	December 2015
Other transportation equipment				
Opening balance (1 January 2015)	**12,521**	12,521	**1,615**	1,615
Reclassification to aircraft	**(11,750)**	(11,750)	**(1,289)**	(1,289)
Reclassification to motor vehicles	**(251)**	(251)	**(174)**	(174)
Reclassification to buildings	**(520)**	(520)	**(152)**	(152)
Closing balance (31 December 2015)	**–**	–	**–**	–

(c) Certain classes of property and equipment disclosed in the notes to the financial statements in prior year were disaggregated in the current year. Buildings and leasehold improvement are now presented as separate classes of property and equipment while "Furniture and Office Equipment" has been disaggregated into Furniture and Fittings, Computer Hardware and Equipment respectively. The comparative notes have also been represented to reflect the disaggregation. The current year presentation is deemed to provide information that is more relevant to users of the financial statements, and the revised presentation is likely to continue, so that comparability is not impaired.

The classes disaggregated are as follows:

(i) Buildings and leasehold improvements

Balance at 1 January 2015 (as previously reported under this heading)	**35,277**	25,373	**13,426**	8,713
Reclassified to Buildings (Note ii)	**(27,582)**	(22,610)	**(9,954)**	(7,433)
Reclassified to Land (Note vi)	**(559)**	–	**–**	–
Reclassified to Leasehold Improvements (Note iii)	**(7,136)**	(2,763)	**(3,472)**	(1,280)
Amount as represented (1 January 2015)	**–**	–	**–**	–

(ii) Buildings

Balance at 1 January 2015 (as previously reported under this heading)	**–**	–	**–**	–
Reclassified from Buildings and Leasehold Improvements (Note i)	**27,582**	22,610	**9,954**	7,433
Amount as represented (1 January 2015)	**27,582**	**22,610**	**9,954**	**7,433**

(iii) Leasehold Improvements

Balance at 1 January 2015 (as previously reported under this heading)	**–**	–	**–**	–
Reclassified from Buildings and Leasehold Improvements (Note i)	**7,136**	2,763	**3,472**	1,280
Amount as represented (1 January 2015)	**7,136**	**2,763**	**3,472**	**1,280**

(iv) Furniture and office equipment

Balance at 1 January 2015 (as previously reported under this heading)	**58,858**	48,658	**44,637**	37,005
Reclassified to Furniture and Fittings (Note v)	**(7,048)**	(4,952)	**(5,549)**	(4,164)
Reclassified to Computer Hardware (Note vi)	**(26,422)**	(23,386)	**(20,378)**	(17,845)
Reclassified to Equipment (Note vii)	**(25,388)**	(20,320)	**(18,710)**	(14,996)
Amount as represented (1 January 2015)	**–**	–	**–**	–

30. PROPERTY AND EQUIPMENT (continued)

	Cost		Accumulated depreciation	
	Group	Bank	Group	Bank
In millions of Nigerian Naira	December 2015	December 2015	December 2015	December 2015
(v) Furniture and Fittings				
Balance at 1 January 2015 (as previously reported under this heading)	–	–	–	–
Reclassified from furniture and office equipment (Note iv)	7,048	4,952	5,549	4,164
Amount as represented (1 January 2015)	**7,048**	**4,952**	**5,549**	**4,164**
(vi) Computer Hardware				
Balance at 1 January 2015 (as previously reported under this heading)	–	–	–	–
Reclassified from furniture and office equipment (Note e)	26,422	23,386	20,378	17,845
Amount as represented (1 January 2015)	**26,422**	**23,386**	**20,378**	**17,845**
(vii) Equipment				
Balance at 1 January 2015 (as previously reported under this heading)	–	–	–	–
Reclassified from furniture and office equipment (Note e)	25,388	20,320	18,710	14,996
Amount as represented (1 January 2015)	**25,388**	**20,320**	**18,710**	**14,996**
(viii) Land				
Balance at 1 January 2015 (as previously reported under this heading)	31,411	31,411	–	–
Reclassified from buildings and leasehold improvements (Note b)	559	–	–	–
Amount as represented (1 January 2015)	**31,970**	**31,411**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31. INTANGIBLE ASSETS

(a) As at 31 December 2016

(i) Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress	Total
Cost				
Balance at 1 January 2016	5,673	14,308	1,210	21,191
Additions	–	500	859	1,359
Reclassifications	–	927	(927)	–
Transfers*	–	112	–	112
Write-off	–	(180)	–	(180)
Exchange difference	2,849	924	–	3,773
Balance at 31 December 2016	8,522	16,591	1,142	26,255
Amortization				
Balance at 1 January 2016	–	9,822	–	9,822
Amortisation for the year	–	1,253	–	1,253
Transfers*	–	(17)	–	(17)
Write-off		(45)		(45)
Exchange difference	–	881	–	881
Balance at 31 December 2016	–	11,894	–	11,894
Carrying amounts				
Balance at 31 December 2016	8,522	4,697	1,142	14,361
Balance at 31 December 2015	5,673	4,486	1,210	11,369

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31. INTANGIBLE ASSETS (continued)

(a) **As at 31 December 2016**

(ii) **Bank**

In millions of Nigerian Naira	Purchased software	Work in progress	Total
Cost			
Balance at 1 January 2016	11,839	1,210	13,049
Additions	177	859	1,036
Reclassifications	927	(927)	–
Transfers*	112	–	112
Write-off	(180)	–	(180)
Exchange difference	9	–	9
Balance at 31 December 2016	12,884	1,142	14,026
Amortization			
Balance at 1 January 2016	8,095	–	8,095
Amortisation for the year	1,078	–	1,078
Transfers*	(17)	–	(17)
Write-off	(45)	–	(45)
Exchange difference	10	–	10
Balance at 31 December 2016	9,121	–	9,121
Carrying amounts			
Balance at 31 December 2016	3,763	1,142	4,905
Balance at 31 December 2015	3,744	1,210	4,954

31. INTANGIBLE ASSETS (continued)

(b) As at 31 December 2015

(i) Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress	Total
Cost				
Balance at 1 January 2015	5,673	11,446	–	**17,119**
Additions	–	1,310	977	**2,287**
Reclassifications	–	496	(496)	**–**
Disposal	–	(770)	(28)	**(798)**
Transfers*	–	1,794	757	**2,551**
Exchange difference	–	32	–	**32**
Balance at 31 December 2015	**5,673**	**14,308**	**1,210**	**21,191**
Amortization				
Balance at 1 January 2015	–	7,689	–	**7,689**
Amortisation for the year	–	1,072	–	**1,072**
Disposal	–	(770)	–	**(770)**
Transfers*	–	1,699	–	**1,699**
Exchange difference	–	132	–	**132**
Balance at 31 December 2015	–	9,822	–	**9,822**
Carrying amounts				
Balance at 31 December 2015	**5,673**	**4,486**	**1,210**	**11,369**
Balance at 31 December 2014	**5,673**	**3,757**	**–**	**9,430**

31. INTANGIBLE ASSETS (continued)

(b) As at 31 December 2015

(ii) Bank

In millions of Nigerian Naira	Purchased software	Work in progress	Total
Cost			
Balance at 1 January 2015	9,969	–	**9,969**
Additions	772	977	**1,749**
Reclassifications	496	(496)	**–**
Disposal	(770)	(28)	**(798)**
Transfers*	1,320	757	**2,077**
Exchange difference	52	–	**52**
Balance at 31 December 2015	**11,839**	**1,210**	**13,049**
Amortization			
Balance at 1 January 2015	6,523	–	**6,523**
Amortisation for the year	971	–	**971**
Disposal	(770)	–	**(770)**
Transfers*	1,320	–	**1,320**
Exchange difference	51	–	**51**
Balance at 31 December 2015	**8,095**	**–**	**8,095**
Carrying amounts			
Balance at 31 December 2015	**3,744**	**1,210**	**4,954**
Balance at 31 December 2014	**3,446**	**–**	**3,446**

There were no capitalised borrowing costs related to the internal development of software during the year (December 2015: nil). Computer software has a definite useful life of not more than five years while goodwill has an indefinite useful life and is annually assessed for impairment.

* *Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets – purchased software (work in progress) during the year as disclosed in Note 30.*

(c) Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash-generating units (CGUs) as the goodwill is monitored at the level of the individual cash-generating units. UBA Benin and UBA Capital Europe have been identified as individual cash-generating units. UBA Benin and UBA Capital Europe Limited operate under Rest of Africa and Rest of the World geographic segments respectively. The recoverable amounts of the CGUs have been determined based on value-in-use calculations; using cash flow projections based on financial forecasts covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated economic growth rates for the respective CGUs. These growth rates are consistent with forecasts included in industry reports specific to the economic environment in which each of the CGU's operates.

The following table sets out the key assumptions used in the value-in-use calculations:

	UBA Benin		UBA Capital Europe Limited	
	December 2016	December 2015	December 2016	December 2015
Gross earnings (% annual growth rate)	**12.0**	10.0	**12.0**	17.0
Deposits (% annual growth rate)	**10.0**	17.0	**10.0**	16.0
Loans and advances (% annual growth rate)	**20.0**	17.0	**12.0**	17.0
Operating expenses (% annual growth rate)	**11.0**	10.0	**7.0**	10.0
Terminal growth rate (%)	**1.5**	1.5	**2.0**	1.0
Discount rate (pre-tax) (%)	**16.2**	18.0	**5.0**	5.0

31. INTANGIBLE ASSETS (continued)

The values assigned to each of the above key assumptions were determined as follows:

Assumption	Approach used in determining values
Gross earnings	This is the average annual growth rate over the five-year period. Based on past performance, expectations of market development and the expected positive impact of deposits and loan growth in the forecast period.
Deposits	This is the average annual growth rate over the five-year period. Deposits have been determined to be the key value driver for the CGUs. Projected deposits growth is based on past performance of the CGUs.
Loans and advances	This is the average annual growth rate over the five-year period. It is based partly on past performance but largely on the expected positive impact of the forecasted growth in deposits.
Operating expenses	This is the average annual growth rate over the five-year period. It is based on the current structure of business of the respective CGUs, adjusting for expected inflationary increases but not reflecting any future restructurings or cost-saving measures.
Terminal growth rate	This is the average growth rate used to extrapolate cash flows beyond the five-year period. It is based on estimated economic growth rates for the respective CGUs.
Discount rate	The discount rate was a pre-tax measure based on the longest tenured government bond issued by the governments in Benin and United Kingdom respectively adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU.

Below is the result of the impairment test as at 31 December 2016:

	UBA Benin		UBA Capital Europe Limited	
In millions of Nigerian Naira	**December 2016**	December 2015	**December 2016**	December 2015
Recoverable amount	**22,260**	19,116	**23,829**	16,860
Less: Carrying amount				
Goodwill	**(5,159)**	(3,479)	**(3,363)**	(2,194)
Net assets	**(3,980)**	(2,154)	**(14,833)**	(9,495)
Total carrying amount	**(9,139)**	(5,633)	**(18,196)**	(11,689)
Excess of recoverable amount over carrying amount	**13,121**	13,483	**5,633**	5,171

The key assumptions described above may change as economic and market conditions change. The results of the value-in-use calculations are most sensitive to changes in the deposit growth rates, terminal growth rates and discount rates applied. The recoverable amounts of the respective CGUs would equal their carrying amounts if these key assumptions were to change as follows:

	2016		2015	
	From %	To %	From %	To %
UBA Benin				
Deposit growth rate	**10**	**4**	17	7
UBA Capital Europe				
Deposit growth rate	**10**	**5**	17	5
Terminal growth rate	**2**	**5**	1	5
Discount rate	**5**	**6**	5	8

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

32. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group			Bank		
In millions of Nigerian Naira	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, equipment and software	13,629	62	13,567	10,249	–	10,249
Allowances for loan losses	3,879	–	3,879	3,879	–	3,879
Account receivable	678	–	678	678	–	678
Tax losses carried forward	20,848	–	20,848	20,848	–	20,848
Exchange difference on monetary items	–	3,712	(3,712)	–	3,712	(3,712)
Fair value gain on derivatives	–	2,744	(2,744)	–	2,744	(2,744)
Others	482	–	482	498	–	498
Net deferred tax assets/liabilities	39,516	6,518	32,998	36,152	6,456	29,696
31 December 2015						
Property, equipment, and software	7,562	15	7,547	6,247	–	6,247
Allowances for loan losses	1,966	–	1,966	1,966	–	1,966
Account receivable	366	–	366	366	–	366
Tax losses carried forward	24,666	–	24,666	24,666	–	24,666
Exchange difference on monetary items	–	1,715	(1,715)	–	1,715	(1,715)
Others	323	–	323	323	–	323
Net deferred tax assets/liabilities	34,883	1,730	33,153	33,568	1,715	31,853

(b) Reconciliation of recognised deferred tax assets and liabilities to the amounts disclosed in the statement of financial position

(i) Deferred tax assets

	Group		Bank	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015
Recognised deferred tax assets	**39,516**	34,883	**36,152**	33,568
Amounts offset*:				
– Exchange differences on monetary items	**(3,712)**	(1,715)	**(3,712)**	(1,715)
– Fair value gain on derivatives	**(2,744)**	–	**(2,744)**	–
Deferred tax assets in the statement of financial position	**33,060**	33,168	**29,696**	31,853

(ii) Deferred tax liabilities

	Group		Bank	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015
Recognised deferred tax assets	**6,518**	1,730	**6,456**	1,715
Amounts offset*:				
– Exchange differences on monetary items	**(3,712)**	(1,715)	**(3,712)**	(1,715)
– Fair value gain on derivatives	**(2,744)**	–	**(2,744)**	–
Deferred tax assets in the statement of financial position	**62**	15	**–**	–

* *The amounts offset relate to deferred tax liabilities attributable to the parent only. The amounts have been offset as the Bank has the Legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority*

32. DEFERRED TAX ASSETS AND LIABILITIES (continued)

(c) Movements in temporary differences during the year

31 December 2016

	Group			
In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment and software	7,547	6,020	–	13,567
Allowances for loan losses	1,966	1,913	–	3,879
Account receivable	366	312	–	678
Tax losses carried forward	24,666	(3,818)	–	20,848
Exchange difference on monetary items	–	(3,712)	–	(3,712)
Tax losses on fair value gain on derivatives	(1,715)	(1,029)	–	(2,744)
Others	323	159	–	482
	33,153	(155)	–	32,998
Deferred tax assets:				
To be recovered within 12 months	8,967	4,178	–	13,145
To be recovered after more than 12 months	25,901	408	–	26,309
Deferred tax liabilities				
To be recovered within 12 months	(1,715)	(1,029)	–	(2,744)
To be recovered after more than 12 months	–	(3,712)	–	(3,712)
	33,153	(155)	–	32,998

	Bank			
In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment and software	6,247	4,002	–	10,249
Allowances for loan losses	1,966	1,913	–	3,879
Account receivable	366	312	–	678
Tax losses carried forward	24,666	(3,818)	–	20,848
Exchange difference on monetary items	–	(3,712)		(3,712)
Tax losses on fair value gain on derivatives	(1,715)	(1,029)	–	(2,744)
Others	323	175	–	498
	31,853	(2,157)	–	29,696
Deferred tax assets:				
To be recovered within 12 months	12,179	2,584	–	14,763
To be recovered after more than 12 months	21,389	–	–	21,389
Deferred tax liabilities				
To be recovered within 12 months	(1,715)	(1,029)		(2,744)
To be recovered after more than 12 months	–	(3,712)	–	(3,712)
	31,853	(2,157)	–	29,696

32. DEFERRED TAX ASSETS AND LIABILITIES (continued)

(c) Movements in temporary differences during the year (continued)

31 December 2015

	Group			
In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment and software	7,470	77	–	7,547
Allowances for loan losses	1,966	–	–	1,966
Account receivable	366	–	–	366
Tax losses carried forward	24,666	–	–	24,666
Tax losses on fair value gain on derivatives	(1,715)	–	–	(1,715)
Others	323	–	–	323
	33,076	**77**	**–**	**33,153**
Deferred tax assets:				
To be recovered within 12 months	12,179	(3,212)	–	8,967
To be recovered after more than 12 months	22,612	3,289	–	25,901
Deferred tax liabilities				
To be recovered within 12 months	–	–	–	–
To be recovered after more than 12 months	(1,715)	–	–	(1,715)
	33,076	**77**	**–**	**33,153**

	Bank			
In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment and software	6,247	–	–	6,247
Allowances for loan losses	1,966	–	–	1,966
Account receivable	366	–	–	366
Tax losses carried forward	24,666	–	–	24,666
Tax losses on fair value gain on derivatives	(1,715)	–	–	(1,715)
Others	323	–	–	323
	31,853	**–**	**–**	**31,853**
Deferred tax assets:				
To be recovered within 12 months	12,179	–	–	12,179
To be recovered after more than 12 months	21,389	–	–	21,389
Deferred tax liabilities				
To be recovered within 12 months	–	–	–	–
To be recovered after more than 12 months	(1,715)	–	–	(1,715)
	31,853	**–**	**–**	**31,853**

32. DEFERRED TAX ASSETS AND LIABILITIES (continued)

(d) Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Unused tax losses for which no deferred tax asset has been recognised was N56.348 billion (2015: N76.504 billion).

Temporary difference relating to the Group's investment in subsidiaries is N92.058 billion (2015: N13.426 billion). As the Group exercises control over the subsidiaries, it has the power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries' profits and reserves will not be distributed in the foreseeable future and that the subsidiaries will not be disposed of. Hence, the deferred tax arising from the temporary differences above will not be recognised.

33. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount which is recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are indicative of neither the market risk nor the credit risk.

	Group		Bank	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015
Derivative assets				
Carrying value	**10,642**	1,809	**10,642**	1,809
Notional amount	**62,725**	46,610	**62,725**	46,610
Derivative liabilities				
Carrying value	**14**	327	**14**	327
Notional amount	**1,413**	60,809	**1,413**	60,809

(a) Derivative assets

Instrument type:				
Cross-currency swaps	**1,134**	1,809	**1,134**	1,809
Foreign exchange forward contracts	**9,508**	–	**9,508**	–
	10,642	1,809	**10,642**	1,809
The movement in derivative assets is as follows:				
Balance, beginning of year	**1,809**	6,534	**1,809**	6,534
Fair value of derivatives derecognised in the year	**(18,765)**	(16,712)	**(18,765)**	(16,712)
Fair value of derivatives acquired and remeasured in the year	**27,598**	11,987	**27,598**	11,987
Balance, end of year	**10,642**	**1,809**	**10,642**	**1,809**

Derivative assets are current in nature

(b) Derivative liabilities

Instrument type:				
Cross-currency swap	**14**	327	**14**	327
	14	327	**14**	327
The movement in derivative liability is as follows:				
Balance, beginning of year	**327**	943	**327**	943
Fair value of derivatives derecognised in the year	**(505)**	(953)	**(505)**	(953)
Fair value of derivatives acquired and remeasured in the year	**192**	337	**192**	337
Balance, end of year	**14**	**327**	**14**	**327**

Derivative liabilities are current in nature

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(continued)

33. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(c) Fair value gain on derivatives

	Group		Bank	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015
Derivative assets				
Fair value gain on additions in the year	**27,598**	11,987	**27,598**	11,987
Fair value loss on maturities in the year	**(18,765)**	(16,712)	**(18,765)**	(16,712)
Net fair value gain/(loss) on derivative assets	**8,833**	(4,725)	**8,833**	(4,725)
Derivative liabilities				
Fair value loss on additions in the year	**(192)**	(337)	**(192)**	(337)
Fair value gain on maturities in the year	**505**	953	**505**	953
Net fair value gain on derivative liabilities	**313**	616	**313**	616
Net fair value gain/(loss) on derivative assets and liabilities (See Note 12)	**9,146**	**(4,109)**	**9,146**	**(4,109)**

34. DEPOSITS FROM BANKS

Money market deposits	**108,217**	60,312	**30,484**	350
Due to other banks	**863**	754	**–**	–
	109,080	**61,066**	**30,484**	**350**
Current	**109,080**	**61,066**	**30,484**	**350**

35. DEPOSITS FROM CUSTOMERS

Retail customers:				
Term deposits	**209,673**	160,967	**182,996**	142,811
Current deposits	**151,407**	126,931	**83,285**	89,150
Savings deposits	**524,751**	407,036	**434,883**	351,982
Domiciliary deposits*	**73,384**	34,507	**51,284**	31,462
Corporate customers:				
Term deposits	**317,468**	384,015	**214,588**	303,597
Current deposits	**957,628**	673,358	**524,921**	452,550
Domiciliary deposits*	**251,299**	294,890	**206,902**	255,508
	2,485,610	**2,081,704**	**1,698,859**	**1,627,060**
Current	**2,485,273**	2,081,704	**1,698,522**	1,627,060
Non-current	**337**	–	**337**	–
	2,485,610	2,081,704	**1,698,859**	1,627,060

* *Domicilliary deposits represents foreign currency denominated current and savings accounts only.*

36. OTHER LIABILITIES

	Group		Bank	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015
Financial liabilities				
Creditors and payables	**48,631**	28,248	**29,738**	20,096
Managers cheques	**6,722**	6,386	**4,372**	3,954
Unclaimed dividends (Note (i))	**4,222**	–	**4,222**	–
Accrued expenses	**12,483**	11,137	**3,625**	2,974
Customers' deposit for foreign trade (Note (ii))	**38,089**	8,684	**30,546**	6,803
	110,147	**54,455**	**72,503**	**33,827**
Non-financial liabilities				
Provisions (Note (iii)	**198**	185	**147**	147
Deferred income	**251**	245	**251**	245
	449	**430**	**398**	**392**
Total other liabilities	**110,596**	**54,885**	**72,901**	**34,219**
Current	**110,596**	**54,885**	**72,901**	**34,219**

(i) *The amount represents unclaimed dividends due to UBA Plc's shareholders which have been returned by the Bank's Registrar.*

(ii) *Customers' deposit for foreign trade represents the Naira value of foreign currencies held to cover letter of credit transactions. The corresponding balance is included in current balances with banks in Note 22.*

(iii) *The amount represents a provision for certain legal claims. The provision charge is recognised in profit or loss within "other operating expenses". In the Directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2016. The expected timing of the cash flows arising from the legal claim provision is within one year.*

The movement in provision during the year is as follows:				
At 1 January	**185**	153	**147**	153
Additional provisions	**13**	38	**–**	–
Used during the year	**–**	(6)	**–**	(6)
At 31 December	**198**	**185**	**147**	**147**
Analysis of total provisions:				
Current	**198**	**185**	**147**	**147**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

37. BORROWINGS

	Group		Bank	
In millions of Nigerian Naira	**December 2016**	**December 2015**	**December 2016**	**December 2015**
Central Bank of Nigeria (Note 37.1)	**43,174**	13,642	**43,174**	13,642
Bank of Industry (BoI) (Note 37.2)	**11,029**	13,054	**11,029**	13,054
Standard Chartered Bank (Note 37.3)	**–**	39,994	**–**	39,994
European Investment Bank (EIB) (Note 37.4)	**1,951**	1,590	**1,951**	1,590
Syndicated facility (Note 37.5)	**27,542**	41,710	**27,542**	41,710
Africa Trade Finance Limited (Note 37.6)	**15,145**	19,906	**15,145**	19,906
Afrexim (Note 37.7)	**30,399**	–	**30,399**	–
African Development Bank (Note 37.8)	**36,204**	–	**36,204**	–
Credit Suisse (Note 37.9)	**94,483**	–	**94,483**	–
	259,927	129,896	**259,927**	129,896
Current	**167,569**	73,542	**167,569**	73,542
Non-current	**92,358**	56,354	**92,358**	56,354
	259,927	**129,896**	**259,927**	**129,896**
Movement in borrowings during the year				
Opening balance	**129,896**	113,797	**129,896**	113,797
Additions	**243,029**	35,228	**243,029**	35,228
Interest expense	**8,999**	3,849	**8,999**	3,849
Repayments	**(121,997)**	(22,978)	**(121,997)**	(22,978)
	259,927	**129,896**	**259,927**	**129,896**

37.1 This represents on-lending facilities provided by the Central Bank of Nigeria (CBN):

(a) N16.995 billion of this facility represents the outstanding balance on the Commercial Agriculture Credit Scheme granted to the Bank for the sole purpose of granting loans, at subsidised rates, to the agricultural sector. Interest on the facility cannot exceed 9% per annum inclusive of all charges and is to be shared between the Bank and CBN at 7% and 2% respectively. The facility will terminate on 30 September 2025. The Bank is the primary obligor to CBN and assumes the risk of default.

(b) N26.176 billion of this facility represents the outstanding balance on the concessionary loans granted by the Central Bank of Nigeria to some State Governments. The facility attracts an interest rate of 2% and the Bank is under obligation to lend to participating states at a maximum rate of 9% per annum (inclusive of all charges). The principal is repayable monthly and the tenor of the facility is 20 years.

37.2 This represents an intervention credit granted to the Bank by the Bank of Industry (BOI) for the purpose of refinancing/restructuring existing loans to Small and Medium Scale Enterprises (SMEs), manufacturing companies and companies in the power and aviation industries. The maximum tenor of term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum deductible at source in the first year, and quarterly in arrears thereafter is paid by the Bank under the intervention programme and the Bank is under obligation to on-lend to customers at an all-interest rate of 7% per annum. The Bank is the primary obligor to CBN/BOI and assumes the risk of default.

37.3 This represents the amount granted under a $200 million two-year term loan facility granted by Standard Chartered Bank in April 2014. Interest rate on the loan facility is six (6) months USD LIBOR plus 250 basis points. Interest on the loan is payable quarterly. The facility was fully paid down on maturity in April 2016.

NOTES TO THE FINANCIAL STATEMENTS

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37. **BORROWINGS (continued)**

37.4 This represents the outstanding balance on a $16.296 million term loan faciliy granted by European Investment Bank in October 2013. The purpose of the facility is to support lending to small- and medium-sized enterprises in Nigeria and through its regional subsidiaries. The facility is for a tenor of seven years. Of the initial amount granted, $8.079 million was liquidated in June 2014. Interest rate on the facility is six (6) months USD LIBOR plus 350 basis points. Interest on the loan is payable semi-annually while principal repayment commenced in April 2016. The facility will expire in October 2020.

37.5 This represents the amount granted under a $270 million three-year syndicated term loan facility arranged by Citi Bank in September 2014. Interest rate on the facility is six (6) months USD LIBOR plus 350 basis points. Interest on the loan is payable quarterly while principal repayment commenced in August 2015. The facility will expire in August 2017.

37.6 This represents the amount granted under a $50 million term loan facility by the Africa Trade Finance Limited, United Kingdom. The facility is a trade-related term loan with a tenor of six months and interest rate of three months USD LIBOR plus 350 basis points. Interest on the loan is payable quarterly with principal repayment at maturity in June 2017.

37.7 This represents the amount granted under a $100 million Dual Tranche Short-Term Trade Financing Facility by African Export-Import Bank (AFREXIM) in June 2016. The facility is for a tenor of one year and is to be used solely for financing trade finance transactions. Interest rate on the facility is three months USD LIBOR plus 575 basis points. Interest on the loan is payable quarterly and principal repayment is on maturity in June 2017.

37.8 This represents the amount granted under a $150 million line of credit by African Development Bank, Côte d'Ivoire in November 2016. The first tranche of $120 million was disbursed to the Bank in December 2016. The facility is for a tenor of eight years and is to be used for medium-term financing and on-lending to infrastructure projects, small- and medium-sized enterprises and women-owned enterprises in the Federal Republic of Nigeria. The interest rate on the facility is six months USD LIBOR plus 440 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of two years.

37.9 This represents the amount granted under a $300 million term loan facility by Credit Suisse International, United Kingdom and disbursed in three tranches of $10 0 million each. Tranche A of this facility was disbursed in July 2016 and has a tenor of 13 months with interest rate of 12 months USD LIBOR plus 550 basis points. Interest payment and principal repayment are due at maturity in August 2017. Tranche B and Tranche C were disbursed in September 2016 and have tenors of 12 months each with the same interest rate of 12 months USD LIBOR plus 550 basis points. Interest payment and principal repayment are due at maturity in September 2017.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

38. SUBORDINATED LIABILITIES

	Group		Bank	
In millions of Nigerian Naira	**December 2016**	**December 2015**	**December 2016**	**December 2015**
Medium-term notes maturing 2017	**20,575**	20,503	**20,575**	20,503
Medium-term notes maturing 2018	**35,805**	35,625	**35,805**	35,625
Medium-term notes maturing 2021	**29,598**	29,492	**29,598**	29,492
	85,978	**85,620**	**85,978**	**85,620**
Current	**20,575**	–	**20,575**	–
Non-current	**65,403**	85,620	**65,403**	85,620
	85,978	**85,620**	**85,978**	**85,620**

Subordinated liabilities represent medium-term bonds issued by the Bank. In September 2010, the Bank offered for subscription N20 billion fixed rate subordinated unsecured notes, maturing in 2017 with a coupon of 13%. In September 2011, the Bank also offered N35 billion fixed-rate subordinated unsecured notes, maturing in 2018 with a coupon of 14%. In December 2014, the Bank also offered N30.5 billion fixed rate unsecured notes maturing in 2021 with a coupon of 16.45%. Coupon on the notes are payable semi-annually while principal is payable on maturity.

Movement in subordinated liabilities:				
Opening balance	**85,620**	85,315	**85,620**	85,315
Interest expense	**12,880**	12,834	**12,880**	12,834
Coupon payments	**(12,522)**	(12,529)	**(12,522)**	(12,529)
	85,978	**85,620**	**85,978**	**85,620**

39. CAPITAL AND RESERVES

(a) Share capital

Share capital comprises:

(i) **Authorised**				
45,000,000,000 Ordinary shares of 50k each	**22,500**	22,500	**22,500**	22,500
(ii) **Issued and fully paid**				
36,279,526,321 Ordinary shares of 50k each	**18,140**	18,140	**18,140**	18,140

The movement in the share capital account during the year is as follows:

In millions				
Number of shares in issue at start of the year	**36,280**	32,982	**36,280**	32,982
Additional number of shares from rights issue	–	3,298	–	3,298
Number of shares in issue at end of the year	**36,280**	36,280	**36,280**	36,280

(b) Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

(c) Retained earnings

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

NOTES TO THE FINANCIAL STATEMENTS

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39. CAPITAL AND RESERVES (continued)

(d) Other reserves

	Group		Bank	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015
Other reserves include the following:				
Translation reserve (Note (i))	**28,799**	(5,654)	**–**	–
Statutory reserve (Note (ii))	**73,866**	65,450	**59,703**	52,572
Fair value reserve (Note (iii))	**58,274**	31,348	**58,881**	31,985
Regulatory (Credit) risk reserve (Note (iv))	**31,375**	18,167	**26,650**	17,260
Treasury shares (Note (v))	**(31,600)**	(32,061)	**–**	–
	160,714	77,250	**145,234**	101,817

(iii) **Translation reserve**

Translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

(iv) **Statutory reserve**

In accordance with existing legislation, the Bank transferred 15% (2015: 15%) of its profit after taxation to statutory reserves. Also included in statutory reserves is the Bank's Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves of N2.635 billion as at December 2016 (December 2015: N2.635 billion). The Bank has since suspended further appropriation to SMEEIS reserve in line with the directives of the Central Bank of Nigeria.

(v) **Fair value reserve**

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments. Such fair value changes are maintained until the investment is derecognised or impaired.

(vi) **Regulatory (Credit) risk reserve**

The regulatory (credit) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the various Central Banks of the various operating jurisdictions compared with the incurred loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the incurred loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

(vii) **Treasury shares**

Treasury shares represent the Bank's shares of 2,225,669,230 units (December 2015: 2,299,978,358 units) held by the Staff Share Investment Trust.

40. DIVIDENDS

The Board of Directors have proposed a final dividend of N0.55 per share whic,h in addition to the N0.20 per share paid as interim dividend, amounts to a total dividend of N0.75 per share (2015: N0.60 per share) from the retained earnings account as at 31 December 2016.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2016 and 31 December 2015 respectively.

Payment of dividend to shareholders is subject to withholding tax at a rate of 10%.

NOTES TO THE FINANCIAL STATEMENTS

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41. CONTINGENCIES

(i) Litigation and claims

The Group, in the ordinary course of business is currently involved in 650 legal cases (2015: 577). The total amount claimed in the cases against the Bank is estimated at N486.92 billion (2015: N443.4 billion). The Directors having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

(ii) Contingent liabilities

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk. There are no guarantees, commitments or other contingent liabilities arising from related-party transactions.

	Group		Bank	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015
Performance bonds and guarantees	**388,884**	77,030	**135,127**	71,319
Letters of credits	**202,122**	149,488	**168,600**	107,262
	591,006	226,518	**303,727**	178,581

The possibility of outflows in settlement of the contingent liabilities is considered remote.

(iii) Loan commitments

Loan commitments are irrevocable commitments to provide credits under pre-specified terms and conditions. The Group's loan commitments are usually conditioned on the maintenance of a satisfactory financial standing by the customer and absence of defaults on other covenants. At the balance sheet date, the Group had loan commitments amounting to N108 billion (2015: N123.5 billion) in respect of various loan contracts.

(iv) Capital commitments

Capital commitments are irrevocable contractual commitments for the acquisition of items of property and equipment or intangible assets. At the balance sheet date, the Group had capital commitments amounting to N3.166 billion (2015: N2.307 billion) in respect of authorised and contracted capital projects.

	Group	
In millions of Nigerian Naira	December 2016	December 2015
Property and equipment	**1,867**	1,659
Intangible assets	**1,299**	648
	3,166	2,307

NOTES TO THE FINANCIAL STATEMENTS

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42. RELATED PARTIES

United Bank for Africa Plc (UBA Plc) is the ultimate parent/controlling party of the Group. The shares of UBA Plc are listed on the Nigerian Stock Exchange and held by widely varied investors.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures as well as key management personnel.

(a) Subsidiaries

Transactions between United Bank for Africa Plc and the subsidiaries also meet the definition of related-party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements but are disclosed in the books of the Bank. The Bank's transactions and balances with its subsidiaries during the year and at year-end are as follows:

(i) **Cash and cash equivalents with the following subsidiaries are:**

In millions of Nigerian Naira Name of Subsidiary	Nature of Balance	December 2016	December 2015
UBA Uganda	Money market placement	**921**	–
UBA Kenya	Money market placement	**3,053**	–
UBA Ghana	Money market placement	**–**	1,256
UBA Cameroun	Money market placement	**–**	5,262
UBA Côte D'Ivoire	Money market placement	**–**	2,063
UBA Capital Europe	Money market placement	**27,695**	17,917
UBA Capital Europe	Nostro balance	**6,384**	806
UBA Ghana	Nostro balance	**–**	69
		38,053	27,373

(ii) **Loan and advances to the following subsidiaries are:**

In millions of Nigerian Naira Name of Subsidiary	Type of Loan	December 2016	December 2015
UBA Tanzania	Term Loans	**3,224**	7,857
UBA Liberia	Term Loans	**1,144**	–
UBA Cameroun	Overdraft	**–**	48
UBA Senegal	Overdraft	**110**	37
UBA Chad	Overdraft	**–**	100
UBA Gabon	Overdraft	**–**	3
UBA Guinea	Overdraft	**2**	190
UBA Ghana	Overdraft	**116**	–
UBA Mozambique	Overdraft	**–**	1
UBA Liberia	Overdraft	**–**	2,556
UBA Côte D'Ivoire	Overdraft	**130**	61
UBA Congo Brazzaville	Overdraft	**689**	–
UBA Benin	Overdraft	**15**	–
UBA Congo DRC	Overdraft	**38**	–
		5,468	10,853

NOTES TO THE FINANCIAL STATEMENTS

(continued)

42. RELATED PARTIES (continued)

(iii) **Deposits from the following subsidiaries are:**

In millions of Nigerian Naira Name of Subsidiary	Type of Deposit	December 2016	December 2015
UBA Benin	Current	**1**	6
UBA Burkino Fasa	Current	**1**	–
UBA Chad	Current	**3**	14
UBA Congo DRC	Current	**–**	575
UBA Côte D'Ivoire	Current	**27**	31
UBA Congo Brazzaville	Current	**–**	117
UBA FX Mart	Current	**637**	637
UBA Ghana	Current	**117**	350
UBA Mozambique	Current	**6**	1,059
UBA Pension Custodian	Current	**1**	9
UBA Kenya	Current	**24**	–
UBA Guinea	Current	**–**	5
UBA Senegal	Current	**13**	9
UBA Tanzania	Current	**15**	4
UBA Uganda	Current	**46**	4
UBA Gabon	Current	**12**	3
UBA Liberia	Current	**2**	4
UBA Sierra Leone	Current	**6**	11
UBA Cameroon	Current	**21**	99
UBA Capital Europe	Current	**2**	–
UBA Burkina Faso	Domicilliary	**49**	20
UBA Côte D'Ivoire	Domicilliary	**24**	51
UBA Gabon	Domicilliary	**100**	7
UBA Cameroon	Domicilliary	**112**	5
UBA Benin	Domicilliary	**9**	66
UBA Ghana	Domicilliary	**125**	221
UBA Senegal	Domicilliary	**110**	76
UBA Guinea	Domicilliary	**352**	7
UBA Sierra Leone	Domicilliary	**188**	529
UBA Tanzania	Domicilliary	**56**	102
UBA Uganda	Domicilliary	**42**	206
UBA Kenya	Domicilliary	**29**	287
UBA Liberia	Domicilliary	**2,035**	2,593
UBA Congo Brazzaville	Domicilliary	**20**	–
UBA Mozambique	Domicilliary	**2**	–
UBA Chad	Domicilliary	**84**	–
UBA Pension Custodian	Term deposit	**–**	740
UBA Capital Europe	Term deposit	**21,977**	–
UBA Benin	Money Market deposit	**930**	–
UBA Chad	Money Market deposit	**4,002**	–
UBA Ghana	Money Market deposit	**15,819**	–
UBA Mozambique	Money Market deposit	**1,529**	–
UBA Tanzania	Money Market deposit	**619**	–
UBA Uganda	Money Market deposit	**930**	–
UBA Sierra Leone	Money Market deposit	**1,084**	–
UBA Cameroon	Money Market deposit	**925**	–
		52,083	7,847

42. RELATED PARTIES (continued)

(iv) Accounts receivable from the following subsidiaries are:

In millions of Nigerian Naira Name of Subsidiary		December 2016	December 2015
UBA Ghana	Accounts receivable	**1,668**	209
UBA Congo Brazzaville	Accounts receivable	**720**	83
UBA Gabon	Accounts receivable	**154**	–
UBA Guinea	Accounts receivable	**225**	–
UBA Senegal	Accounts receivable	**296**	–
UBA Chad	Accounts receivable	**82**	82
UBA Retail Financial Services	Accounts receivable	**131**	131
UBA Sierra Leone	Accounts receivable	**97**	39
UBA Liberia	Accounts receivable	**141**	8
UBA Pension Custodian	Accounts receivable	**–**	210
UBA Cameroun	Accounts receivable	**–**	87
UBA Côte D'Ivoire	Accounts receivable	**–**	95
		3,514	944

(v) Dividend receivable from the following subsidiaries are:

In millions of Nigerian Naira Name of Subsidiary	December 2016	December 2015
UBA Ghana	**6,029**	1,845
UBA Pension Custodian	**2,400**	2,500
	8,429	4,345

(vi) Interest income from the following subsidiaries are:

In millions of Nigerian Naira Name of Subsidiary	December 2016	December 2015
UBA Congo DRC	**1**	–
UBA Congo Brazzaville	**219**	11
UBA Guinea	**754**	393
UBA Tanzania	**590**	205
UBA Uganda	**12**	–
UBA Liberia	**86**	25
UBA Cameroon	**86**	–
UBA Capital Europe	**1,115**	315
UBA Côte D'Ivoire	**–**	33
	2,863	982

NOTES TO THE FINANCIAL STATEMENTS

(continued)

42. RELATED PARTIES (continued)

(vii) **Interest expense to the following subsidiaries are:**

In millions of Nigerian Naira **Name of Subsidiary**	**December 2016**	**December 2015**
UBA Benin	**21**	–
UBA Chad	**38**	–
UBA Kenya	**6**	–
UBA Ghana	**331**	–
UBA Mozambique	**35**	–
UBA Tanzania	**19**	–
UBA Uganda	**15**	–
UBA Sierra Leone	**17**	–
UBA Cameroon	**10**	–
UBA Capital Europe	**1,489**	–
	1,981	–

(viii) **Dividend income from the following subsidiaries are:**

In millions of Nigerian Naira **Name of Subsidiary**	**December 2016**	**December 2015**
UBA Ghana	**5,158**	1,845
UBA Pension Custodian	**2,400**	2,500
UBA Cameroon	**216**	–
	7,774	4,345

(ix) **Internal transfer pricing charges from the following subsidiaries are:**

In millions of Nigerian Naira **Name of Subsidiary**	**December 2016**	**December 2015**
UBA Ghana	**1,095**	430
UBA Congo Brazaville	**439**	83
UBA Sierra Leone	**153**	–
UBA Cameroun	**155**	87
UBA Gabon	**77**	19
UBA Liberia	**133**	–
UBA Chad	**130**	47
UBA Senegal	**124**	83
UBA Guinea Conakry	**225**	–
UBA Congo DRC	**31**	–
UBA Pension	**75**	210
	2,637	959

42. RELATED PARTIES (continued)

(b) Investment in equity accounted investee

Transactions between United Bank for Africa Plc and UBA Zambia meet the definition of related-party transactions. The following balances are held with respect to the associate:

In millions of Nigerian Naira	December 2016	December 2015
Interest expense	**11**	–
Money market deposits	**3,366**	–
Current deposits	**–**	35
	3,366	35

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of UBA Plc, directly or indirectly, including any Director (whether executive or otherwise) of the Bank, and their close family members. Close family members are those family who may be expected to influence, or be influenced by that individual in their dealings with UBA Plc and its subsidiaries.

Key management personnel and their close family members engaged in the following transactions with the Bank during the year:

Loans and advances to key management personnel

Loans and advances as at year-end	**241**	593
Interest income earned during the year	**33**	72

Loans to key management personnel are granted on the same terms and conditions as loans to other employees. Related-party loans are secured over real estate, equity and other assets of the respective borrowers. No impairment losses (2015: Nil) have been recorded against related -party loans.

Loans and advances to key management personnel's related persons and entities as at 31 December 2016 is as follows:

In millions of Nigerian Naira

Name of company/individual	Name of Director	Facility Type	Security	Status	Rate	Currency	December 2016	December 2015
Bridge House College	Mrs. Foluke Abdulrazaq	Term loan (Under CBN MSMEDF)	Real Estate	Performing	9%*	NGN	**37**	47
Bridge House College	Mrs. Foluke Abdulrazaq	Overdraft	Real Estate	Performing	18.0%	NGN	**–**	6
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	16.0%	NGN	**9,928**	20,676
							9,965	20,729
Interest income earned during the year							**1,779**	2,159

* *Under the Central Bank of Nigeria's (CBN) Micro, Small and Medium Scale Enterprises Development Fund (MSMEDF) scheme, interest rate chargeable to customers is 9% as the scheme is funded by the CBN at 2%.*

NOTES TO THE FINANCIAL STATEMENTS

(continued)

42. RELATED PARTIES (continued)

(iv) **Key management personnel (continued)**

Deposit liabilities

Deposit liabilities relating to key management personnel and their related persons and entities as at end of year is as follows:

In millions of Nigerian Naira	December 2016	December 2015
Deposits as at year-end	**1,674**	3,086
Interest expense during the year	**33**	74

Compensation

Aggregate remuneration to key management staff during the year is as follows:

Executive compensation	**645**	547
Termination benefits	**884**	–
Defined contribution plan	**19**	16
Total benefits cost	**1,548**	**563**

43. COMPENSATION TO EMPLOYEES AND DIRECTORS

(i) The number of persons in the employment of the Group as at year-end is as follows:

	Group		Bank	
	December 2016	December 2015	December 2016	December 2015
Group executive Directors	**9**	6	**9**	6
Management	**104**	99	**79**	81
Non-management	**12,181**	12,671	**9,208**	9,714
	12,294	12,776	**9,296**	9,801

Compensation for the above personnel (including executive Directors):

In millions of Nigerian Naira				
Salaries and wages	**62,385**	55,394	**42,193**	40,635
Retirement benefit costs:				
Defined contribution plans	**2,229**	2,052	**1,308**	1,398
	64,614	57,446	**43,501**	42,033

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

N300,001 – N2,000,000	**5,928**	6,100	**4,507**	4,779
N2,000,001 – N2,800,000	**2,414**	2,282	**1,993**	1,923
N2,800,001 – N3,500,000	**237**	357	**13**	14
N3,500,001 – N4,000,000	**630**	727	**396**	430
N4,000,001 – N5,500,000	**872**	1,006	**636**	725
N5,500,001 – N6,500,000	**170**	106	**–**	–
N6,500,001 – N7,800,000	**631**	666	**524**	561
N7,800,001 – N9,000,000	**476**	509	**425**	464
N9,000,001 – above	**927**	1,017	**793**	899
	12,285	12,770	**9,287**	9,795

NOTES TO THE FINANCIAL STATEMENTS

(continued)

43. COMPENSATION TO EMPLOYEES AND DIRECTORS (continued)

(iii) Directors

	Group		Bank	
In millions of Nigerian Naira	December 2016	December 2015	December 2016	December 2015
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	**40**	40	**40**	40
Executive compensation	**645**	547	**645**	547
Termination benefits	**884**	–	**884**	–
Retirement benefit costs	**19**	16	**19**	16
	1,588	**603**	**1,588**	**603**
Fees and other emoluments disclosed above includes amounts paid to:				
The Chairman	**2**	3	**2**	3
The highest paid sitting Director	**119**	125	**119**	125
The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:				
N1,000,001 - N3,000,000	**–**	1	**–**	1
N3,000,001 - N5,000,000	**10**	8	**10**	8
N5,500,001 and above	**9**	7	**9**	7
	19	**16**	**19**	**16**

44. TRANSACTIONS REQUIRING REGULATORY APPROVAL

The rules of the Financial Reporting Council of Nigeria require that transactions or agreements requiring registration by regulatory bodies in Nigeria shall only be recognised in the financial statements to the extent that approval is obtained. For transactions recognised, the relevant registration details are required to be disclosed. The Bank obtained the approval of the National Office for Technology and Promotion (NOTAP) for some information technology transactions, the cost of which have been recognised in these financial statements. Details of transactions for which regulatory approval was sought and obtained as well as payments made during the year are as disclosed below:

S/n	Transaction involved	Registration certificate number	Approved basis and amount ($'000)	Certificate validity	2016 N'million	2015 N'million
1	Actimize End User License Agreement between Mint Crest Corporation (Panama) and United Bank for Africa Plc	NOTAP/AG/ FI/873/74/44	518.92	4 Jan 2016 to 3 Jan 2017	**158**	–
2	Addendum to Software License & Services Agreement between Edgeverve Systems Limited (India) and United Bank for Africa Plc	NOTAP/AG/ FI/873/75/93	805.20	6 Aug 2016 to 5 Aug 2017	**246**	–
3	Entrust e-Tokens Provision and End User License Agreement between Mint Crest Corporation (Panama) and United Bank for Africa Plc	NOTAP/AG/ FI/873/76/64	3,520.00	22 Aug 2016 to 21 Aug 2017	**1,074**	–
4	Software License Agreement between Thomson Reuters Limited (USA) and United Bank for Africa Plc	NOTAP/AG/ FI/873/72/66	163.75	15 Dec 2014 to 14 Dec 2017	**–**	33
5	Enterprise Software Agreement between Microsoft Ireland Operations (Dublin) and United Bank for Africa Plc	NOTAP/AG/ FI/873/69/194	7,159.09	30 Jun 2014 to 29 Jun 2017	**–**	428
					1,478	461

1 *NOTAP approval was received for one year, effective January 2016, for an Actimize end-user license agreement with Mint Crest Corporation. The approval expires in January 2017.*

2 *NOTAP issued an approval for one year for payment of the use of Finacle software. A total payment of N246 million was made to Edgeverve Systems for this service. The license agreement expires in August 2017.*

3 *The entrust e-Tokens license agreement with Mint Crest Corporation was approved by NOTAP in 2016 for a validity period of one year.*

4 *NOTAP approval was received for a period of three years, effective December 2014, for a software license agreement with Thomson Reuters Limited. During this period, a total amount of N33 million was paid to Thomson Reuters. The approval expires in 2017.*

5 *The software agreement with Microsoft was approved by NOTAP in 2014 for a validity period of three years. A total payment of N1,206 million was made between 2014 and 2015 to Microsoft Limited with N428 million paid in 2015. The approval expires in 2017.*

NOTES TO THE FINANCIAL STATEMENTS

(continued)

45. NON-AUDIT SERVICES

During the year, the Bank's external auditors (PricewaterhouseCoopers) rendered non-audit services to the Bank. The non-audit services related to training of selected UBA Plc employees on transfer pricing. The total amount paid by UBA Plc for this service was N1.47 million. This amount is included as part of "training and human development expenses" in "other operating expenses" in Note 19.

46. RESTATEMENT OF COMPARATIVES

Certain items in the statement of comprehensive income for the comparative period were reclassified in other to align with current year presentation which is deemed to provide information that is more relevant to users of the financial statements. The revised persentation is likely to continue, so that comparability is not impaired. The amounts reclassified and the affected lines in the statement of comprehensive income are as shown below:

		Group	Bank
	In millions of Nigerian Naira	December 2016	December 2015
(i)	**Interest income**		
	Amount as previously presented	**233,969**	190,259
	Reclassified to net trading and foreign exchange income (note ii)	**(4,340)**	(4,340)
	Amount as re-presented	**229,629**	185,919
(ii)	**Net trading and foreign exchange income**		
	Amount as previously presented	**16,026**	8,275
	Reclassified to interest income (note i)	**4,340**	4,340
	Amount as re-presented	**20,366**	12,615
(iii)	**Other operating income**		
	Amount as previously presented	**2,943**	6,727
	Reclassified to other operating expenses (note iv)	**14**	14
	Amount as re-presented	**2,957**	6,741
(iv)	**Other operating expenses**		
	Amount as previously presented	**71,212**	54,923
	Reclassified to other operating expenses (note iii)	**14**	14
	Amount as re-presented	**71,226**	54,937

47. COMPLIANCE WITH BANKING REGULATIONS

During the year, the Bank paid the following penalties in relation to non-compliance with banking regulations:

In millions of Nigerian Naira Description	Amount
Penalty in respect of customer using ATM cards issued to other customers related to him	48.00
Penalty for failing to file timely reports on suspicious transactions of some customers	30.00
Penalty for omission of an updated means of identification in the customer's file	4.00
Penalty for infractions on late processing of monthly pension payments on behalf of various organizations	2.49
Penalty for processing payment for software license for a customer prior to receipt of NOTAP/NCC approved agreement	2.00
Penalty for errors in charges applied to PFA accounts which were not reversed within the agreed turnaround time	1.15
Total	**87.64**

48. EVENTS AFTER THE REPORTING DATE

No significant event that requires special disclosure occurred between the reporting date and the date when the financial statements were issued.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

49. CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES

For the year ended 31 December 2016

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Côte D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statement of comprehensive income								
Operating income	30,833	1,952	4,738	5,947	1,467	2,169	2,630	3,633
Total operating expenses	(9,371)	(1,538)	(3,706)	(3,017)	(1,380)	(1,687)	(1,870)	(3,486)
Net impairment gain/(loss) on financial assets	(6,413)	18	(428)	(416)	(30)	(49)	(47)	436
Profit before income tax	15,049	432	604	2,514	57	433	713	583
Income tax expense	(4,766)	(43)	–	(469)	306	(112)	(294)	(47)
Profit for the year	10,283	389	604	2,045	363	321	419	536
Condensed statements of financial position								
Assets								
Cash and bank balances	51,197	12,959	6,266	24,827	1,153	14,503	9,218	7,863
Financial assets held for trading	–	–	–	–	–	–	–	–
Derivative assets	–	–	–	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–	–	–
Loans and advances to customers	133,846	7,261	29,565	39,143	9,422	17,663	18,528	18,659
Investment securities	81,879	3,709	29,660	32,249	5,252	18,758	1,973	67,804
Other assets	3,086	699	1,261	2,639	318	3,031	138	626
Investments in equity-accounted investee	–	–	–	–	–	–	–	–
Investments in subsidiaries	–	–	–	–	–	–	–	–
Property and equipment	1,015	572	584	872	160	475	207	1,997
Intangible assets	86	–	14	2	43	4	35	4
Deferred tax assets	109	–	–	–	924	–	–	–
	271,218	25,200	67,350	99,732	17,272	54,434	30,099	96,953
Financed by								
Derivative liabilities	–	–	–	–	–	–	–	–
Deposits from banks	20,628	–	24,754	20,936	4,239	7,577	–	17,049
Deposits from customers	215,646	18,373	37,080	62,999	5,895	39,497	22,069	73,983
Other liabilities	11,050	1,591	2,333	3,854	127	926	2,201	1,894
Current tax liabilities	–	43	–	12	–	112	294	47
Subordinated liabilities	–	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–	–
Total equity	23,894	5,193	3,183	11,931	7,011	6,322	5,535	3,980
	271,218	25,200	67,350	99,732	17,272	54,434	30,099	96,953
Condensed cash flows								
Net cash from operating activities	55,190	11,733	16,415	28,428	(2,391)	4,563	3,448	35,929
Net cash from financing activities	(1,681)	–	–	–	1,974	–	–	–
Net cash from investing activities	(12,190)	(3,311)	(13,758)	(14,358)	(4,558)	4,240	185	(30,218)
Increase/(decrease) in cash and cash equivalents	41,319	8,422	2,657	14,070	(4,975)	8,803	3,633	5,711
Cash and cash equivalents at beginning of year	9,878	4,537	3,609	10,757	6,128	5,700	5,585	2,152
Cash and cash equivalents at end of year	51,197	12,959	6,266	24,827	1,153	14,503	9,218	7,863

49. CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the year ended 31 December 2016

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazzaville	UBA Mozam-bique	UBA Cameroun	UBA Pension Custodian
Condensed statements of comprehensive income								
Operating income	2,081	7,034	4,072	2,149	7,221	352	8,716	4,967
Total operating expenses	(919)	(4,779)	(2,035)	(1,703)	(3,784)	(780)	(4,977)	(1,159)
Net impairment gain/(loss) on financial assets	3	92	(193)	(55)	(13)	(2)	(1,468)	–
Profit/(loss) before income tax	1,165	2,347	1,844	391	3,424	(430)	2,271	3,808
Income tax expense	(405)	(54)	(563)	1,924	(1,008)	–	(1,076)	(1,035)
Profit/(loss) for the year	760	2,293	1,281	2,315	2,416	(430)	1,195	2,773
Condensed statements of financial position								
Assets								
Cash and bank balances	7,110	10,048	29,506	4,920	11,993	3,986	42,490	1
Financial assets held for trading	–	–	–	–	–	–	–	–
Derivative assets	–	–	–	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–	–	–
Loans and advances to customers	2,510	41,946	21,057	1,560	29,977	666	57,485	67
Investment securities	7,536	109,235	7,453	6,060	12,808	806	38,133	6,742
Other assets	180	1,497	662	479	528	174	1,843	909
Investments in equity-accounted investee	–	–	–	–	–	–	–	–
Investments in subsidiaries	–	–	–	–	–	–	–	–
Property and equipment	451	3,528	699	123	818	71	1,040	43
Intangible assets	–	28	11	34	23	20	24	98
Deferred tax assets	–	20	20	1,924	–	–	–	36
	17,787	166,302	59,408	15,100	56,147	5,723	141,015	7,896
Financed by:								
Derivative liabilities	–	–	–	–	–	–	–	–
Deposits from banks	–	35,565	3,802	549	9,497	–	3,160	97
Deposits from customers	12,901	117,245	47,945	6,869	31,561	4,228	116,612	–
Other liabilities	486	1,446	416	2,436	3,022	18	9,555	2,697
Current tax liabilities	242	12	570	–	1,006	–	1,076	1,028
Subordinated liabilities	–	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–	–
Deferred tax liabilities	25	–	–	–	–	–	–	–
Total equity	4,133	12,034	6,675	5,246	11,061	1,477	10,612	4,074
	17,787	166,302	59,408	15,100	56,147	5,723	141,015	7,896
Condensed cash flows								
Net cash from operating activities	1,931	43,248	26,486	1,241	9,397	1,139	27,960	(81)
Net cash from financing activities	–	–	–	987	–	987	(216)	–
Net cash from investing activities	(361)	(38,434)	(2,334)	(1,582)	(7,929)	(96)	(11,785)	(666)
Increase/(decrease) in cash and cash equivalents	1,570	4,814	24,152	646	1,468	2,030	15,959	(747)
Cash and cash equivalents at beginning of year	5,540	5,234	5,354	4,274	10,525	1,956	26,531	748
Cash and cash equivalents at end of year	7,110	10,048	29,506	4,920	11,993	3,986	42,490	1

NOTES TO THE FINANCIAL STATEMENTS

(continued)

49. CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the year ended 31 December 2016

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA Capital Europe	SSIT	UBA RFS Limited	Bank	Group Adjust-ments	Group
Condensed statements of comprehensive income									
Operating income	647	1,834	–	1,503	1,240	–	190,231	(14,527)	270,889
Total operating expenses	(940)	(1,541)	–	(1,593)	(685)	–	(107,061)	5,510	(152,501)
Net impairment gain/(loss) on financial assets	21	42	–	–	–	–	(25,521)	6,340	(27,683)
Share of loss of equity-accounted investee	–	–	–	–	–	–	–	(63)	(63)
Profit/loss) before income tax	(272)	335	–	(90)	555	–	57,649	(2,740)	90,642
Income tax expense	(219)	(248)	–	(37)	(124)	–	(10,108)	–	(18,378)
Profit/(loss) for the year	(491)	87	–	(127)	431	–	47,541	(2,740)	72,264
Condensed statements of financial position									
Assets									
Cash and bank balances	2,804	4,436	672	13,143	–	455	610,910	(109,530)	760,930
Financial assets held for trading	–	–	–	–	–	–	52,295	–	52,295
Derivative assets	–	–	–	–	–	–	10,642	–	10,642
Loans and advances to banks	–	–	–	–	–	–	23,850	(1,085)	22,765
Loans and advances to customers	4,284	3,885	–	27,305	–	2	1,090,355	(49,867)	1,505,319
Investment securities	3,300	777	99	5,248	10,082	–	533,016	(12,187)	970,392
Other assets	430	427	–	449	–	114	31,192	(12,833)	37,849
Investments in equity-accounted investee	–	–	–	–	–	–	1,770	1,155	2,925
Investments in subsidiaries	–	–	–	–	–	–	70,702	(70,702)	–
Property and equipment	59	437	2	325	–	203	80,252	–	93,932
Intangible assets	13	11	–	482	–	–	4,905	8,524	14,361
Deferred tax assets	314	17	–	–	–	–	29,696	–	33,060
	11,204	9,990	773	46,952	10,082	774	2,539,585	(246,525)	3,504,470
Financed by:									
Derivative liabilities	–	–	–	–	–	–	14	–	14
Deposits from banks	4,111	4	–	25,869	–	–	30,484	(99,241)	109,080
Deposits from customers	4,782	6,547	–	284	–	70	1,698,859	(37,835)	2,485,610
Other liabilities	83	209	677	5,929	–	36	72,901	(13,291)	110,596
Current tax liabilities	3	168	–	–	–	–	522	–	5,134
Subordinated liabilities	–	–	–	–	–	–	85,978	–	85,978
Borrowings	–	–	–	–	29,772	–	259,927	(29,772)	259,927
Deferred tax liabilities	–	–	–	37	–	–	–	–	62
Total Equity	2,225	3,062	96	14,833	(19,690)	668	390,900	(66,386)	448,069
	11,204	9,990	773	46,952	10,082	774	2,539,585	(246,525)	3,504,470

NOTES TO THE FINANCIAL STATEMENTS

(continued)

49. CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the year ended 31 December 2016

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA Capital Europe	SSIT	UBA RFS Limited	Bank	Group Adjust-ments	Group
Condensed statements of comprehensive income (continued)									
Condensed cash flows									
Net cash from operating activities	912	2,255	–	7,385	(1,831)	–	(213,392)	(29,854)	30,111
Net cash from financing activities	987	–	–	–	–	–	99,264	(1,509)	100,793
Net cash from investing activities	(1,110)	(352)	–	2,967	1,831	–	27,822	(85,056)	(191,053)
Increase/(decrease) in cash and cash equivalents	789	1,903	–	10,352	–	–	(86,306)	(116,419)	(60,149)
Effects of exchange rate changes on cash and cash equivalents	–	–	–	–	–	–	32,136	61,200	93,336
Cash and cash equivalents at beginning of year	2,015	2,533	672	2,791	–	455	290,586	(59,704)	347,856
Cash and cash equivalents at end of year	2,804	4,436	672	13,143	–	455	236,416	(114,923)	381,043

49. CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the year ended 31 December 2015

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Côte D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statement of comprehensive income								
Operating income	17,082	969	3,615	4,387	1,341	4,620	2,001	4,360
Total operating expenses	(9,860)	(777)	(3,228)	(2,527)	(1,691)	(1,872)	(1,545)	(3,634)
Net impairment gain/(loss) on financial assets	(344)	(24)	174	70	(243)	(385)	(53)	(92)
Profit/(loss) before income tax	**6,878**	**168**	**561**	**1,930**	**(593)**	**2,363**	**403**	**634**
Income tax expense	(2,050)	(20)	(4)	(225)	75	(938)	(70)	(40)
Profit/(loss) for the year	**4,828**	**148**	**557**	**1,705**	**(518)**	**1,425**	**333**	**594**
Condensed statements of financial position								
Assets								
Cash and bank balances	9,878	4,537	3,609	10,757	6,128	5,700	5,585	2,152
Financial assets held for trading	–	–	–	–	–	–	–	–
Derivative assets	–	–	–	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–	–	–
Loans and advances to customers	42,584	3,590	14,342	20,763	5,189	6,108	10,634	15,461
Investment securities	72,228	707	15,587	15,441	2,729	21,725	901	38,062
Other assets	2,449	388	8,567	646	196	607	77	945
Investments in equity-accounted investee	–	–	–	–	–	–	–	–
Investments in subsidiaries	–	–	–	–	–	–	–	–
Property and equipment	542	255	237	499	106	325	184	941
Intangible assets	54	8	127	2	36	28	20	7
Deferred tax assets	91	–	–	–	618	–	–	–
	127,826	**9,485**	**42,469**	**48,108**	**15,002**	**34,493**	**17,401**	**57,568**
Financed by:								
Derivative liabilities	–	–	–	–	–	–	–	–
Deposits from banks	14,494	–	20,940	6,409	4,651	1,839	–	4,989
Deposits from customers	93,507	6,442	17,891	31,311	7,984	26,322	12,486	46,907
Other liabilities	2,222	640	1,378	3,100	473	898	1,318	2,812
Current tax liabilities	1,958	20	230	225	17	938	70	40
Subordinated liabilities	–	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–	–
Total equity	15,645	2,383	2,030	7,063	1,877	4,496	3,527	2,820
	127,826	**9,485**	**42,469**	**48,108**	**15,002**	**34,493**	**17,401**	**57,568**
Condensed cash flows								
Net cash from operating activities	(28,126)	(1,929)	2,398	146	880	(2,918)	(56)	(10,541)
Net cash from financing activities	(2,939)	181	(1,461)	(523)	1,019	(848)	76	(534)
Net cash from investing activities	(34)	(22)	34	(163)	38	(16)	(6)	68
Increase/(decrease) in cash and cash equivalents	(31,099)	(1,770)	971	(540)	1,937	(3,782)	14	(11,007)
Effects of exchange rate changes on cash and cash equivalents	(3)	–	–	–	(1)	–	(1)	–
Cash and cash equivalents at beginning of year	40,980	6,307	2,638	11,297	4,192	9,482	5,572	13,159
Cash and cash equivalents at end of year	**9,878**	**4,537**	**3,609**	**10,757**	**6,128**	**5,700**	**5,585**	**2,152**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

49. CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the year ended 31 December 2015

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazzaville	UBA Mozam-bique	UBA Cameroun	UBA Pension Custodian
Condensed statements of comprehensive income								
Operating income	1,778	7,444	2,400	1,470	4,866	836	7,481	4,712
Total operating expenses	(910)	(5,734)	(1,667)	(1,469)	(2,638)	(1,225)	(5,320)	(1,050)
Net impairment gain/(loss) on financial assets	(3)	(329)	(114)	(36)	(117)	(59)	(245)	–
Profit/(loss) before income tax	**865**	**1,381**	**619**	**(35)**	**2,111**	**(448)**	**1,916**	**3,662**
Income tax expense	(1)	(40)	(284)	(106)	(177)	–	(693)	(979)
Profit/(loss) for the year	**864**	**1,341**	**335**	**(141)**	**1,934**	**(448)**	**1,223**	**2,683**
Condensed statements of financial position								
Assets								
Cash and bank balances	5,540	5,234	5,354	4,274	10,525	1,956	26,531	748
Financial assets held for trading	–	–	–	–	–	–	–	–
Derivative assets	–	–	–					
Loans and advances to banks	–	–	–	–	–	–	–	–
Loans and advances to customers	1,296	25,839	10,918	1,965	22,147	1,857	37,559	–
Investment securities	6,196	68,970	3,409	2,636	2,637	689	26,659	6,039
Other assets	–	1,932	260	233	1,529	199	569	852
Investments in equity-accounted investee	–	–	–	–	–	–	–	–
Investments in subsidiaries	–	–	–	–	–	–	–	–
Property and equipment	325	2,455	518	229	419	97	658	47
Intangible assets	–	6	11	18	17	15	95	131
Deferred tax assets	–	14	–	–	–	–	–	46
	13,357	**104,450**	**20,470**	**9,355**	**37,274**	**4,813**	**92,071**	**7,863**
Financed by:								
Derivative liabilities	–	–	–	–	–	–	–	–
Deposits from banks	396	23,382	–	–	32	–	–	–
Deposits from customers	9,632	73,550	16,197	6,878	29,048	3,230	77,045	–
Other liabilities	265	662	501	1,192	2,019	1,134	7,301	3,147
Current tax liabilities	21	41	269	106	177	–	693	982
Subordinated liabilities	–	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–	–
Deferred tax liabilities	15	–	–	–	–	–	–	–
Total equity	3,028	6,815	3,503	1,179	5,998	449	7,032	3,734
	13,357	**104,450**	**20,470**	**9,355**	**37,274**	**4,813**	**92,071**	**7,863**
Condensed cash flows								
Net cash from operating activities	927	(1,017)	(1,908)	(1,727)	2,259	409	5,822	2,536
Net cash from financing activities	1,426	(674)	159	(42)	28	852	(422)	(2,507)
Net cash from investing activities	(75)	(233)	(5)	8	10	77	(145)	(12)
Increase/(decrease) in cash and cash equivalents	2,278	(1,924)	(1,754)	(1,761)	2,297	1,338	5,255	17
Effects of exchange rate changes on cash and cash equivalents	(1)	(1)	–	1	–	1	1	–
Cash and cash equivalents at beginning of year	**3,263**	**7,159**	**7,108**	**6,034**	**8,228**	**617**	**21,275**	**731**
Cash and cash equivalents at end of year	**5,540**	**5,234**	**5,354**	**4,274**	**10,525**	**1,956**	**26,531**	**748**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

49. CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the year ended 31 December 2015

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA Capital Europe	SSIT	UBA RFS Limited	Bank	Group Adjust-ments	Group
Operating income	1,446	1,620	14	1,523	513	–	157,463	(21,697)	210,243
Total operating expenses	(1,622)	(1,472)	(5)	(1,797)	(474)	–	(103,237)	17,127	(136,626)
Net impairment gain/(loss) on financial assets	110	(56)	–	65	–	–	(3,491)	119	(5,053)
Share of loss of equity-accounted investee	–	–	–	–	–	–	–	(110)	(110)
Profit/loss) before income tax	**(66)**	**92**	**9**	**(209)**	**39**	**–**	**50,735**	**(4,561)**	**68,454**
Income tax expense	(94)	(26)	–	–	(62)	–	(3,093)	27	(8,800)
Profit/(loss) for the year	**(160)**	**66**	**9**	**(209)**	**(23)**	**–**	**47,642**	**(4,534)**	**59,654**
Condensed statements of financial position									
Assets									
Cash and bank balances	2,015	2,533	672	2,791	–	455	590,774	(52,377)	655,371
Financial assets held for trading	–	–	–	–	–	–	11,249	–	11,249
Derivative assets	–	–	–	–	–	–	1,809	–	1,809
Loans and advances to banks	–	–	–	–	–	–	14,591	9	14,600
Loans and advances to customers	9,288	4,592	–	21,135	–	2	822,694	(41,326)	1,036,637
Investment securities	2,212	–	99	3,175	7,820	–	568,203	(9,254)	856,870
Other assets	44	302	–	3,702	–	114	22,528	(5,651)	40,488
Investments in equity-accounted investee	–	–	–	–	–	–	1,770	466	2,236
Investments in subsidiaries	–	–	–	–	–	–	65,767	(65,767)	–
Property and equipment	38	374	2	229	–	203	80,145	–	88,825
Intangible assets	12	3	–	151	–	–	4,954	5,674	11,369
Deferred tax assets	530	17	–	–	–	–	31,853	–	33,168
	14,139	**7,821**	**773**	**31,183**	**7,820**	**774**	**2,216,337**	**(168,226)**	**2,752,622**
Financed by:									
Derivative liabilities	–	–	–	–	–	–	327	–	327
Deposits from banks	6,826	869	–	–	–	–	350	(24,111)	61,066
Deposits from customers	5,919	4,341	–	18,937	–	70	1,627,060	(33,053)	2,081,704
Other liabilities	388	67	677	2,748	–	36	34,219	(12,312)	54,885
Current tax liabilities	–	65	–	5	–	–	634	–	6,488
Subordinated liabilities	–	–	–	–	–	–	85,620	–	85,620
Borrowings	–	–	–	–	30,491	–	129,896	(30,491)	129,896
Deferred tax liabilities	–	–	–	–	–	–	–	–	15
Total equity	1,006	2,479	96	9,493	(22,671)	668	338,231	(68,259)	332,621
	14,139	**7,821**	**773**	**31,183**	**7,820**	**774**	**2,216,337**	**(168,226)**	**2,752,622**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

49. CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the year ended 31 December 2015

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA Capital Europe	SSIT	UBA RFS Limited	Bank	Group Adjust-ments	Group
Condensed statements of comprehensive income (continued)									
Condensed cash flows									
Net cash from operating activities	(956)	690	329	(5,505)	2,183	–	58,408	88,577	110,881
Net cash from financing activities	358	245	–	660	(2,126)	–	12,787	8,100	13,815
Net cash from investing activities	25	13	1	(192)	(57)	–	(118,722)	(77,465)	(196,872)
Increase/(decrease) in cash and cash equivalents	**(573)**	**948**	**330**	**(5,037)**	**–**	**–**	**(47,527)**	**19,212**	**(72,176)**
Effects of exchange rate changes on cash and cash equivalents	(1)	1	–	(1)	–	–	913	(1,447)	(539)
Cash and cash equivalents at beginning of year	2,589	1,584	342	7,829	–	455	337,200	(77,469)	420,571
Cash and cash equivalents at end of year	**2,015**	**2,533**	**672**	**2,791**	**–**	**455**	**290,586**	**(59,704)**	**347,856**

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED

For the year ended 31 Dcember

	2016		2015	
	N' million	%	N' million	%
Group				
Gross revenue	**383,647**		314,844	
Interest paid	**(98,770)**		(96,030)	
	284,877		218,814	
Administrative overheads:				
– local	**(90,784)**		(63,879)	
– foreign	**(2,504)**		(16,014)	
Value added	**191,589**	**100**	**138,921**	**100**
Distribution				
Employees				
– Salaries and benefits	**64,614**	**34**	57,446	41
Government				
– Taxation	**18,378**	**10**	8,800	7
The future				
– Asset replacement (depreciation and amortization)	**8,650**	**4**	7,968	6
– Asset replacement (provision for losses)	**27,683**	**14**	5,053	4
– Expansion (transfer to reserves and non-controlling interest)	**72,264**	**38**	59,654	42
	191,589	**100**	**138,921**	**100**
Bank				
Gross revenue	**269,895**		247,378	
Interest paid	**(68,525)**		(83,161)	
	201,370		**164,217**	
Administrative overheads:				
– local	**(68,297)**		(60,560)	
– foreign	**(121)**		(1,117)	
Value added	**132,952**	**100**	**102,540**	**100**
Distribution				
Employees				
– Salaries and benefits	**43,501**	**32**	42,033	41
Government				
– Taxation	**10,108**	**8**	3,093	3
The future				
– Asset replacement (depreciation and amortization)	**6,281**	**5**	6,281	6
– Asset replacement (provision for losses)	**25,521**	**19**	3,491	3
– Expansion (transfer to reserves and non-controlling interest)	**47,541**	**36**	47,642	47
	132,952	**100**	**102,540**	**100**

OTHER NATIONAL DISCLOSURES (continued)

GROUP FIVE-YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

In millions of Nigerian Naira	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Assets					
Cash and bank balances	760,930	655,371	812,359	716,803	714,115
Financial assets held for trading	52,295	11,249	1,099	784	457
Derivative assets	10,642	1,809	6,534	3,265	–
Loans and advances to banks	22,765	14,600	48,093	26,251	28,513
Loans and advances to customers	1,505,319	1,036,637	1,071,859	937,620	658,922
Investment securities	970,392	856,870	657,523	811,206	680,817
Other assets	37,849	40,488	30,057	30,436	18,598
Investments in equity-accounted investee	2,925	2,236	2,986	2,977	–
Property and equipment	93,932	88,825	89,517	75,409	70,746
Intangible assets	14,361	11,369	9,430	7,356	7,568
Deferred tax assets	33,060	33,168	33,116	30,189	29,624
Non-current assets held for distribution		–			63,563
Total assets	**3,504,470**	**2,752,622**	**2,762,573**	**2,642,296**	**2,272,923**
Liabilities					
Derivative liabilities	14	327	943	31	124
Deposits from banks	109,080	61,066	59,228	60,582	57,780
Deposits from customers	2,485,610	2,081,704	2,169,663	2,161,182	1,720,008
Other liabilities	110,596	54,885	63,566	78,071	81,438
Current tax liabilities	5,134	6,488	4,615	2,861	1,274
Borrowings	259,927	129,896	113,797	48,866	114,520
Subordinated liabilities	85,978	85,620	85,315	55,653	53,719
Deferred tax liabilities	62	15	40	14	59
Liabilities held for distribution	–	–	–	–	51,534
Total liabilities	**3,056,401**	**2,420,001**	**2,497,167**	**2,407,260**	**2,080,456**
Equity					
Share capital and share premium	135,514	135,514	124,423	124,423	124,423
Reserves	299,337	190,313	135,507	103,226	64,683
Equity attributable to equity - Holders of the bank	434,851	325,827	259,930	227,649	189,106
Non-controlling interest	13,218	6,794	5,476	7,387	3,361
Total equity	448,069	332,621	265,406	235,036	192,467
Total liabilities and equity	**3,504,470**	**2,752,622**	**2,762,573**	**2,642,296**	**2,272,923**

GROUP FIVE-YEAR FINANCIAL SUMMARY (continued)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

In millions of Nigerian Naira	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Net operating income	270,889	210,257	189,060	176,993	159,216
Operating expenses	(152,501)	(136,640)	(129,686)	(107,851)	(102,592)
Net impairment loss on loans and receivables	(27,683)	(5,053)	(3,183)	(13,078)	(4,560)
Share of profit/(loss) of equity-accounted investee	(63)	(110)	9	(6)	(54)
Profit before taxation	**90,642**	**68,454**	**56,200**	**56,058**	**52,010**
Taxation	(18,378)	(8,800)	(8,293)	(9,457)	(533)
Profit after taxation	72,264	59,654	47,907	46,601	51,477
Profit from discontinued operations	–	–	–	–	3,289
Profit for the year	**72,264**	**59,654**	**47,907**	**46,601**	**54,766**
– Non-controlling interest	2,860	1,050	886	684	102
– Equity holders of the parent	69,404	58,604	47,021	45,917	54,664
Other comprehensive income for the year	65,886	6,168	(2,562)	7,101	764
Total comprehensive income for the year	**138,150**	**65,822**	**45,345**	**53,702**	**55,530**

OTHER NATIONAL DISCLOSURES (continued)

COMPANY FIVE-YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

In millions of Nigerian Naira	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Assets					
Cash and bank balances	**610,910**	590,774	749,716	620,426	629,481
Financial assets held for trading	**52,295**	11,249	1,099	777	456
Derivative assets	**10,642**	1,809	6,534	3,265	–
Loans and advances to banks	**23,850**	14,591	48,991	26,251	27,878
Loans and advances to customers	**1,090,355**	822,694	884,587	796,942	570,714
Investment securities	**533,016**	568,203	442,909	585,445	527,994
Other assets	**31,192**	22,528	21,136	19,069	11,159
Investments in subsidiaries	**70,702**	65,767	65,767	65,767	66,727
Investments in equity-accounted investee	**1,770**	1,770	1,770	1,770	–
Property and equipment	**80,252**	80,145	81,050	67,661	63,118
Intangible assets	**4,905**	4,954	3,446	1,401	1,578
Deferred tax assets	**29,696**	31,853	31,853	28,643	28,152
Non-current assets held for distribution	**–**	–	–	–	5,808
Total assets	**2,539,585**	**2,216,337**	**2,338,858**	**2,217,417**	**1,933,065**
Liabilities					
Derivative liabilities	**14**	327	943	31	124
Deposits from banks	**30,484**	350	1,526	–	22,875
Deposits from customers	**1,698,859**	1,627,060	1,812,277	1,797,376	1,461,131
Current tax liabilities	**522**	634	1,858	1,602	1,325
Subordinated liabilities	**85,978**	85,620	85,315	55,653	55,474
Borrowings	**259,927**	129,896	113,797	48,866	114,520
Other liabilities	**72,901**	34,219	41,209	54,351	57,299
Total liabilities	**2,148,685**	**1,878,106**	**2,056,925**	**1,957,879**	**1,712,748**
Equity					
Share capital and share premium	**135,514**	135,514	124,423	124,423	124,423
Reserves	**255,386**	202,717	157,510	135,115	95,894
Total equity	**390,900**	338,231	281,933	259,538	220,317
Total liabilities and equity	**2,539,585**	**2,216,337**	**2,338,858**	**2,217,417**	**1,933,065**

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

Net operating income	**190,231**	157,477	144,140	137,944	124,356
Operating expenses	**(107,061)**	(103,251)	(99,226)	(85,922)	(75,393)
Net impairment loss on loans and receivables	**(25,521)**	(3,491)	(2,536)	(181)	(2,783)
Profit before taxation	**57,649**	**50,735**	**42,378**	**51,841**	**46,180**
Taxation	**(10,108)**	(3,093)	(2,295)	(5,358)	1,195
Profit/(loss) for the year	**47,541**	**47,642**	**40,083**	**46,483**	**47,375**
Other comprehensive income for the year	**26,896**	8,119	(1,197)	9,167	3,534
Total comprehensive income/(loss) for the year	**74,437**	**55,761**	**38,886**	**55,650**	**50,909**


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INVESTOR INFORMATION

INVESTOR INFORMATION

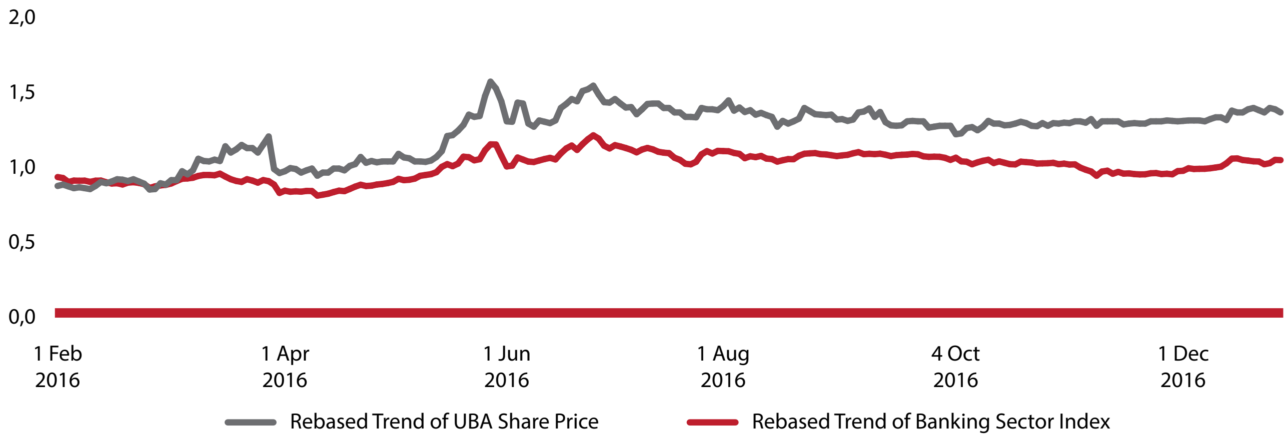
SHAREHOLDER INFORMATION

UBA is one of the largest financial services groups in Nigeria with presence in 22 countries. Its shares have been listed on the Nigerian Stock Exchange (NSE) since 1970. The Bank's current number of shares outstanding is 36,279,526,321 with an average daily trading volume of 32 million shares. A summary of its key share data is shown below.

SHARE DATA AS OF LAST TRADING DAY IN 2015

Year	2016	2015
NSE ticker	**UBA**	UBA
Bloomberg ticker	**UBA NL**	UBA NL
Share price (N)	**4.50**	3.38
Shares outstanding (million)	**36,279**	36,279
Market capitalisation (N billion)	**163,256**	122,623
Market capitalisation (US$ million)	**517.73**	616.20
12-month average trading volume (million)	**26.18**	32.29
52-week high share price (N)	**5.19**	5.61
52-week low share price (N)	**2.59**	2.99

SHARE PRICE PERFORMANCE



SHARE CAPITAL

The authorised share capital as of 31 December 2016 amounted to N22,500,000,000 consisting 45,000,000,000 shares of 50 kobo each. Of this amount 36,279,526,321 shares have been issued and fully paid for – and are listed on the Nigerian Stock Exchange for trading.

SHAREHOLDERS

As at end of 2016, UBA's shares were held by a total of shareholders as analyzed in the table below:

SHAREHOLDERS' RANGE ANALYSIS AS AT 31 DECEMBER 2016

Range	Holders	Holders %	Cumm	Units	Units %	Units Cumm
1 – 1,000	28,038	0.10	28,038	13,329,563	0.00	13,329,563
1,001 – 5,000	121,218	0.44	149,256	303,195,262	0.01	316,524,825
5,001 – 10,000	46,188	0.17	195,444	315,834,982	0.01	632,359,807
10,001 – 50,000	57,117	0.21	252,561	1,195,852,724	0.03	1,828,212,531
50,001 – 100,000	11,368	0.04	263,929	767,099,560	0.02	2,595,312,091
100,001 – 500,000	9,335	0.03	273,264	1,897,438,875	0.05	4,492,750,966
500,001 – 1,000,000	1,294	0.00	274,558	898,343,030	0.02	5,391,093,996
1,000,001 – 5,000,000	1,068	0.00	275,626	2,124,813,919	0.06	7,515,907,915
5,000,001– 10,000,000	124	0.00	275,750	874,289,721	0.02	8,390,197,636
10,000,001 – 50,000,000	110	0.00	275,860	2,217,968,686	0.06	10,608,166,322
50,000,001 – 100,000,000	13	0.00	275,873	882,960,105	0.02	11,491,126,427
100,000,001– 500,000,000	37	0.00	275,910	10,560,460,094	0.29	22,051,586,521
500,000,001 – 1,000,000,000	12	0.00	275,922	7,298,342,949	0.20	29,349,929,470
1,000,000,001 and above	4	0.00	275,926	6,929,596,851	0.19	36,279,526,321
	275,926	100		36,279,526,321	100	

TOP TEN SHAREHOLDERS AS AT 31 DECEMBER 2016

TOP TEN SHAREHODLERS	Holding (%)	Holding
UBA Staff Investment Trust Scheme	6.4	2,305,698,799
Heirs Holdings Limited	5.2	1,883,024,416
Consolidated Trust Funds	4.5	1,616,384,261
Pioneer Investment Management Ltd	4.4	1,593,469,709
STH Limited	3.3	1,183,724,334
Poshville Investments Limited	1.6	597,189,358
Afriac Horizon Capital	1.9	700,144,391
Atene Limited	1.7	609,061,600
International Finance Corporation	1.6	592,396,875
African Development Bank	1.5	517,563,476

**(Stanbic Nominees Nigeria Limited holds these shares on behalf of several investors under a nominee arrangement)*

INVESTOR INFORMATION

(continued)

TEN-YEAR HISTORY OF CAPITALISATION

Date	Authorised (N)	Issued and fully paid capital (N)	Consideration
1 August 2005	**6,000,000,000**	3,530,000,000	Merger with STB
22 February 2007	**6,000,000,000**	4,236,000,000	Bonus (1:5)
4 May 2007	**6,000,000,000**	4,290,214,286	Foreign Loan Stock Conversion
25 September 2007	**6,000,000,000**	5,645,139,990	Cash (right and public offering)
18 January 2008	**7,500,000,000**	5,645,139,990	
18 June 2008	**12,500,000,000**	8,622,584,985	Bonus (1:2) (interim)
5 January 2009	**12,500,000,000**	10,778,231,231	Bonus (1:4) (Final)
2 October 2009	**17,500,000,000**	10,778,231,231	
13 May 2010	**17,500,000,000**	12,933,877,477	Bonus (1:5) (Final)
13 May 2011	**17,500,000,000**	16,167,346,850	Bonus (1:4) (Final)
18 May 2012	**22,500,000,000**	16,490,693,782	Bonus (1:50) (Final)
1 July 2015	**22,500,000,000**	18,139,763,161	Rights Issue

TEN-YEAR DIVIDEND PAYMENT HISTORY

Dividend number	Year ended	Date declared	Total amount	Dividend per share (N)
54	30 September 2007	18 January 2007	**13,796,000,000**	1.20
55	30 September 2008	18 June 2008	**2,874,194,995**	0.25
56	30 September 2008	8 January 2009	**12,933,877,478**	0.75
57	31 December 2009	13 May 2010	**2,155,646,246**	0.10
58	31 December 2011	13 May 2011	**1,293,387,748**	0.05
59	31 December 2012	10 June 2013	**16,490,693,783**	0.50
60	31 December 2013	28 April 2014	**16,490,693,783**	0.50
61	31 December 2014	27 April 2015	**3,298,138,757**	0.10
62	30 June 2015 Interim	16 September 2015	**7,255,905,264**	0.20
63	31 December 2015	14 March 2016	**14,511,810,528**	0.40
64	30 June 2016 Interim	25 August 2016	**7,255,905,264**	0.20

RECORD OF UNCLAIMED DIVIDEND AS AT 31 DECEMBER 2016

S/N	Dividend Year	No of years	Amount declared	Total Amount paid to date	Unclaimed dividend
1	2003		1,040,782,500.00	1,040,768,475.81	14,024.19
1	2004	12	1,387,710,000.00	1,386,078,330.22	1,631,669.78
2	2005	11	1,665,252,000.00	1,665,208,738.69	43,261.31
3	2006	10	6,986,560,000.00	6,979,485,856.90	7,074,143.10
4	2007	9	13,796,000,000.00	13,777,743,073.20	18,256,926.80
5	2008	8	2,874,194,995.00	2,866,781,624.56	7,413,370.44
6	2008	8	12,933,877,477.50	12,915,670,219.44	18,207,258.06
7	2009	7	2,155,646,246.20	2,012,839,786.97	142,806,459.23
8	2010	6	1,293,387,748.00	1,176,579,254.15	116,808,493.85
9	2012	5	16,490,693,782.50	14,518,907,923.81	1,971,785,858.69
10	2013	4	16,490,693,782.50	14,887,777,993.06	1,602,915,789.44
11	2014	3	3,298,138,756.50	2,954,507,849.47	343,630,907.03
12	2015	2	7,255,905,264.20	6,360,733,505.58	895,171,758.62
13	2016	1	14,511,810,528.40	12,727,085,128.24	1,784,725,400.16

CREDIT RATING SUMMARY

As at 31 December 2016	Fitch	GCR	Agusto
Short-term rating	B	A1+ (NG)	Aa- (NG)
Long-term rating	B	AA- (NG)	Aa- (NG)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 55th Annual General Meeting of members of United Bank for Africa Plc will hold at the Eko Hotels and Suites, Plot 1415, Adetokunbo Ademola Street, Victoria Island, Lagos State on Friday, April 7, 2017 at 10:00AM to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Accounts for the year ended 31st December, 2016 together with the reports of the Directors, Auditors, and the Audit Committee thereon
2. To declare a dividend
3. To elect/re-elect Directors
4. To authorise the Directors to fix the remuneration of the Auditors
5. To elect members of the Audit Committee

NOTES

1. Proxy

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

2. Dividend warrants

If the dividend recommended by the Directors is approved, dividend warrants will be posted on Monday, April 10, 2017 to all shareholders whose names are registered in the Company's Register of Members as at the close of business on Friday, March 31, 2017.

3. Closure of register of members

The Register of Members will be closed on Monday, April 3, 2017 for the purpose of paying a dividend.

4. Biographical details of Directors for re-election/election

Biographical details of Directors for re-election/election are provided in the Annual Report.

5. Questions from Shareholders

Shareholders and other holders of the Company's securities reserve the right to ask questions not only at the meeting, but also in writing prior to the meeting on any item contained in the Annual Report and Accounts. Please send questions to cfc@ubagroup.com not later than Friday, March 31, 2017.

6. Audit Committee

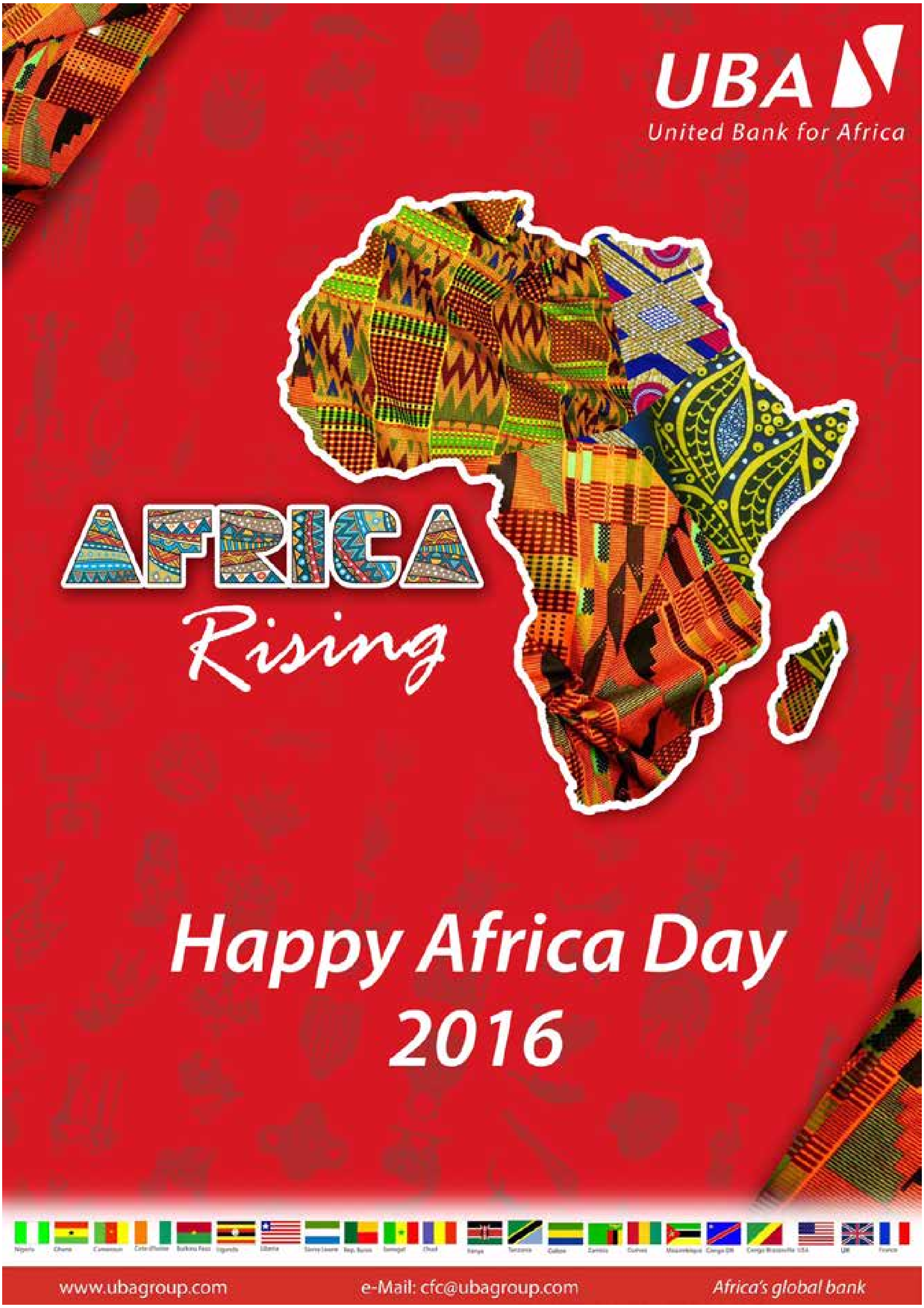
The Audit Committee consists of three shareholders and three Directors. Any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least twenty one days before the Annual General Meeting. The Securities and Exchange Commission's Code of Corporate Governance provides that members of the Audit Committee should have basic financial literacy and should be able to read financial statements. We therefore request that nominations be accompanied by a copy of the nominee's curriculum vitae.

Dated this 27th day of January, 2017.

By Order of the Board

BILI A. ODUM
Group Company Secretary

57 Marina, Lagos
FRC/2013/NBA/00000001954


UBA
United Bank for Africa
AFRICA
Rising
Happy Africa Day
2016
www.ubagroup.com
e-Mail: cfc@ubagroup.com
Africa's global bank

E-SERVICE/DATA UPDATE FORM

Africa Prudential Registrars Plc
RC NO: 649007

E-SERVICE/DATA UPDATE FORM

KINDLY FILL AND RETURN FORM TO ANY OF OUR OFFICE ADDRESSES STATED BELOW | * = COMPULSORY FIELDS

1. *SURNAME/COMPANY NAME
2. *FIRST NAME
3. OTHER NAME
4. *GENDER M F
5. E-MAIL
6. ALTERNATE E-MAIL
7. *DATE OF BIRTH D D M M Y Y Y Y
8. *MOBILE (1) (2)
9. *ADDRESS
10. OLD ADDRESS *(if any)*
11. *NATIONALITY
12. *OCCUPATION
13. *NEXT OF KIN NAME MOBILE
14. *MOTHER'S MAIDEN NAME
15. BANK NAME
16. A/C NO.
17. A/C NAME
18. A/C OPENING DATE D D M M Y Y Y Y
19. BANK VERIFICATION NO. (BVN)
20. NAME OF STOCKBROKING FIRM
20. CSCS CLEARING HOUSE NO. (CHN) C

Please tick against the company(ies) where you have shareholding

CLIENTELE	A/C No.
1. AFRICA PRUDENTIAL REGISTRARS PLC	
2. ABBEY MORTGAGE BANK PLC	
3. AFRILAND PROPERTIES PLC	
4. ALUMACO PLC	
5. A & G INSURANCE PLC	
6. A.R.M LIFE PLC	
7. ADAMAWA STATE GOVERNMENT BOND	
8. BECO PETROLEUM PRODUCTS PLC	
9. BUA GROUP	
10. BENUE STATE GOVERNMENT BOND	
11. CAP PLC	
12. CAPPA AND D'ALBERTO PLC	
13. CEMENT COY. OF NORTHERN NIG. PLC	
14. CSCS PLC	
15. CHAMPION BREWERIES PLC	
16. CWG PLC	
17. CORDROS MONEY MARKET FUND	
18. EBONYI STATE GOVERNMENT BOND	
19. GOLDEN CAPITAL PLC	
20. INFINITY TRUST MORTGAGE BANK PLC	
21. INTERNATIONAL BREWERIES PLC	
22. INVESTMENT & ALLIED ASSURANCE PLC	
23. JAIZ BANK PLC	
24. KADUNA STATE GOVERNMENT BOND	
25. LAGOS BUILDING INVESTMENT CO. PLC	
26. MED-VIEW AIRLINE PLC	
27. MIXTA REAL ESTATE PLC *(formerly ARM Properties Plc)*	
28. NEXANS KABLEMETAL NIG. PLC	
29. OMOLUABI MORTGAGE BANK PLC	
30. PERSONAL TRUST & SAVINGS LTD	
31. P.S MANDRIDES PLC	
32. PORTLAND PAINTS & PRODUCTS NIG. PLC	
33. PREMIER BREWERIES PLC	
34. RESORT SAVINGS & LOANS PLC	
35. ROADS NIGERIA PLC	
36. SCOA NIGERIA PLC	
37. TRANSCORP HOTELS PLC	
38. TRANSCORP PLC	
39. TOWER BOND	
40. THE LA CASERA CORPORATE BOND	
41. UACN PLC	
42. UBA BALANCED FUND	
43. UBA BOND FUND	
44. UBA EQUITY FUND	
45. UBA MONEY MARKET FUND	
46. UNITED BANK FOR AFRICA PLC	
47. UNITED CAPITAL PLC	
48. UNIC INSURANCE PLC	
49. UAC PROPERTY DEVELOPMENT COMPANY PLC	
50. UTC NIGERIA PLC	
51. WEST AFRICAN GLASS IND PLC	

OTHERS: ____________________

DECLARATION

"I hereby declare that the information I have provided is true and correct and that I shall be held personally liable for any of my personal details."

SIGNATURE ____________________ SIGNATURE ____________________

for joint/corporate accounts only

DISCLAIMER

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

HEAD OFFICE: 220B, Ikorodu Road, Palmgrove, Lagos. Tel: 07080606400
ABUJA: Infinity House (2nd Floor), 11 Kaura Namoda Street, Off Faskari Crescent, Area 3, Garki, Abuja. Tel: 09-2900873
PORT-HARCOURT: Plot 137, Olu-Obasanjo Road (2nd Floor). Tel: 084-303457
E-MAIL: info@africaprudentialregistrars.com | WEBSITE: www.africaprudentialregistrars.com
facebook.com/africaprudentialregistrarsplc twitter.com/APRPLC aprplc

E-SHARE REGISTRATION APPLICATION FORM

Africa Prudential Registrars Plc
RC NO: 649007

e-SHARE REGISTRATION APPLICATION FORM

Dear Registrar,

Please take this as authority to activate my account(s) on your SharePortal where I will be able to view and manage my investment portfolio online with ease.

* = **Compulsory fields**

1. *SURNAME/COMPANY NAME:
2. *FIRST NAME:
3. OTHER NAME:
4. SPOUSE' NAME:
5. *MOTHER'S MAIDEN NAME:
6. *E-MAIL:
7. ALTERNATE E-MAIL:
8. *MOBILE No.:
9. SEX: MALE ☐ FEMALE ☐
10. PHONE No. (HOME):
11. *POSTAL ADDRESS:
12. CSCS CLEARING HOUSE No.:
13. NAME OF STOCKBROKER:
14. OCCUPATION:
15. NATIONALITY:
16. NEXT OF KIN:

DECLARATION

"I hereby declare that the information I have provided is true and correct and that I shall be held personally liable for any of my personal details."

Signature: ______________________ Signature : ______________________
for joint/corporate accounts only

DISCLAIMER

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

Please tick against the company(ies) where you have shareholding

CLIENTELE	A/C No.
1. AFRICA PRUDENTIAL REGISTRARS PLC	☐
2. ABBEY MORTGAGE BANK PLC	☐
3. AFRILAND PROPERTIES PLC	☐
4. ALUMACO PLC	☐
5. A & G INSURANCE PLC	☐
6. A.R.M LIFE PLC	☐
7. ADAMAWA STATE GOVERNMENT BOND	☐
8. BECO PETROLEUM PRODUCTS PLC	☐
9. BUA GROUP	☐
10. BENUE STATE GOVERNMENT BOND	☐
11. CAP PLC	☐
12. CAPPA AND D'ALBERTO PLC	☐
13. CEMENT COY. OF NORTHERN NIG. PLC	☐
14. CSCS PLC	☐
15. CHAMPION BREWERIES PLC	☐
16. CWG PLC	☐
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20. INFINITY TRUST MORTGAGE BANK PLC	☐
21. INTERNATIONAL BREWERIES PLC	☐
22. INVESTMENT & ALLIED ASSURANCE PLC	☐
23. JAIZ BANK PLC	☐
24. KADUNA STATE GOVERNMENT BOND	☐
25. LAGOS BUILDING INVESTMENT CO. PLC	☐
26. MED-VIEW AIRLINE PLC	☐
27. MIXTA REAL ESTATE PLC *(formerly ARM Properties Plc)*	☐
28. NEXANS KABLEMETAL NIG. PLC	☐
29. OMOLUABI MORTGAGE BANK PLC	☐
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33. PREMIER BREWERIES PLC	☐
34. RESORT SAVINGS & LOANS PLC	☐
35. ROADS NIGERIA PLC	☐
36. SCOA NIGERIA PLC	☐
37. TRANSCORP HOTELS PLC	☐
38. TRANSCORP PLC	☐
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40. THE LA CASERA CORPORATE BOND	☐
41. UACN PLC	☐
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47. UNITED CAPITAL PLC	☐
48. UNIC INSURANCE PLC	☐
49. UAC PROPERTY DEVELOPMENT COMPANY PLC	☐
50. UTC NIGERIA PLC	☐
51. WEST AFRICAN GLASS IND PLC	☐

OTHERS: ______________________

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E-DIVIDEND MANDATE ACTIVATION FORM

Affix Current Passport

Write your name at the back of your passport photograph

(to be stamped by your banker)

Africa Prudential Registrars Plc

RC NO: 649007

E-DIVIDEND MANDATE ACTIVATION FORM

ONLY CLEARING BANKS ARE ACCEPTABLE

INSTRUCTION

Please complete all section of this form to make it eligible for processing and return to the address below.

The Registrar
Africa Prudential Registrars Plc
220B, Ikorodu Road, Palmgrove, Lagos.

I/We hereby request that henceforth, all my/our Dividend Payment(s) due to me\us from my/our holdings in all the companies ticked at the right hand column be credited directly to my /our bank detailed below:

Bank Verification Number (BVN):

Bank Name:

Bank Account Number:

Account Opening Date: D D M M Y Y Y Y

SHAREHOLDER ACCOUNT INFORMATION

Surname/Company's Name | First Name | Other Name

Address

City | State | Country

Previous Address (if any)

Clearing House Number (CHN) (if any) C

Name of Stockbroking Firm

Mobile Telephone 1

Mobile Telephone 2

E-mail Address

Company Seal *(if applicable)*

Signature: ____________________ Signature: ____________________
Joint/Company's Signatories

DISCLAIMER

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

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facebook.com/africaprudentialregistrarsplc twitter.com/APRPLC aprplc

FULL DEMATERIALISATION FORM FOR MIGRATION

Africa Prudential Registrars Plc
RC NO: 649007

FULL DEMATERIALISATION FORM FOR MIGRATION

INSTRUCTION: Please fill out the form in CAPITAL LETTERS. Section 'B' is applicable only if certificate(s) is/are misplaced, lost or destroyed.

Affix recent passport photograph

Please credit my account at Central Securities Clearing System (CSCS) with shares from my holdings in ______________________________ **"the company"**. I recognize this will invalidate any certificate(s) in my possession, or which might come into my possession in respect of my total holding(s) in this/this company.

SECTION A:

SHAREHOLDER'S FULL NAMES: ____________

Surname *First Name* *Middle Name*

ADDRESS: ____________

GSM NUMBER: ____________ **E-MAIL:** ____________

CSCS INVESTOR'S A/C NO.: ____________ **CLEARING HOUSE NUMBER(CHN):** C ____________

REGISTRAR'S ID NO (RIN): ____________

BANK DETAILS FOR DIRECT SETTLEMENT

ACCOUNT NAME: ____________ **BANK:** ____________

BANK A/C NUMBER: ____________ **BVN:** ____________ **AGE OF A/C:** ____________

Must be NUBAN *Must be confirmed by bank* *Must be confirmed by bank*

Authorized Signature (1) *(and stamp of Stockbroker)*

Authorized Signature (2) *(and stamp of Stockbroker)*

Shareholder's Signature & Date

Shareholder's Signature & Date (2) *(if applicable)*

Thumb Print

CERTIFICATE DETAILS

S/N	CERTIFICATE NO. (IF ANY)	UNITS	S/N	CERTIFICATE NO. (IF ANY)	UNITS
1.			4.		
2.			5.		
3.			6.		

Company Seal

SECTION B: INDEMNITY FOR MISPLACED, LOST OR DESTROYED CERTIFICATE(S)

I hereby request APR Plc to credit my account at Central Securities Clearing System (CSCS) with unit of shares not covered in my share certificate(s) details quoted in Section 'A' above. The holdings are registered in my name, and the original shares/stocks certificate(s) has/have been misplaced, lost or destroyed or was never received. I hereby, with the Guarantor whose name hereunder appears, indemnify the said Company and APR Plc against all claims and demands, money, losses, damages, costs and expenses which may be brought against, or be paid, incurred or sustained by the said Company and /or APR Plc by reason or in consequence of the said certificate(s) having been misplaced, destroyed, lost or in consequence of a transfer being registered without surrender of the certificate(s) or otherwise whatsoever. I further undertake and agree that if the said Certificate(s) shall hereafter be found, to forthwith deliver up to APR Plc or their successors or assigns without cost, fee or reward.

CERTIFICATE DETAILS

S/N	CERTIFICATE NO. (IF ANY)	UNITS	S/N	CERTIFICATE NO. (IF ANY)	UNITS
1.			4.		
2.			5.		
3.			6.		

Dated this ________ day of ______ 20_____

Name:______________________________

Signature:___________________________

Joint (2) (if applicable): _______________

Joint (3) (if applicable): _______________

Company Seal

In the Presence of:

Name:____________________________ **GSM NO:**____________________ **Signature:**____________________

Address: ____

THIS SECTION IS TO BE EXECUTED BY THE SHAREHOLDER'S STOCKBROKER, BANKER OR INSURANCE COMPANY

On behalf of______________________________Plc/Ltd, we hereby agree jointly and severally to keep the company and /or the Registrar or other persons acting on their behalf fully indemnified against all actions, proceedings, Liabilities, claims, losses, damages, costs and expenses in relation to or arising out of your accepting to re-issue to the rightful owner the shares/stocks, and to pay you on demand, all payments , losses, costs and expenses suffered or incurred by you in consequence thereof or arising therefrom.

Authorised Signatory (1):______________________ **Authorised Signatory (2):**__________________________

Company Seal

info@africaprudentialregistrars.com | Tel: +234 708 060 6400
www.africaprudentialregistrars.com
facebook.com/africaprudentialregistrarsplc twitter.com/APRPLC aprplc

HEAD OFFICE: 220B, Ikorodu Road, Palmgrove, Lagos. Tel: 07080606400
ABUJA: Infinity House (2nd Floor), 11 Kaura Namoda Street, Off Faskari Crescent, Area 3, Garki, Abuja. Tel: 09-2900873
PORT HARCOURT: Plot 137, Olu-Obasanjo Road (2nd Floor), Port Harcourt, Rivers State. Tel: 084-303457

PROXY FORM

I/We,

Shareholder's Name: ____________________

Address: ____________________

____

No. of Shares held: ____________________

being the registered holder(s) of the ordinary shares of United Bank for Africa Plc hereby appoint*

____

____

(block letters please)

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Eko Hotels and Suites, Plot 1415, Ademola Adetokunbo Street, Victoria island, Lagos on Friday, April 7, 2017 or at any adjournment thereof.

Dated this _____ day of _________ 2017

Shareholder's Signature: ____________________

NOTE:

1. A member (shareholder) who is unable to attend an Annual General Meeting is allowed to vote by proxy. This proxy form has been prepared to enable you exercise your vote if you cannot personally attend. This form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notorial certified copy thereof must reach the Registrar, Africa Prudential Registrars Plc, 220B, Ikorodu Road, Palmgrove, Lagos, not later than 48 hours before the time of holding the meeting.

2. If executed by a corporation, the proxy form should be sealed with the common seal or under the hand of some officers or an attorney duly authorized.

3. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.

4. Provision has been made on this form for the Chairman of the Meeting to act as your proxy, but if you wish you may insert in the blank space on the form (marked *) the name of any person, whether a member of the Company or not, who will attend the Meeting and vote on your behalf instead of the Chairman of the Meeting.

5. This proxy will be used only in the event of poll being directed, or demanded.

6. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently N500.00) from the Stamp Duties Office, and not adhesive postage stamps.

   Please indicate by marking "X" in the appropriate space, how you wish your votes to be cast on the resolutions set out here, unless otherwise instructed, the proxy will vote or abstain from voting at his or her discretion.

7. The proxy must produce the Admission form sent with the Report and Accounts to obtain entrance at the Meeting.

This proxy form is solicited on behalf of the Board of Directors and is to be used at the Annual General Meeting to be held on Friday, April 7, 2017.

	RESOLUTIONS	For	Against	Abstain
	ORDINARY BUSINESS			
1	To receive the audited Accounts for the year ended 31st December, 2016 together with the reports of the Directors, Auditors and the Audit Committee thereon			
2	To declare a dividend			
3	To elect/re-elect Directors i.) Alhaji Ja'afaru Paki ii.) Mr. Adekunle Olumide iii.) Chief Kolawole Jamodu			
4	To authorise the Directors to fix the remuneration of the Auditors			
5	To elect members of the Audit Committee			

This proxy form should NOT be completed and/or sent to the registered office of the Registrars if the member would be attending the meeting in person.

ADMISSION CARD

Before posting the above form, please tear off this part and retain for admission at the meeting.

UNITED BANK FOR AFRICA PLC (RC 2457)
ANNUAL GENERAL MEETING

Please admit the shareholder named on this admission form or his/her duly appointed proxy to the Annual General Meeting of the Company to be held at the Eko Hotels and Suites, Plot 1415, Ademola Adetokunbo Street, Victoria Island, Lagos at 10.00AM on Friday, April 7, 2017.

Bili A. Odum
Group Company Secretary
57 Marina, Lagos.

Please tick appropriate box before Admission to the meeting
☐ Proxy
☐ Shareholder

Name and address of Shareholder: ____________________

Account number: ____________________

Number of shares held: ____________________

Shareholder's signature: ____________________

This card is to be signed at the venue in the presence of the Registrar.

CORPORATE INFORMATION

Registered Office
UBA House
57 Marina
Lagos, Nigeria

Company Registration
RC: 2457

Company Secretary
Bili A. Odum

Auditors
PricewaterhouseCoopers
Landmark Towers
5B Water Corporation Road
Victoria Island
Lagos, Nigeria

Registrars
Africa Prudential Plc
220B IKorodu Road
Palmgrove Bus Stop
Palmgrove, Lagos, Nigeria
Phone +234-1-8752604
www.africaprudentialregistrars.com

SHAREHOLDER INFORMATION

The Bank maintains an investor relations section on its website (www.ubagroup.com/ir), which provides access to share price data, management biographies, copies of annual reports, presentations on interim reports, credit rating reports and other useful investor information.

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

Abiola Rasaq

Head Investor Relations

UBA House (14th Floor)
57 Marina, Lagos
Tel: +234 1 2808 349
Email: abiola.rasaq@ubagroup.com

Bili A. Odum

Group Company Secretary

UBA House (3rd Floor)
57 Marina, Lagos
Tel: +234 1 2807 012
Email: bili.odum@ubagroup.com

You can also visit the investor relations section of our website for more information. www.ubagroup.com/ir.

Investor complaint channels
UBA Plc has a Complaint Framework for Investors and the Investing Public. This policy is published on the Bank's website: https://www.ubagroup.com/ir/shareholders, together with the Complaints Help Channels, which are stated below:

Complaint channel
Kindly contact us through any of the following channels:

Email: investorrelations@ubagroup.com

Telephone line: +234 12808349

Mailing Address: Head, Investor Relations Department, UBA House, 57, Marina, Lagos

Shareholders who have any complaint are enjoined to kindly contact the investor relations unit of the Bank for prompt resolution. Shareholders can also request copies (electronic or hard copies) of the complaint framework, which can also be downloaded on our website in the address stated above.

SUBSIDIARIES WITH CONTACT DETAILS

NAME OF COUNTRY	HEAD OFFICE ADDRESS	TELEPHONE NUMBERS
Ghana	Heritage Towers Near Cedi House Ambassadorial Enclave Off Liberia Road, West Ridge, Accra, Ghana	Office: +233 302 683526-30
Liberia	Broad/Nelson Street Monrovia	Office: +231 77113330-4
Sierra Leone	15 Charlotte Street, Freetown	Office: +232-22-228099
Cote d'Ivoire	Abidjan Plateau Boulevard Botreau-Roussel Immeuble Kharrat 2ème Etage, 17 BP 808, Abidjan 17	Office: +225-20-312221-2
Burkina Faso	Banque Internationale du Burkina (BIB) 1340 Avenue Dimdolobsom 01 BP 362, Ouagadougou	Office : +226 50 300000
Cameroon	Boulevard De la Liberté Akwa B.P. Douala 2088 Douala, Cameroon	Office: +237-33-433683
Benin Republic	Continental Bank du Benin (CBB) Boulevard Inter-Etrat Carrefour des Irois Banques Avenue Pape Jean-Paul II Cotonou	Office: +229 21 31 24 24 +229 21 31 51 77
Uganda	Spear House, 22A Jinja Road PO Box 7396, Kampala, Uganda	Office: +256 417 715102 +256 417 715100
Senegal	Zone 12, Lot D, Route des Almadies Dakar, Senegal	Office : +221 33 869 20 00
Kenya	1st Floor, Apollo Center Ring Road, Vale Close, Westlands	Office: +254-20-3612000-2
Chad	UBA Tchad Avenue Charles de Gaulle PO Box 1148, N'djamena, Tchad	Office: +235 252 19 53 +235 252 19 54
Tanzania	30C/30D Nyerere Road Dar es Salaam, Tanzania	Office: +255 222 86 3452-3
Gabon	282 Avenue Marquis de Compiegne BP 12035, Libreville, Gabon	Office: +241 740624 +241 0572 9898
Zambia	Stand 22768, Thabo Mbeki Road Lusaka, Zambia	Office: +260 211 255 951-3
Guinea Conakry	BP 1198 Conakry Rue chateau d'eau , Marché Niger – Kaloum	Office: +224-68356868
Mozambique	UBA Moçambique, SA Praça 16 Junho-Malanga-Maputo Moçambique	Office: + 258-21408340258
Congo DRC	1853 Avenue de la liberation Kinshasa Gombe DR Congo	Office: +243992006651
Congo Brazaville	87, Avenue William Guynet Face Rond Point City Centre	Office: +242069236098 +242053644635

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