UNITED BANK FOR AFRICA PLC

Condensed Consolidated Financial Statements for the three months ended 31 March 2018

Condensed Consolidated and Separate Statements of Comprehensive Income

For the three months ended 31 March

In millions of Nigerian Naira	***Notes***	**Group**	
		2018	**2017**
Gross earnings		**119,366**	**101,249**
Interest income	5	90,333	76,764
Interest expense	6	(36,780)	(25,175)
Net interest income		**53,553**	**51,589**
Fees and commission income	7	20,028	16,502
Fees and commission expense	8	(5,032)	(3,507)
Net fee and commission income		**14,996**	**12,995**
Net trading and foreign exchange income	9	6,732	7,746
Other operating income		2,273	237
Total non-interest income		**24,001**	**20,978**
Operating income		**77,554**	**72,567**
Net impairment loss on loans and receivables	10	(1,454)	(3,103)
Net operating income after impairment loss on loans and receivables		**76,100**	**69,464**
Employee benefit expenses	11	(17,536)	(16,667)
Depreciation and amortisation	12	(2,787)	(2,345)
Other operating expenses	13	(29,356)	(25,011)
Total operating expenses		**(49,679)**	**(44,023)**
Share of profit of equity-accounted investee	22(b)	134	29
Profit before income tax		**26,555**	**25,470**
Taxation charge	14	(2,819)	(3,120)
Profit for the period		**23,736**	**22,350**
Other comprehensive income			
Items that will be reclassified to income statement:			
Exchange differences on translation of foreign operations		4,619	400
Fair value changes on investments at fair value through other comprehensive income(FVOCI):			
Net fair value gains during the period		6,620	1,132
Other comprehensive income, net of tax		**11,239**	**1,532**
Total comprehensive income for the period		**34,975**	**23,882**
Profit attributable to:			
Owners of Parent		22,921	21,483
Non-controlling interest		815	867
Profit for the period		**23,736**	**22,350**
Total comprehensive income attributable to:			
Owners of Parent		33,031	22,787
Non-controlling interest		1,944	1,095
Total comprehensive income for the period		**34,975**	**23,882**
Basic and diluted earnings per share expressed in Naira	15	0.67	0.63

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

United Bank for Africa Plc

Condensed Consolidated and Separate Statements of Financial Position

As at	***Notes***	**Group**	
In millions of Nigerian Naira		**Mar. 2018**	**Dec. 2017**
ASSETS			
Cash and bank balances	16	1,122,935	898,083
Financial assets at fair value through profit or loss	17	30,387	31,898
Derivative assets	23	5,055	8,227
Loans and advances to banks	18	31,678	20,640
Loans and advances to customers	19	1,613,878	1,650,891
Investment securities	20	1,227,427	1,216,053
Other assets	21	106,140	86,729
Investment in equity-accounted investee	22	3,352	2,860
Property and equipment		108,779	107,636
Intangible assets		16,685	16,891
Deferred tax assets		28,871	29,566
TOTAL ASSETS		**4,295,187**	**4,069,474**
LIABILITIES			
Derivative liabilities	23	121	123
Deposits from banks	24	164,917	134,289
Deposits from customers	25	2,846,736	2,733,348
Other liabilities	26	146,996	96,622
Current tax liabilities	14	3,697	7,668
Borrowings	27	529,201	502,209
Subordinated liabilities	28	65,881	65,741
Deferred tax liabilities		19	40
TOTAL LIABILITIES		**3,757,568**	**3,540,040**
EQUITY			
Share capital		17,100	17,100
Share premium		98,715	98,715
Retained earnings		177,448	154,527
Other reserves		224,181	240,861
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		517,444	511,203
Non-controlling interests		20,175	18,231
TOTAL EQUITY		537,619	529,434
TOTAL LIABILITIES AND EQUITY		**4,295,187**	**4,069,474**

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

Approved by the board of directors on 17 April, 2018

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

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

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

United Bank for Africa Plc

Condensed Consolidated and Separate Statements of Changes in Equity

Group

In millions of Nigerian Naira	Attributable to equity holders of the parent										
	Share Capital	**Share premium**	**Translation reserve**	**Regulatory credit risk reserve**	**Fair value reserve**	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-Controlling interest**	**Total equity**
For the three months ended 31 March 2018											
At 31 December 2017 (IAS 39)	**17,100**	**98,715**	**37,102**	**45,236**	**73,897**	**-**	**84,626**	**154,527**	**511,203**	**18,231**	**529,434**
Transition adjustments											
Fair value change in assets classified as FVOCI	-	-	-	-	7,211	-	-	-	**7,211**	-	**7,211**
Increase in impariment provision due to adoption of IFRS 9								(34,001)	**(34,001)**	-	**(34,001)**
Transfer between reserves	-	-	-	(34,001)	-	-	-	34,001	**-**	-	**-**
At 1 January 2018 (IFRS 9)	**17,100**	**98,715**	**37,102**	**11,235**	**81,108**	**-**	**84,626**	**154,527**	**484,413**	**18,231**	**502,644**
Profit for the period	-	-	-	-	-	-	-	22,921	**22,921**	815	**23,736**
Exchange differences on translation of foreign operations	-	-	3,490	-	-	-	-	-	**3,490**	1,129	**4,619**
Fair value change in financial assets classified as FVOCI	-	-	-	-	6,620	-	-	-	**6,620**	-	**6,620**
Total comprehensive income for the period	**-**	**-**	**3,490**	**-**	**6,620**	**-**	**-**	**22,921**	**33,031**	**1,944**	**34,975**
At 31 March 2018	**17,100**	**98,715**	**40,592**	**11,235**	**87,728**	**-**	**84,626**	**177,448**	**517,444**	**20,175**	**537,619**
For the three months ended 31 March 2017											
At 1 January 2017	**18,140**	**117,374**	**28,799**	**31,375**	**58,274**	**(31,600)**	**73,866**	**138,623**	**434,851**	**13,218**	**448,069**
Profit for the period	-	-	-	-	-	-	-	21,483	**21,483**	867	**22,350**
Exchange differences on translation of foreign operations	-	-	172	-	-	-	-	-	**172**	228	**400**
Fair value change in (available-for-sale) financial assets	-	-	-	-	1,132	-	-	-	**1,132**	-	**1,132**
Total comprehensive income for the period	-	-	172	-	1,132	-	-	21,483	**22,787**	1,095	**23,882**
At 31 March 2017	**18,140**	**117,374**	**28,971**	**31,375**	**59,406**	**(31,600)**	**73,866**	**160,106**	**457,638**	**14,313**	**471,951**

United Bank for Africa Plc
Condensed Consolidated and Separate Statements of Cash Flows

For the three months ended 31 March	*Notes*	Group 2018	Group 2017
In millions of Nigerian Naira			
Cash flows from operating activities			
Profit before income tax		**26,555**	**25,470**
Adjustments for:			
Depreciation of property and equipment	12	2,399	1,990
Amortisation of intangible assets	12	388	355
Allowance for credit loss on loans to customers	10	1,238	-
Specific impairment charge on loans to customers	10	-	3,298
Portfolio impairment charge on loans to customers	10	-	551
Allowance for credit loss on loans to banks	10	32	-
Portfolio impairment charge/(reversal) on loans to banks	10	-	(235)
Write-off of loans and advances	10	2,510	232
Impairment charge/(reversal) on other assets	10	142	(282)
Net fair value loss on derivatives		3,170	2,014
Origination and reversal of temporary difference		(21)	-
Gain on disposal of property and equipment		-	(11)
Foreign currency revaluation gain	9	(1,818)	(833)
Net interest income		(53,553)	(51,589)
Share of profit of equity-accounted investee		(134)	(29)
		(19,092)	**(19,069)**
Change in financial assets held for trading		459	(17,044)
Change in cash reserve balance		(21,242)	(10,373)
Change in loans and advances to banks		(11,070)	1,772
Change in loans and advances to customers		(736)	(37,754)
Change in money market placements		(37,461)	(24,247)
Change in other assets		(11,256)	(17,220)
Change in deposits from banks		30,628	(5,344)
Change in deposits from customers		113,388	112,850
Change in other liabilities and provisions		50,374	6,173
Interest received		88,467	77,112
Interest paid		(34,010)	(17,949)
Income tax paid		(6,095)	(3,541)
Net cash from operating activities		**142,354**	**45,366**
Cash flows from investing activities			
Proceeds/(Purchase) of investment securities		4,323	(48,199)
Purchase of property and equipment		(3,542)	(5,847)
Proceeds from disposal of property and equipment		-	11
Purchase of intangible assets		(182)	(403)
Net cash generated from/(used in) investing activities		**599**	**(54,438)**
Cash flows from financing activities			
Proceeds from borrowings		17,000	20,803
Repayment of borrowings		-	(14,592)
Net cash from financing activities		**17,000**	**6,211**
Net increase/(decrease) in cash and cash equivalents		159,953	(2,861)
Effects of exchange rate changes on cash and cash equivalents		5,144	1,011
Cash and cash equivalents at beginning of period	16	428,428	381,043
Cash and cash equivalents at end of period	16	593,525	379,193

The accompanying notes are an integral part of these condensed consolidated 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 condensed consolidated financial statements of the Group for the three months ended 31 March 2018 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

2 Basis of preparation

These condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB).
The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.
The same accounting policies and methods of computation were followed in preparation of these condensed financial statements as compared with the most recent annual financial statements. There was no change in accounting policy in the period.

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 through profit or loss.
- Financial instruments held to collect and sell which are measured at fair value through other comprehensive income.

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"). The financial statements are presented in Nigerian Naira (N) which is the Bank'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 judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. There were no material changes in management's estimates during the period.

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.

3.4 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 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.

3.8 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 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.

3.12 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.

3.13 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.

3.14 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.

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.

3.15 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 cashflows 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.

3.16 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 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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 expected credit loss provision and the unamortised premium. Financial guarantees are included within other liabilities.

3.21 Employee benefits

Post-employment benefits

Defined contribution plans

The Group operates defined contribution pension scheme. A defined contribution plan is a pension plan under which the Group makes fixed contributions on contractual basis. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

Termination benefits

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

Short term employee benefits

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

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

3.22 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.

3.23 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.

3.24 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.

3.25 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.

3.26 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.

3.27 Changes in accounting policies

Adoption of IFRS 9

Effective 1 January 2018, the Group adopted *IFRS 9 - Financial Instruments* . Consequent upon application of IFRS 9, The Group's accounting policies were changed in the areas outlined below, and these new policies became applicable from 1 January 2018. As permitted by the transition provisions of IFRS 9, we elected not to restate comparative period results. Accordingly, all comparative period information is presented in accordance with our previous accounting policies, as described in our 2017 Group Accounts. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application (1 January 2018) were recognized in opening retained
earnings and other components of equity in the current period. New or amended interim disclosures have been provided for the current period, where applicable, and comparative period disclosures are consistent with those made in the prior year.

Classification of financial assets

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

Debt instruments are measured at amortised cost if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and (b) the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).
Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and (b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.
All other debt instruments are measured at FVTPL.
Equity instruments are measured at FVOCI as no equity instrument is held for trading purposes.

Business model assessment

The Group determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the Group's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:
• How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
• The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
• Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.

The Group's business models fall into three categories, which are indicative of the key strategies used to generate returns:

• Hold-to-Collect (HTC): The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
• Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
• Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Investment securities

Investment securities include all securities classified as FVOCI and amortised cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification. Prior to our adoption of IFRS 9, Investment securities were comprised of available-for-sale securities and held-to-maturity securities.

Investment securities carried at amortised cost are measured using the effective interest method, and are presented net of any allowance for credit losses, calculated in accordance with our policy for Allowance for credit losses, as described below. Interest income, including the amortization of premiums and discounts on securities measured at amortised cost are recorded in Net interest income. Impairment gains or losses recognized on amortised cost securities are recorded in Provision for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of the sale is recorded as a Net gain (loss) on Investment securities in Non-interest income.
Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses arising from changes in fair value included in Other components of equity. Impairment gains and losses are included in Provision for credit losses and correspondingly reduce the accumulated changes in fair value included in Other components of equity. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from Other components of equity to Net gain (loss) on Investment securities in Other operating income.
Equity securities carried at FVOCI are measured at fair value. Unrealized gains and losses arising from changes in fair value are recorded in Other components of equity and not subsequently reclassified to profit or loss when realized. Dividends from FVOCI equity securities are recognized in Other operating income.
The Group accounts for all securities using settlement date accounting and changes in fair value between the trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in the fair value of securities measured at FVOCI between the trade and settlement dates are recorded in OCI except for changes in foreign exchange rates on debt securities, which are recorded in Other operating income.

Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an “accounting mismatch”). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.
Financial assets designated as FVTPL are recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in Other operating income, depending on our business purpose for holding the financial asset.
Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. Own credit risk amounts recognized in OCI are not reclassified subsequently to net income. The remaining fair value changes not attributable to changes in our own credit risk are recorded in Other operating income, depending on our business purpose for holding the financial liability. Upon initial recognition, if we determine that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in our debt designated as at FVTPL is recognized in net income. To make that determination, we assess whether we expect that the effects of changes in the liability’s credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed. To determine
the fair value adjustments on our debt instruments designated as at FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Financial assets are reclassified when and only when the business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occured during the period.

Loans

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.
Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognized as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into Other operating income over the commitment or standby period.
Impairment losses on loans are recognized at each balance sheet date in accordance with the three-stage impairment model outlined below.

Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts, debt securities and accrued interest receivable. These are carried at amortised cost and presented net of ACL on the Consolidated Statement of Financial Position. ACL on loans is presented in Allowance for credit losses - loans and advances. ACL on debt securities measured at FVOCI is presented in Fair value reserve in equity.
Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ACL is separately calculated and included in Other Liabilities – Provisions.
We measure the ACL on each balance sheet date according to a three-stage expected credit loss impairment model:

1) Performing financial assets:
• Stage 1 – From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date.
• Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.

2) Impaired financial assets
• Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.
The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.
Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.
The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.
An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modeled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.
An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD. The assessment is generally performed at the instrument level.

Our assessment of significant increases in credit risk is performed at least quarterly based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2:

(1) We have established thresholds for significant increases in credit risk based on both a percentage and absolute change in lifetime PD relative to initial recognition.

(2) Additional qualitative reviews are performed to assess the staging results and make adjustments, as necessary, to better reflect the positions whose credit risk has increased significantly.

(3) Instruments which are 30 days past due are generally considered to have experienced a significant increase in credit risk, even if our other metrics do not indicate that a significant increase in credit risk has occurred.

The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after 90 days. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after 90 days. An asset shall not move back from stage 3 to stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired. This is in line with Central Bank of Nigeria (CBN) IFRS 9 guidelines.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfill their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

Use of forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macroeconomic variables used in our expected credit loss models include GDP growth rate, interbank FX rates, inflation rate, crude oil prices and population growth rate.

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario is based on macroeconomic forecasts published by relevant government agencies. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to our best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities.

Our assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date, using the same macroeconomic scenarios as the calculation of expected credit losses.

Definition of default

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for our internal credit risk management purposes. Our definition of default may differ across products and consider both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For retail and wholesale borrowers, default occurs when the borrower is more than 90 days past due on any material obligation to us, and/or we consider the borrower unlikely to make their payments in full without recourse action on our part, such as taking formal possession of any collateral held. For certain project finance loans, default occurs when payments are 180 days past due. For these balances, the use of a period in excess of 90 days past due is reasonable and supported by observable data on write-off and recovery rates experienced on historical project finance portfolios; this is also in line with the CBN Prudential Guidelines. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired as described above. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2 as described above.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ACL. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment. ACL for credit-impaired loans in Stage 3 are established at the borrower level, where losses related to impaired loans are identified on individually significant loans, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular loans.

Individually assessed loans (Stage 3)

When individually significant loans are identified as impaired, we reduce the carrying value of the loans to their estimated realizable value by recording an individually assessed ACL to cover identified credit losses. The individually assessed ACL reflects the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and the impact of time delays in collecting principal and/or interest (time value of money). The estimated realizable value for each individually significant loan is the present value of expected future cash flows discounted using the original effective interest rate for each loan.

When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated realizable amount may be determined using observable market prices for comparable loans, the fair value of collateral underlying the loans, and other reasonable and supported methods based on management judgment.

Individually-assessed allowances are established in consideration of a range of possible outcomes, which may include macroeconomic or non-macroeconomic scenarios, to the extent relevant to the circumstances of the specific borrower being assessed. Assumptions used in estimating expected future cash flows reflect current and expected future economic conditions and are generally consistent with those used in Stage 1 and Stage 2 measurement.

Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the Provision for credit losses and may result in a change in the ACL.

Collectively assessed loans (Stage 3)

Loans that are collectively assessed are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors.

The collectively-assessed ACL reflects: (i) the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and (ii) the impact of time delays in collecting principal and/or interest (time value of money).

The expected principal and interest collection is estimated on a portfolio basis and references historical loss experience of comparable portfolios with similar credit risk characteristics, adjusted for the current environment and expected future conditions. A portfolio specific coverage ratio is applied against the impaired loan balance in determining the collectively-assessed ACL. The time value of money component is calculated by using the discount factors applied to groups of loans sharing common characteristics. The discount factors represent the expected recovery pattern of the comparable group of loans, and reflect the historical experience of these groups adjusted for current and expected future economic conditions and/or industry factors. Significant judgment is required in assessing evidence of impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the Provision for credit losses and may result in a change in the ACL.

Write-off of loans

Loans and the related ACL are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier.

Modifications

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. The treatment of such modifications is primarily based on the process undertaken to execute the renegotiation and the nature and extent of changes expected to result.

Modifications which are performed for credit reasons, primarily related to troubled debt restructurings, are generally treated as modifications of the original financial asset. Modifications which are performed for other than credit reasons are generally considered to be an expiry of the original cash flows; accordingly, such renegotiations are treated as a derecognition of the original financial asset and recognition of a new financial asset.

If a modification of terms does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognized. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit impairment, as described above. A modified financial asset will migrate out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognized. A modified financial asset will migrate out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in its lifetime PD, days past due and other qualitative considerations.

If a modification of terms results in derecognition of the original financial asset and recognition of the new financial asset, the new financial asset will generally be recorded in Stage 1, unless it is determined to be credit-impaired at the time of the renegotiation. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

Impact of adoption of IFRS 9

Mandatory reclassifications

The combined application of the business model and SPPI tests on adoption of IFRS 9 resulted in the reclassification of the following financial assets and liabilities.

	IFRS 9		IAS 39	
As at	1 January 2018		31 December 2017	
In millions of Nigerian Naira	Measurement category	Carrying amount	Previous measurement category	Carrying amount
Financial assets				
Trading securities	**FVTPL**	31,898	**Held-for-trading**	31,898
Investment securities[1]	**FVOCI**	725,545	**Available-for-sale**	593,299
Investment securities[1]	**Amortised cost**	497,719	**Held-to-maturity**	622,754
Loans and advances to banks	**Amortised cost**	20,640	**Amortised cost**	20,640
Loans and advances to customers	**Amortised cost**	1,622,103	**Amortised cost**	1,650,891

[1] At the date of transition to IFRS 9, the group designated selected financial assets that were previously classified as held-to maturity as assets classified as fair value through other comprehensive income. See the following table.

Items previously designated as Held-To-Maturity

The following financial assets previously designated as HTM are now classified on a fair value basis or FVOCI as they are managed under a business model to HTC&S.

	IFRS 9		IAS 39	
As at	1 January 2018		31 December 2017	
In millions of Nigerian Naira	Measurement category	Carrying amount	Previous measurement category	Carrying amount
Financial assets				
Investment securities[2]	**FVOCI**	132,246	**HTM**	125,035

[2] The fair value difference of N7.2billion has been adjusted for in the opening equity (fair value reserve).

Presentation of the statement of financial position

On 1 January 2018, the balance sheet line item Investment securities represent all securities other than those measured at FVTPL, which are presented as Financial assets at fair value through profit or loss. For comparative periods, Investment securities represent securities previously classified as available-for-sale and held-to-maturity under IAS 39. For the current period, Investment securities represent securities classified as FVOCI and amortised cost under IFRS 9.

Allowance for credit losses

The following table is a comparison of impairment allowances determined in accordance with IAS 39 and IAS 37 to the corresponding impairment allowance determined in accordance with IFRS 9 as at 1 January, 2018.

In millions of Nigerian Naira	Investment securities	Loans at amortised cost	Off-balance sheet loan commitments and financial guarantees	Total allowance for credit losses
IAS 39 / IAS 37 as at 31 December 2017				
Specific impairment	-	25,188	-	**25,188**
Portfolio impairment	-	32,871	-	**32,871**
Total	**-**	**58,059**	**-**	**58,059**
Transition adjustments	594	28,788	4,619	**34,001**
IFRS 9 as at 1 January 2018	**594**	**86,847**	**4,619**	**92,060**
Analysed as follow:				
Stage 1	594	34,258	1,386	**36,238**
Stage 2	-	15,997	3,233	**19,230**
Stage 3	-	36,591	-	**36,591**
Total	**594**	**86,847**	**4,619**	**92,059**

The table below provides the reconciliations from IAS 39 to IFRS 9 for the Group's Consolidated Statement of Financial Position, showing separately the impacts of adopting the IFRS 9 impairment, and classification and measurement, requirements.

Consolidated Statements of Financial Position

In millions of Nigerian Naira	**As at 31 December, 2017 (IAS 39)**	**Impact of classification and measurement**	**Impact of impairment**	**Total impact**	**As at 1 January, 2018 (IFRS 9)**
ASSETS					
Cash and bank balances	898,083	-	-	-	898,083
Financial assets at fair value through profit or loss	31,898	-	-	-	31,898
Derivative assets	8,227	-	-	-	8,227
Loans and advances to banks	20,640	-	-	-	20,640
Loans and advances to customers	1,650,891	-	(28,788)	(28,788)	1,622,103
Investment securities	1,216,053	7,211	(594)	6,617	1,222,670
Other assets	86,729	-	-	-	86,729
Investment in equity-accounted investee	2,860	-	-	-	2,860
Property and equipment	107,636	-	-	-	107,636
Intangible assets	16,891	-	-	-	16,891
Deferred tax assets	29,566	-	-	-	29,566
TOTAL ASSETS	**4,069,474**	**7,211**	**(29,382)**	**(22,171)**	**4,047,303**
LIABILITIES					
Derivative liabilities	123	-	-	-	123
Deposits from banks	134,289	-	-	-	134,289
Deposits from customers	2,733,348	-	-	-	2,733,348
Other liabilities	96,622	-	4,619	4,619	101,241
Current tax liabilities	7,668	-	-	-	7,668
Borrowings	502,209	-	-	-	502,209
Subordinated liabilities	65,741	-	-	-	65,741
Deferred tax liabilities	40	-	-	-	40
TOTAL LIABILITIES	**3,540,040**	**-**	**4,619**	**4,619**	**3,544,659**
EQUITY					
Share capital	17,100	-	-	-	17,100
Share premium	98,715	-	-	-	98,715
Retained earnings	154,527	-	-	-	154,527
Other reserves	240,861	7,211	(34,001)	(26,790)	214,071
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	511,203	7,211	(34,001)	(26,790)	484,413
Non-controlling interests	18,231	-	-	-	18,231
TOTAL EQUITY	529,434	7,211	(34,001)	(26,790)	502,644
TOTAL LIABILITIES AND EQUITY	**4,069,474**	**7,211**	**(29,382)**	**(22,171)**	**4,047,303**

4 Seasonality of operations

The impact of seasonality or cyclicality on operations is not regarded as significant to the condensed consolidated financial statements. The operations of the bank and its subsidiaries are expected to be even within the financial year. However, future macro-economic developments may affect the group's operations depending on the extent of relationship these developments have with the operations.

For the three months ended 31 March	**Group 2018**	**Group 2017**
5 Interest income		
In millions of Nigerian Naira		
Cash and bank balances	2,740	1,534
Loans and advances to banks	948	192
Loans and advances to customers:		
- To individuals		
Term loans	1,407	1,766
Overdrafts	529	443
- To corporates		
Term loans	38,362	38,755
Overdrafts	10,257	7,634
Others	62	18
Investment securities		
- Treasury bills	20,411	14,717
- Bonds	15,617	11,698
- Promissory notes	-	7
	90,333	**76,764**

6 Interest expense

In millions of Nigerian Naira		
Deposits from banks	2,384	2,404
Deposits from customers	24,117	15,545
Borrowings	7,655	4,091
Subordinated liabilities	2,624	3,135
	36,780	**25,175**

7 Fees and commission income

In millions of Nigerian Naira		
Credit-related fees and commissions	2,329	1,578
Account maintenance fees	1,598	1,551
Electronic banking income	5,858	4,785
Funds transfer fee	1,641	1,394
Trade transactions income	3,182	2,182
Remittance fee income	1,244	1,080
Commissions on transactional services	2,811	2,790
Pension custody fees	1,365	1,142
	20,028	**16,502**

Notes to the Condensed Financial Statements

For the three months ended 31 March	Group 2018	Group 2017
8 Fees and commission expense		
In millions of Nigerian Naira		
E-Banking related expenses	4,951	3,452
Funds transfer expenses	81	55
	5,032	**3,507**
9 Net trading and foreign exchange income		
In millions of Nigerian Naira		
Fixed income trading securities	1,996	3,083
Foreign exchange trading income	5,762	5,844
Foreign currency revaluation gain	1,818	833
Fair value loss on derivatives	(2,844)	(2,014)
	6,732	**7,746**
10 Net impairment loss on loans and receivables		
In millions of Nigerian Naira		
Allowance for credit losses on loans and advances to customers:		
- Allowance for credit loss	1,238	-
- specific impairment charge	-	3,298
- portfolio impairment charge	-	551
Allowance for credit losses on loans and advances to banks:		
- Allowance for credit loss	32	-
- portfolio impairment reversal/(reversal)	-	(235)
Write-off on loans and advances	2,510	232
Recoveries on loans written-off	(2,468)	(461)
Impairment charge/(reversal) on other assets	142	(282)
	1,454	**3,103**
11 Employee benefit expenses		
In millions of Nigerian Naira		
Wages and salaries	16,913	16,092
Contribution to defined benefit plans	623	575
	17,536	**16,667**
12 Depreciation and amortisation		
In millions of Nigerian Naira		
Depreciation of property and equipment	2,399	1,990
Amortisation of intangible assets	388	355
	2,787	**2,345**

For the three months ended 31 March	Group 2018	Group 2017
13 Other operating expenses		
In millions of Nigerian Naira		
Banking sector resolution cost	3,721	3,573
Deposit insurance premium	1,986	1,656
Non-deposit insurance costs	529	510
Occupancy and premises maintenance cost	2,775	2,398
Business travels	1,951	1,934
Advertising,promotion and branding	2,027	1,279
Contract services	3,484	2,829
Communication and IT related expenses	2,910	1,949
Printing, stationery and subscriptions	1,362	1,222
Security and cash handling expenses	1,421	980
Fuel, repairs and maintenance	6,394	6,332
Training and human capital development	259	317
Loan recovery expenses	537	32
	29,356	**25,011**

14 Taxation

In millions of Nigerian Naira

(a) **Current tax expense**	Group 2018	Group 2017
Current period	2,124	3,120
Origination and reversal of temporary differences	695	-
	2,819	**3,120**

Income tax expense is recognised based on management's best estimate of the expected tax for the full year.

(b) **Current tax liabilities** *In millions of Nigerian Naira*	Group Mar. 2018	Group Dec. 2017
Balance, beginning of period	7,668	5,134
Tax paid	(6,095)	(20,668)
Income tax charge	2,124	23,202
Balance, end of period	**3,697**	**7,668**

15 Earnings per share

For the three months ended 31 March	Group 2018	Group 2017
Profit attributable to owners of the parent	22,921	21,483
Weighted average number of ordinary shares outstanding	34,199	34,054
Basic and diluted earnings per share expressed in Naira	0.67	0.63

16 Cash and bank balances

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Cash	72,040	67,601
Current balances with banks	291,782	192,080
Unrestricted balances with central banks	192,120	128,318
Money market placements	100,513	64,846
Restricted balances with central banks (note (i) below)	466,480	445,238
	1,122,935	**898,083**

(i) Restricted balances with central banks comprise:

In millions of Nigerian Naira		
Mandatory reserve deposits with central banks (note (a) below)	411,762	390,520
Special Intervention Reserve (note (b) below)	54,718	54,718
	466,480	**445,238**

(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.

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

	Group Mar. 2018	Group Mar. 2017
Cash and current balances with banks	363,822	226,749
Unrestricted balances with central bank	192,120	110,608
Money market placements (less than 90 days)	31,376	30,007
Financial assets held for trading (less than 90 days)	6,207	11,829
	593,525	**379,193**

17 Financial assets at fair value through profit or loss

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Government bonds	9,331	661
Treasury bills (less than 90 days maturity) (note (i) below)	6,207	7,259
Treasury bills (above 90 days maturity)	14,849	23,978
	30,387	**31,898**

(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.

18 Loans and advances to banks

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Term loans:		
Gross amount	31,746	20,685
Allowance for credit losses	(68)	-
Portfolio impairment	-	(45)
	31,678	**20,640**

19 Loans and advances to customers

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Loans to individuals, corporate entities and other organisations		
Gross amount	1,700,516	1,708,905
Provision for credit losses		
- Impairment loss on Stage 1 loans	(35,230)	-
- Impairment loss on Stage 2 loans	(16,072)	-
- Impairment loss on Stage 3 loans	(35,336)	-
Specific impairment	-	(25,188)
Portfolio impairment	-	(32,826)
	1,613,878	**1,650,891**

20 Investment securities

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
(a) At fair value through other comprehensive income		
Treasury bills	348,594	457,653
Bonds	158,711	41,630
Equity investments	94,034	94,016
	601,339	593,299
(b) At amortised cost		
Treasury bills	303,861	193,439
Bonds	322,821	429,315
	626,682	622,754
Investment securities(Gross amount)	**1,228,021**	**1,216,053**
Allowance for credit losses	(594)	-
Carrying amount	**1,227,427**	**1,216,053**

21 Other assets

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Electronic payments receivables	36,814	34,070
Accounts receivable	46,795	38,735
Pension custody fees receivable	643	174
Prepayments	21,151	11,669
Recoverable taxes	2,029	1,491
Stock of consumables	2,195	3,918
Gross amount	**109,627**	**90,057**
Impairment loss on other assets	(3,487)	(3,328)
Carrying amount	**106,140**	**86,729**

(a) Movement in impairment loss for other assets

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
At start of period	3,328	3,555
Charge for the period	142	962
Balances written off	-	(1,428)
Exchange difference	17	239
Balance, end of period	**3,487**	**3,328**

22 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 31 March 2018. 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/ Country of incorporation**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
UBA Zambia Bank Limited	Zambia	Zambia	49	Associate	Equity method

(b) Movement in investment in equity-accounted investee

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Balance, beginning of period	2,860	2,925
Share of current period result	134	204
Share of foreign currency translation differences	358	(269)
Balance, end of period	3,352	2,860

23 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.

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Derivative assets		
Carrying value	5,055	8,227
Notional amount	193,898	108,698
Derivative liabilities		
Carrying value	121	123
Notional amount	31,950	9,610

(a) Derivative assets

In millions of Nigerian Naira

	Group Mar. 2018	Group Dec. 2017
Instrument type:		
Cross-currency swaps	5,055	8,227
	5,055	**8,227**
The movement in derivative assets is as follows:		
Balance, beginning of period	8,227	10,642
Fair value of derivatives derecognised in the period	-	(13,757)
Fair value of derivatives acquired and remeasured in the period	(3,172)	11,342
Balance, end of period	**5,055**	**8,227**

(b) Derivative liabilities

In millions of Nigerian Naira

	Group Mar. 2018	Group Dec. 2017
Instrument type:		
Cross-currency swap	121	123
The movement in derivative liability is as follows:		
Balance, beginning of period	123	14
Fair value of derivatives derecognised in the period	-	(75)
Fair value of derivatives acquired and remeasured in the period	(2)	184
Balance, end of period	**121**	**123**

Derivative assets and liabilities are current.

(c) Fair value gain on derivatives

	Group Mar. 2018	Group Mar. 2017
Derivative assets :		
Fair value gain on additions in the period	(2,846)	1,463
Fair value loss on maturities in the period	-	(3,231)
Net fair value loss on derivative assets	**(2,846)**	**(1,768)**
Derivative liabilities:		
Fair value loss on additions in the period	2	(260)
Fair value gain on maturities in the period	-	14
Net fair value gain on derivative liabilities	**2**	**(246)**
Net fair value loss on derivative assets and liabilities	**(2,844)**	**(2,014)**

	Group Mar. 2018	Group Dec. 2017
24 Deposits from banks		
In millions of Nigerian Naira		
Money market deposits	161,842	130,035
Due to other banks	3,075	4,254
	164,917	**134,289**

	Group Mar. 2018	Group Dec. 2017
25 Deposits from customers		
In millions of Nigerian Naira		
Retail customers:		
Term deposits	350,416	228,471
Current deposits	189,663	251,247
Savings deposits	601,045	590,171
Domiciliary deposits	117,948	93,840
	1,259,072	**1,163,729**
Corporate customers:		
Term deposits	455,447	465,304
Current deposits	958,755	912,815
Domiciliary deposits	173,462	191,500
	1,587,664	**1,569,619**
Total	**2,846,736**	**2,733,348**

	Group Mar. 2018	Group Dec. 2017
26 Other liabilities		
In millions of Nigerian Naira		
Creditors and payables	72,992	52,448
Managers cheques	11,065	4,790
Unclaimed dividends	6,329	5,719
Accrued expenses	16,811	12,842
Customers' deposit for foreign trade	34,346	20,301
Allowance for credit loss for off-balance sheet items *	4,619	-
Provisions for litigation claims	-	252
Deferred income	834	270
	146,996	**96,622**

*This represents allowance for credit loss for off-balance sheet loan commitments and financial guarantees recognised upon adoption of IFRS 9.

27 Borrowings

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
- Central Bank of Nigeria	71,082	53,819
- Bank of Industry (BoI)	8,773	9,212
- Standard Chartered Bank	25,217	24,910
- European Investment Bank (EIB)	22,889	22,303
- Africa Trade Finance Limited	61,415	60,382
- African Development Bank	50,258	50,317
- Credit Suisse	101,781	100,312
- Eurobond debt security	170,965	164,378
- Standard Bank	16,821	16,576
	529,201	**502,209**

Movement in borrowings during the year:

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Opening balance	502,209	259,927
Additions	17,000	406,409
Interest expense	7,655	23,699
Interest paid	(5,025)	(27,182)
Repayments(principal)	-	(210,001)
Exchange difference	7,362	49,357
	529,201	**502,209**

28 Subordinated liabilities

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Medium term notes maturing 2018	34,894	36,017
Medium term notes maturing 2021	30,987	29,724
	65,881	**65,741**

There was no redemption or issue of subordinated debt during the period.

Movement in subordinated liabilities:

	Group Mar. 2018	Group Dec. 2017
Opening balance	65,741	85,978
Interest accrued	2,624	12,275
Interest paid	(2,484)	(12,512)
Prinicipal redemption	-	(20,000)
	65,881	**65,741**

29 Capital and reserves

(a) Share capital

Share capital comprises:

	Group Mar. 2018	Group Dec. 2017
(i) Authorised - 45,000,000,000 Ordinary shares of 50k each	22,500	22,500
(ii) Issued and fully paid - 36,279,526,321 Ordinary shares of 50k each	17,100	17,100

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

(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.

(d) Other Reserves

Other reserves include the following:

In millions of Nigerian Naira	Group Mar. 2018	Group Dec. 2017
Translation reserve	40,592	37,102
Statutory reserve	84,626	84,626
Fair value reserve	87,728	73,897
Regulatory (Credit) risk reserve	11,235	45,236
	224,181	**240,861**

30 Dividends

No dividend is declared in respect of the three month period ended 31 March 2018 (31 March 2017: Nil).

31 Contingencies

(i) Litigation and claims

The Bank, in the ordinary course of business is currently involved in 712 legal cases (2017: 705). The total amount claimed in the cases against the Bank is estimated at N665.25 billion (2017: N659.17 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. There were no material lititigation settlements during the period.

(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.

In millions of Nigerian naira	Group Mar. 2018	Group Dec. 2017
Performance bonds and guarantees	327,904	303,400
Letters of credits	408,077	323,347
	735,981	626,747

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 N131 billion (2017: N130 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 N5.412 billion (2017: N5.412 billion) in respect of authorised and contracted capital projects.

In millions of Nigerian naira	Group Mar. 2018	Group Dec. 2017
Property and equipment	3,030	3,030
Intangible assets	2,382	2,382
	5,412	**5,412**

32 Significant event after the end of the interim period

There were no significant events that have post-balance sheet adjustment effect, after the period ended 31 March 2018.

33 Related party transactions

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

34 Compliance with banking regulations

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

35 Comparatives

The Bank applied the provisions of International Financial Reporting Standards (IFRS) in preparing the comparative information included in these un-audited interim results. Also, there were no prior period errors identified during the period.