UBA

United Bank for Africa Plc.

Consolidated and Separate Financial Statements for the Period ended 30 June 2017

Africa's Global Bank

MISSION

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

VISION

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

WHO WE ARE

WITH THE BANK'S MIGRATION FROM UNIVERSAL BANKING TO MONOLINE COMMERCIAL BANKING IN LINE WITH REGULATORY REQUIREMENT, UBA PROVIDES COMMERCIAL BANKING, PENSION CUSTODY AND RELATED FINANCIAL SERVICES TO ITS MORE THAN FOURTEEN MILLION CORPORATE, COMMERCIAL AND RETAIL CUSTOMERS, SERVED THROUGH VARIOUS CHANNELS.

CONTENTS

GOVERNANCE

FINANCIAL STATEMENTS

GOVERNANCE

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group for the year ended 30 June 2017.

1. RESULTS AT A GLANCE

	Group	Restated*	Bank	Restated*
In millions of Nigerian Naira	**June 2017**	**June 2016**	**June 2017**	**June 2016**
Profit Before Tax	**57,531**	34,756	**33,530**	24,956
Tax	**(15,192)**	(7,649)	**(7,676)**	(5,419)
Profit After Tax	**42,339**	27,107	**25,854**	19,537
Other Comprehensive Income	**10,877**	56,161	**3,183**	23,700
Total Comprehensive Income	**53,216**	83,268	**29,037**	43,237
Total Comprehensive Income attributable to:				
– Equity holders of the Bank	**51,788**	79,892	**29,037**	43,237
– Non-Controlling Interest	**1,428**	3,376	**-**	-
	53,216	83,268	**29,037**	43,237

*See details of the items restated in note 46

2. DIVIDENDS

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, declared an interim dividend of N0.20 per share from the retained earnings account as at 30th June, 2017. This will be presented to shareholders for approval at the next Annual General Meeting. Payment of Dividend is subject to applicable withholding tax and payable to shareholders whose names appear on the Register of Shareholders on 30 June 2017.

3. LEGAL FORM

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

4. MAJOR ACTIVITIES

UBA Plc is engaged in the business of banking and provides Corporate, Commercial, Consumer and International Banking, Trade Services and Cash Management, Treasury and Electronic Banking services. Pension Custodial and Bureau De Change services are offered through subsidiaries.

UBA Plc carries out banking activities in accordance with its Memorandum and Articles of Association.

5. DIRECTORS

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

GOVERNANCE

DIRECTORS' REPORT (continued)

6. DIRECTORS' INTERESTS

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

		30-Jun-17		31-Dec-16	
S/N	Name	Direct holding	Indirect holding	Direct holding	Indirect holding
1	Mr. Tony O. Elumelu, CON	**189,851,584**	**1,883,024,416**	189,851,584	1,883,024,416
2	Ambassador Joe Keshi, OON	**433,499**	**-**	433,499	-
3	Mr. Kennedy Uzoka	**37,173,909**	**-**	37,173,909	-
4	Mr. Victor Osadolor	**16.583,126**	**-**	16,583,126	-
5	Mr. Dan Okeke	**30,279,136**	**-**	30,279,136	-
6	Mr. Emeke Iweriebor	**7,034,071**	**-**	5,073,123	-
7	Mr. Oliver Alawuba	**12,000**		12,000	-
8	Mr. Uche Ike	**10,936,395**	**-**	10,120,395	-
9	Mr. Puri Ibrahim	**-**		-	-
10	Mr. Chuwuma Nweke	**1,059,860**		1,059,860	-
11	Mr. Ayoku Liadi	**1,080,000**	**-**	1,080,000	-
12	Mrs. Rose Okwechime	**-**	**30,113,961**	-	30,113,961
13	Chief Kola Jamodu, CFR	**657,415**	**64,510**	657,415	64,510
14	Mr. Adekunle Olumide, OON	**3,282,556**	**-**	3,282,556	-
15	Mrs. Foluke Abdulrazaq	**10,000,000**	**11,120,000**	10,000,000	11,120,000
16	Alhaji Ja'afaru Paki	**-**	**23,924,983**	-	23,924,983
17	Mr. Yahaya Zekeri	**499,999**	**-**	499,999	-
18	Mrs. Owanari Duke	**86,062**	**-**	86,062	-
19	High Chief Samuel Oni, FCA	**2,065**	**-**	2,065	-

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

7. ANALYSIS OF SHAREHOLDING

The details of shareholding of the Bank as at 30 June, 2017 is as stated below;

Range	Holdings	Holders %	Cumulative	Units	Units %	Units Cumulative
1-1000	28,536	10.39	28,038	13,504,838	0.04	13,329,563
1,001 - 5,000	121,190	44.13	149,228	303,148,022	0.84	316,477,585
5,001 - 10,000	45,975	16.74	195,203	314,333,269	0.87	630,810,854
10,001 - 50,000	56,640	20.56	251,663	1,180,313,650	3.25	1,811,124,504
50,001 - 100,000	11,123	4.05	262,786	748, 950,673	2.06	2,560,075,177
100,001 - 500,000	8,906	3.24	271,692	1,805,217,593	4.98	4,365,292,770
500.001 - 1,000,000	1,170	0.43	272,862	807,146,117	2.22	5,172,438,887
1,000,001 - 5,000,000	969	0.35	273,831	1,890,838,768	5.21	7,063,277,655
5,000,001 - 10,000,000	108	0.04	273,939	750,334,215	2.07	7,813,611,870
10,000,001 - 50,000,000	106	0.04	274,045	2,225,461,017	6.13	10,039,072,887
50,000,001 - 100,000,000	13	0.00	274,058	790,145,156	2.18	10,829,218,043
100,000,001 - 500,000,000	41	0.01	274,099	11,156,650,051	30.75	21,985,868,094
500,000 001 - 1000,000,000	12	0.00	274,111	7,388,257,504	20.36	29,374,125,598
1000,000,001 - above	4	0.00	274,115	6,904,225,448	19.03	36,279,351,046
	274,613	**100**	**3,249,670**	**36,279,526,321**	**100**	

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

The following shareholders hold in excess of 5% of the Bank's shares outstanding as at 30 June, 2017;

- Stanbic Nominees – 10.1% (on behalf of several shareholders)
- Mr. Tony O. Elumelu, CON – 5.7% (direct and indirect holdings)
- Staff Share Investment Trust Scheme – 5.7%
- Pioneer Investment Management Limited – 5.02%

9. ACQUISITION OF OWN SHARES

In line with the resolution of the shareholders held Friday, April, 08, 2016, to cancel the unvested shares held under the Staff Share Investment Trust Scheme (SSIT), the Bank repossessed 2,080,104,955 (Two Billion, Eighty Million, One Hundred and Four Thousand, Nine Hundred and Fifty Five) units of its ordinary shares from SSIT. The shares were crossed from SSIT to the Bank on the floor of the Nigerian Stock Exchange on 18 July, 2017. These shares are now transitorily held as treasury shares, pending conclusion of other relevant administrative process for the cancellation.

In line with Rule 17.15 Disclosure of Dealings in Issuer's Shares, Rulebook of the Exchange, 2015, the Bank hereby discloses its rule governing acquisition of shares by its Directors, employees and any other affected person.

The Group has a Board approved Global Personal investment policy, which covers Directors, Staff, and related parties. The policy prevents employees, Directors and related individuals/companies from insider dealings on the shares of UBA Plc and related parties.

The essence of the policy is to prevent the abuse of confidential non-public information that may be gained during the execution of UBA business. In addition, the policy serves to ensure compliance with the local laws and/or regulatory requirements.

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

GOVERNANCE

DIRECTORS' REPORT (continued)

10. DONATIONS

In order to identify with the communities in the environment within which the Group operates, a total of N448,194,783 was given out as donations and charitable contributions during the period. The beneficiaries of the donations are as follows;

S/N	Beneficiary/Project	Amount (N)
1	Nigerian Police Force	300,000,000
2	Internally Displaced Persons (IDPs)	100,000,000
3	Kaduna State 2017 Economic and Investment Summit	10,000,000
4	2017 Nigerian Power Sector Workshop	10,000,000
5	University of Lagos	8,817,333
6	Kano State 2017 Economic and Investment Summit	7,000,000
7	Financial Education Curriculum Development Project	4,017,450
8	National Youth Service Corps	2,760,000
9	Ministry of Women Affairs and Social Development	2,000,000
10	Babcock University	1,500,000
11	Others	2,100,000
	Total	**448,194,783**

11. EMPLOYMENT AND EMPLOYEES

Employment of Physically Challenged Persons

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

Health, Safety at Work and Welfare of Employees

The Bank maintains business premises designed with a view to guaranteeing the safety and health working conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, the Bank provides medical facilities to its employees and their immediate families at its expense.

Employee Involvement and Training

The Bank encourages participation of its employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Bank provides opportunities where employees deliberate on issues affecting the Bank and employees' interest, with a view to making inputs to decision thereon. The Bank places premium on the development of its manpower, as its competitive strategy is built on innovation and service excellence.

Research and Development

The Bank also on a continuous basis carries out research into new banking products and services.

Demographics of our workforce

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

Analysis of Employees by Gender as at 30 June, 2017

Description	Gender	Headcount	Percentage of Total
	Male	6,519	54%
Group	Female	5,580	46%
	Total	12,099	100%
	Male	4,850	53%
Bank	Female	4,218	47%
	Total	9,068	100%

Analysis of Directors and Management Staff based on Gender as at 30 June, 2017

Description	Gender	Headcount	Percentage of Total
	Male	16	84%
Board of Directors	Female	3	16%
	Total	19	100%
	Male	72	75%
Management Staff	Female	24	25%
	Total	96	100%

Analysis of Directors and Executive Management Staff based on Gender and Level

	Gender - Headcount			Gender - Percentage		
Classification	Male	Female	Total	Male	Female	Total
Non-Executive Directors	7	3	10	70%	30%	100%
Executive Directors	9	-	9	100%	-	100%
General Managers	16	7	23	70%	30%	100%
Deputy General Managers	15	4	19	79%	21%	100%
Assistant General Managers	25	10	35	71%	29%	100%
Total	72	24	96	75%	25%	100%

12. POST BALANCE SHEET EVENTS

In line with the resolution of the shareholders at the Annual General Meeting held on April 08,2016, to cancel the shares held under the Staff Share Investment Trust Scheme (SSIT), the Bank has repossessed a total of 2.08 billion unit of shares from SSIT. Upon cancellation of the shares, the outstanding shares of the Bank will be reduced from 36,279,526,321 units to 34,199,421,366 units. The cancellation of SSIT shares has no impact on liquidity and capital adequacy ratio.

13. AUDITORS

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

Bili A. Odum
Group Company Secretary
57 Marina, Lagos
July 20,2017
FRC/2013/NBA/00000001954

GOVERNANCE

CUSTOMER COMPLAINTS REPORT

INTRODUCTION

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

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

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

CUSTOMER COMPLAINT CHANNELS:

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

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

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

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

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

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

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

RESOLUTION MECHANISM

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

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

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

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

Customers' complaints report

Description	Number of Complaints		Amount Claimed =N=Million		Amount Refunded =N=Million	
	June - 17	Dec - 16	June - 17	Dec - 16	June - 17	Dec - 16
Pending Complaints B/F	**6,008**	4,252	**1,147**	3,386	**-**	-
Received Complaints	**254,351**	362,511	**5,395**	41,171	**-**	-
Resolved Complaints	**256,114**	360,749	**5,430**	43,329	**137**	576
Unresolved Complaints Escalated to CBN	**14**	6	**394**	81	**-**	-
Unresolved Complaints pending with the Bank	**4,231**	6,008	**718**	1,147	**-**	-
% of complaint/transaction volume	**0.19%**	0.27%				

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

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

The feedback dash board ensures that:

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

INVESTOR COMPLAINTS CHANNELS

UBA Plc has a Complaint Framework for Investors and the Investing Public. This policy is published on the Bank's website; https://www.ubagroup.com/ir/shareholdersp, together with the Complaints Help Channels, which are stated below;

Complaints Channels: Kindly contact us through any of these channels;

Email: investorrelations@ubagroup.com

Telephone: +234-01-2808349

Mailing Address: Head, Investor Relations Unit, UBA House, 57, Marina, Lagos.

Shareholders who have any complaint are enjoined to kindly contact the investor relations unit of the Bank for prompt resolution. Shareholders can also request copies (electronic or hard copies) of the complaint framework, which can also be downloaded on our website in the address stated above.

GOVERNANCE

CORPORATE GOVERNANCE REPORT

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

The Board is of the opinion that UBA Plc has in all material respects, complied with the requirements of the CBN code, the SEC code and its own governance charters, during the first half of the 2017 financial year.

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

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

As at June 30, 2017, the Board comprised a Non-Executive Chairman, a Non-Executive Vice Chairman, eight (8) other Non-Executive Directors (including four (4) Independent Non-Executive Directors) and nine (9) Executive Directors, all of whom bring a wide range of skills and experience to the Board.

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

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

A. THE BOARD

As at June 30, 2017, the Board consisted of nineteen (19) members, nine (9) of whom, inclusive of the GMD/CEO are Executive Directors and ten (10) Non-Executive Directors (including the Chairman, Vice Chairman and the Independent Non-Executive Directors). The Non-Executive Directors have the requisite integrity, skills and experience to bring independent judgment to bear on Board deliberations and discussions.

Responsibility

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

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

The Board meets quarterly and additional meetings are convened as the need arises. In the first half of 2017 the Board met three times.

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

Professional Independent Advice

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

B. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Messrs. PricewaterhouseCoopers acted as external auditors to the Group during the half year period ending June 30, 2017. Their report is contained on page 19-24 of this Report

Internal Controls

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

C. CONTROL ENVIRONMENT

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

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

D. SHAREHOLDER RIGHTS

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

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

E. BOARD COMMITTEES

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

Board Audit Committee

The Board Audit committee is comprised as follows:

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

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

The Chief Executive of the Bank attends the Committee's meetings

Board Risk Management Committee

During the Half Year ending June 30, 2017, the Board Risk Management Committee comprised of the following Directors:

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

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

Board Credit Committee

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

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

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

CORPORATE GOVERNANCE REPORT (continued)

Nominations and Governance Committee

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

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

Meetings are held at least four times in a year and the responsibilities of the committee include reviewing, considering and determining the appropriate remuneration payable to the Bank's Executive Directors.

Finance and General Purpose Committee

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

During the Half Year ending June 30, 2017, the Members of the Finance & General Committee were as follows:

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

Statutory Audit Committee

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

The Members of the Statutory Audit Committee in 2017 are as follows:

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

Attendance at Board Meetings

Membership and attendance at Board Meetings during the half year ended June 30, 2017 are set out below:

S/N	Members	Number of meetings held	Number of meetings attended
1	Mr. Tony Elumelu, CON	2	2
2	Amb. Joe Keshi, OON	2	2
3	Mr. Kennedy Uzoka	2	2
4	Mr. Victor Osadolor	2	2
5	Mr. Dan Okeke	2	2
6	Mr. Emeke Iweriebor	2	1
7	Mrs. Rose Okwechime	2	2
9	Chief Kola Jamodu, CFR	2	1
10	Alhaji Ja'afaru Paki	2	2
11	Mr. Adekunle Olumide, OON	2	2
12	Mr. Yahaya Zekeri	2	2
13	Mrs. Foluke Abdulrazaq	2	2
14	Mrs. Owanari Duke	2	2
15	Mr. Chukwuma Nweke	2	2
16	Mr. Oliver Alawuba	2	2
17	High Chief Samuel Oni, FCA	2	1
18	Mr. Ayoku Liadi	2	2
19	Mr. Ibrahim Puri	2	2

EXECUTIVE MANAGEMENT COMMITTEES

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

GOVERNANCE

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

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

- We confirm that we have seen the audit plan & scope, and the Management Letter on the audit of the accounts of the Bank and the responses to the said letter.
- In our opinion, the plan & scope of the audit for the first half year ended June 30, 2017 were adequate. We have reviewed the Auditors' findings and we are satisfied with the Management responses thereon.
- We also confirm that the accounting and reporting policies of the Bank are in accordance with legal requirements and ethical practices.
- As required by the provisions of the Central Bank of Nigeria circular 85D/1//2004 dated February 18, 2004 on "Disclosure of Insider-Related Credits in Financial Statements", we reviewed the insider-related credits of the Bank and found them to be as analysed in the financial statements as at June 30, 2017.

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

Members of the Audit Committee are:

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

GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2017

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, Cap 20 Laws of the Federation of Nigeria 2004, and Sections 24 and 28 of the Banks and Other Financial Institutions Act CAP B3 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank and of the profit or loss for the half year ended June 30, 2017 and in so doing they ensure that:

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

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

The Directors are of the opinion that the half year ended June 30, 2017 financial statements give a true and fair view of the state of the financial affairs of the Bank and Group.

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

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

Signed on behalf of the Directors:

Kennedy Uzoka
Group Managing Director/CEO

FINANCIAL STATEMENTS

Independent auditor's report
Consolidated and separate statements of comprehensive income
Consolidated and separate statements of financial position
Consolidated and separate statements of changes in equity
Consolidated and separate statements of cash flows
Notes to the financial statements
Statements of value added
Group five - year financial summary
Bank five - year financial summary

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Independent auditor's report

To the members of United Bank for Africa Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of United Bank for Africa Plc ("the Bank") and its subsidiaries (together "the Group") as at 30 June 2017 and of their consolidated and separate financial performance and cash flows for the 6 month period then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

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

- the consolidated and separate statements of financial position as at 30 June 2017;
- the consolidated and separate statements of comprehensive income for the 6 month period then ended;
- the consolidated and separate statements of changes in equity for the 6 month period ended;
- the consolidated and separate statements of cash flows for the 6 month period then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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Key audit matter	How our audit addressed the key audit matter
Valuation of available for sale unquoted equity financial instruments	
We focused on this area because of the subjective judgments involved in estimating the carrying values of the unquoted equity securities at the period-end date and the relative size of the balance. In particular we focused on UBA Plc's unquoted equity investments where the directors' have applied a discounted cash flow (DCF) valuation technique to determine their fair values. This category of investment securities is a significant portion of the total portfolio of unquoted equity securities and there is no active market for them. The directors make assumptions regarding the magnitude and timing of forecast cash flows from the investee companies as well as the terminal growth rates and the discount rates used in determining the recoverable values of the investments. This matter is considered a key audit matter in both the separate and consolidated financial statements. *See notes 6.3 (iii-v) to the financial statements for further information.*	We adopted a substantive approach to testing this balance by obtaining and performing audit procedures on the directors' independent valuation of all unquoted equity investment securities performed using the discounted cash flow valuation technique. We challenged the cash flow forecasts used by the directors in their independent valuation of these securities by revalidating with information on the business plans of the investee companies, their historical performance and long term economic outlook. We used our internal valuation experts to test the reasonableness of the discount rates, long term growth rates, applicability of the methodology applied and mathematical accuracy of the valuation models used in the directors' estimate. Our valuation experts also performed an independent valuation to determine if the values ascribed to the investee companies were within an acceptable range of outcomes.

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Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance report, Customer Complaint Report, Audit Committee Report, Statement of Directors' Responsibilities, Statement of Value Added and Five Year Financial Summary (but does not include the consolidated and separate financial statements and our auditor's report thereon).

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

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

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Report on other legal and regulatory requirements

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

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

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

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

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

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

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1 358662

24 August 2017

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE

		Group		Bank	
			Restated*		Restated*
In millions of Nigerian Naira	Notes	2017	2016	2017	2016
Gross earnings		**222,718**	165,580	**152,204**	121,251
Interest income	10	**154,954**	107,418	**107,456**	78,459
Interest expense	11	**(53,575)**	(43,286)	**(42,427)**	(29,924)
Net interest income		**101,379**	64,132	**65,029**	48,535
Impairment loss on loans and receivables	12	**(9,441)**	(6,821)	**(7,193)**	(5,569)
Net interest income after impairment on loans and receivables		**91,938**	57,311	**57,836**	42,966
Fees and commission income	13	**36,466**	36,936	**21,255**	26,696
Fees and commission expense	14	**(7,366)**	(6,098)	**(5,122)**	(4,914)
Net trading and foreign exchange income	15	**28,294**	19,637	**21,007**	14,790
Other operating income	16	**3,004**	1,589	**2,486**	1,306
Employee benefit expenses	17	**(33,958)**	(29,273)	**(20,721)**	(20,888)
Depreciation and amortisation	18	**(4,792)**	(4,065)	**(3,336)**	(3,115)
Other operating expenses	19	**(56,054)**	(41,202)	**(39,875)**	(31,885)
Share of loss of equity-accounted investee	28(a)	**(1)**	(79)	**-**	-
Profit before income tax		**57,531**	34,756	**33,530**	24,956
Income tax expense	20	**(15,192)**	(7,649)	**(7,676)**	(5,419)
Profit for the period		**42,339**	27,107	**25,854**	19,537
Other comprehensive income					
Items that will be reclassified to the income statement:					
Exchange differences on translation of foreign operations		**7,694**	32,432	**-**	-
Fair value reserve (available-for-sale financial assets):					
Net change in fair value during the period		**3,345**	23,703	**3,345**	23,674
Net amount transferred to the income statement		**(162)**	26	**(162)**	26
Other comprehensive income for the period, net of tax		**10,877**	56,161	**3,183**	23,700
Total comprehensive income for the period		**53,216**	83,268	**29,037**	43,237
Profit for the period attributable to:					
Owners of Parent		**41,449**	26,491	**25,854**	19,537
Non-controlling interest		**890**	616	**-**	-
Profit for the period		**42,339**	27,107	**25,854**	19,537
Total comprehensive income attributable to:					
Owners of Parent		**51,788**	79,892	**29,037**	43,237
Non-controlling interest		**1,428**	3,376	**-**	-
Total comprehensive income for the period		**53,216**	83,268	**29,037**	43,237
Earnings per share attributable to owners of the parent					
Basic and diluted earnings per share (Naira)	21	**1.21**	0.78	**0.71**	0.54

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

* See details of items restated in note 46

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT

		Group		Bank	
In millions of Nigerian Naira	**Notes**	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
ASSETS					
Cash and bank balances	*22*	**763,224**	760,930	**624,747**	610,910
Financial assets held for trading	*23*	**43,878**	52,295	**43,878**	52,295
Derivative assets	*33(a)*	**13,931**	10,642	**13,931**	10,642
Loans and advances to banks	*24*	**11,505**	22,765	**16,889**	23,850
Loans and advances to customers	*25*	**1,560,337**	1,505,319	**1,123,398**	1,090,355
Investment securities:					
- Available for sale	*26*	**430,964**	276,758	**342,722**	244,424
- Held to maturity	*26*	**662,500**	693,634	**289,404**	288,592
Other assets	*27*	**56,574**	37,849	**44,686**	31,192
Investment in equity-accounted investee	*28*	**3,029**	2,925	**1,770**	1,770
Investment in subsidiaries	*29*	**-**	-	**70,702**	70,702
Property and equipment	*30*	**98,944**	93,932	**82,777**	80,252
Intangible assets	*31*	**15,002**	14,361	**5,026**	4,905
Deferred tax asset	*32*	**30,401**	33,060	**28,937**	29,696
TOTAL ASSETS		**3,690,289**	3,504,470	**2,688,867**	2,539,585
LIABILITIES					
Derivative liabilities	*33(b)*	**61**	14	**61**	14
Deposits from banks	*34*	**139,630**	109,080	**41,434**	30,484
Deposits from customers	*35*	**2,448,617**	2,485,610	**1,677,971**	1,698,859
Other liabilities	*36*	**126,811**	110,596	**79,555**	72,901
Current tax liability	*20*	**3,681**	5,134	**1,646**	522
Borrowings	*37*	**401,984**	259,927	**401,984**	259,927
Subordinated liabilities	*38*	**86,231**	85,978	**86,231**	85,978
Deferred tax liability	*32*	**143**	62	**-**	-
TOTAL LIABILITIES		**3,207,158**	3,056,401	**2,288,882**	2,148,685
EQUITY					
Share capital	*39*	**18,140**	18,140	**18,140**	18,140
Share premium	*39*	**117,374**	117,374	**117,374**	117,374
Retained earnings	*39*	**149,469**	138,623	**101,512**	110,152
Other reserves	*39*	**183,502**	160,714	**162,959**	145,234
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**468,485**	434,851	**399,985**	390,900
Non-controlling interests		**14,646**	13,218	**-**	-
TOTAL EQUITY		**483,131**	448,069	**399,985**	390,900
TOTAL LIABILITIES AND EQUITY		**3,690,289**	3,504,470	**2,688,867**	2,539,585

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

The financial statements were approved by the directors on July 20, 2017.

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

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

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED

(a) 30 June 2017

(i) Group

	Attributable to equity holders of the parent										
In millions of Nigerian naira	Share Capital	Share pre-mium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling Interest	Total equity
Balance at 1 January 2016	18,140	117,374	(5,654)	18,167	31,348	(32,061)	65,450	113,063	325,827	6,794	332,621
Profit for the period (Restated*)	-	-	-	-	-	-	-	26,491	26,491	616	27,107
Exchange differences on translation of foreign operations	-	-	29,672	-	-	-	-	-	29,672	2,760	32,432
Fair value change in available-for-sale financial assets	-	-	-	-	23,703	-	-	-	23,703	-	23,703
Net amount transferred to income statement	-	-	-	-	26	-	-	-	26	-	26
Total comprehensive income for the period	-	-	29,672	-	23,729	-	-	26,491	79,892	3,376	83,268
Transfer between reserves	-	-	-	606	-	-	3,147	(3,753)	-	-	-
Transactions with owners											
Sale of treasury shares	-	-		-	-	184	-	-	184	-	184
Dividends paid	-	-	-	-	-	-	-	(13,686)	(13,686)	-	(13,686)
Balance at 30 June 2016	18,140	117,374	24,018	18,773	55,077	(31,877)	68,597	122,115	392,217	10,170	402,387
Balance 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 (Restated*)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,449**	**41,449**	**890**	**42,339**
Exchange differences on translation of foreign operations	**-**	**-**	**7,156**	**-**	**-**	**-**	**-**	**-**	**7,156**	**538**	**7,694**
Fair value change in available-for-sale financial assets	**-**	**-**	**-**	**-**	**3,345**	**-**	**-**	**-**	**3,345**	**-**	**3,345**
Net amount transferred to income statement	**-**	**-**	**-**	**-**	**(162)**	**-**	**-**	**-**	**(162)**	**-**	**(162)**
Total comprehensive income for the period	**-**	**-**	**7,156**	**-**	**3,183**	**-**	**-**	**41,449**	**51,788**	**1,428**	**53,216**
Transfer between reserves	**-**	**-**	**-**	**4,546**	**-**	**-**	**7,249**	**(11,795)**	**-**	**-**	**-**
Transactions with owners											
Sale of treasury shares	**-**	**-**		**-**	**-**	**654**	**-**	**-**	**654**	**-**	**654**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,808)**	**(18,808)**	**-**	**(18,808)**
Balance at 30 June 2017	**18,140**	**117,374**	**35,955**	**35,921**	**61,457**	**(30,946)**	**81,115**	**149,469**	**468,485**	**14,646**	**483,131**

* See details of items restated in note 46

(ii) **Bank**

In millions of Nigerian naira	Share Capital	Share pre-mium	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
Balance at 1 January 2016	18,140	117,374	17,260	31,985	52,572	100,900	338,231
Profit for the period (Restated*)	-	-	-	-	-	19,537	19,537
Fair value change in available-for-sale financial assets	-	-	-	23,674	-	-	23,674
Net amount transferred to income statement	-	-	-	26	-	-	26
Total comprehensive income for the period	-	-	-	23,700	-	19,537	43,237
Transfer between reserves	-	-	(1,971)	-	2,931	(960)	-
Transactions with owners							
Dividends paid	-	-	-	-	-	(14,512)	(14,512)
Balance at 30 June 2016	18,140	117,374	15,289	55,685	55,503	104,965	366,956
Balance at 1 January 2017	**18,140**	**117,374**	**26,650**	**58,881**	**59,703**	**110,152**	**390,900**
Profit for the period (Restated*)	**-**	**-**	**-**	**-**	**-**	**25,854**	**25,854**
Fair value change in available-for-sale financial assets	**-**	**-**	**-**	**3,345**	**-**	**-**	**3,345**
Net amount transferred to income statement	**-**	**-**	**-**	**(162)**	**-**	**-**	**(162)**
Total comprehensive income for the period	**-**	**-**	**-**	**3,183**	**-**	**25,854**	**29,037**
Transfer between reserves	**-**	**-**	**8,287**	**-**	**6,255**	**(14,542)**	**-**
Transactions with owners							
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(19,952)**	**(19,952)**
Balance at 30 June 2017	**18,140**	**117,374**	**34,937**	**62,064**	**65,958**	**101,512**	**399,985**

* See details of items restated in note 46

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE

		Group		Bank	
			Restated*		Restated*
In millions of Nigerian Naira	Notes	2017	2016	2017	2016
Cash flows from operating activities					
Profit before income tax		**57,531**	34,756	**33,530**	24,956
Adjustments for:					
Depreciation of property and equipment	18	**4,066**	3,510	**2,722**	2,611
Amortisation of intangible assets	18	**726**	555	**614**	504
Specific impairment charge on loans to customers	12	**8,565**	2,318	**5,772**	1,003
Portfolio impairment charge on loans to customers	12	**(491)**	2,784	**(96)**	2,230
Portfolio impairment (reversal)/ charge on loans to banks	12	**284**	21	**(165)**	24
Write-off of loans and advances	12	**2,187**	2,082	**1,810**	1,971
Impairment charge on other assets	12	**534**	997	**14**	645
Net fair value gain on derivative financial instruments	15	**(3,242)**	(15,931)	**(3,242)**	(15,931)
Foreign currency revaluation loss/(gain)	15	**179**	4,165	**158**	4,219
Dividend income	16	**(2,278)**	(1,051)	**(2,262)**	(955)
(Gain)/Loss on disposal of property and equipment	19	**69**	121	**69**	121
Write-off of property and equipment	30	**84**	55	**84**	55
Loss on disposal of investment securities		**(162)**	26	**(162)**	26
Net interest income		**(101,379)**	(64,132)	**(65,029)**	(48,535)
Share of loss of equity-accounted investee	28	**1**	79	**-**	-
		(33,326)	(29,645)	**(26,183)**	(27,056)
Changes in operating assets and liabilities					
Change in financial assets held for trading		**4,507**	(23,663)	**4,507**	(23,663)
Change in cash reserve balance		**(20,219)**	(44,162)	**(45,724)**	(45,473)
Change in loans and advances to banks		**10,976**	(9,426)	**7,126**	(13,765)
Change in loans and advances to customers		**(65,279)**	(261,222)	**(40,529)**	(167,722)
Change in other assets		**(13,145)**	(43,332)	**(13,666)**	(71,097)
Change in deposits from banks		**30,550**	30,804	**10,950**	(68)
Change in deposits from customers		**(36,993)**	330,311	**(20,888)**	151,817
Change in placement with banks		**(30,615)**	(11,209)	**(4,048)**	53
Change in other liabilities and provisions		**16,215**	79,494	**6,654**	60,015
Interest received		**144,513**	107,418	**97,015**	78,459
Interest paid		**(47,365)**	(43,409)	**(36,217)**	(30,047)
Income tax paid	20(c)	**(13,905)**	(12,150)	**(5,793)**	(4,776)
Net cash provided from/(used in) operating activities		**(54,086)**	69,809	**(66,796)**	(93,323)

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS (continued)

Cash flows from investing activities					
Proceeds from sale/redemption of investment securities		**24,021**	348,358	**27,174**	380,228
Purchase of investment securities		**(140,584)**	(469,482)	**(112,690)**	(332,455)
Purchase of property and equipment	30	**(11,113)**	(5,283)	**(5,420)**	(1,992)
Purchase of intangible assets	31	**(1,198)**	(535)	**(735)**	(261)
Additional investment in subsidiaries		**-**	-	**-**	(4,935)
Proceeds from disposal of property and equipment		**3,009**	2,929	**20**	1,766
Dividend received		**2,278**	1,051	**2,262**	955
Net cash (used in)/provided from investing activities		**(123,587)**	(122,962)	**(89,389)**	43,306
Cash flows from financing activities					
Proceeds from borrowings	37	**201,890**	115,502	**201,890**	115,502
Repayment of borrowings	37	**(65,790)**	(89,714)	**(65,790)**	(89,714)
Proceeds from sale of treasury shares		**654**	184	**-**	-
Dividend paid to owners of the parent		**(18,808)**	(13,686)	**(19,952)**	(14,512)
Net cash from financing activities		**117,946**	12,286	**116,148**	11,276
Net decrease in cash and cash equivalents		**(59,727)**	(40,867)	**(40,037)**	(38,741)
Effects of exchange rate changes on cash and cash equivalents		**7,277**	41,508	**192**	6,623
Cash and cash equivalents at beginning of period	22	**381,043**	347,856	**236,416**	290,586
Cash and cash equivalents at end of period	22	**328,593**	348,497	**196,571**	258,468

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 GENERAL INFORMATION

United Bank for Africa Plc (the "Group") is a Nigerian registered company with address at 57 Marina, Lagos, Nigeria. The consolidated financial statements of the Group for the period ended 30 June 2017 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

The financial statements for the period ended 30 June 2017 were authorised for issue by the Board of Directors on July 20, 2017.

2 BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting 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.
- Available-for-sale financial instruments which are measured at fair value.

3.2 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). 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. Information about significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 8.

3.4 BASIS OF CONSOLIDATION

(a) Subsidiaries

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 BASIS OF CONSOLIDATION - (continued)

(b) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

(d) Transactions eliminated on consolidation

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

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

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

(f) Associates

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 BASIS OF CONSOLIDATION - (continued)

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 INTEREST INCOME AND INTEREST EXPENSE (continued)

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 period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS

Initial recognition and measurement

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

Subsequent measurement

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

(a) Held-to-maturity

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

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

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

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

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

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

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

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

(c) Available-for-sale

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS (continued)

Subsequent measurement (continued)

(d) Loans and receivables

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

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

(e) Financial liabilities

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

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

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

Fair value measurement

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

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

Impairment of financial assets

(a) Assets carried at amortised cost

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

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

- whether a loan or other financial assets or any obligation is more than 90 days past due;
- the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments; or
- there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS (continued)

Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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

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

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

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

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

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

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

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

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

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS (continued)

Impairment of financial assets (continued)

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

of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

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

Write-off policy

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

Assets pledged as collateral

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

Offsetting financial instruments

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

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

Sale and repurchase agreements and lending of securities

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

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

De-recognition of financial instruments

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS (continued)

Impairment of financial assets (continued)

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

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

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

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

Reclassification of financial assets

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

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

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

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

3.12 CASH AND BANK BALANCES

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

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

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

3.13 TRADING ASSETS

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

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

3.14 DERIVATIVE FINANCIAL INSTRUMENTS

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

3.15 PROPERTY AND EQUIPMENT

(a) Recognition and measurement

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

(b) Subsequent costs

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

(c) Depreciation

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

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

Land	Not depreciated
Buildings	50 years
Leasehold improve-ments	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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 PROPERTY AND EQUIPMENT (continued)

(d) De-recognition

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

3.16 INTANGIBLE ASSETS

(a) Goodwill

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

Subsequent measurement

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future 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.

3.17 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

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

3.18 REPOSSESSED COLLATERAL

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

3.19 DEPOSITS AND DEBT SECURITIES ISSUED

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

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

3.20 PROVISIONS

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

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

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

3.21 FINANCIAL GUARANTEE CONTRACTS

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

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

3.22 EMPLOYEE BENEFITS

Post-employment benefits

Defined contribution plans

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 EMPLOYEE BENEFITS (continued)

Termination benefits

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

3.23 SHARE CAPITAL AND RESERVES

(a) Share issue costs

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

(b) Dividend on ordinary shares

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

(c) Treasury shares

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

3.24 EARNINGS PER SHARE

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

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

3.25 FIDUCIARY ACTIVITIES

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

3.26 STOCK OF CONSUMABLES

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

3.27 SEGMENT REPORTING

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The following amendments to existing standards became effective in 2017.

i) Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.
- The adoption of this amendment did not have any material impact on the amounts recognised in prior or current periods."

ii) Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g.,gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, this has been disclosed in note 37.

3.29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The standards and interpretations that are issued, but not yet effective as at 30 June 2017 are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

a) IFRS 9 Financial Instruments

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

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

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

Classification and Measurement

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED(continued)

Classification and Measurement (continued)

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

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

Impairment of financial assets

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

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

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

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

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

Stage 1 – Performing loans

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

Stage 2 – Underperforming loans:

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED(continued)

Impairment of financial assets(continued)

Stage 3 – Impaired loans:

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

Other financial assets

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

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

Forward-looking information

The Group will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs. Forward-looking information such as macroeconomic factors (e.g., unemployment, GDP growth and interest rates) and economic forecasts will be considered. To evaluate a range of possible outcomes, the Group intends to formulate three scenarios: a base case, a worse case and a better case.

The base case scenario represents the more likely outcome resulting from the Group's normal financial planning and budgeting process, while the better and worse case scenarios represent more optimistic or pessimistic outcomes. For each scenario, the Group will derive an ECL and apply a probability weighted approach to determine the impairment allowance.

Hedge accounting

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

b) IFRS 15 Revenue from Contracts with Customers

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED(continued)

Impairment of financial assets (continued)

c) IFRS 16 Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 FINANCIAL RISK MANAGEMENT

4.1 INTRODUCTION AND OVERVIEW

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

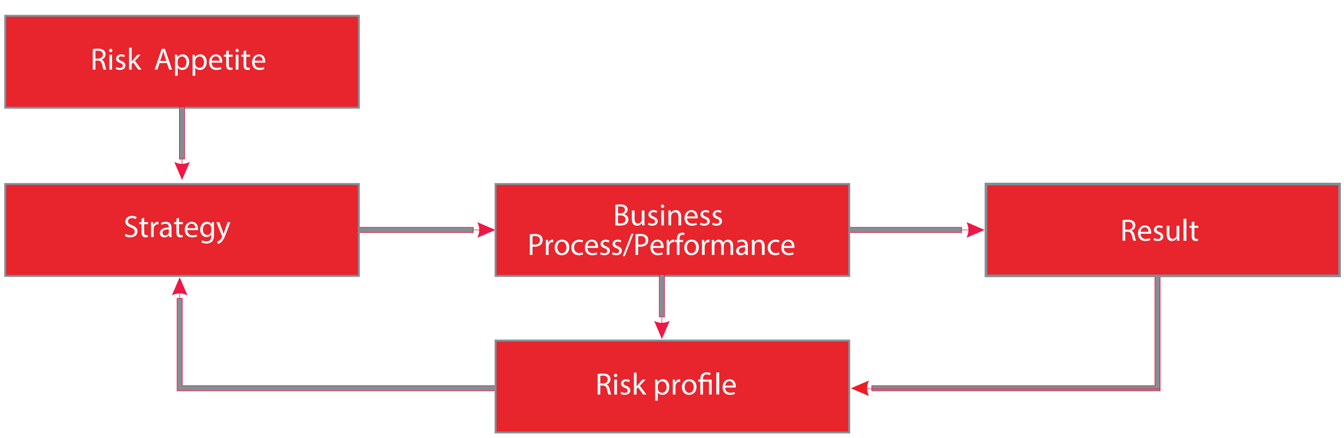
1. meet and exceed best practice global standards as defined by local and international regulatory bodies. We intend to achieve this by adhering to the principles of the Basel II Accords as adopted by the Central Bank of Nigeria (CBN);
2. ensure sustainable profitability and enterprise value protection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

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

(a) Risk Management Strategy

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

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



(b) Risk Management Culture

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND OVERVIEW (continued)

(b) Risk Management Culture (continued)

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

(c) Role and responsibilities

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

Board of Directors

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

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

Board Committees

The Board of Directors has established various Board-level risk committees, to support its risk oversight roles and responsibilities. These committees review and advise on numerous risk matters requiring Board approvals. The Board Risk Management Committee has direct oversight for the Bank's overall risk management framework. The Board Credit Committee considers and approves large exposure underwriting decisions within its authority and recommends those above its limit to the Board for consideration. The Board Audit Committee assists the Board with regard to internal controls, audit assessments and compliance matters.

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

Management Committees

Key Management Committees include:

(i) Executive Management Committee (EMC)

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND OVERVIEW (continued)

(c) Role and responsibilities (continued)

(i) Executive Management Committee (EMC) (continued)

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

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

(ii) Executive Credit Committee (ECC)

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

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

(iii) Group Asset and Liability Committee

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

In playing this role, GALCO does the following:-

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND OVERVIEW (continued)

(c) Role and responsibilities (continued)

(iv) **Criticized Assets Committee**

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

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

(v) **Group Risk Management Committee**

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

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

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

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

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

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

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

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

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

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

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

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

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

Group Chief Risk Officer

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

(d) Central Risk Management Functions

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND OVERVIEW (continued)

(d) Central Risk Management Functions (continued)

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

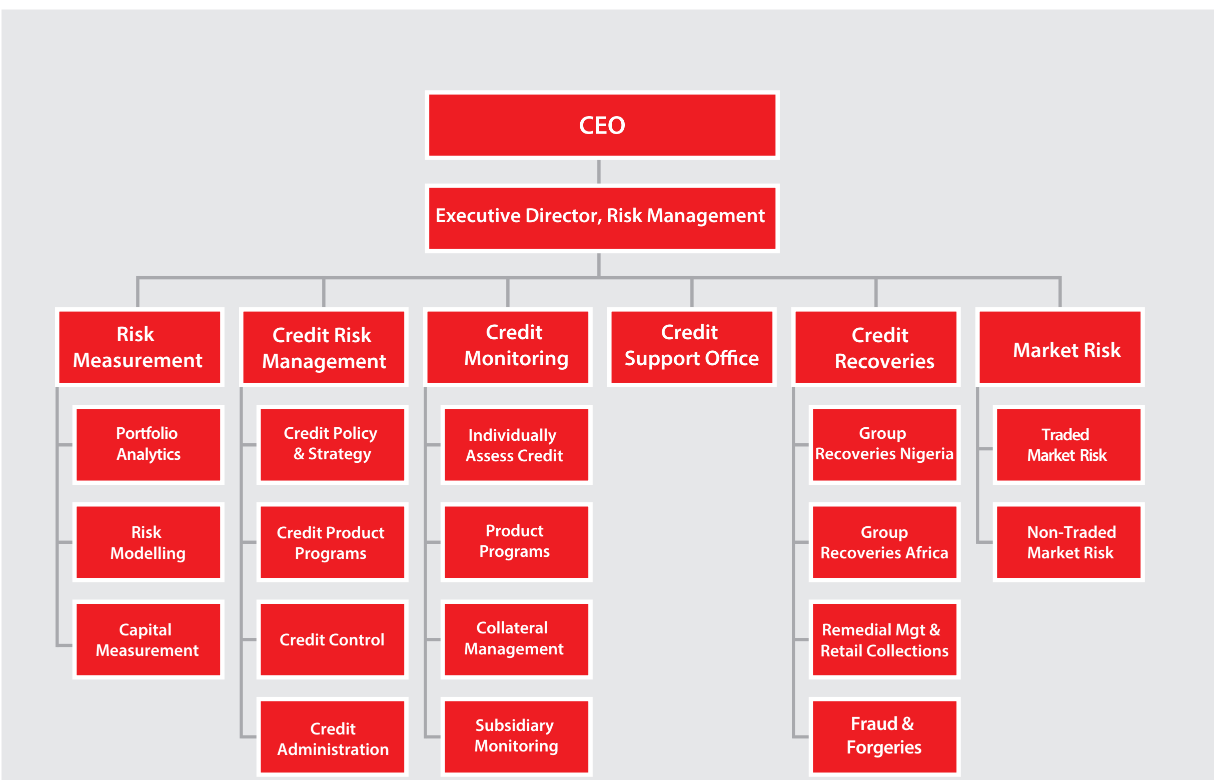
At a strategic level, our risk management objectives are as follows:

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

(e) Risk Management Structure

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

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



4 FINANCIAL RISK MANAGEMENT (continued)

4.1 INTRODUCTION AND OVERVIEW (continued)

(f) Risk Management Policies

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

(i) Risk Appetite

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

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

(ii) Approval Authority

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

(iii) Risk concentration

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

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

4.2 CREDIT RISK

(a) Overview

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

(i) Credit Risk Management (CRM)

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

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

(ii) Credit Risk Governance

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

a. Credit concentration

b. Credit portfolio performance

c. Credit quality

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(a) Overview (continued)

(ii) Credit Risk Governance (continued)

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

(iii) Credit Monitoring

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

(iv) Credit Concentration Management

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

The Group ensures that:

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

(v) Credit Risk Measurement

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

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

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

Probability of Default

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

Loss Given Default

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

Exposure at default

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

(vi) General Risk Rating Process

The Group adopts a two-dimensional approach to the assessment of credit risk in the Risk Rating Process for all businesses. Obligors are assigned an Obligor Risk Rating (ORR) while a Facility Risk Rating (FRRs) is assigned to facilities.

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(a) Overview (continued)

(vi) **General Risk Rating Process (continued)**

However certain obligors, retail and commercial loans applicants that do not have a risk rating, must access credit through product programmes while those that have credit ratings can access through the individually assessed credit window. Scoring system is used for consumer loans whereby loans that achieve a predetermined minimum score are approved.

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

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

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

Deterioration in credit risk are identified based on factors such as:

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

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

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

UBA RISK BUCKETS AND DEFINITION

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(a) Overview (continued)

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

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

(viii) **Remedial Management Process**

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

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

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

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

(ix) **Work out and recovery**

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(a) Overview (continued)

(ix) Work out and recovery (continued)

Risk Management and Credit Recovery Division methodology

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

(b) Credit Risk Exposure

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk Exposure (continued)

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

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

	Maximum exposure Group		Maximum exposure Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Cash and bank balances				
Current balances with banks	**150,387**	180,071	**116,366**	150,140
Unrestricted balances with Central Banks	**77,764**	89,721	**2,827**	27,788
Money market placements	**77,492**	42,927	**81,690**	51,101
Restricted balances with central banks	**396,908**	376,689	**387,380**	341,656
Financial assets held for trading				
Treasury bills	**37,888**	47,638	**37,888**	47,638
Bonds	**5,990**	4,657	**5,990**	4,657
Loans and advances to banks:				
Term Loan	**11,505**	22,765	**16,889**	23,850
Loans to individuals				
Overdraft	**26,288**	40,082	**11,002**	33,367
Term loan	**64,966**	74,815	**21,147**	25,024
Loans to corporate entities and others				
Overdraft	**330,193**	278,512	**223,697**	172,537
Term Loan	**1,123,980**	1,095,643	**852,642**	843,160
Others	**14,910**	16,267	**14,910**	16,267
Available-for-sale investment securities:				
Treasury bills	**290,934**	155,315	**232,129**	147,153
Bonds	**54,590**	40,790	**25,702**	17,233
Held to maturity investment securities:				
Treasury bills	**202,939**	240,559	**18,614**	-
FGN Promissory notes	**290**	281	**290**	281
Bonds	**459,271**	452,794	**270,500**	288,311
Other assets	**33,773**	18,095	**28,355**	20,723
Total	**3,360,068**	3,177,621	**2,348,018**	2,210,886
Loans exposure to total exposure	**47%**	48%	**49%**	50%
Debt securities exposure to total exposure	**31%**	30%	**25%**	23%
Other exposures to total exposure	**22%**	22%	**26%**	27%
Credit risk exposures relating to off-balance sheet assets are as follows:				
Performance bonds and guarantees	**203,084**	388,884	**115,541**	135,127
Letters of credits	**494,874**	202,122	**325,618**	168,600
	697,958	591,006	**441,159**	303,727
Bonds and guarantee exposure to total exposure	**29%**	66%	**26%**	44%
Letters of credit exposure to total exposure	**71%**	34%	**74%**	56%
Credit risk exposures relating to loan commitment are as follows:				
Loan commitment to corporate entities and others				
Term Loan	**118,710**	108,014	**118,710**	108,014
	118,710	108,014	**118,710**	108,014

There are no loan commitments to individuals.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk Exposure (continued)

(ii) Credit concentration - location

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

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

30 June 2017	Group				Bank			
In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the world	Total	Nigeria	Rest of Africa	Rest of the world	Total
Financial assets								
Cash and bank balances:								
Current balances with banks	-	44,149	106,238	150,387	-	521	115,845	116,366
Unrestricted balances with Central Banks	2,827	74,937	-	77,764	2,827	-	-	2,827
Money market placements	48,437	27,213	1,842	77,492	48,351	3,997	29,342	81,690
Restricted balances with central banks	387,380	9,528	-	396,908	387,380	-	-	387,380
Financial assets held for trading:								
Treasury bills	37,88	-	-	37,888	37,888	-	-	37,888
Government bonds	5,990	-	-	5,990	5,990	-	-	5,990
Loans and advances to banks								
Corporates	1,736	-	9,769	11,505	1,736	-	15,153	16,889
Loans and advances to customers:								
Individuals:								
Overdrafts	11,002	15,286	-	26,288	11,002	-	-	11,002
Term loans	21,147	43,819	-	64,966	21,147	-	-	21,147
Corporates:								
Overdrafts	219,726	110,467	-	330,193	219,726	3,971	-	223,697
Term loans	829,624	294,356	-	1,123,980	829,624	23,018	-	852,642
Others	14,910	-	-	14,910	14,910	-	-	14,910
Investment securities:								
Held-to-maturity:								
Treasury bills	18,614	184,325	-	202,939	18,614	-	-	18,614
Promissory notes	290	-	-	290	290	-	-	290
Bonds	231,441	197,801	30,029	459,271	231,441	14,328	24,731	270,500
Available-for-sale:								
Treasury bills	232,129	58,805	-	290,934	232,129	-	-	232,129
Bonds	25,702	28,888	-	54,590	25,702	-	-	25,702
Other assets	22,233	10,541	999	33,773	22,233	6,122	-	28,355
Total financial assets	2,111,076	1,100,115	148,877	3,360,068	2,110,990	51,957	185,071	2,348,018
Commitments and guarantees								
Performance bonds and guarantees	115,541	87,543	-	203,084	115,541	-	-	115,541
Letters of credits	288,423	136,827	69,624	494,874	288,423	-	37,195	325,618
Total commitments and guarantees	403,964	224,370	69,624	697,958	403,964	-	37,195	441,159

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk Exposure (continued)

(ii) Credit concentration - location (continued)

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk Exposure (continued)

iii) Credit concentration - Industry

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

In millions of Nigerian Naira	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
Group													
30 June 2017													
Cash and bank balances:													
Current balances with banks	-	-	-	150,387	-	-	-	-	-	-	-	-	150,387
Unrestricted balances with Central Banks	-	-	-	77,764	-	-	-	-	-	-	-	-	77,764
Money market placements	-	-	-	77,492	-	-	-	-	-	-	-	-	77,492
Restricted balances with central banks	-	-	-	396,908	-	-	-	-	-	-	-	-	396,908
Financial assets held for trading:													
Treasury bills	-	-	-	-	-	-	37,888	-	-	-	-	-	37,888
Government bonds	-	-	-	-	-	-	5,990	-	-	-	-	-	5,990
Loans and advances to banks	-	-	-	11,505	-	-	-	-	-	-	-	-	11,505
Loans and advances to customers:													
Individuals :													
Overdrafts	-	-	-	-	26,288	-	-	-	-	-	-	-	26,288
Term loans	-	-	-	-	64,966	-	-	-	-	-	-	-	64,966
Corporates :													
Overdrafts	19,141	20,879	2,157	14,531	7,135	37,519	30,323	19,899	67,039	76,789	26,313	8,468	330,193
Term loans	33,211	111,623	16,654	53,172	26,889	208,844	81,940	77,038	161,155	242,064	110,489	901	1,123,980
Others	-	-	-	-	-	389	-	-	14,504	16	-	1	14,910
Investment securities:													
Held-to-maturity :													
Treasury bills	-	-	-	-	-	-	202,939	-	-	-	-	-	202,939
Promissory notes	-	-	-	290	-	-	-	-	-	-	-	-	290
Bonds	-	-	-	1,103	457,821	-	-	-	347	-	-	-	459,271
Available-for-sale :				-	-	-	-	-	-	-	-	-	
Treasury bills	-	-	-	-	-	-	290,934	-	-	-	-	-	290,934
Bonds	-	-	-	-	-	-	54,590	-	-	-	-	-	54,590
Other assets	-	-	-	3,721	30,052	-	-	-	-	-	-	-	33,773
Total financial assets	52,352	132,502	18,811	786,873	613,151	246,752	704,604	96,937	243,045	318,869	136,802	9,370	3,360,068
Commitments and guarantees :													
Performance bonds and guarantees	754	67,339	45	4,096	288	38,563	5	7,039	48,589	28,135	7,014	1,217	203,084
Letters of credits	3,113	3,471	-	-	-	29,247	-	5,054	94,650	116,783	242,509	47	494,874
Total commitments and guarantees	3867	70,810	45	4,096	288	67,810	5	12,093	143,239	144,918	249,523	1,264	697,958

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk Exposure (continued)

iii) **Credit concentration - Industry (continued)**

In millions of Nigerian Naira	Agri-culture	Construction and Real Estate	Educa-tion	Finance and Insur-ance	General	Gen-eral Com-merce	Govern-ments	Informa-tion and Communi-cation	Manufac-turing	Oil and Gas	Power and Energy	Trans-porta-tion and Storage	Total
Bank													
30 June 2017													
Financial assets													
Cash and bank balances:													
Current balances with banks	-	-	-	116,366	-	-	-	-	-	-	-	-	116,366
Unrestricted balances with Central Banks	-	-	-	2,827	-	-	-	-	-	-	-	-	2,827
Money market placements	-	-	-	81,690	-	-	-	-	-	-	-	-	81,690
Restricted balances with central banks	-	-	-	387,380	-	-	-	-	-	-	-	-	387,380
Financial assets held for trading:	-	-	-	-	-	-		-	-	-	-	-	
Treasury bills	-	-	-	-	-	-	37,888	-	-	-	-	-	37,888
Government bonds	-	-	-	-	-	-	5,990	-	-	-	-	-	5,990
Loans and advances to banks	-	-	-	16,889	-	-	-	-	-	-	-	-	16,889
Loans and advances to customers:													
Individuals :													
Overdrafts	-	-	-	-	11,002	-	-	-	-	-	-	-	11,002
Term loans	-	-	-	-	21,147	-	-	-	-	-	-	-	21,147
Corporates :													
Overdrafts	15,101	19,020	1,871	13,659	7,115	25,647	23,833	13,859	51,866	32,381	18,926	419	223,697
Term loans	19,191	51,515	15,507	51,011	26,889	137,710	40,512	66,839	115,626	216,295	111,317	230	852,642
Others	-	-	-	-	-	390	-	-	14,504	16	-	-	14,910
Investment securities:													
Held-to-maturity :													
Treasury bills	-	-	-	-	-	-	18,614	-	-	-	-	-	18,614
Promissory notes	-	-	-	290	-	-	-	-	-		-	-	290
Bonds	-	-	-	1,103	-	-	269,050	-	347	-	-	-	270,500
Available-for-sale :													
Treasury bills	-	-	-	-	-	-	232,129	-	-	-	-	-	232,129
Bonds	-	-	-	-	-	-	25,702	-	-	-	-	-	25,702
Other assets	-	-	-	14,412	13,943	-	-		-	-	-	-	28,355
Total financial assets	34,292	70,535	17,378	685,627	80,096	163,747	653,718	80,698	182,343	248,692	130,243	649	2,348,018
Commitments and guarantees :													
Performance bonds and guarantees	643	45,071	44	4,056	273	19,687	5	582	9,809	27,191	6,976	1,204	115,541
Letters of credits	3,113	3,471	-	-	-	106,614	-	5,054	91,391	115,866	62	47	325,618
Total commitments and guarantees	3,756	48,542	44	4,056	273	126,301	5	5,636	101,200	143,057	7,038	1,251	441,159

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk Exposure (continued)

iii) Credit concentration - Industry (continued)

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(b) Credit risk Exposure (continued)

iii) Credit concentration - Industry (continued

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality

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

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

Neither past due nor impaired

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

Past due but not impaired loans

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

Impaired loans and securities

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

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Group renegotiates loans to customers to maximise collection opportunities and minimise the risk of default. The revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. As at 30 June 2017, the carrying amount of loans with renegotiated terms was N37.46 billion (December 2016 : N22.64 billion). There are no other financial assets with renegotiated terms as at 30 June 2017 (December 2016: nil).

Impairment assessment under IFRS

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

a) Portfolio assessment

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality (continued)

b) Individual assessment

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

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

30 June 2017	Group				Bank			
In millions of Nigerian Naira	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash and bank balances:								
Current balances with banks	150,387	-	-	150,387	116,366	-	-	116,366
Unrestricted balances with Central Banks	77,764	-	-	77,764	2,827	-	-	2,827
Money market placements	77,492	-	-	77,492	81,690	-	-	81,690
Restricted balances with central banks	396,908	-	-	396,908	387,380	-	-	387,380
Financial assets held for trading:								
Treasury bills	37,888	-	-	37,888	37,888	-	-	37,888
Government bonds	5,990	-	-	5,990	5,990	-	-	5,990
Loans and advances to banks	11,625	-	-	11,625	17,021	-	-	17,021
Loans and advances to customers								
Individuals :								
Overdrafts	20,367	781	8,602	29,750	10,798	357	2,194	13,349
Term loans	57,543	8,538	2,635	68,716	19,980	1,360	524	21,864
Corporates :								
Overdrafts	287,106	14,961	44,653	346,720	223,905	4,504	4,488	232,897
Term loans	1,085,653	47,243	11,490	1,144,386	805,834	42,767	10,942	859,543
Others	15,056	-	-	15,056	15,056	-	-	15,056
Investment securities:								
Held-to-maturity :								
Treasury bills	202,939	-	-	202,939	18,614	-	-	18,614
Bonds	459,271	-	-	459,271	270,500	-	-	270,500
FGN Promissory notes	290	-	-	290	290	-	-	290
Available-for-sale :								
Treasury bills	290,934	-	-	290,934	232,129	-	-	232,129
Bonds	54,590	-	-	54,590	25,702	-	-	25,702
Other assets	33,773	-	3,203	36,976	28,355	-	2,259	30,614
Gross financial assets	3,265,576	71,523	70,583	3,407,682	2,300,325	48,988	20,407	2,369,720

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality (continued)

Allowance for impairment on financial assets is as follows:

30 June 2017	Group				Bank			
In millions of Nigerian Naira	Neither past due nor impaired	Past due but not impaired	Indi-vidually impaired	Total	Neither past due nor impaired	Past due but not impaired	Individ-ually im-paired	Total
Specific allowance								
Loans and advances to customers :								
Individuals	-	-	4,058	4,058	-	-	2,718	2,718
Corporates	-	-	12,254	12,254	-	-	4,058	4,058
Other assets	-	-	3,203	3,203	-	-	2,259	2,259
	-	-	19,515	19,515	-	-	9,035	9,035
Portfolio allowance								
Loans and advances to customers :								
Individuals	3,048	106	-	3,154	321	25	-	346
Corporates	23,538	1,287	-	24,825	11,061	1,128	-	12,189
Loans and advances to banks	120	-	-	120	132	-	-	132
	26,706	1,393	-	28,099	11,514	1,153	-	12,667
Total impairment allowance on financial assets	26,706	1,393	19,515	47,614	11,514	1,153	9,035	21,702
Net amount	3,238,870	70,130	51,068	3,360,068	2,288,811	47,835	11,372	2,348,018

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality (continued)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality (continued)

Allowance for impairment on financial assets is as follows:

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality (continued)

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

In millions of Nigerian Naira	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Group								
30 June 2017								
Cash and bank balances:								
Current balances with banks	-	150,387	-	-	-	150,387	-	150,387
Unrestricted balances with Central Banks	77,764	-	-	-	-	77,764	-	77,764
Money market placements	-	77,492	-	-	-	77,492	-	77,492
Restricted balances with central banks	396,908	-	-	-	-	396,908	-	396,908
Financial assets held for trading:								-
Treasury bills	37,888	-	-	-	-	37,888	-	37,888
Government bonds	5,990	-	-	-	-	5,990	-	5,990
Loans and advances to banks	-	11,625	-	-	-	11,625	(120)	11,505
Loans and advances to customers :								-
Individuals :								-
Overdrafts	-	-	12,513	-	7,854	20,367	(189)	20,178
Term loans	-	-	42,207	-	15,336	57,543	(2,859)	54,684
Corporates :						-		-
Overdrafts	9,154	84,022	191,431	2,499	-	287,106	(11,726)	275,380
Term loans	22,888	100,344	904,453	57,968	-	1,085,653	(11,666)	1,073,987
Others	-	7,350	7,706	-	-	15,056	(146)	14,910
Investment securities:								
Held-to-maturity :								
Treasury bills	202,939	-	-	-	-	202,939	-	202,939
Bonds	447,601	10,301	1,369	-	-	459,271	-	459,271
Promissory notes	290	-	-	-	-	290	-	290
Available-for-sale :						-		-
Treasury bills	290,934	-	-	-	-	290,934	-	290,934
Bonds	54,590	-	-	-	-	54,590	-	54,590
Other assets	-	-	-	-	33,773	33,773	-	33,773
	1,546,946	441,521	1,159,679	60,467	56,963	3,265,576	(26,706)	3,238,870

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality (continued)

In millions of Nigerian Naira	Very Low risk	Low risk	Accept-able risk	Mod-erately High risk	Unrated	Gross Amount	Portfolio Allow-ance	Carrying amount
Group								
31 December 2016								
Cash and bank balances:								
Current balances with banks	-	180,071	-	-	-	180,071	-	180,071
Unrestricted balances with Central Banks	89,721	-	-	-	-	89,721	-	89,721
Money market placements	-	42,927	-	-	-	42,927	-	42,927
Restricted balances with central banks	376,689	-	-	-	-	376,689	-	376,689
Financial assets held for trading:								
Treasury bills	47,638	-	-	-	-	47,638	-	47,638
Government bonds	4,657	-	-	-	-	4,657	-	4,657
Loans and advances to banks	-	23,047	-	-	-	23,047	(282)	22,765
Loans and advances to customers :								
Individuals :								
Overdrafts	28,965	-	8,271	-	1,922	39,158	(169)	38,989
Term loans	-	-	56,289	-	17,697	73,986	(2,760)	71,226
Corporates :								-
Overdrafts	2,845	27,494	200,961	93	-	231,393	(9,708)	221,685
Term loans	31,906	91,667	930,051	-	-	1,053,624	(12,681)	1,040,943
Others	-	7,350	9,094	-	-	16,444	(177)	16,267
Investment securities:								
Held-to-maturity :								
Treasury bills	240,559	-	-	-	-	240,559	-	240,559
Bonds	408,813	42,540	1,441	-	-	452,794	-	452,794
Promissory notes	281	-	-	-	-	281	-	281
Available-for-sale :								
Treasury bills	155,315	-	-	-	-	155,315	-	155,315
Bonds	40,790	-	-	-	-	40,790	-	40,790
Other assets	-	-	-	-	18,095	18,095	-	18,095
	1,428,179	**415,096**	**1,206,107**	**93**	**37,714**	**3,087,189**	**(25,777)**	**3,061,412**

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality (continued)

In millions of Nigerian Naira	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Bank								
30 June 2017								
Cash and bank balances:								
Current balances with banks	-	116,366	-	-	-	116,366	-	116,366
Unrestricted balances with Central Banks	2,827	-	-	-	-	2,827	-	2,827
Money market placements	-	81,690	-	-	-	81,690	-	81,690
Restricted balances with central banks	387,380	-	-	-	-	387,380	-	387,380
Financial assets held for trading:								-
Treasury bills	37,888	-	-	-	-	37,888	-	37,888
Government bonds	5,990	-	-	-	-	5,990	-	5,990
Loans and advances to banks	1,601	15,420	-	-	-	17,021	(132)	16,889
Loans and advances to customers :								-
Individuals :								-
Overdrafts	-	-	10,583	-	215	10,798	(147)	10,651
Term loans	-	-	12,297	-	7,683	19,980	(174)	19,806
Corporates :								-
Overdrafts	2,855	27,494	192,352	1,204	-	223,905	(5,406)	218,499
Term loans	43,257	87,995	587,391	87,191	-	805,834	(5,509)	800,325
Others	-	7,350	7,706	-	-	15,056	(146)	14,910
Investment securities:								-
Held-to-maturity :								-
Treasury bills	18,614	-	-	-	-	18,614	-	18,614
Bonds	258,830	10,301	1,369	-	-	270,500	-	270,500
Promissory notes	290					290	-	290
Available-for-sale :								-
Treasury bills	232,129	-	-	-	-	232,129	-	232,129
Bonds	25,702	-	-	-	-	25,702	-	25,702
Other assets	-	-	-	-	28,355	28,355	-	28,355
	1,017,363	346,616	811,698	88,395	36,253	2,300,325	(11,514)	2,288,811

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality (continued)

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(c) Credit Quality (continued)

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

30 June 2017	Group				Bank			
In millions of Nigerian Naira	Past due Up to 30 days	Past due by 30 to 60 days	Past due by 60 to 90 days	Total	Past due Up to 30 days	Past due by 30 to 60 days	Past due by 60 to 90 days	Total
Loans and advances to customers								
Individuals								
- Overdrafts	**231**	**48**	**502**	**781**	**1**	**10**	**346**	**357**
- Term loans	**2,521**	**529**	**5,488**	**8,538**	**90**	**35**	**1,235**	**1,360**
Corporates								
- Overdrafts	**7,631**	**972**	**6,358**	**14,961**	**633**	**706**	**3,165**	**4,504**
- Term loans	**24,096**	**3,070**	**20,077**	**47,243**	**21,986**	**349**	**20,432**	**42,767**
Gross amount	**34,479**	**4,619**	**32,425**	**71,523**	**22,710**	**1,100**	**25,178**	**48,988**
Portfolio allowance								
Individuals								
- Overdrafts	**(12)**	**(3)**	**(56)**	**(71)**	**(1)**	**(1)**	**(4)**	**(6)**
- Term loans	**(18)**	**(3)**	**(14)**	**(35)**	**(10)**	**(4)**	**(5)**	**(19)**
Corporates								
- Overdrafts	**(1)**	**(114)**	**(97)**	**(212)**	**(92)**	**(35)**	**(55)**	**(182)**
- Term loans	**(350)**	**(15)**	**(710)**	**(1,075)**	**(332)**	**(331)**	**(283)**	**(946)**
Net carrying amount	**34,098**	**4,484**	**31,548**	**70,130**	**22,275**	**729**	**24,831**	**47,835**
31 December 2016								
Loans and advances to customers								
Individuals								
- Overdrafts	655	134	2,991	3,780	258	106	2,355	2,719
- Term loans	617	130	1,024	1,771	327	43	354	724
Corporates								
- Overdrafts	20,510	6,878	6,193	33,581	3,616	6,670	13,290	23,576
- Term loans	18,624	22,243	619	41,486	14,350	18,033	541	32,924
Gross amount	**40,406**	**29,385**	**10,827**	**80,618**	**18,551**	**24,852**	**16,540**	**59,943**
Portfolio allowance								
Individuals								
- Overdrafts	(26)	(2)	(47)	(75)	(1)	(1)	(15)	(17)
- Term loans	(18)	(6)	(46)	(70)	(1)	-	(3)	(4)
Corporates								
- Overdrafts	(1,080)	(41)	(1,058)	(2,179)	(80)	(27)	(612)	(719)
- Term loans	(440)	(287)	(43)	(770)	(87)	(66)	(15)	(168)
Net carrying amount	**38,842**	**29,049**	**9,633**	**77,524**	**18,382**	**24,758**	**15,895**	**59,035**

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(d) Statement of Prudential Adjustments

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

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

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

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

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

As at 30 June 2017, the difference between the Prudential provision and IFRS impairment was N33.911 billion for the Group (December 2016: N31.375 billion) and N32.927 billion for the Bank (December 2016: N26.650 billion) requiring a transfer of N2.536 billion from retained earnings to regulatory risk reserve for the Group and a transfer of N6.277 billion from retained earnings to regulatory risk reserve for the Bank, as disclosed in the statement of changes in equity. This amount represents the difference between the provisions for credit and other known losses as determined under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and the Central Banks of foreign subsidiaries, and the impairment reserve as determined in line with IAS 39 as at period end.

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Total impairment based on IFRS	**44,411**	50,692	**19,443**	30,036
Total impairment based on Prudential Guidelines	**80,332**	82,067	**54,380**	56,686
Regulatory credit risk reserve	**(35,921)**	(31,375)	**(34,937)**	(26,650)

(e) Credit Collateral

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(e) Credit Collateral (continued)

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

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

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

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

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

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

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

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

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

7. Guarantees
   The Bank accepts guarantees from well rated banks as well as acceptable parties (guarantors) as additional comfort and security for her credits. A guarantee is a written promise by one person called the guarantor or surety to be answerable for the debt, default or miscarriage of another person called principal debtor. UBA also accepts unconditional insurance credit and performance bonds of first class insurance companies and also the guarantee of the Federal and State Governments. Other guarantees must however be supported by tangible assets for them to become valid for lending

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(e) Credit Collateral (continued)

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

	Group		Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Loans to individuals				
Against individually impaired				
Property	**98**	267	**71**	8
Others	**18,988**	9,676	**2,610**	11,945
	19,086	9,943	**2,681**	11,953
Against past due but not impaired				
Property	**3,427**	2,509	**678**	2,509
Others	**1,409**	4,507	**1,409**	2,159
	4,836	7,016	**2,087**	4,668
Against neither past due nor impaired				
Property	**10,917**	11,973	**10,801**	11,585
Others	**76,139**	74,812	**22,095**	23,152
	87,056	86,785	**32,896**	34,737
Total for loans to individuals	**110,978**	103,744	**37,664**	51,358
Loans to corporates				
Against individually impaired				
Property	**13,883**	28,170	**13,204**	27,315
Others	**19,814**	18,292	**2,731**	1,819
	33,697	46,462	**15,935**	29,134
Against past due but not impaired				
Property	**21,766**	12,838	**20,474**	12,777
Others	**140,089**	134,694	**71,099**	88,253
	161,855	147,532	**91,573**	101,030
Against neither past due nor impaired				
Property	**336,839**	350,410	**334,395**	333,648
Others	**862,580**	840,081	**636,764**	506,256
	1,199,419	1,190,491	**971,159**	839,904
Total for loans to corporates	**1,394,971**	1,384,485	**1,078,667**	970,068
Total for loans and advances to customers	**1,505,949**	1,488,229	**1,116,331**	1,021,426

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 CREDIT RISK (continued)

(e) Credit Collateral (continued)

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

30 June 2017	Group		Bank	
In millions of Nigerian Naira	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
Loans and advances to banks				
Unsecured	**11,679**	**-**	**17,309**	**-**
Loans and advances to customers				
Secured against real estate	**324,029**	**442,792**	**321,748**	**379,560**
Secured against cash	**7,316**	**10,948**	**2,609**	**6,532**
Secured against other collateral*	**1,154,477**	**1,052,209**	**747,792**	**730,239**
Unsecured	**74,515**	**-**	**51,249**	**-**
	1,560,337	**1,505,949**	**1,123,398**	**1,116,331**
31 December 2016				
Loans and advances to banks				
Unsecured	22,765	-	23,850	-
Loans and advances to customers				
Secured against real estate	299,395	406,167	287,991	387,842
Secured against cash	8,649	6,292	3,626	6,292
Secured against other collateral*	1,122,309	1,075,770	717,920	627,292
Unsecured	74,966	-	80,818	-
	1,505,319	**1,488,229**	**1,090,355**	**1,021,426**

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

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

Repossessed collateral

During the period, the Group took possession of property amounting to N2,419 million (2016: N1.818 million) held as collateral against certain loans. These collaterals have been realised and used in offsetting the affected customers' outstanding obligations.

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

	Loans and advances to customers			
	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Property	**2,419**	1,818	**2,419**	1,185
Equities	**-**	3	**-**	3
	2,419	1,821	**2,419**	1,188

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK

(a) Overview

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

(i) Liquidity Risk Management

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

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

(ii) Liquidity Risk Governance

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

(iii) Liquidity Risk Measurement

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

(b) Liquidity ratios

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

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

	Group		Bank	
	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
At period end	**44.21%**	43.38%	**44.79%**	38.57%
Average for the period	**41.22%**	40.44%	**41.76%**	41.97%
Maximum for the period	**46.65%**	45.77%	**47.26%**	46.72%
Minimum for the period	**36.32%**	35.64%	**36.80%**	35.52%

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

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

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

NOTES TO THE FINANCIAL STATEMENTS(continued)

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

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

Maturity analysis for financial liabilities

30 June 2017

In millions of Nigerian Naira	Carrying amount	Gross nominal amount	Less than 1 month	1 - 3 Months	3 - 6 Months	6 - 12 Months	More than 1 year
Group							
Non-derivative financial liabilities							
Deposits from banks	139,630	139,681	130,956	8,725	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	218,336	220,209	127,374	81,727	11,108	-	-
Current deposits	158,901	158,963	158,963	-	-	-	-
Savings deposits	552,188	554,029	554,029	-	-	-	-
Domiciliary deposits	59,924	59,947	59,947	-	-	-	-
Corporate Customers:							
Term deposits	357,462	397,055	172,302	83,175	32,871	-	108,707
Current deposits	841,656	841,983	841,983	-	-	-	-
Domiciliary deposits	260,150	260,251	260,251	-	-	-	-
Other liabilities	126,326	129,570	95,923	19,020	13,097	1,530	-
Borrowings	401,984	481,924	3,249	118,176	24,509	8,364	327,626
Subordinated liabilities	86,231	116,748	-	23,750	2,529	4,938	85,531
Total financial liabilities	3,202,788	3,360,360	2,404,977	334,573	84,114	14,832	521,864
Derivative liabilities:							
Cross Currency Swap	61	61	61	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	203,084	203,084	12,921	19,921	66,850	72,927	30,465
Letters of credit	494,874	494,873	63,353	73,820	235,235	85,875	36,590
Loan commitments	118,710	118,710	-	4,819	-	32,565	81,326
Assets used to manage liquidity :							
Cash and bank balances	763,224	763,485	342,951	23,626	-	-	396,908
Financial assets held for trading :							
Treasury bills	37,888	39,452	39,452	-	-	-	-
Bonds	5,990	5,992	5,992	-	-	-	-
Loans and advances to banks	11,505	12,285	1,390	1,568	4,785	3,301	1,241
Loans and advances to customers :							
Individual :							
Term loans	64,966	75,136	31,190	1,054	1,072	900	40,920
Overdrafts	26,288	26,595	26,595	-	-	-	-
Corporates :							
Term loans	1,123,980	1,263,529	536,991	18,055	18,287	15,166	675,030
Overdrafts	330,193	334,045	334,045	-	-	-	-
Others	14,910	16,762	7,123	240	243	201	8,955
Investment securities							
Available for sale :							
Treasury bills	290,934	291,064	12,888	55,302	49,481	173,393	-
Bonds	54,590	135,186	-	13,538	17,193	-	104,455
Held to maturity :							
Treasury bills	202,939	218,855	99,983	345	22,208	31,019	65,300
Bonds	459,271	473,844	215,294	7,105	7,066	5,558	238,821
FGN Promissory notes	290	293	20	-	4	-	269
Other assets	33,773	33,786	33,786	-	-	-	-
Derivative assets	13,931	14,518	238	3,634	-	10,646	-
Total financial assets	3,434,672	3,704,827	1,687,958	124,467	120,339	240,184	1,531,899
Gap	(584,845)	(472,261)	(793,374)	(308,666)	(265,860)	33,985	861,654

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

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

Maturity analysis for financial liabilities (continued)

30 June 2017

In millions of Nigerian Naira	Carrying amount	Gross nominal amount	Less than 1 month	1 - 3 Months	3 - 6 Months	6 - 12 Months	More than 1 year
Bank							
Non-derivative liabilities							
Deposits from banks	139,630	141,157	132,432	8,725	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	177,905	179,503	116,458	53,994	9,051	-	-
Current deposits	80,419	80,450	80,450	-	-	-	-
Savings deposits	447,965	449,458	449,458	-	-	-	-
Domiciliary deposits	52,663	52,683	52,683	-	-	-	-
Corporate Customers:							
Term deposits	232,055	234,234	62,906	53,995	8,626	-	108,707
Current deposits	480,352	480,539	480,539	-	-	-	-
Domiciliary deposits	206,612	206,692	206,692	-	-	-	-
Other liabilities	79,121	81,152	60,079	11,912	8,203	958	-
Borrowings	401,984	481,924	3,249	118,176	24,509	8,364	327,626
Subordinated liabilities	86,231	116,748	-	23,750	2,529	4,938	85,531
Total financial liabilities	2,384,937	2,504,540	1,644,946	270,552	52,918	14,260	521,864
Derivative liabilities							
Cross Currency Swap	61	61	61	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	115,541	115,541	7,350	11,334	38,033	41,491	17,333
Letters of credit	325,618	325,618	41,685	48,572	154,781	56,504	24,076
Loan commitments	118,710	118,710	-	4,819	-	32,565	81,326
Assets used to manage liquidity							
Cash and bank balances	624,747	625,863	155,677	82,806	-	-	387,380
Financial assets held for trading							
Treasury bills	37,888	39,452	39,452	-	-	-	-
Bonds	5,990	5,992	5,992	-	-	-	-
Loans and advances to banks	16,889	16,988	16,988	-	-	-	-
Loans and advances to customers							
Individual :							
Term loans	21,147	25,171	7,507	431	468	415	16,350
Overdrafts	11,002	11,006	11,006	-	-	-	-
Corporates :							
Term loans	852,642	978,922	301,208	17,223	17,445	14,468	628,578
Overdrafts	223,697	223,784	223,784	-	-	-	-
Others	14,910	15,269	5,293	297	295	232	9,152
Investment securities							
Available for sale							
Treasury bills	232,129	232,233	38,028	27,035	28,824	138,346	-
Bonds	25,702	63,648	56	1,141	625	1,710	60,116
Held to maturity							
Treasury bills	18,614	21,623	-	-	21,623	-	-
Bonds	270,500	604,858	19,767	21,045	7,454	38,340	518,252
FGN Promissory notes	290	290	20	-	4	-	266
Other assets	28,355	28,366	28,366	-	-	-	-
Derivative asset	13,931	14,518	238	3,634	-	10,646	-
Total financial assets	2,398,433	2,907,983	853,382	153,612	76,738	204,157	1,620,094
Gap	(546,434)	(156,487)	(840,660)	(181,665)	(168,994)	59,337	975,495

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

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

Maturity analysis for financial liabilities (continued)

31 December 2016

In millions of Nigerian Naira	Carrying amount	Gross nominal amount	Less than 1 month	1 - 3 Months	3 - 6 Months	6 - 12 Months	More than 1 year
Group							
Non-derivative financial liabilities							
Deposits from banks	109,080	109,248	24,576	47,834	36,838	-	-
Deposits from customers							
Retail Customers:							
Term deposits	209,673	211,561	106,636	93,368	10,970	200	387
Current deposits	151,407	151,407	151,407	-	-	-	-
Savings deposits	524,751	526,500	526,500	-	-	-	-
Domiciliary deposits	73,384	73,384	73,384	-	-	-	-
Corporate Customers:							
Term deposits	317,468	320,456	185,643	71,971	62,831	-	11
Current deposits	957,628	957,628	957,628	-	-	-	-
Domiciliary deposits	251,299	251,299	251,299	-	-	-	-
Other liabilities	110,147	110,147	77,477	16,584	11,420	1,334	3,332
Borrowings	259,927	276,841	205	10,889	57,026	109,391	99,330
Subordinated liabilities	85,978	122,986	-	3,750	2,488	26,279	90,469
Total financial liabilities	**3,050,742**	**3,111,457**	**2,354,755**	**244,396**	**181,573**	**137,204**	**193,529**
Derivative liabilities:							
Cross Currency Swap	14	14	14	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	388,884	388,884	24,741	38,147	128,010	139,648	58,338
Letters of credit	202,122	202,122	25,876	30,150	96,077	35,074	14,945
Loan commitments	108,014	108,014	-	4,385	-	29,631	73,998
Assets used to manage liquidity							
Cash and bank balances	760,930	761,223	341,314	43,220	-	-	376,689
Financial assets held for trading							
Treasury bills	47,638	56,444	56,444	-	-	-	-
Bonds	4,657	5,674	5,674	-	-	-	-
Loans and advances to banks	22,765	22,905	21,753	1,152	-	-	-
Loans and advances to customers							
Individual							
Term loans	74,815	83,071	16,091	14,118	13,641	17,989	21,232
Overdrafts	40,082	40,082	40,082	-	-	-	-
Corporates							
Term loans	1,095,643	1,240,086	223,329	102,388	69,519	171,030	673,820
Overdrafts	278,512	278,512	278,512	-	-	-	-
Others	16,267	17,150	1,824	8,783	4,473	1,270	800
Investment securities							
Available for sale							
Treasury bills	155,315	172,702	1,599	24,378	33,352	113,373	-
Bonds	40,790	102,206	802	2,073	133	2,971	96,227
Held to maturity							
Treasury bills	240,559	243,759	10,789	132,307	11,448	52,923	36,292
Bonds	452,794	996,421	14,284	3,849	21,549	71,657	885,082
Promissory note	281	281	19	-	4	-	258
Other assets	18,095	18,095	18,095	-	-	-	-
Derivative assets	10,642	10,642	1,139	2,614	6,889	-	-
Total financial assets	**3,259,785**	**4,049,253**	**1,031,750**	**334,882**	**161,008**	**431,213**	**2,090,400**
Gap	**(489,991)**	**238,762**	**(1,373,636)**	**17,804**	**(244,652)**	**89,656**	**1,749,590**

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 LIQUIDITY RISK (continued)

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

Maturity analysis for financial liabilities (continued)

31 December 2016

In millions of Nigerian Naira	Carrying amount	Gross nominal amount	Less than 1 month	1 - 3 Months	3 - 6 Months	6 - 12 Months	More than 1 year
Bank							
Non-derivative liabilities							
Deposits from banks	30,484	30,531	6,868	13,368	10,295	-	-
Deposits from customers							
Retail Customers:							
Term deposits	182,996	185,298	93,068	81,958	9,739	174	359
Current deposits	83,285	83,285	83,285	-	-	-	-
Savings deposits	434,883	436,333	436,333	-	-	-	-
Domiciliary deposits	51,284	51,284	51,284	-	-	-	-
Corporate Customers:							
Term deposits	214,588	217,618	125,483	48,928	43,200	-	7
Current deposits	524,921	524,921	524,921	-	-	-	-
Domiciliary deposits	206,902	206,902	206,902	-	-	-	-
Other liabilities	72,503	72,503	50,999	10,916	7,517	878	2,193
Borrowings	259,927	276,841	205	10,889	57,026	109,391	99,330
Subordinated liabilities	85,978	122,986	-	3,750	2,488	26,279	90,469
Total financial liabilities	**2,147,751**	**2,208,502**	**1,579,348**	**169,809**	**130,265**	**136,722**	**192,358**
Derivative liabilities							
Cross Currency Swap	14	14	14	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	135,127	135,127	8,597	13,255	44,480	48,524	20,271
Letters of credit	168,600	168,600	21,584	25,150	80,143	29,257	12,466
Loan commitments	108,014	108,014	-	4,385	-	29,631	73,998
Assets used to manage liquidity							
Cash and bank balances	610,910	611,259	218,153	51,450	-	-	341,656
Financial assets held for trading							
Treasury bills	47,638	56,444	56,444	-	-	-	-
Bonds	4,657	5,674	5,674	-	-	-	-
Loans and advances to banks	23,850	23,995	23,030	965	-	-	-
Loans and advances to customers							
Individual :							
Term loans	25,024	28,856	5,382	4,722	4,871	6,779	7,102
Overdrafts	33,367	33,367	33,367	-	-	-	-
Corporates :							
Term loans	843,160	954,316	171,864	78,793	53,499	131,617	518,543
Overdrafts	172,537	172,537	172,537	-	-	-	-
Others	16,267	16,660	1,833	8,663	4,332	1,166	666
Investment securities							
Available for sale							
Treasury bills	147,153	163,626	1,515	23,097	31,599	107,415	-
Bonds	17,233	43,180	339	876	56	1,255	40,654
Held to maturity							
Bonds	288,311	634,459	9,095	2,451	13,721	45,627	563,565
Promissory note	281	281	19	-	4	-	258
Other assets	20,723	20,723	20,723	-	-	-	-
Derivative asset	10,642	10,642	1,139	2,614	6,889	-	-
Total financial assets	**2,261,753**	**2,776,019**	**721,114**	**173,631**	**114,971**	**293,859**	**1,472,444**
Gap	**(297,753)**	**155,762**	**(888,429)**	**(38,968)**	**(139,917)**	**49,725**	**1,173,351**

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK

(a) Overview

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

(i) **Market Risk Management**

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

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

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

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

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

(ii) **Market Risk Governance**

The Board of Directors is responsible for determining UBA Group's risk appetite and tolerance limits for all its market risk exposures. Senior management is responsible for supporting the Board in determining market risk appetite and tolerance limits as well as putting in place all requisite processes, procedures and tools to ensure proper implementation of a robust system for managing, monitoring and reporting market risk appetite. The Board through Board Risk Management Committee (BRMC) is responsible for the overall governance of market risk as well as defining the terms of reference and delegating responsibilities to both the Group Risk Management Committee (GRMC) and Group Asset & Liability Management Committee (GALCO). GALCO has Group oversight and is charged with ensuring that market risks are managed homogeneously in all areas of operation. Further to the above, oversight of market risk is vested in BRMC, GALCO and the Finance & General Purpose Committee (FGPC) while the day to day management

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(a) Overview (continued)

(ii) **Market Risk Governance (continued)**

rests with the Executive Director, Risk Management, Corporate Governance & Compliance. The Group Market Risk Division is not only responsible for the development of detailed risk management policies but is also involved in the day to day review of their implementation. The market risk management policies are usually validated / approved by the Board in accordance with the approval guidelines. Trading limits are approved by GALCO and F&GPC and ratified by the Board while exposures against these limits are monitored by market risk management team.

(iii) **Market Risk Measurement**

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

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

(iv) **Approach to Managing Market Risk in the Trading Book**

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

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

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(a) Overview (continued)

(iv) Approach to Managing Market Risk in the Trading Book (continued)

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

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

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

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

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

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

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

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

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

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

(b) Interest rate risk

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

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

30 June 2017			**Re-pricing period**				
In millions of Nigerian Naira	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
Group							
Cash and bank balances	**763,224**	**54,105**	**23,387**	**-**	**-**	**-**	**685,732**
Financial assets held for trading							
Treasury bills	**37,888**	**37,888**	**-**	**-**	**-**	**-**	**-**
Bonds	**5,990**	**5,990**	**-**	**-**	**-**	**-**	**-**
Loans and advances to banks	**11,505**	**1,328**	**1,541**	**4,624**	**3,085**	**927**	**-**
Loans and advances to customers:							
Individual							
Term loans	**64,966**	**2,328**	**2,750**	**4,260**	**8,396**	**47,232**	**-**
Overdrafts	**26,288**	**26,288**	**-**	**-**	**-**	**-**	**-**
Corporates							
Term loans	**1,123,980**	**77,146**	**109,025**	**57,390**	**120,190**	**760,229**	**-**
Overdrafts	**330,193**	**330,193**	**-**	**-**	**-**	**-**	**-**
Others	**14,910**	**3,931**	**4,559**	**489**	**5,931**	**-**	**-**
Investment securities:							
Available-for-sale							
Treasury bills	**290,934**	**81,975**	**20,754**	**39,213**	**148,992**	**-**	**-**
Bonds	**54,590**	**1,361**	**2,141**	**1,047**	**2,818**	**47,223**	**-**
Equity	**85,440**	**-**	**-**	**-**	**-**	**-**	**85,440**
Held to maturity:							
Treasury bills	**202,939**	**57,181**	**14,477**	**27,352**	**103,929**	**-**	
Bonds	**459,271**	**11,452**	**18,012**	**8,812**	**23,709**	**397,286**	
Promissory notes	**290**	**7**	**-**	**6**	**15**	**262**	**-**
Derivative assets	**13,931**	**-**	**-**	**-**	**-**	**-**	**13,931**
Other assets	**33,773**	**-**	**-**	**-**	**-**	**-**	**33,773**
	3,520,112	**691,173**	**196,646**	**143,193**	**417,065**	**1,253,159**	**818,876**
Derivative liability	**61**	**-**	**-**	**-**	**-**	**-**	**61**
Deposits from banks	**139,630**	**130,904**	**8,726**	**-**	**-**	**-**	**-**
Deposits from customers	**2,448,617**	**1,174,113**	**157,301**	**33,532**	**57,491**	**25,623**	**1,000,557**
Other liabilities	**126,326**	**-**	**-**	**-**	**-**	**-**	**126,326**
Subordinated liabilities	**86,231**	**-**	**20,012**	**-**	**-**	**66,219**	**-**
Borrowings	**401,984**	**3,249**	**118,176**	**24,509**	**8,364**	**247,686**	**-**
	3,202,849	**1,308,266**	**304,215**	**58,041**	**65,855**	**339,528**	**1,126,944**
Gaps	**317,263**	**(617,093)**	**(107,569)**	**85,152**	**351,210**	**913,631**	**(308,068)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

31 December 2016 — **Re-pricing period**

In millions of Nigerian Naira	Carrying amount	< 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
Group							
Cash and bank balances	760,930	-	42,927	-	-	-	718,003
Financial assets held for trading			-	-	-	-	-
Treasury bills	47,638	47,638					
Bonds	4,657	4,657	-	-	-	-	-
Loans and advances to banks	22,765	21,854	911	-	-	-	-
Loans and advances to customers:							
Individual							
Term loans	74,815	4,053	12,503	2,996	5,792	49,471	-
Overdrafts	40,082	40,082	-	-	-	-	-
Corporates							
Term loans	1,095,643	101,372	111,592	62,919	104,978	714,782	-
Overdrafts	278,512	278,512	-	-	-	-	-
Others	16,267	9,400	6,057	608	202	-	-
Investment securities:							
Available-for-sale							
Treasury bills	155,315	1,599	24,378	33,351	95,987	-	-
Bonds	40,790	1,258	444	1,838	6,253	30,997	-
Equity	80,653	-	-	-	-	-	80,653
Held to maturity:							
Treasury bills	240,559	2,477	37,758	51,657	148,667	-	-
Bonds	452,794	13,968	4,929	20,398	69,455	344,044	-
Promissory notes	281	9	-	12	-	260	-
Derivative assets	10,642	-	-	-	-	-	10,642
Other assets	18,095	-	-	-	-	-	18,095
	3,340,438	**526,879**	**241,499**	**173,779**	**431,334**	**1,139,554**	**827,393**
Derivative liability	14	-	-	-	-	-	14
Deposits from banks	109,080	26,680	46,929	35,471	-	-	-
Deposits from customers	2,485,610	610,997	533,196	321,084	178,451	197,636	644,246
Other liabilities	110,147	-	-	-	-	-	110,147
Subordinated liabilities	85,978	-	-	-	20,575	65,403	-
Borrowings	259,927	-	-	45,544	122,025	92,358	-
	3,050,756	**637,677**	**580,125**	**402,099**	**321,051**	**355,397**	**754,407**
Gaps	**289,682**	**(110,798)**	**(338,626)**	**(228,320)**	**110,283**	**784,157**	**72,986**

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

30 June 2017		Re-pricing period					
In millions of Nigerian Naira	Carrying amount	< 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
Bank							
Cash and bank balances	624,747	-	81,690	-	-	-	543,057
Financial assets held for trading							
Treasury bills	37,888	37,888	-	-	-	-	-
Bonds	5,990	5,990	-	-	-	-	-
Loans and advances to banks	16,889	1,502	1,541	4,624	2,312	6,910	-
Loans and advances to customers:							
Individual							
Term loans	21,147	3,144	5,010	2,348	3,478	7,167	-
Overdrafts	11,002	11,002	-	-	-	-	-
Corporates							
Term loans	852,642	59,944	94,560	50,577	78,361	569,200	-
Overdrafts	223,697	223,697	-	-	-	-	-
Others	14,910	3,931	4,559	489	5,931		-
Investment securities:							
Available-for-sale:							
Treasury bills	232,129	1,403	21,382	29,253	180,091	-	-
Bonds	25,702	818	288	1,194	4,064	19,338	-
Equity	84,891	-	-	-	-	-	84,891
Held to maturity:							
Treasury bills	18,614	112	1,715	2,346	14,441	-	-
Bonds	270,500	8,607	3,035	12,569	42,772	203,517	
Promissory notes	290	7	-	6	15	262	-
Derivative assets	13,931	-	-	-	-	-	13,931
Other assets	28,355	-	-	-	-	-	28,355
	2,483,324	358,045	213,780	103,406	331,465	806,394	670,234
Derivative liability	61	-	-	-	-	-	61
Deposits from banks	41,434	38,834	2,600	-	-	-	-
Deposits from customers	1,677,971	710,351	363,606	10,602	32,532	109	560,771
Other liabilities	79,121	-	-	-	-	-	79,121
Subordinated liabilities	86,231	-	20,012	-	-	66,219	-
Borrowings	401,984	3,249	118,176	24,509	8,364	247,686	-
	2,286,802	752,434	504,394	35,111	40,896	314,014	639,953
Gaps	196,522	(394,389)	(290,614)	68,295	290,569	492,380	30,281

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

31 December 2016

In millions of Nigerian Naira	Carrying amount	< 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
Bank							
Cash and bank balances	610,910	-	51,101	-	-	-	559,809
Financial assets held for trading							
Treasury bills	47,638	47,638	-	-	-	-	-
Bonds	4,657	4,657	-	-	-	-	-
Loans and advances to banks	23,850	22,896	954	-	-	-	-
Loans and advances to customers:							
Individual							
Term loans	25,024	3,144	5,010	2,348	3,478	11,044	-
Overdrafts	33,367	33,367	-	-	-	-	-
Corporates							
Term loans	843,160	84,691	73,225	56,894	76,135	552,215	-
Overdrafts	172,537	172,537	-	-	-	-	-
Others	16,267	9,400	6,057	608	202	-	-
Investment securities:							
Available-for-sale:							
Treasury bills	147,153	1,515	23,097	31,599	90,942	-	-
Bonds	17,233	532	187	776	2,642	13,096	-
Equity	80,038	-	-	-	-	-	80,038
Held to maturity:							
Bonds	288,311	8,893	3,140	12,989	44,240	219,049	-
Promissory notes	281	9	-	12	-	260	-
Derivative assets	10,642	-	-	-	-	-	10,642
Other assets	20,723	-	-	-	-	-	20,723
	2,341,791	**389,279**	**162,771**	**105,226**	**217,639**	**795,664**	**671,212**
Derivative liability	14	-	-	-	-	-	14
Deposits from banks	30,484	7,456	13,115	9,913	-	-	-
Deposits from customers	1,698,859	416,648	363,606	218,959	121,692	134,775	443,179
Other liabilities	72,503	-	-	-	-	-	72,503
Subordinated liabilities	85,978	-	-	-	20,575	65,403	-
Borrowings	259,927	-	-	45,544	122,025	92,358	-
	2,147,765	**424,104**	**376,721**	**274,416**	**264,292**	**292,536**	**515,696**
Gaps	**194,026**	**(34,825)**	**(213,950)**	**(169,190)**	**(46,653)**	**503,128**	**155,516**

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

(ii) Fixed income instruments re-pricing gap

Interest rate sensitivity analysis of fixed rate financial instruments

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

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

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Decrease	**(7,788)**	(4,968)	**(6,034)**	(4,334)
Asset	**(7,788)**	(4,968)	**(6,034)**	(4,334)
Liability	**-**	-	**-**	-
Increase	**7,788**	4,968	**6,034**	4,334
Asset	**7,788**	4,968	**6,034**	4,334
Liability	**-**	-	**-**	-
The aggregate figures presented above are further segregated into their various components as shown below:				
Financial assets held for trading				
Treasury bills	**37,888**	47,638	**37,888**	47,638
Government bonds	**5,990**	4,657	**5,990**	4,657
	43,878	52,295	**43,878**	52,295
Impact on income statement:				
Favourable change @ 2% increase in interest rates	**878**	1,046	**878**	1,046
Unfavourable change @ 2% reduction in interest rates	**(878)**	(1,046)	**(878)**	(1,046)
Available-for-sale investment securities:				
Treasury bills	**290,934**	155,315	**232,129**	147,153
Government bonds	**54,590**	40,790	**25,702**	17,233
Total	**345,524**	196,105	**257,831**	164,386
Impact on other comprehensive income statement:				
Favourable change @ 2% increase in interest rates	**6,910**	3,922	**5,157**	3,288
Unfavourable change @ 2% reduction in interest rates	**(6,910)**	(3,922)	**(5,157)**	(3,288)

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

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

Interest rate sensitivity analysis of floating rate financial instruments

The tables below shows the impact of interest rate changes (increase / decrease) on the Group's floating-rate financial instrument portfolios and the effect on income statement. The sensitivity analysis is based on a conservative assumption of 50 basis point change on the instrument with other variables remaining constant and also assuming there is no asymmetrical movement in yield curve.

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Borrowings				
- Standard Chartered Bank (note 37.3)	**2,950**	-	**2,950**	-
- European Investment Bank (EIB) (note 37.4)	**20,845**	1,951	**20,845**	1,951
- Syndicated facility (note 37.5)	**9,236**	27,542	**9,236**	27,542
- Africa Trade Finance Limited (note 37.6)	**22,977**	15,145	**22,977**	15,145
- Afrexim (note 37.7)	**-**	30,399	**-**	30,399
- African Development Bank (note 37.8)	**37,111**	36,204	**37,111**	36,204
- Credit Suisse (note 37.9)	**98,747**	94,483	**98,747**	94,483
- Eurobond debt security (note 34.10)	**151,626**	-	**151,626**	-
	343,492	205,724	**343,492**	205,724
Impact on income statement:				
Favourable change @ 0.5% increase in prices	**(1,717)**	(516)	**(1,717)**	(516)
Unfavourable change @ 0.5% reduction in prices	**1,717**	516	**1,717**	516

Price sensitivity analysis for financial instruments measured at fair value

The table below shows the impact of price changes (increase / decrease) on the Group's financial assets measured at fair value and the effect on profit & loss. For the purpose of sensitivity analysis, a conservative assumption of 2% change in prices with other variables remaining constant was made.

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Financial assets held for trading				
Treasury bills	**37,888**	47,638	**37,888**	47,638
Government bonds	**5,990**	4,657	**5,990**	4,657
	43,878	52,295	**43,878**	52,295
Impact on income statement:				
Favourable change @ 2% increase in prices	**(878)**	(1,046)	**(878)**	(1,046)
Unfavourable change @ 2% reduction in prices	**878**	1,046	**878**	1,046
Derivative assets	**13,931**	10,642	**13,931**	10,642
Impact on income statement:				
Favourable change @ 2% increase in prices	**(279)**	(213)	**(279)**	(213)
Unfavourable change @ 2% reduction in prices	**279**	213	**279**	213
Derivative liabilities	**61**	14	**61**	14
Impact on income statement:				
Favourable change @ 2% increase in prices	**1**	0	**1**	0
Unfavourable change @ 2% reduction in prices	**(1)**	(0)	**(1)**	(0)

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(b) Interest rate risk (continued)

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

Price sensitivity analysis for available-for-sale financial instruments

The table below shows the impact of price changes (increase / decrease) on the Group's available-for-sale financial instruments and the effect on other comprehensive income. For debt securities which are categorised under level 1 in the fair value hierarchy, a 2% change in prices has been assumed with other variables remaining constant.

	Group		Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Debt securities				
Available-for-sale investment securities:				
Treasury bills	**290,934**	155,315	**232,129**	147,153
Government bonds	**54,590**	40,790	**25,702**	17,233
Total	**345,524**	196,105	**257,831**	164,386
Impact on other comprehensive income statement:				
Favourable change @ 2% increase in prices	**6,910**	3,922	**5,157**	3,288
Unfavourable change @ 2% reduction in prices	**(6,910)**	(3,922)	**(5,157)**	(3,288)

(iii) **Equity price risk**

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available-for-sale. Sensitivity analysis for the Group's equity securities is shown below.

Sensitivity analysis for level 1 equity securities is based on average movement in share price index for quoted shares during the year.

	Group		Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Level 2 Equity Sensitivities				
Impact on Other comprehensive income:				
Favourable change @ 2% increase in prices	**62**	57	**62**	57
Unfavourable change @ 2% reduction in prices	**(62)**	(57)	**(62)**	(57)
Level 2 Equity Positions				
Available-for-sale investment securities:	**3,123**	2,855	**3,123**	2,855
Total	**3,123**	2,855	**3,123**	2,855
Level 3 Equity Sensitivities				
Impact on Other comprehensive income:				
Favourable change @ 5% decrease in unobservable inputs	**5,118**	4,776	**5,118**	4,776
Favourable change @ 5% increase in unobservable inputs	**(4,762)**	(3,712)	**(4,762)**	(3,712)
Level 3 Equity Positions				
Available-for-sale investment securities:	**82,317**	77,798	**81,768**	77,183
Total	**82,317**	77,798	**81,768**	77,183

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(c) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is primarily controlled via policies around trading limits. The Board and Group ALCO set limits on the level of exposure by currency and in aggregate for both overnight and intra day positions. These limits must be in line with regulatory Open Position Limit (OPL). Compliance with both internal limits and regulatory limits are monitored daily with zero tolerance for limit breaches. These limits include OPL, dealers' limit, overnight/intraday limits, maturity gap limits, management action trigger, product limits, counterparty limits and cross border limits.

The tables below show foreign currencies to which the Group had exposure at the end of the reporting period and the sensitivity of the Group's profit before tax and equity to changes in exchange rates. The analysis calculates the effect of reasonably possible movement of the foreign exchange rates against the Nigerian Naira (all other variables being constant) on the income statement due to changes to the carrying amounts of the Group's foreign currency sensitive financial assets and liabilities. A negative amount in the table reflects a potential net reduction in the income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Nigerian Naira would have resulted in an equivalent but opposite impact. For the purpose of disclosing the sensitivity analysis for foreign currency risk, the Group's foreign currency risk arising from the translation of its foreign operations are not taken into account even though they may have an impact on equity. This is because foreign currency risk can only arise on financial instruments denominated in a currency other than the functional currency in which they are measured and translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the group's presentation currency.

The information disclosed on the net foreign currency (FCY) exposure is representative of the average exposure in the period. The Bank believes that for each foreign currency exposure, it is reasonable to assume 15% depreciation of the Naira holding all other variables constant.

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
Group						
30 June 2017						
Cash and bank balances	460,872	144,582	29,517	4,443	123,810	763,224
Financial assets held for trading	43,878	-	-	-	-	43,878
Derivative assets	-	13,685	206	40	-	13,931
Loans and advances to banks	-	11,505	-	-	-	11,505
Loans and advances to customers	582,667	584,096	2,239	33	391,302	1,560,337
Investment securities	561,416	38,630	-	-	493,418	1,093,464
Other assets	24,492	6,670	1,054	11	1,546	33,773
Total financial assets	1,673,325	799,168	33,016	4,527	1,010,076	3,520,112
Derivative liability	-	61	-	-	-	61
Deposits from banks	163	34,192	2,684	-	102,591	139,630
Deposits from customers	1,380,526	323,497	29,048	5,972	709,574	2,448,617
Other liabilities	48,814	58,707	2,566	276	15,963	126,326
Borrowings	58,492	343,492	-	-	-	401,984
Subordinated liabilities	86,231	-	-	-	-	86,231
Total financial liabilities	1,574,226	759,949	34,298	6,248	828,128	3,202,849
Net FCY Exposure		39,219	(1,282)	(1,721)	181,948	
Increase in currency rate (naira depreciation)		15%	15%	15%	15%	
Effect on profit before tax		5,883	(192)	(258)	27,292	32,725

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(c) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate (continued)

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
Group						
31 December 2016						
Cash and bank balances	435,386	143,287	22,673	7,134	152,450	760,930
Financial assets held for trading	52,295	-	-	-	-	52,295
Derivative assets	-	10,642	-	-	-	10,642
Loans and advances to banks	-	22,765	-	-	-	22,765
Loans and advances to customers	608,810	517,517	2,386	62	376,544	1,505,319
Investment securities	509,491	39,052	-	-	421,849	970,392
Other assets	7,497	5,769	-	-	4,829	18,095
Total financial assets	**1,613,479**	**739,032**	**25,059**	**7,196**	**955,672**	**3,340,438**
Derivative liability	-	-	14	-	-	14
Deposits from banks	214	86,772	1,093	28	20,974	109,081
Deposits from customers	1,276,739	462,403	16,092	6,013	724,363	2,485,610
Other liabilities	42,201	40,575	2,456	1,274	23,641	110,147
Borrowings	54,203	205,724	-	-	-	259,927
Subordinated liabilities	85,978	-	-	-	-	85,978
Total financial liabilities	**1,459,335**	**795,474**	**19,655**	**7,315**	**768,978**	**3,050,757**
Net FCY Exposure		**(56,442)**	**5,404**	**(119)**	**186,694**	
Increase in currency rate (naira depreciation)		15%	15%	15%	15%	
Effect on profit before tax		(8,466)	811	(18)	28,004	20,331

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 MARKET RISK (continued)

(c) Exchange rate exposure limits (continued)

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
Bank						
30 June 2017						
Cash and bank balances	**461,173**	**143,671**	**14,735**	**4,115**	**1,053**	**624,747**
Financial assets held for trading	**43,878**	**-**	**-**	**-**	**-**	**43,878**
Derivative assets	**-**	**13,685**	**206**	**40**	**-**	**13,931**
Loans and advances to banks	**-**	**16,889**	**-**	**-**	**-**	**16,889**
Loans and advances to customers	**605,940**	**515,212**	**2,215**	**31**	**-**	**1,123,398**
Investment securities	**605,093**	**27,033**	**-**	**-**	**-**	**632,126**
Other assets	**21,579**	**6,774**	**1**	**1**	**-**	**28,355**
Total financial assets	**1,737,663**	**723,264**	**17,157**	**4,187**	**1,053**	**2,483,324**
Derivative liability	**-**	**61**	**-**	**-**	**-**	**61**
Deposits from banks	**21**	**41,321**	**92**	**-**	**-**	**41,434**
Deposits from customers	**1,380,772**	**271,110**	**20,365**	**5,723**	**1**	**1,677,971**
Other liabilities	**35,985**	**40,266**	**1,651**	**168**	**1,051**	**79,121**
Borrowings	**58,492**	**343,492**	**-**	**-**	**-**	**401,984**
Subordinated liabilities	**86,231**	**-**	**-**	**-**	**-**	**86,231**
Total financial liabilities	**1,561,501**	**696,250**	**22,108**	**5,891**	**1,052**	**2,286,802**
Net FCY Exposure		**27,014**	**(4,951)**	**(1,704)**	**1**	
Increase in currency rate (naira depreciation)		**0.15**	**0.15**	**0.15**	**0.15**	
Effect on profit before tax		**4,052**	**(742)**	**(255)**	**0.15**	**3,054**
31 December 2016						
Cash and bank balances	435,386	158,869	9,003	6,548	1,104	610,910
Financial assets held for trading	52,295	-	-	-	-	52,295
Derivative assets	-	10,642	-	-	-	10,642
Loans and advances to banks	-	23,850	-	-	-	23,850
Loans and advances to customers	600,685	487,240	2,371	59	-	1,090,355
Investment securities	499,212	33,804	-	-	-	533,016
Other assets	11,076	9,556	91	-	-	20,723
Total financial assets	**1,598,654**	**723,961**	**11,465**	**6,607**	**1,104**	**2,341,791**
Derivative liability	-	-	14	-	-	14
Deposits from banks	-	30,484	-	-	-	30,484
Deposits from customers	1,276,739	408,043	8,345	5,730	2	1,698,859
Other liabilities	37,803	31,370	1,170	1,063	1,097	72,503
Borrowings	54,203	205,724	-	-	-	259,927
Subordinated liabilities	85,978	-	-	-	-	85,978
Total financial liabilities	**1,454,723**	**675,621**	**9,529**	**6,793**	**1,099**	**2,147,765**
Net FCY Exposure		**48,340**	**1,936**	**(186)**	**5**	
Increase in currency rate (naira depreciation)		15%	15%	15%	15%	
Effect on profit before tax		7,251	290	(28)	1	7,514

5 CAPITAL

The Bank maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of local banking supervisors. The Group's lead regulator, the Central Bank of Nigeria (CBN) sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria (CBN) and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

5.1 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk of its activities. In order to maintain or adjust its capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. Capital management is overseen by the Board of Directors who have overall responsibility for ensuring adequate capital is maintained for the Group. The Group has a process of ensuring adequate capital is maintained and this process includes

- Capital planning
- Prudent portfolio management
- Capital adequacy stress testing
- Contingency Planning

The objective of the capital management process is to:

- Adequately assess impairment losses and impact on capital impairment;
- Meet CBN's capital adequacy requirements
- Optimise the use and allocation of capital resources and align our target capital with our optimum capital structure

5.2 REGULATORY CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The group monitors regulatory capital using the capital adequacy ratio. This ratio is calculated as total regulatory capital divided by risk weighted assets. Total regulatory capital and risk weighted assets are calculated as shown in the table below.

The Central Bank of Nigeria sets and monitors capital requirements for the Bank. The parent company and individual banking operations are directly supervised by the Central Bank of Nigeria and the respective regulatory authorities in the countries in which the subsidiary banking operations are domiciled.

The Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group's regulatory capital is split into two tiers:

Tier 1 capital includes ordinary share capital, share premium, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital includes qualifying subordinated liabilities and the element of the fair value reserve relating to unrealised gains on financial instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. Elements of Tier 2 capital are limited to a maximum of one-third of Tier 1 capital, after making deductions of goodwill, deferred tax asset and other intangible assets but before deductions of investments.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

5 CAPITAL (continued)

5.2 REGULATORY CAPITAL (continued)

During the year, the Group's strategy, which was unchanged, was to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. UBA Plc operates under an international banking authorization with a minimum regulatory capital of N50 billion and a minimum capital adequacy ratio of 16%. During the year, the Group complied with all external capital requirements.

	Bank	
In millions of Nigeria naira	**Jun. 2017**	**Dec. 2016**
Tier 1 capital		
Ordinary share capital	**18,140**	18,140
Share premium	**117,374**	117,374
Retained earnings	**101,512**	110,152
Other reserves	**65,958**	59,703
Gross Tier 1 capital	**302,984**	305,369
Less:		
Deferred tax on accumulated losses	**13,262**	20,848
Intangible assets	**5,026**	4,905
Staff share investment trust	**28,749**	29,772
Tier 1 Capital After Regulatory Deduction	**255,947**	249,844
Investment in subsidiaries	**(35,351)**	(35,351)
Eligible Tier 1 Capital	**220,596**	214,493
Tier 2 capital		
Fair value reserve for available-for-sale securities	**62,064**	58,881
Subordinated liabilities	**31,400**	37,500
Less: limit of tier 2 to tier 1 capital	**(8,148)**	(13,100)
Qualifying Tier 2 Capital Before Deductions	**85,316**	83,281
Less: Investment in subsidiaries	**(35,351)**	(35,351)
Net Tier 2 Capital	**49,965**	47,930
Qualifying capital		
Net Tier I regulatory capital	**220,596**	214,493
Net Tier II regulatory capital	**49,965**	47,930
Total qualifying capital	**270,561**	262,423
Composition of risk-weighted assets:		
Risk-weighted amount for credit risk	**1,058,660**	1,023,703
Risk-weighted amount for operational risk	**307,405**	270,281
Risk-weighted amount for market risk	**7,286**	37,917
Total Basel II Risk-weighted assets	**1,373,351**	1,331,901
Basel II Capital ratios		
Risk Weighted Capital Adequacy Ratio	**20%**	20%

The above capital adequacy computation is based on the Revised Basel II guidelines advised by the Central Bank of Nigeria effective 24 June 2015.

5 CAPITAL (continued)

5.3 CAPITAL ALLOCATION

The allocation of capital between specific operations and activities is to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives.

6 FAIR VALUE MEASUREMENT

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

6.1 VALUATION MODELS

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily quoted equity and debt investments classified as trading securities or available for sale.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable either directly (i.e as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

6 FAIR VALUE MEASUREMENT (continued)

6.1 VALUATION MODELS (continued)

- **Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cashflow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rate, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. The Group's valuation methodology for securities uses a discounted cash flow methodology and dividend discount methodology. The methodologies are often used by market participants to price similar securities.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa such as interest rate swaps, fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgment in determining appropriate portfolio-level adjustments such as bid-ask spreads and relevant risk premiums.

6 FAIR VALUE MEASUREMENT (continued)

6.2 VALUATION FRAMEWORK

The Group has an established control framework with respect to the measurement of fair values. This framework includes an Investor Relations and Portfolio Investments Management Unit which is independent of front office management and reports to the Group Chief Financial Officer, and which has overall responsibility for valuations. There is also the Risk Measurement unit responsible for independently verifying the results of third party valuation. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations
- A review and approval process for new models and changes to models involving both Product Control and Group Market Risk;
- periodic calibration and back-testing of models against observed market transactions
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous month, by a committee of senior Product Control and Group Market Risk personnel.

When third party information, such as broker quotes or pricing services, is used to measure fair value, the risk measurement unit assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

6 FAIR VALUE MEASUREMENT (continued)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements are recurring.

In millions of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Group:					
30 June 2017					
Assets					
Financial assets held for trading	23				
Government bonds		**5,990**	**-**	**-**	**5,990**
Treasury bills		**37,888**	**-**	**-**	**37,888**
Derivative assets measured at fair value through profit and loss:	33(a)	**-**	**13,931**	**-**	**13,931**
Available-for-sale investment securities:	26				
Treasury bills		**290,934**	**-**	**-**	**290,934**
Bonds		**54,590**	**-**	**-**	**54,590**
Equity investments		**-**	**3,123**	**82,317**	**85,440**
Total assets		**389,402**	**17,054**	**82,317**	**488,773**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	**-**	**61**	**-**	**61**
Bank:					
30 June 2017					
Assets					
Financial assets held for trading	23				
Government bonds		**5,990**	**-**	**-**	**5,990**
Treasury bills		**37,888**	**-**	**-**	**37,888**
Derivative assets measured at fair value through profit and loss:	33(a)	**-**	**13,931**	**-**	**13,931**
Available-for-sale investment securities:	26				
Treasury bills		**232,129**	**-**	**-**	**232,129**
Bonds		**25,702**	**-**	**-**	**25,702**
Equity investments			**3,123**	**81,768**	**84,891**
		301,709	**17,054**	**81,768**	**400,531**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	**-**	**61**	**-**	**61**

6 FAIR VALUE MEASUREMENT (continued)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (continued)

In millions of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
Group					
31 December 2016					
Assets					
Financial assets held for trading	23				
Government bonds		4,657	-	-	4,657
Treasury bills		47,638	-	-	47,638
Derivative assets measured at fair value through profit and loss:	33(a)	-	10,642	-	10,642
Available-for-sale investment securities:	26				
Treasury bills		155,315	-	-	155,315
Bonds		40,790	-	-	40,790
Equity investments		-	2,855	77,798	80,653
Total assets		**248,400**	**13,497**	**77,798**	**339,695**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	14	-	14
Bank:					
31 December 2016					
Assets					
Financial assets held for trading	23				
Government bonds		4,657	-	-	4,657
Treasury bills		47,638	-	-	47,638
Derivative assets measured at fair value through profit and loss:	33(a)	-	10,642	-	10,642
Available-for-sale investment securities:	26				-
Treasury bills		147,153	-	-	147,153
Bonds		17,233	-	-	17,233
Equity investments		-	2,855	77,183	80,038
		216,681	13,497	77,183	307,361
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	14	-	14

(i) The fair value of the Group's equity investment in CSCS Limited was previously categorised as level 3 in the fair value hierarchy. This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares. In 2015 however, CSCS shares became available for over-the-counter (OTC trades). The fair value measurement was therefore transferred from level 3 to level 2. There were no transfers from level 2 to level 3 in 2017.

(ii) Level 2 fair value measurements

These prices are a reflection of the actual fair value of the investments, as transactions consummated under the OTC trades were arms length transactions. The Group's Level 2 derivative contracts were valued using interest rate parity method discounted for passage of time. Inputs to the valuation models are all based on market conditions existing at the end of each reporting period. These derivative contracts are not traded in active markets.

(iii) Level 3 fair value measurements - Unobservable inputs used in measuring fair value

All valuation processes and techniques are subject to review and approval by the Finance and General Purpose Committee of the Board of Directors. There was no change in the Group's valuation technique during the period.

6 FAIR VALUE MEASUREMENT (continued)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (continued)

(iii) Level 3 fair value measurements - Unobservable inputs used in measuring fair value (continued)

The table below sets out information about significant unobservable inputs used as at 30 June 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 30 June 2017 N'million	Fair value as at 31 December 2016 N'million	Valuation technique	Unobservable input	Range of estimates for unobservable inputs (30 June 2017)	Range of estimates for unobservable inputs (31 December 2016)	Relationship of unobservable inputs to fair value
Unquoted equity securities	77,799	76,321	Income Approach (Discounted cashflow method)	Cost of equity	9.12% - 23.9%	9.79% - 32.07%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	1.5%-3%	2.5%-3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
	1,300	570	Income Approach (Dividend discount model)	Cost of equity	12.75% - 32.00%	14.63% - 32.07%	Significant increases in cost of equity, in isolation, would result in lower fair values. Signiicant reduction would result in higher fair values
				Terminal growth rate	9.4% - 24.3%	8.6% - 20.7%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Signiicant reduction would result in lower fair values.

6 FAIR VALUE MEASUREMENT (continued)

6.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (continued)

(iii) Level 3 fair value measurements - Unobservable inputs used in measuring fair value (continued)

Significant unobservable inputs are developed as follows:

Discounted cashflow

- The Group used the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.
- The risk free rate was determined using the yield on 30-year US treasury bond (for unquoted securities denominated in USD) and longest tenored Federal Government of Nigeria bond (for unquoted securities denominated in Nigerian naira).
- Equity risk premium was determined using market returns obtained from PricewaterhouseCoopers and KPMG industry surveys.
- Beta estimates were obtained from Damodaran Online.

Dividend discount model

- The Group used the build-up approach to determine cost of equities for its various unquoted equities which were fair valued using dividend discount model at year end.
- The risk free rate was determined using the yield on the longest tenored sovereign bonds.
- The dividend growth rate was determined using the historical five years weighted average growth rate of dividends paid by the respective entities
- Equity risk premium were obtained from Damodaran Online (with specific focus on emerging markets data), adjusted for size premium

(iv) Level 3 fair value measurements - Effect of unobservable inputs on fair value measurement

The Group believes that its estimates of fair values are appropriate. However, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the cost of equity or terminal growth rate by a reasonable possible value, in isolation, would have the following effects on other comprehensive income for the period:

	Effect on other comprehensive income (OCI)			
In millions of Nigerian Naira	**Jun. 2017**		**Dec. 2016**	
Key Assumption	**5% Increase**	**5% Decrease**	**5% Increase**	**5% Decrease**
Cost of Equity	**(5,882)**	**6,424**	(2,475)	(2,517)
Terminal Growth Rate	**1,120**	**(1,306)**	1,848	(1,842)

6 FAIR VALUE MEASUREMENT (continued)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The table below sets out the fair values of financial instruments not carried at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Group					
30 June 2017					
Assets					
Cash and bank balances	-	763,224	-	763,224	763,224
Loans and advances to banks	-	-	11,635	11,635	11,505
Loans and advances to customers :					
Individual :					
Term loans	-	-	66,771	66,771	64,966
Overdrafts	-	-	29,311	29,311	26,288
Corporate :					
Term loans	-	-	1,134,701	1,134,701	1,123,980
Overdrafts	-	-	339,832	339,832	330,193
Others		-	15,072	15,072	14,910
Investment Securities - Held to Maturity :					
Treasury bills	202,734	-	-	202,734	202,939
Promissory notes	-	-	290	290	290
Bonds	425,790	-	-	425,790	459,271
Other assets	-	33,773	-	33,773	33,773
Liabilities :					
Deposits from banks	-		139,630	139,630	139,630
Deposits from customers	-	-	2,479,814	2,479,814	2,448,617
Subordinated liabilities	-	81,470	-	81,470	86,231
Other liabilities	-	126,326	-	126,326	126,326
Borrowings	-	-	443,357	443,357	401,984

6 FAIR VALUE MEASUREMENT (continued)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (continued)

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Group					
31 December 2016					
Assets					
Cash and bank balances	-	760,930	-	760,930	760,930
Loans and advances to banks	-	-	23,023	23,023	22,765
Loans and advances to customers :					
Individual :					
Term loans	-	-	76,894	76,894	74,815
Overdrafts	-	-	44,691	44,691	40,082
Corporate :					
Term loans	-	-	1,106,093	1,106,093	1,095,643
Overdrafts	-	-	286,643	286,643	278,512
Others		-	16,444	16,444	16,267
Investment Securities - Held to Maturity :					
Treasury bills	240,559	-	-	240,559	240,559
Promissory notes	-	-	281	281	281
Bonds	401,502	-	-	401,502	452,794
Other assets	-	18,095	-	18,095	18,095
Liabilities :					
Deposits from banks	-		109,080	109,080	109,080
Deposits from customers	-	-	2,543,500	2,543,500	2,485,610
Subordinated liabilities	-	80,917	-	80,917	85,978
Other liabilities	-	110,147	-	110,147	110,147
Borrowings	-	-	266,853	266,853	259,927

6 FAIR VALUE MEASUREMENT (continued)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Bank					
30 June 2017					
Assets					
Cash and bank balances	-	624,747	-	624,747	624,747
Loans and advances to banks	-	-	17,080	17,080	16,889
Loans and advances to customers :					-
Individual :					
Term loans	-	-	21,735	21,735	21,147
Overdrafts	-	-	12,267	12,267	11,002
Corporate :					
Term loans	-	-	860,775	860,775	852,642
Overdrafts	-	-	230,227	230,227	223,697
Others	-	-	15,072	15,072	14,910
Investment Securities - Held to Maturity :					
Treasury bills	18,409	-	-	18,409	18,614
Promissory notes	-	-	290	290	290
Bonds	237,019	-	-	237,019	270,500
Other assets	-	28,355	-	28,355	28,355
Liabilities :					
Deposits from banks	-	-	41,434	41,434	41,434
Deposits from customers	-	-	1,701,279	1,701,279	1,677,971
Subordinated liabilities	-	81,470	-	81,470	86,231
Other liabilities	-	79,121	-	79,121	79,121
Borrowings	-	-	443,357	443,357	401,984

6 FAIR VALUE MEASUREMENT (continued)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (continued)

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total fair value	Carrying amount
31 December 2016					
Assets					
Cash and bank balances	-	610,910	-	610,910	610,910
Loans and advances to banks	-	-	24,120	24,120	23,850
Loans and advances to customers :					
Individual :					
Term loans	-	-	25,719	25,719	25,024
Overdrafts	-	-	37,204	37,204	33,367
Corporate :					
Term loans	-	-	851,202	851,202	843,160
Overdrafts	-	-	177,574	177,574	172,537
Others	-	-	16,444	16,444	16,267
Investment Securities - Held to Maturity :					
Promissory notes	-	-	281	281	281
Bonds	237,019	-	-	237,019	288,311
Other assets	-	20,723	-	20,723	20,723
Liabilities :					
Deposits from banks	-	-	30,484	30,484	30,484
Deposits from customers	-	-	1,744,085	1,744,085	1,698,859
Subordinated liabilities	-	80,917	-	80,917	85,978
Other liabilities	-	72,503	-	72,503	72,503
Borrowings	-	-	266,853	266,853	259,927

6 FAIR VALUE MEASUREMENT (continued)

6.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (continued)

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Group's financial statements. These fair values were calculated for disclosure purposes only.

i) **Cash and bank balances**

The carrying amount of cash and cash equivalents is a reasonable approximation of fair value.

ii) **Loans and advances**

Loans and advances are net of charges for impairment. To improve the accuracy of the valuation estimate for loans, homogenous loans are grouped into portfolios with similar characteristics. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

iii) **Investment securities**

The fair value for investment securities is based on market prices from financial market dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

iv) **Other assets**

The bulk of these financial assets have short (less than 3months) maturities and their amounts are a reasonable approximation of fair value.

v) **Deposits from banks and customers**

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

vi) **Other liabilities**

The carrying amount of financial liabilities in other liabilities is a reasonable approximation of fair value.

vii) **Interest bearing loans and borrowings**

The estimated fair value of fixed interest-bearing borrowings not quoted in an active market is based on discounted cash flows using the contractual interest rates for these debts over their remaining maturity.

viii) **Subordinated liabilities**

The fair value of subordinated liabilities is based on market prices from financial market dealer price quotations.

7 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the Group may enter into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances.

The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at the reporting date, and shows in the "Net" column what the impact would be on the Group's statement of financial position if all set off rights were exercised.

Group

30 June 2017		**Amounts offset**	
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	41,364	(30,394)	10,970
Financial liabilities			
- Creditors and payables (note 36) (a)	87,806	(30,394)	57,412

Group

31 December 2016		**Amounts offset**	
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	32,164	(23,853)	8,311
Financial liabilities			
- Creditors (note 36) (a)	72,484	(23,853)	48,631

Bank

30 June 2017		**Amounts offset**	
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	38,684	(30,394)	8,290
Financial liabilities			
- Creditors (note 36) (a)	62,998	(30,394)	32,604

Bank

31 December 2016		**Amounts offset**	
In millions of Nigerian Naira	**Gross amounts**	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	28,835	(23,853)	4,982
Financial liabilities			
- Creditors (note 36) (a)	53,591	(23,853)	29,738

(a) Standard terms of electronic banking and similar payment transactions allow for net settlement of payments in the normal course of business.

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below.

These disclosures supplement the commentary on financial risk management (see note 4).

(A) KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.11.

The specific counterparty component of the total allowances for impairment applies to financial instruments evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counter-party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors in order to estimate the required allowance. Assumptions are made to define the way interest losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 3.11. Further disclosures on the Group's valuation methodology have been made on note 6.1. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future taxable profits based on expected revenues for the next five years. Details of the Group's recognised and unrecognised deferred tax assets and liabilities are as disclosed in note 32.

(iv) Valuation of derivative contracts

The fair value of the Group's derivatives is determined by using valuation techniques. Inputs to the valuation models are all based on market conditions existing at the end of each reporting period. The Group has used interest rate parity method discounted for passage of time in the valuation of its foreign exchange derivative contracts. These derivative contracts are not traded in active markets.

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(iv) Valuation of derivative contracts (continued)

The table below shows the fair value of the Group's derivatives if there is 5% change in interest rates or a 15% change in foreign currency exchange rates.

	Interest rates		Exchange rates	
In millions of Nigerian Naira	**5% decrease**	**5% increase**	**15% decrease**	**15% increase**
Derivative assets	(611)	599	(11,319)	11,319
Derivative liabilities	-	-	9	(9)

(B) CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Critical accounting judgments made in applying the Group's accounting policies include:

(i) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see the Group's accounting policy on valuation of financial instruments in note 3.11.

(ii) Allowance for credit losses

In estimating credit losses, the Group considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default -PD) , the portion of the loan expected to be irrecoverable at the time of loan default (loss given default - LGD) and expected amount that is outstanding at the point of default . The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD.

	30 June 2017		31 December 2016	
	Probability of Default -PD	Loss Given Default-LGD	Probability of Default -PD	Loss Given Default-LGD
Increase/decrease				
1% increase	**135**	**133**	122	122
1% decrease	**(135)**	**(133)**	(122)	(122)

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(iii) Impairment testing for cash-generating units containing goodwill

On an annual basis, the Group carries out impairment assessments of its cash generating units containing goodwill. The recoverable amounts of the cash-generating units (CGU) are determined based on value-in-use calculations which require the use of estimates including discount rates and terminal growth rates. Management's estimates of the recoverable amounts of these CGU's is sensitive to these estimates. The key assumptions underlying the recoverable amounts as well as sensitivity analysis of these key assumptions are disclosed in note 31.

(iv) Impairment of available-for-sale financial assets

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financial cashflows. The sensitivity analysis of level 3 equity instruments and its impact on other comprehensive income are shown in note 6.3(v).

(v) Determination of exchange rate used for translation

The Group translates and records its foreign currency transactions and balances based on the exchange rate at which the future cash flows represented by the transactions or balances could have been settled, if those cash flows had occurred at the reporting date. The Central Bank official rate has been used for the translation of foreign currency balances as this remains the main source of foreign currencies for the Bank's transactions.

9 OPERATING SEGMENTS

Segment information is presented in respect of the Group's geographic segments which represents the primary segment reporting format and is based on the Group's management and reporting structure. The Chief Operating Decision Maker (Board of Directors), reviews the Group's performance along these business segments and resources are allocated accordingly.

Geographical segments

The Group operates in the following geographical regions:

Nigeria: This comprises UBA Plc (excluding the branch in New York), UBA Pensions Custodian Limited and FX Mart Limited.

Rest of Africa: This comprises all subsidiaries in Africa, excluding Nigeria. The African subsidiaries have been aggregated into one reportable segment as they are deemed to have similar economic characteristics.

Rest of the world: This comprises UBA Capital Europe Limited and UBA New York branch. Although this part of the business is not large enough to be presented as a separate reporting segment, it has been included here as it is seen as a potential growth segment which is expected to materially contribute to group revenue in the future. The entities within this reporting segment have been aggregated into one reportable segment as they have similar economic characteristics.

Business segments

The Group operates in the following business segments:

Corporate Banking - This business segment provides a broad range of financial solutions to multinationals, regional companies, state-owned companies, non-governmental organisations, international and multinational organisations and financial institutions.

Retail/ Commercial banking – This business segment has presence in all major cities in Nigeria and in nineteen other countries across Africa where the Group has operations . It provides commercial banking products and services to the middle and retail segments of the market.

Treasury and Financial Markets – This segment provides innovative financing and risk management solutions and advisory services to the Group's corporate and institutional customers. The segment is also responsible for formulation and implementation of financial market products for the Group's customers.

No single external customer or group amounts to 10% or more of the Group's revenues.

The revenue from external parties reported to the Chief Operating Decision Maker is measured in a manner consistent with that in the income statement.

Inter-segment transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-segment transactions that are recognised in assets are also eliminated. Transfer prices between operating segments are based on the Group's internal pricing framework.

9 OPERATING SEGMENTS (continued)

(a) GEOGRAPHICAL SEGMENTS

(i) 30 June 2017

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
External revenues	**148,021**	**70,990**	**5,730**	**(2,023)**	**222,718**
Derived from other geographic segments	**3,958**	**-**	**-**	**(3,958)**	**-**
Total revenue	**151,979**	**70,990**	**5,730**	**(5,981)**	**222,718**
Profit before tax	**33,975**	**21,203**	**2,274**	**79**	**57,531**
Interest income	**103,871**	**49,576**	**4,925**	**(3,418)**	**154,954**
Interest expenses	**(42,214)**	**(13,969)**	**(822)**	**3,430**	**(53,575)**
Share of loss in equity-accounted investee	**-**	**(1)**	**-**	**-**	**(1)**
Impairment loss recognised in income statement	**(7,132)**	**(2,249)**	**(61)**	**1**	**(9,441)**
Income tax expenses	**(8,376)**	**(6,816)**	**-**	**-**	**(15,192)**
Profit for the period	**25,599**	**14,387**	**2,274**	**79**	**42,339**
Total segment assets*	**2,741,963**	**1,166,112**	**103,258**	**(321,044)**	**3,690,289**
Total segment liabilities	**2,337,628**	**1,020,167**	**86,135**	**(236,772)**	**3,207,158**
Includes:					
Investments in associate and accounted for by using the equity method	**-**	**3,029**	**-**	**-**	**3,029**
Expenditure for reportable segment:					
Depreciation	**2,709**	**1,306**	**51**	**-**	**4,066**
Amortisation	**631**	**69**	**26**	**-**	**726**

(ii) 30 June 2016

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
External revenues	118,866	42,864	4,060	(210)	165,580
Derived from other geographic segments	2,315	-	-	(2,315)	-
Total revenue	**121,181**	**42,864**	**4,060**	**(2,525)**	**165,580**
Profit before tax	25,306	8,322	1,673	(545)	34,756
Interest income	76,489	28,834	3,170	(1,075)	107,418
Interest expenses	(29,854)	(14,038)	(468)	1,074	(43,286)
Share of loss in equity-accounted investee	-	(79)	-	-	(79)
Impairment loss recognised in income statement	(5,573)	(1,533)	9	276	(6,821)
Income tax expenses	(5,998)	(1,634)	(17)	-	(7,649)
Profit for the period	**19,308**	**6,688**	**1,656**	**(545)**	**27,107**
Total segment assets**	2,601,765	1,144,933	101,979	(344,207)	3,504,470
Total segment liabilities	2,229,739	1,021,354	83,123	(277,815)	3,056,401
Includes:					
Investments in associate and joint venture accounted for by using the equity method	-	2,925	-	-	2,925
Expenditure for reportable segment:					
Depreciation	2,606	877	27	-	3,510
Amortisation	520	35	-	-	555

9 OPERATING SEGMENTS (continued)

(b) BUSINESS REPORTING

The following table presents income and profit and certain asset and liability information for the Group's business segments:

(i) 30 June 2017

In millions of Nigerian Naira	Corporate	Retail and commercial	Treasury and financial markets	Total
Revenue:				
Derived from external customers	95,139	84,665	42,914	222,718
Derived from other business segments	(43,757)	62,303	(18,546)	-
Total revenue	51,382	146,968	24,368	222,718
Interest expenses	(16,795)	(36,448)	(332)	(53,575)
Fee and commission expense	(29)	(7,336)	(1)	(7,366)
Net impairment loss on financial assets	(263)	(8,337)	(841)	(9,441)
Operating expenses	(4,475)	(76,945)	(8,592)	(90,012)
Depreciation and amortisation	(48)	(4,744)	-	(4,792)
Share of profit of equity-accounted investee	-	(1)	-	(1)
Profit before income tax	29,772	13,157	14,602	57,531
Taxation	(5,732)	(5,034)	(4,426)	(15,192)
Profit for the period	24,040	8,123	10,176	42,339
Loans and advances	1,091,558	336,632	143,652	1,571,842
Deposits from customers and banks	551,803	1,922,718	113,726	2,588,247
Total segment assets	1,181,927	1,732,254	776,108	3,690,289
Total segment liabilities	1,025,139	1,508,865	673,154	3,207,158

(ii) 30 June 2016

Revenue:				
Derived from external customers	55,333	72,146	38,101	165,580
Derived from other business segments	(19,891)	38,789	(18,898)	-
Total revenue	**35,442**	**110,935**	**19,203**	**165,580**
Interest expenses	(9,763)	(29,992)	(3,531)	(43,286)
Fee and commission expense	(37)	(5,914)	(147)	(6,098)
Net impairment loss on financial assets	(94)	(6,727)	-	(6,821)
Operating expenses	(3,162)	(61,761)	(5,552)	(70,475)
Depreciation and amortisation	(43)	(4,019)	(3)	(4,065)
Share of loss of equity-accounted investee	-	(79)	-	(79)
Profit before income tax	22,343	2,443	9,970	34,756
Taxation	(3,712)	(2,462)	(1,475)	(7,649)
Profit for the period	**18,631**	**(19)**	**8,495**	**27,107**
Loans and advances	1,115,713	266,380	145,991	1,528,084
Deposits from customers and banks	439,117	1,971,185	184,388	2,594,690
Total segment assets	1,097,483	1,731,463	675,524	3,504,470
Total segment liabilities	955,928	1,512,079	588,394	3,056,401

10 INTEREST INCOME

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Cash and bank balances	**3,196**	3,795	**3,270**	3,322
Loans and advances to banks	**1,468**	264	**1,476**	264
Loans and advances to customers :				
To individuals :				
Term loans	**3,589**	1,754	**2,022**	1,402
Overdrafts	**937**	753	**596**	602
To corporates :				
Term loans	**74,730**	46,736	**54,147**	37,961
Overdrafts	**17,385**	15,227	**14,410**	12,177
Others	**71**	261	**71**	208
Investment securities :				
Treasury bills	**30,030**	19,665	**15,314**	5,776
Bonds	**23,538**	18,951	**16,140**	16,735
Promissory notes	**10**	12	**10**	12
	154,954	107,418	**107,456**	78,459

Interest income includes accrued interest on impaired loans of N606 million for the Group (Bank: N361 million) for the period ended 30 June 2017 and N534 million for the Group (Bank: N348 million) for the period ended 30 June 2016.

11 INTEREST EXPENSE

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Deposits from banks	**4,895**	3,180	**3,277**	856
Deposits from customers	**32,973**	31,359	**23,443**	20,321
Borrowings	**9,237**	2,315	**9,237**	2,315
Subordinated liabilities	**6,470**	6,432	**6,470**	6,432
	53,575	43,286	**42,427**	29,924

12 IMPAIRMENT LOSS ON LOANS AND RECEIVABLES

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Impairment losses on loans and advances to customers:				
- specific impairment (Note 25(d))	**8,565**	2,318	**5,772**	1,003
- portfolio impairment (Note 25(d))	**(491)**	2,784	**(96)**	2,230
Impairment (reversal)/charge on loans and advances to banks:				
- portfolio impairment (reversal)/charge ((Note 24)	**284**	21	**(165)**	24
Write-off on loans and receivables	**2,187**	2,082	**1,810**	1,971
Recoveries on loans written-off	**(1,638)**	(1,381)	**(142)**	(304)
Impairment loss on other assets (Note 27(a)	**534**	997	**14**	645
	9,441	6,821	**7,193**	5,569

13 FEES AND COMMISSION INCOME

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Credit-related fees and commissions	**4,504**	4,190	**2,713**	2,575
Commission on turnover	**486**	375	**-**	-
Account maintenance fee	**2,619**	1,949	**2,619**	1,949
Electronic banking income	**9,781**	18,085	**6,387**	16,444
Funds transfer fee	**2,838**	831	**285**	244
Trade transactions income	**5,092**	3,411	**3,082**	1,763
Remittance fee	**2,398**	1,198	**1,704**	791
Commissions on transactional services	**6,392**	4,883	**2,904**	1,635
Pension funds custody fees	**2,356**	2,014	**-**	-
Internal transfer pricing charges	**-**	-	**1,561**	1,295
	36,466	36,936	**21,255**	26,696

14 FEES AND COMMISSION EXPENSE

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
E-Banking expense	**6,909**	5,643	**4,689**	4,842
Trade related expenses	**363**	83	**362**	-
Funds transfer expense	**94**	372	**71**	72
	7,366	6,098	**5,122**	4,914

15 NET TRADING AND FOREIGN EXCHANGE INCOME

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Fixed income securities [1]	**5,609**	2,073	**5,314**	2,032
Foreign exchange trading income	**19,622**	5,798	**12,609**	1,046
Foreign currency revaluation loss	**(179)**	(4,165)	**(158)**	(4,219)
Net Fair value gain on derivatives (see note 33 (c))	**3,242**	15,931	**3,242**	15,931
	28,294	19,637	**21,007**	14,790

Foreign exchange income comprises trading income on foreign currencies as well as gains and losses from revaluation of trading position.

[1] This includes gains and losses arising from sales and purchase of held for trading securities, as well as changes in their fair value.

16 OTHER OPERATING INCOME

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Dividend income	**2,278**	1,051	**2,262**	955
Rental income	**191**	198	**185**	198
Income on cash handling	**535**	340	**39**	153
	3,004	1,589	**2,486**	1,306

17 EMPLOYEE BENEFIT EXPENSES

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Wages and salaries	**32,777**	28,220	**20,073**	20,222
Defined contribution plans	**1,181**	1,053	**648**	666
	33,958	29,273	**20,721**	20,888

18 DEPRECIATION AND AMORTISATION

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Depreciation of property and equipment (note 30)	**4,066**	3,510	**2,722**	2,611
Amortisation of intangible assets (note 31)	**726**	555	**614**	504
	4,792	4,065	**3,336**	3,115

19 OTHER OPERATING EXPENSES

	Group	Restated*	Bank	Restated*
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Directors' fees	**13**	22	**13**	22
Banking sector resolution cost*	**12,698**	11,082	**12,698**	11,082
Deposit insurance premium	**3,335**	3,467	**3,137**	3,349
Non-deposit insurance costs	**1,039**	779	**543**	397
Auditors' remuneration	**195**	130	**100**	100
Occupancy and premises maintenance costs	**6,043**	5,362	**1,521**	2,679
Business travels	**3,254**	2,103	**2,545**	1,598
Advertising,promotions and branding	**2,199**	2,013	**1,956**	1,684
Contract services	**6,597**	3,951	**4,243**	3,513
Communication	**2,467**	1,757	**1,135**	716
IT support and related expenses	**593**	1,779	**455**	1,636
Printing, stationery and subscriptions	**1,884**	1,384	**1,398**	1,023
Security and cash handling expenses	**2,194**	1,587	**873**	757
Fuel, repairs and maintenance	**9,163**	3,652	**6,424**	2,516
Bank charges	**113**	68	**28**	11
Donations	**448**	269	**338**	137
Training and human capital development	**2,652**	1,137	**1,301**	220
Penalties	**45**	27	**45**	18
Loan recovery expenses	**1,053**	512	**1,053**	306
Loss on disposal of property and equipment	**69**	121	**69**	121
	56,054	41,202	**39,875**	31,885

* See details of items restated in note 46

20 TAXATION

Recognised in the statement of comprehensive income

(a) **Current tax expense**				
Current period	**5,978**	4,030	**1,680**	1,295
Adjustment for current tax of prior period	**6,474**	4,124	**5,237**	4,124
	12,452	8,154	**6,917**	5,419
(b) **Deferred tax expense/(credit)**				
Origination and reversal of temporary differences (Note 32)	**2,740**	(505)	**759**	-
Total income tax expense/(credit)	**15,192**	7,649	**7,676**	5,419
(c) **Current tax liabilities**				
Balance, beginning of period	**5,134**	6,488	**522**	634
Tax paid	**(13,905)**	(19,577)	**(5,793)**	(8,063)
Income tax charge	**12,452**	18,223	**6,917**	7,951
Balance, end of period	**3,681**	5,134	**1,646**	522

20 TAXATION (continued)

(d) Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the Bank (Parent). The reconciliation of amount reported as tax expense in the statement of comprehensive income to the income tax using the domestic corporation tax rate is presented below:

	Group	Group	Bank	Bank
		Restated*		Restated*
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Domestic corporation tax rate	**30%**	30%	**30%**	30%
Profit before income tax	**57,531**	34,756	**33,530**	24,956
Income tax using the domestic corporation tax rate	**17,259**	10,427	**10,059**	7,487
Tax effects of :				
Withholding tax on dividend	**35**	19	**35**	19
Information Technology Levy	**332**	320	**332**	302
Education tax	**196**	30	**196**	-
Minimum tax/excess dividend tax adjustment	**8,462**	4,124	**6,305**	4,124
Effect of permanent differences - income not subject to tax	**(11,768)**	(14,983)	**(9,296)**	(11,337)
Effect of permanent differences - expenses not deductible	**676**	7,712	**45**	4,824
Total income tax expense in comprehensive income	**15,192**	7,649	**7,676**	5,419

Income tax payable for parent is based on the minimum tax provisions in the Nigerian tax law, which is applicable to companies that do not have taxable profits

* See details of items restated in note 46

21 EARNINGS PER SHARE

The calculation of basic earnings per share as at 30 June 2017 was based on the profit attributable to ordinary shareholders of N41.516 billion (Bank: N25.921 billion) and the weighted average number of ordinary shares outstanding of 34.199 billion (Bank: 36.280 billion). The weighted average number of ordinary shares of the Group excludes treasury shares held by the Parent's Staff Share Investment Trust. The Bank had no dilutive instruments as at period end (June 2016 : nil). Hence the basic and diluted earnings per share are equal.

	Group	Group	Bank	Bank
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Profit attributable to equity holders of the parent	**41,449**	26,491	**25,854**	19,537
Weighted average number of ordinary shares outstanding (in millions)	**34,199**	34,018	**36,280**	36,280
Basic and diluted earnings per share (Naira)	**1.21**	0.78	**0.71**	0.54

* See details of items restated in note 46

22 CASH AND BANK BALANCES

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Cash	**60,673**	71,522	**36,484**	40,225
Current balances with banks	**150,387**	180,071	**116,366**	150,140
Unrestricted balances with central banks	**77,764**	89,721	**2,827**	27,788
Money market placements	**77,492**	42,927	**81,690**	51,101
Restricted balances with central banks (note (i) below)	**396,908**	376,689	**387,380**	341,656
	763,224	760,930	**624,747**	610,910
(i) Restricted balances with central banks comprise:				
Mandatory reserve deposits with central banks (note (a) below)	**342,190**	321,971	**332,662**	286,938
Special Intervention Reserve (note (b) below)	**54,718**	54,718	**54,718**	54,718
	396,908	376,689	**387,380**	341,656

(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 providing 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		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Cash and current balances with banks	**211,060**	251,593	**152,850**	190,365
Unrestricted balances with central banks	**77,764**	89,721	**2,827**	27,788
Money market placements (less than 90 days)	**35,606**	31,656	**36,731**	10,190
Financial assets held for trading (less than 90 days)	**4,163**	8,073	**4,163**	8,073
Cash and cash equivalents	**328,593**	381,043	**196,571**	236,416

23 FINANCIAL ASSETS HELD FOR TRADING

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Government bonds	**5,990**	4,657	**5,990**	4,657
Treasury bills (less than 90 days maturity) (note (i) below)	**4,163**	8,073	**4,163**	8,073
Treasury bills (above 90 days maturity)	**33,725**	39,565	**33,725**	39,565
	43,878	52,295	**43,878**	52,295
Current	**43,878**	52,295	**43,878**	52,295

Fixed income trading activities are restricted to the parent alone.

(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.

24 LOANS AND ADVANCES TO BANKS

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Jun. 2016**	**Jun. 2017**	**Jun. 2016**
Term loans:				
Gross amount	**11,625**	23,047	**17,021**	24,145
Portfolio impairment	**(120)**	(282)	**(132)**	(295)
	11,505	22,765	**16,889**	23,850
Current	**3,345**	4,378	**8,729**	5,463
Non-current	**8,160**	18,387	**8,160**	18,387
	11,505	22,765	**16,889**	23,850
Impairment allowance on loans and advances to banks				
Portfolio impairment				
Balance, beginning of the period	**282**	32	**295**	41
Impairment (reversal)/ charge in the period	**284**	167	**(165)**	171
Exchange difference	**(446)**	83	**2**	83
Balance, end of the period	**120**	282	**132**	295

25 LOANS AND ADVANCES TO CUSTOMERS

(a) 30 June 2017

In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
(i) Group					
Loans to individuals	98,466	(4,058)	(3,154)	(7,212)	91,254
Loans to corporate entities and other organizations	1,506,162	(12,254)	(24,825)	(37,079)	1,469,083
	1,604,628	(16,312)	(27,979)	(44,291)	1,560,337
Loans to individuals					
Overdraft	29,750	(3,202)	(260)	(3,462)	26,288
Term Loans	68,716	(856)	(2,894)	(3,750)	64,966
	98,466	(4,058)	(3,154)	(7,212)	91,254
Loans to corporate entities and other organizations					
Overdraft	346,720	(4,589)	(11,938)	(16,527)	330,193
Term Loans	1,144,386	(7,665)	(12,741)	(20,406)	1,123,980
Others	15,056	-	(146)	(146)	14,910
	1,506,162	(12,254)	(24,825)	(37,079)	1,469,083
(ii) Bank					
Loans to individuals	35,213	(2,718)	(346)	(3,064)	32,149
Loans to corporate entities and other organizations	1,107,496	(4,058)	(12,189)	(16,247)	1,091,249
	1,142,709	(6,776)	(12,535)	(19,311)	1,123,398
Loans to individuals					
Overdraft	13,349	(2,194)	(153)	(2,347)	11,002
Term Loan	21,864	(524)	(193)	(717)	21,147
	35,213	(2,718)	(346)	(3,064)	32,149
Loans to corporate entities and other organizations					
Overdraft	232,897	(3,612)	(5,588)	(9,200)	223,697
Term Loan	859,543	(446)	(6,455)	(6,901)	852,642
Others	15,056	-	(146)	(146)	14,910
	1,107,496	(4,058)	(12,189)	(16,247)	1,091,249

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) 31 December 2016

In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
(i) Group					
Loans to individuals	126,990	(9,019)	(3,074)	(12,093)	114,897
Loans to corporate entities and other organizations	1,428,739	(12,802)	(25,515)	(38,317)	1,390,422
	1,555,729	(21,821)	(28,589)	(50,410)	1,505,319
Loans to individuals					
Overdraft	48,509	(8,183)	(244)	(8,427)	40,082
Term Loans	78,481	(836)	(2,830)	(3,666)	74,815
	126,990	(9,019)	(3,074)	(12,093)	114,897
Loans to corporate entities and other organizations					
Overdraft	293,445	(3,046)	(11,887)	(14,933)	278,512
Term Loan	1,118,850	(9,756)	(13,451)	(23,207)	1,095,643
Others	16,444	-	(177)	(177)	16,267
	1,428,739	(12,802)	(25,515)	(38,317)	1,390,422
(ii) Bank					
Loans to individuals	66,906	(8,291)	(224)	(8,515)	58,391
Loans to corporate entities and other organizations	1,053,190	(8,816)	(12,410)	(21,226)	1,031,964
	1,120,096	(17,107)	(12,634)	(29,741)	1,090,355
Loans to individuals					
Overdraft	41,186	(7,751)	(68)	(7,819)	33,367
Term Loans	25,720	(540)	(156)	(696)	25,024
	66,906	(8,291)	(224)	(8,515)	58,391
Loans to corporate entities and other organizations					
Overdraft	180,035	(1,890)	(5,608)	(7,498)	172,537
Term Loans	856,711	(6,926)	(6,625)	(13,551)	843,160
Others	16,444	-	(177)	(177)	16,267
	1,053,190	(8,816)	(12,410)	(21,226)	1,031,964

	Group		Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
(c) Current	991,162	597,591	600,072	432,856
Non-current	569,175	907,728	523,326	657,499
	1,560,337	1,505,319	1,123,398	1,090,355

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(d) Impairment allowance on loans and advances to customers

(i) Specific impairment

Group

30 June 2017	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of period	**8,183**	**836**	**3,046**	**9,756**	**-**	**21,821**
Impairment charge for the period (Note 12)	**795**	**19**	**1,749**	**6,002**	**-**	**8,565**
Net loans written off	**(6,706)**	**(94)**	**(552)**	**(9,201)**	**-**	**(16,553)**
Exchange difference	**930**	**95**	**346**	**1,108**	**-**	**2,479**
Balance, end of period	**3,202**	**856**	**4,589**	**7,665**	**-**	**16,312**

Bank

30 June 2017	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of period	**7,751**	**540**	**1,890**	**6,926**	**-**	**17,107**
Impairment charge for the period (Note 12)	**946**	**38**	**1,738**	**3,050**	**-**	**5,772**
Net loans written off	**(6,503)**	**(54)**	**(16)**	**(9,533)**	**-**	**(16,106)**
Exchange difference	**-**	**-**	**-**	**3**	**-**	**3**
Balance, end of period	**2,194**	**524**	**3,612**	**446**	**-**	**6,776**

Group

31 December 2016	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	2,945	609	2,098	1,129	-	6,781
Impairment charge for the year (Note 12)	9,030	311	3,202	8,353	-	20,896
Loans written off	(4,508)	(232)	(2,764)	-	-	(7,504)
Exchange difference	716	148	510	274	-	1,648
Balance, end of year	8,183	836	3,046	9,756	-	21,821

Bank

31 December 2016	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	3,016	603	1,831	581	-	6,031
Impairment charge for the year (Note 12)	8,739	-	1,754	6,086	-	16,579
Loans written off	(4,004)	(63)	(1,695)	-	-	(5,762)
Exchange difference	-	-	-	259	-	259
Balance, end of year	7,751	540	1,890	6,926	-	17,107

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(d) Impairment allowance on loans and advances to customers (continued)

(ii) Portfolio impairment

Group

30 June 2017	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of period	244	2,830	11,887	13,451	177	28,589
Impairment charge for the period (Note 12)	85	137	51	(733)	(31)	(491)
Exchange difference	(69)	(73)	-	23	-	(119)
Balance, end of period	260	2,894	11,938	12,741	146	27,979

Bank

30 June 2017	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of period	68	156	5,608	6,625	177	12,634
Impairment charge for the period (Note 12)	85	37	(20)	(167)	(31)	(96)
Exchange difference	-		-	(3)	-	(3)
Balance, end of period	153	193	5,588	6,455	146	12,535

Group

31 December 2016	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	343	2,216	5,421	10,439	582	19,001
Impairment charge for the year (Note 12)	(191)	17	5,006	44	(405)	4,471
Exchange difference	92	597	1,460	2,968	-	5,117
Balance, end of year	244	2,830	11,887	13,451	177	28,589

Bank

31 December 2016	Loans to individuals		Loans to corporates			
In millions of Nigerian Naira	Overdrafts	Term loans	Overdrafts	Term loans	Others	Total
Balance, beginning of year	184	141	2,436	3,669	582	7,012
Impairment charge for the year (Note 12)	(116)	15	3,172	2,956	(405)	5,622
Balance, end of year	68	156	5,608	6,625	177	12,634

26 INVESTMENT SECURITIES

	Group		Bank	
In millions of Nigerian Naira	June 2017	Dec 2016	June 2017	Dec 2016
Available-for-sale investment securities comprise (see note (i)):				
Treasury bills	**290,934**	155,315	**232,129**	147,153
Bonds	**54,590**	40,790	**25,702**	17,233
Equity investments	**85,440**	80,653	**84,891**	80,038
	430,964	276,758	**342,722**	244,424
Held to maturity investment securities comprise (see note (i)):				
Treasury bills	**202,939**	240,559	**18,614**	-
Promissory notes	**290**	281	**290**	281
Bonds	**459,271**	452,794	**270,500**	288,311
	662,500	693,634	**289,404**	288,592
Carrying amount	**1,093,464**	970,392	**632,126**	533,016
Current	**646,100**	339,612	**373,507**	188,647
Non-current	**447,364**	630,780	**258,619**	344,369
	1,093,464	970,392	**632,126**	533,016

(i) Included in available-for-sale and held-to-maturity investment securities are pledged financial assets which cannot be re-pledged or resold by counterparties, and these securities are stated as follows:

	Group		Bank	
In millions of Nigerian Naira	June 2017	Dec 2016	June 2017	Dec 2016
Bonds (available-for-sale)	**12,554**	14,178	**12,554**	14,178
Treasury bills (available-for-sale)	**66,873**	62,566	**66,873**	62,566
Bonds (held-to-maturity)	**178,371**	283,070	**178,371**	215,750
Treasury bills (held-to-maturity)	**57,533**	43,640	**-**	-
	315,331	403,454	**257,798**	292,494

27 OTHER ASSETS

		Group		Bank	
In millions of Nigerian Naira		June 2017	Dec 2016	June 2017	Dec 2016
Financial assets					
Electronic payments receivables		**10,970**	8,311	**8,290**	4,982
Accounts receivable		**25,272**	12,891	**16,202**	6,486
Intercompany receivables		**-**	-	**4,647**	3,085
Dividends receivable		**248**	-	**1,475**	8,429
Pension custody fees receivable		**486**	448	**-**	-
		36,976	21,650	**30,614**	22,982
Non-financial assets					
Prepayments		**19,636**	15,097	**13,163**	6,881
Recoverable taxes		**1,453**	587	**78**	78
Stock of consumables		**1,712**	4,070	**3,090**	3,510
		22,801	19,754	**16,331**	10,469
Allowance for impairment on accounts receivable		**(3,203)**	(3,555)	**(2,259)**	(2,259)
		56,574	37,849	**44,686**	31,192
(a)	**Movement in impairment for other assets**				
	At start of period	**3,555**	1,267	**2,259**	1,020
	Charge for the period (Note 12)	**534**	2,024	**14**	1,280
	Balances written off	**(907)**	(41)	**(14)**	(41)
	Exchange difference	**21**	305	**-**	-
		3,203	3,555	**2,259**	2,259
(b)	Current	**52,058**	30,390	**41,707**	28,622
	Non-current	**4,516**	7,459	**2,979**	2,570
		56,574	37,849	**44,686**	31,192

28 INVESTMENT IN EQUITY-ACCOUNTED INVESTEE

Set out below, is information on the Group's investment in equity accounted investee as at 30 June 2017. 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) Movement in investment in equity-accounted investee

	Group		Bank	
In millions of Nigerian Naira	June 2017	Dec 2016	June 2017	Dec 2016
Balance, beginning of the period	**2,925**	2,236	**1,770**	1,770
Share of current period's result	**(1)**	(63)	**-**	-
Share of foreign currency translation differences	**105**	752	**-**	-
Balance, end of the period	**3,029**	2,925	**1,770**	1,770

(i) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the interest in associates is shown below :

In millions of Nigerian Naira	June 2017	Dec 2016
Opening net assets	**3,552**	2,146
Loss for the period	**(2)**	(128)
Foreign currency translation differences	**215**	1,534
Closing net assets	**3,765**	3,552
Group's interest in associate (49%)	**1,843**	1,739
Notional goodwill	**1,186**	1,186
Carrying amount	**3,029**	2,925

(b) Nature of investment in associates

Name of entity	Country of incorporation	Place of business	Nature of business	% of ownership interest	Measure-ment method
UBA Zambia Bank Limited	Zambia	Zambia	Banking	49*	Equity method

*'The Group's interest in UBA Zambia did not change during the period.

28 INVESTMENT IN EQUITY-ACCOUNTED INVESTEE (continued)

(c) Summarised financial information for associate

(i) Summarised Statement of Financial Position

In millions of Nigerian Naira	Jun. 2017	Dec. 2016
Assets		
Cash and cash equivalents	4,657	8,868
Other current assets	17,016	6,939
Non-current assets	969	983
Total assets	22,642	16,790
Financial liabilities	18,372	12,901
Other current liabilities	505	337
Total liabiliites	18,877	13,238
Net assets	3,765	3,552

(ii) Summarised statement of comprehensive income

Operating income	1,698	737
Operating expense	(1,623)	(709)
Net impairment loss on financial assets	(77)	(190)
Loss before tax	(2)	(162)
Income tax expense	-	-
Loss for the period	(2)	(162)
Other comprehensive income	-	-
Total comprehensive income	(2)	(162)

The information above reflects the amounts presented in the financial statements of the Associate Company (and not UBA Group's share of those amounts). There are no differences in the accounting policies of the Associate Company and the Group's accounting policies.

29 INVESTMENT IN SUBSIDIARIES

(a) Holding in subsidiaries

In millions of Nigerian Naira	Year of acquisition/ Commencement	Holding	Non-controlling interest	Country	Industry	Bank Jun. 2017	Bank Dec. 2016
Bank subsidiaries (see note (i) below):							
UBA Ghana Limited	2004	91%	9%	Ghana	Banking	**8,048**	8,048
UBA Cameroun (SA)	2007	100%	-	Cameroun	Banking	**1,845**	1,845
UBA Cote d'Ivoire	2008	100%	-	Cote d'Ivoire	Banking	**5,995**	5,995
UBA Liberia Limited	2008	100%	-	Liberia	Banking	**2,330**	2,330
UBA (SL) Limited	2008	100%	-	Sierra Leone	Banking	**1,269**	1,269
UBA Uganda Limited	2008	74%	26%	Uganda	Banking	**3,705**	3,705
UBA Burkina Faso	2008	64%	36%	Burkina Faso	Banking	**5,352**	5,352
UBA Benin	2008	76%	24%	Benin Republic	Banking	**6,726**	6,726
UBA Kenya Bank Limited	2009	81%	19%	Kenya	Banking	**3,744**	3,744
UBA Chad (SA)	2009	89%	11%	Chad	Banking	**2,440**	2,440
UBA Senegal (SA)	2009	86%	14%	Senegal	Banking	**2,400**	2,400
UBA Tanzania Limited	2010	80%	20%	Tanzania	Banking	**2,757**	2,757
UBA Gabon	2010	100%	-	Gabon	Banking	**2,760**	2,760
UBA Guinea (SA)	2010	100%	-	Guinea	Banking	**1,475**	1,475
UBA Congo DRC (SA)	2011	100%	-	Congo DRC	Banking	**2,500**	2,500
UBA Congo Brazzaville (SA)	2011	100%	-	Congo Brazzaville	Banking	**3,024**	3,024
UBA Mozambique (SA)	2011	85%	15%	Mozambique	Banking	**1,856**	1,856
Non-Bank Subsidiaries:							
UBA Pensions Custodian Limited (see (ii) below)	2004	100%	-	Nigeria	Pension custody	**2,000**	2,000
UBA FX Mart Limited (see (iii) below)	2008	100%	-	Nigeria	Banking	**502**	502
UBA Capital Europe Limited (see (iv) below)	2012	100%	-	United Kingdom	Investment banking	**9,974**	9,974
						70,702	70,702

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

29 INVESTMENT IN SUBSIDIARIES (continued)

(a) Holding in subsidiaries (continued)

The movement in investment in subsidiaries during the period is as follows:

	Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016
Balance, beginning of the period	**70,702**	65,767
Additional investments during the period	-	4,935
Balance, end of the period	**70,702**	70,702

(i) UBA Ghana, UBA Cameroon SA, UBA Cote d'ivoire, UBA Liberia, UBA Uganda, UBA Burkina Faso, UBA Chad SA, UBA Senegal SA, UBA Benin, UBA Kenya, UBA Tanzania, UBA Gabon, UBA Guinea, UBA Sierra Leone, UBA Mozambique, UBA Congo DRC and UBA Congo Brazzaville are engaged in the business of banking and provide corporate, commercial, consumer and international banking, trade services, cash management and treasury services.

(ii) UBA Pension Custodian Limited obtained an operating license on 20 February 2006 and commenced operations in Nigeria on 3 May 2006. It principally operates as a custodian of pension assets, to hold and deal in such assets as directed by the Pension Fund Administrators and in line with regulations of the National Pension Commission in conformity with the Pensions Reforms Act 2004 and as amended in 2014.

(iii) UBA FX Mart was incorporated on January 30, 2008 and commenced operations on May 22, 2008. It operates as a licensed bureau de change, dealing in foreign currency and traveller's cheques. In January 2015, Management made a decision to suspend the Company's operations. As at the reporting date, the Company is yet to resume operations.

(iv) UBA Capital Europe Limited is a London-based investment banking company which was incorporated on September 25, 1995. It is primarily engaged in brokerage, trade finance and wealth management businesses.

(v) UBA Retail Financial Services Limited was established in 2008 to provide a wide range of financial services targeting non-bank customers through non-branch channels such as direct sales agents, telemarketing, internet, consumer outlets, dealers and microfinance banks. The Company ceased operations in 2012 and is currently undergoing liquidation.

Significant restrictions:

There are no significant restrictions on the Group’s ability to access or use the assets and settle the liabilities of any member of the Group to the extent that regulation does not inhibit the Group from having access, and in liquidation scenario, this restriction is limited to its level of investment in the entity .

(b) Non-controlling interests

(i) The total non-controlling interest at the end of the period is N14.868 billion (2016: N13.218 billion) is attributed to the following non-fully owned subsidiaries:

	Jun. 2017	Dec. 2016
UBA Ghana Limited	**2,851**	2,205
UBA Burkina Faso	**4,982**	4,364
UBA Benin	**1,216**	940
UBA Uganda Limited	**829**	1,364
UBA Kenya Bank Limited	**1,238**	1,332
UBA Senegal (SA)	**2,056**	1,612
UBA Mozambique (SA)	**202**	222
UBA Chad (SA)	**952**	734
UBA Tanzania Limited	**320**	445
	14,646	13,218

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 INVESTMENT IN SUBSIDIARIES (continued)

(b) Holding in subsidiaries (continued)

(ii) Set out below is summarised financial information for each subsidiary that has non-controlling interests as at 30 June 2017. The amounts disclosed for each subsidiary are before inter-company eliminations.

	UBA Ghana Limited		UBA Burkina Faso		UBA Benin	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Summarised statement of financial position						
Cash and bank balances	**45,558**	51,197	**12,069**	10,048	**8,196**	7,863
Other financial assets	**150,298**	218,811	**188,530**	152,678	**89,470**	87,089
Non-financial assets	**1,255**	1,210	**3,658**	3,576	**2,412**	2,001
Total assets	**197,111**	271,218	**204,257**	166,302	**100,078**	96,953
Financial liabilities	**159,898**	236,274	**189,054**	152,810	**92,394**	91,032
Non-financial liabilities	**6,249**	11,050	**1,462**	1,458	**2,534**	1,941
Total liabilities	**166,147**	247,324	**190,516**	154,268	**94,928**	92,973
Net assets	**30,964**	23,894	**13,741**	12,034	**5,150**	3,980
Summarized statement of comprehensive income						
Revenue	**25,978**	49,617	**6,410**	10,549	**5,014**	7,419
Profit for the period	**7,981**	10,283	**562**	2,293	**826**	536
Other comprehensive income	**-**	-	**-**	-		
Total comprehensive income	**7,981**	10,283	**562**	2,293	**826**	536
Total comprehensive income allocated to non-controlling interest	**736**	949	**203**	831	**196**	127
Dividends paid to non-controlling interests	**-**	533	**-**	-	**-**	-
Summarized cash flows						
Cash flows from operating activities	**(893)**	55,190	**27,684**	43,248	**(2,845)**	35,929
Cash flows from financing activities	**(244)**	(1,681)	**1,145**	-	**344**	-
Cash flows from investing activities	**930**	(12,190)	**(26,808)**	(38,434)	**2,834**	(30,218)
Net (decrease)/increase in cash and cash equivalents	**(207)**	41,319	**2,021**	4,814	**333**	5,711

29 INVESTMENT IN SUBSIDIARIES (continued)

Holding in subsidiaries (continued)

(ii) Summarised financial information of subsidiaries with non-controlling interest (continued)

	UBA Uganda Limited		UBA Kenya Bank Limited		UBA Senegal (SA)	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Summarised statement of financial position						
Cash and bank balances	**9,384**	4,920	**5,300**	1,153	**37,376**	24,827
Other financial assets	**8,486**	8,099	**17,062**	14,992	**78,605**	74,031
Non-financial assets	**253**	2,081	**1,110**	1,127	**970**	874
Total assets	**18,123**	15,100	**23,472**	17,272	**116,951**	99,732
Financial liabilities	**12,461**	7,418	**16,476**	10,134	**95,387**	83,935
Non-financial liabilities	**2,475**	2,436	**482**	127	**6,349**	3,866
Total liabilities	**14,936**	9,854	**16,958**	10,261	**101,736**	87,801
Net assets	**3,187**	5,246	**6,514**	7,011	**15,215**	11,931
Summarized statement of comprehensive income						
Revenue	**1,283**	2,149	**1,282**	1,467	**5,186**	5,947
Profit/(loss) for the period	**(1,868)**	2,315	**(12)**	363	**1,762**	2,045
Other comprehensive income	**-**	-	**-**	-		
Total comprehensive income	**(1,868)**	2,315	**(12)**	363	**1,762**	2,045
Total comprehensive income allocated to non-controlling interest	**(486)**	695	**(2)**	69	**238**	276
Summarized cash flows						
Cash flows from operating activities	**4,974**	1,241	**5,517**	(2,391)	**18,431**	28,428
Cash flows from financing activities	**(190)**	987	**(484)**	1,974	**1,521**	-
Cash flows from investing activities	**(320)**	(1,582)	**(886)**	(4,558)	**(7,403)**	(14,358)
Net increase/(decrease) in cash and cash equivalents	**4,464**	646	**4,147**	(4,975)	**12,549**	14,070

29 INVESTMENT IN SUBSIDIARIES (continued)

(a) Holding in subsidiaries (continued)

(ii) Summarised financial information of subsidiaries with non-controlling interest (continued)

	UBA Mozambique (SA)		UBA Chad		UBA Tanzania	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Summarised statement of financial position						
Cash and bank balances	**2,955**	3,986	**14,882**	29,506	**6,483**	2,804
Other financial assets	**3,850**	1,646	**33,177**	29,172	**8,517**	8,014
Non-financial assets	**126**	91	**773**	730	**81**	386
Total assets	**6,931**	5,723	**48,832**	59,408	**15,081**	11,204
Financial liabilities	**5,502**	4,228	**39,554**	51,747	**13,380**	8,893
Non-financial assets	**81**	18	**621**	986	**99**	86
Total liabilities	**5,583**	4,246	**40,175**	52,733	**13,479**	8,979
Net assets	**1,348**	1,477	**8,657**	6,675	**1,602**	2,225
Summarized statement of comprehensive income						
Revenue	**401**	352	**2,669**	4,072	**742**	647
(Loss)/Profit for the period	**(286)**	(431)	**1,302**	1,281	**(480)**	(491)
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive income	**(286)**	(431)	**1,302**	1,281	**(480)**	(491)
Total comprehensive income allocated to non-controlling interest	**(43)**	(129)	**143**	141	**(96)**	(98)
Summarized cash flows						
Cash flows from operating activities	**952**	1,139	**(14,996)**	26,486	**4,275**	912
Cash flows from financing activities	**157**	987	**681**	-	**(138)**	987
Cash flows from investing activities	**(2,140)**	(96)	**(309)**	(2,334)	**(458)**	(1,110)
Net increase/(decrease) in cash and cash equivalents	**(1,031)**	2,030	**(14,624)**	24,152	**3,679**	789

30 PROPERTY AND EQUIPMENT

(a) As at 30 June 2017

Group

In millions of Nigerian Naira	Land	Buildings	Leasehold improve-ments	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equip-ment	Work in progress	Total
Cost										
Balance at 1 January 2017	32,252	32,118	11,962	8,564	13,137	9,612	31,103	33,467	5,464	177,679
Additions	2,044	1,773	758	-	385	1,005	530	1,310	3,308	11,113
Reclassifications	1	333	177	-	103	48	68	1,984	(2,714)	-
Disposals	-	(206)	(1,005)	-	(129)	(942)	(345)	(1,486)	(67)	(4,180)
Write-off	(70)	(12)	-	-	-	-	-	(10)	-	(92)
Exchange difference (note i)	75	1,359	466	-	7	621	308	301	1	3,138
Balance at 30 June 2017	34,302	35,365	12,358	8,564	13,503	10,344	31,664	35,566	5,992	187,658
Accumulated depreciation										
Balance at 1 January 2017	-	12,633	5,673	850	9,969	7,275	25,148	22,199	-	83,747
Charge for the period	-	253	419	204	407	535	883	1,365	-	4,066
Reclassifications	-	(10)	10	-	-	-	(13)	13	-	-
Disposals	-	(155)	(46)	-	21	(446)	137	(612)	-	(1,101)
Write-off	-	(2)	-	-	-	-	-	(6)	-	(8)
Exchange difference (note i)	-	1,301	300	-	104	255	18	32	-	2,010
Balance at 30 June 2017	-	14,020	6,356	1,054	10,501	7,619	26,173	22,991	-	88,714
Carrying amounts										
Balance at 30 June 2017	34,302	21,345	6,002	7,510	3,002	2,725	5,491	12,575	5,992	98,944
Balance at 31 December 2016	32,252	19,485	6,289	7,714	3,168	2,337	5,955	11,268	5,464	93,932

(i) Exchange differences arise from the translation of the property and equipment in the Group's foreign operations.

(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2016: nil)

Bank

In millions of Nigerian Naira	Land	Buildings	Leasehold improve-ments	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equip-ment	Work in progress	Total
Cost										
Balance at 1 January 2017	31,429	24,565	3,333	8,564	9,868	6,666	25,956	26,744	4,764	141,889
Additions	1,941	651	64	-	23	232	172	881	1,456	5,420
Reclassifications	1	53	177	-	103	48	68	1,984	(2,434)	-
Disposals	-	-	-	-	(74)	(15)	(109)	(128)	(67)	(393)
Write-off	(70)	(12)	-	-	-	-	-	(10)	-	(92)
Exchange difference (note i)	-	-	1	-	-	-	-	-	-	1
Balance at 30 June 2017	33,301	25,257	3,575	8,564	9,920	6,931	26,087	29,471	3,719	146,825
Accumulated depreciation										
Balance at 1 January 2017	-	8,302	1,421	850	7,606	4,735	20,970	17,753	-	61,637
Charge for the period	-	192	41	204	274	224	696	1,091	-	2,722
Reclassifications	-	(10)	10	-	-	-	(13)	13	-	-
Disposals	-	-	-	-	(66)	(15)	(104)	(119)	-	(304)
Write-off	-	(2)	-	-	-	-	-	(6)	-	(8)
Exchange difference (note i)	-	-	1	-	0	0	-	-	-	1
Balance at 30 June 2017	-	8,482	1,473	1,054	7,814	4,944	21,549	18,732	-	64,048
Carrying amounts										
Balance at 30 June 2017	33,301	16,775	2,102	7,510	2,106	1,987	4,538	10,739	3,719	82,777
Balance at 31 December 2016	31,429	16,263	1,912	7,714	2,262	1,931	4,986	8,991	4,764	80,252

(i) Exchange differences arise from the translation of the property and equipment of the UBA New York branch.

(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2016: nil)

30 PROPERTY AND EQUIPMENT (continued)

(a) As at 31 December 2016

Group

In millions of Nigerian Naira	Land	Buildings	Leasehold improve-ments	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equip-ment	Work in progress	Total
Cost										
Balance at 1 January 2016	31,967	29,287	7,715	11,750	11,601	7,309	29,105	29,722	2,925	**161,381**
Additions	174	1,653	1,966	-	1,151	2,306	1,501	2,774	4,402	**15,927**
Reclassifications (note i)	(101)	490	467	-	138	12	3	736	(1,745)	**-**
Disposals	(43)	(642)	(142)	(3,186)	(869)	(1,100)	(1,074)	(1,246)	(192)	**(8,494)**
Transfers	-	-	-	-	-	-	17	-	(129)	**(112)**
Write-off	-	-	-	-	-	-	-	-	-	**-**
Exchange difference (note ii)	255	1,330	1,956	-	1,116	1,085	1,551	1,481	203	**8,977**
Balance at 31 December 2016	32,252	32,118	11,962	8,564	13,137	9,612	31,103	33,467	5,464	**177,679**
Accumulated depreciation										
Balance at 1 January 2016	-	10,668	3,659	1,822	9,124	5,895	22,486	18,902	-	**72,556**
Charge for the year	-	645	596	460	726	736	1,819	2,415	-	**7,397**
Reclassifications (note i)	-	(18)	18	-	-	-	(11)	11	-	**-**
Disposals	-	(173)	(78)	(1,432)	(645)	(395)	(628)	(592)	-	**(3,943)**
Transfers	-	-	-	-	-	-	17	-	-	**17**
Write-off	-	-	-		-	-	-	-	-	**-**
Exchange difference (note ii)	-	1,511	1,478	-	764	1,039	1,465	1,463	-	**7,720**
Balance at 31 December 2016	-	12,633	5,673	850	9,969	7,275	25,148	22,199	-	**83,747**
Carrying amounts										
Balance at 31 December 2016	32,252	19,485	6,289	7,714	3,168	2,337	5,955	11,268	5,464	**93,932**
Balance at 31 December 2015	31,967	18,619	4,056	9,928	2,477	1,414	6,619	10,820	2,925	**88,825**

Bank

In millions of Nigerian Naira	Land	Buildings	Leasehold improve-ments	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equip-ment	Work in progress	Total
Cost										
Balance at 1 January 2016	31,425	24,200	2,799	11,750	9,481	5,218	26,008	25,574	2,537	**138,992**
Additions	148	151	36	-	843	1,422	284	763	3,963	**7,610**
Reclassifications (note i)	(101)	232	395	-	138	12	3	736	(1,415)	**-**
Disposals	(43)	(18)	-	(3,186)	(599)	(32)	(403)	(331)	(192)	**(4,804)**
Transfers	-	-	-	-	-	-	17	-	(129)	**(112)**
Exchange difference (note ii)	-	-	103	-	5	46	47	2	-	**203**
Balance at 31 December 2016	31,429	24,565	3,333	8,564	9,868	6,666	25,956	26,744	4,764	**141,889**
Accumulated depreciation										
Balance at 1 January 2016	-	7,952	1,252	1,822	7,534	4,426	19,790	16,071	-	**58,847**
Charge for the year	-	371	91	460	482	296	1,520	1,983	-	**5,203**
Reclassifications (note i)	-	(18)	18	-	-	-	(11)	11	-	**-**
Disposals	-	(3)	-	(1,432)	(413)	(32)	(391)	(313)	-	**(2,584)**
Transfers	-	-	-	-	-	-	17	-	-	**17**
Exchange difference (note ii)	-	-	60	-	3	45	45	1	-	**154**
Balance at 31 December 2016	-	8,302	1,421	850	7,606	4,735	20,970	17,753	-	**61,637**
Carrying amounts										
Balance at 31 December 2016	31,429	16,263	1,912	7,714	2,262	1,931	4,986	8,991	4,764	**80,252**
Balance at 31 December 2015	31,425	16,248	1,547	9,928	1,947	792	6,218	9,503	2,537	**80,145**

31 INTANGIBLE ASSETS

(a) As at 30 June 2017

(i) Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress	Total
Cost				
Balance at 1 January 2017	8,522	16,591	1,142	26,255
Additions	-	686	512	1,198
Reclassifications	-	353	(353)	(0)
Transfers*	-	-	-	-
Exchange difference	436	7	-	443
Balance at 30 June 2017	8,958	17,637	1,301	27,896
Amortization				
Balance at 1 January 2017	-	11,894	-	11,894
Amortisation for the period	-	726	-	726
Exchange difference	-	274	-	274
Balance at 30 June 2017	-	12,894	-	12,894
Carrying amounts				
Balance at 30 June 2017	8,958	4,743	1,301	15,002
Balance at 31 December 2016	8,522	4,697	1,142	14,361

(ii) Bank

In millions of Nigerian Naira	Purchased software	Work in progress	Total
Cost			
Balance at 1 January 2017	12,884	1,142	14,026
Additions	221	514	735
Reclassifications	353	(353)	-
Balance at 30 June 2017	13,458	1,303	14,761
Amortization			
Balance at 1 January 2017	9,121	-	9,121
Amortisation for the period	614	-	614
Balance at 30 June 2017	9,735	-	9,735
Carrying amounts			
Balance at 30 June 2017	3,723	1,303	5,026
Balance at 31 December 2016	3,763	1,142	4,905

31 INTANGIBLE ASSETS (continued)

(b) **As at 31 December 2016**

(i) **Group**

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress	Total
Cost				
Balance at 1 January 2016	5,673	14,308	1,210	**21,191**
Additions	-	500	859	**1,359**
Reclassifications	-	927	(927)	**-**
Transfers*	-	112	-	**112**
Write-off	-	(180)	-	**(180)**
Exchange difference	2,849	924	-	**3,773**
Balance at 31 December 2016	**8,522**	**16,591**	**1,142**	**26,255**
Amortization				
Balance at 1 January 2016	-	9,822	-	**9,822**
Amortisation for the year	-	1,253	-	**1,253**
Transfers*	-	(17)	-	**(17)**
Write-off		(45)		**(45)**
Exchange difference	-	881	-	**881**
Balance at 31 December 2016	-	11,894	-	**11,894**
Carrying amounts				
Balance at 31 December 2016	**8,522**	**4,697**	**1,142**	**14,361**
Balance at 31 December 2015	**5,673**	**4,486**	**1,210**	**11,369**

31 INTANGIBLE ASSETS (continued)

(b) As at 31 December 2016

(ii) Bank

In millions of Nigerian Naira	Purchased software	Work in progress	Total
Cost			
Balance at 1 January 2016	11,839	1,210	**13,049**
Additions	177	859	**1,036**
Reclassifications	927	(927)	**-**
Disposal	-	-	**-**
Transfers*	112	-	**112**
Write-off	(180)	-	**(180)**
Exchange difference	9	-	**9**
Balance at 31 December 2016	**12,884**	**1,142**	**14,026**
Amortization			
Balance at 1 January 2016	8,095	-	**8,095**
Amortisation for the year	1,078	-	**1,078**
Transfers*	(17)	-	**(17)**
Write-off	(45)	-	**(45)**
Exchange difference	10	-	**10**
Balance at 31 December 2016	**9,121**	**-**	**9,121**
Carrying amounts			
Balance at 31 December 2016	**3,763**	**1,142**	**4,905**
Balance at 31 December 2015	**3,744**	**1,210**	**4,954**

There were no capitalised borrowing costs related to the internal development of software during the period (December 2016: nil). Computer software has a definite useful life of not more than five years while goodwill has an indefinite useful life and is annually assessed for impairment.

** Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets - purchased software (work in progress) during the period as disclosed in Note 27.*

Impairment testing for cash-generating units containing Goodwill

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash generating units (CGUs) as the goodwill is monitored at the level of the individual cash generating units. UBA Benin and UBA Capital Europe have been identified as individual cash generating units. UBA Benin and UBA Capital Europe Limited operate under Rest of Africa and Rest of the World geographic segments respectively. The recoverable amounts of the CGUs have been determined based on value-in-use calculations; using cash flow projections based on financial forecasts covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated economic growth rates for the respective CGUs. These growth rates are consistent with forecasts included in industry reports specific to the economic environment in which each of the CGU's operates.

31 INTANGIBLE ASSETS (continued)

(c) Impairment testing for cash-generating units containing Goodwill (continued)

The following table sets out the key assumptions used in the value-in-use calculations:

	UBA Benin	UBA Capital Europe Limited
	Jun.2017	**Dec.2016**
Gross earnings (% annual growth rate)	**12.0**	12.0
Deposits (% annual growth rate)	**15.0**	16.0
Loans and advances (% annual growth rate)	**20.0**	12.0
Operating expenses (% annual growth rate)	**11.0**	6.0
Terminal growth rate (%)	**1.5**	2.0
Discount rate (pre-tax) (%)	**16.2**	5.0

The values assigned to each of the above key assumptions were determined as follows:

Assumption	Approach used in determining values
Gross earnings	This is the average annual growth rate over the five-year period. Based on past performance, expectations of market development and the expected positive impact of deposits and loan growth in the forecast period.
Deposits	This is the average annual growth rate over the five-year period. Deposits have been determined to be the key value driver for the CGUs. Projected deposits growth is based on past performance of the CGUs as well as management's plans to expand the businesses and deepen customer base.
Loans and advances	This is the average annual growth rate over the five year period. It is based partly on past performance but largely on the expected positive impact of the forecasted growth in deposits.
Operating expenses	This is the average annual growth rate over the five year period. It is based on the current structure of business of the respective CGUs, adjusting for expected inflationary increases but not reflecting any future restructurings or cost saving measures.
Terminal growth rate	This is the average growth rate used to extrapolate cash flows beyond the five-year period. Based on estimated economic growth rates for the respective CGUs.
Discount rate	The discount rate was a pre-tax measure based on the longest tenured government bond issued by the governments in Benin and United Kingdom respectively adjusted for a risk premium to reflect both the increased risk of investing in equities and generally and the systematic risk of the specific CGU.

Below is the result of the impairment test:

	UBA Benin		UBA Capital Europe Limited	
In millions of Nigerian Naira	**Jun.2017**	**Dec.2016**	**Jun.2017**	**Dec.2016**
Recoverable amount	**22,260**	22,260	**23,829**	23,829
Less: Carrying amount				
Goodwill	**(5,580)**	(5,159)	**(3,378)**	(3,363)
Net assets	**(5,150)**	(3,980)	**(14,894)**	(14,833)
Total carrying amount	**(10,730)**	(9,139)	**(18,272)**	(18,196)
Excess of recoverable amount over carrying amount	**11,530**	13,121	**5,557**	5,633

The key assumptions described above may change as economic and market conditions change. The results of the value-in-use calculations are most sensitive to changes in the deposit growth rates, terminal growth rates and discount rates applied. The recoverable amounts of the respective CGUs would equal their carrying amounts if these key assumptions were to change as follows:

31 INTANGIBLE ASSETS (continued)

(c) Impairment testing for cash-generating units containing Goodwill (continued)

	Jun. 2017		Dec.2016	
	% From	% To	% From	% To
UBA Benin				
Deposit growth rate	**15**	**8.5**	10	4
UBA Capital Europe				
Deposit growth rate	**16**	**5**	10	5
Terminal growth rate	**2**	**0.7**	2	0.5
Discount rate	**5**	**6**	5	6

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

32 DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group			Bank		
In millions of Nigerian Naira	Assets	Liabilities	Net	Assets	Liabilities	Net
30 June 2017						
Property, equipment, and software	13,123	143	12,980	11,659	-	11,659
Allowances for loan losses	3,800	-	3,800	3,800	-	3,800
Account receivable	678	-	678	678	-	678
Tax losses carried forward	13,262	-	13,262	13,262	-	13,262
Exchange difference on monetary items	-	(47)	47	-	(47)	47
Fair value loss on derivatives	-	973	(973)	-	973	(973)
Others	464	-	464	464	-	464
Net deferred tax assets /liabilities	31,327	1,069	30,258	29,863	926	28,937
31 December 2016						
Property, equipment, and software	13,629	62	13,567	10,249	-	10,249
Allowances for loan losses	3,879	-	3,879	3,879	-	3,879
Account receivable	678	-	678	678	-	678
Tax losses carried forward	20,848	-	20,848	20,848	-	20,848
Exchange difference on monetary items	-	3,712	(3,712)	-	3,712	(3,712)
Fair value loss on derivatives	-	2,744	(2,744)	-	2,744	(2,744)
Others	482	-	482	498	-	498
Net tax assets /liabilities	39,516	6,518	32,998	36,152	6,456	29,696

32 DEFERRED TAX ASSETS AND LIABILITIES (continued)

(b) **Reconciliation of recognised deferred tax assets and liabilities to the amounts disclosed in the statement of financial position**

(i) **Deferred tax assets**

	Group		Bank	
In millions of Nigerian Naira	Jun.2017	Dec.2016	Jun.2017	Dec.2016
Recognised deferred tax assets	**31,327**	39,516	**29,863**	36,152
Amounts offset*:				
- Exchange differences on monetary items	**47**	(3,712)	**47**	(3,712)
-Fair value gain on derivatives	**(973)**	(2,744)	**(973)**	(2,744)
Deferred tax assets in the statement of financial position	**30,401**	33,060	**28,937**	29,696

(ii) **Deferred tax liabilities**

	Group		Bank	
In millions of Nigerian Naira	Jun.2017	Dec.2016	Jun.2017	Dec.2016
Recognised deferred tax liabilities	**1,069**	6,518	**926**	6,456
Amounts offset*:				
- Exchange differences on monetary items	**47**	(3,712)	**47**	(3,712)
-Fair value gain on derivatives	**(973)**	(2,744)	**(973)**	(2,744)
Deferred tax liabilities in the statement of financial position	**143**	62	**-**	-

**The amounts offset relate to deferred tax liabilities attributable to the parent only. The amounts have been offset as the Bank has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority.*

Movements in temporary differences during the period

30 June 2017

	Group			
In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	13,567	(587)	-	12,980
Allowances for loan losses	3,879	(79)	-	3,800
Account receivable	678	-	-	678
Tax losses carried forward	20,848	(7,586)	-	13,262
Exchange difference on monetary items	(3,712)	3,759	-	47
Tax losses on fair value gain on derivatives	(2,744)	1,771	-	(973)
Others	482	(18)	-	464
	32,998	(2,740)	-	30,258

	Bank			
In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	10,249	1,410	-	11,659
Allowances for loan losses	3,879	(79)	-	3,800
Account receivable	678	(0)	-	678
Tax losses carried forward	20,848	(7,586)	-	13,262
Exchange difference on monetary items	(3,712)	3,759	-	47
Tax losses on fair value gain on derivatives	(2,744)	1,771		(973)
Others	498	(34)	-	464
	29,696	(759)	-	28,937

32 DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movements in temporary differences during the period (continued)

	Group			
In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	7,547	6,020	-	13,567
Allowances for loan losses	1,966	1,913	-	3,879
Account receivable	366	312	-	678
Tax losses carried forward	24,666	(3,818)	-	20,848
Exchange difference on monetary items	-	(3,712)	-	(3,712)
Tax losses on fair value gain on derivatives	(1,715)	(1,029)	-	(2,744)
Others	323	159	-	482
	33,153	(155)	-	32,998

	Bank			
In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	6,247	4,002	-	10,249
Allowances for loan losses	1,966	1,913	-	3,879
Account receivable	366	312	-	678
Tax losses carried forward	24,666	(3,818)	-	20,848
Exchange difference on monetary items	-	(3,712)	-	(3,712)
Tax losses on fair value gain on derivatives	(1,715)	(1,029)	-	(2,744)
Others	323	175	-	498
	31,853	(2,157)	-	29,696

Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Unused tax losses for which no deferred tax asset has been recognised was N53.445 billion (2016: N56.348 billion).

"Temporary difference relating to the Group's investment in subsidiaries is N113.193 billion billion (2016: N92.058 billion). As the Group exercises control over the subsidiaries, it has the power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries' profits and reserves will not be distributed in the foreseeable future and that the subsidiaries will not be disposed of. Hence, the deferred tax arising from the temporary differences above will not be recognised.

33 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount which is recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are indicative of neither the market risk nor the credit risk.

	Group		Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Derivative assets				
Carrying value	**13,931**	10,642	**13,931**	10,642
Notional amount	**143,629**	62,725	**143,629**	62,725
Derivative liabilities				
Carrying value	**61**	14	**61**	14
Notional amount	**3,598**	1,413	**3,598**	1,413

(a) **Derivative assets**

In millions of Nigerian Naira				
Instrument type:				
Cross-currency swaps	**13,824**	1,134	**13,824**	1,134
Foreign exchange forward contracts	**107**	9,508	**107**	9,508
	13,931	10,642	**13,931**	10,642
The movement in derivative assets is as follows:				
Balance, beginning of period	**10,642**	1,809	**10,642**	1,809
Fair value of derivatives derecognised/remeasured in the period	**(9,580)**	(18,765)	**(9,580)**	(18,765)
Fair value of derivatives acquired/remeasured in the period	**12,869**	27,598	**12,869**	27,598
Balance, end of period	**13,931**	10,642	**13,931**	10,642

Derivative assets are current in nature

(b) **Derivative liabilities**

Instrument type:				
Cross-currency swap	**61**	14	**61**	14
	61	14	**61**	14
The movement in derivative liability is as follows:				
Balance, beginning of period	**14**	327	**14**	327
Fair value of derivatives derecognised/remeasured in the period	**(14)**	(505)	**(14)**	(505)
Fair value of derivatives acquired/remeasured in the period	**61**	192	**61**	192
Balance, end of period	**61**	14	**61**	14

Derivative liabilities are current in nature

33 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(c) Fair value gain on derivatives

	Group		Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Derivative assets :				
Fair value gain on additions in the period	**12,869**	27,598	**12,869**	27,598
Fair value loss on maturities in the period	**(9,580)**	(18,765)	**(9,580)**	(18,765)
Net fair value gain on derivative assets	**3,289**	8,833	**3,289**	8,833
Derivative liabilities:				
Fair value loss on additions in the period	**(61)**	(192)	**(61)**	(192)
Fair value gain on maturities in the period	**14**	505	**14**	505
Net fair value gain on derivative liabilities	**(47)**	313	**(47)**	313
Net fair value gain/(loss) on derivative assets and liabilities (See note 15)	**3,242**	9,146	**3,242**	9,146

34 DEPOSITS FROM BANKS

	Group		Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Money market deposits	**124,944**	108,217	**27,632**	30,484
Due to other banks	**14,686**	863	**13,802**	-
	139,630	109,080	**41,434**	30,484
Current	**139,630**	109,080	**41,434**	30,484

35 DEPOSITS FROM CUSTOMERS

	Group		Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Retail customers:				
Term deposits	**218,336**	209,673	**177,905**	182,996
Current deposits	**158,901**	151,407	**80,419**	83,285
Savings deposits	**552,188**	524,751	**447,965**	434,883
Domiciliary deposits*	**59,924**	73,384	**52,663**	51,284
Corporate customers:				
Term deposits	**357,462**	317,468	**232,055**	214,588
Current deposits	**841,656**	957,628	**480,352**	524,921
Domiciliary deposits*	**260,150**	251,299	**206,612**	206,902
	2,448,617	2,485,610	**1,677,971**	1,698,859
Current	**2,339,910**	2,485,273	**1,569,264**	1,698,522
Non-current	**108,707**	337	**108,707**	337
	2,448,617	2,485,610	**1,677,971**	1,698,859

**Domiciliary deposits represents foreign currency denominated current and savings accounts only.*

36 OTHER LIABILITIES

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Financial liabilities				
Creditors and payables	57,412	48,631	32,604	29,738
Managers cheques	5,086	6,722	3,952	4,372
Unclaimed dividends (note (i)	4,278	4,222	4,278	4,222
Accrued expenses	8,922	12,483	1,146	3,625
Customers' deposit for foreign trade (note (ii))	50,628	38,089	37,141	30,546
	126,326	110,147	79,121	72,503
Non-financial liabilities				
Provisions (note (iii)	198	198	147	147
Deferred income	287	251	287	251
	485	449	434	398
Total other liabilities	126,811	110,596	79,555	72,901
Current	126,811	110,596	79,555	72,901

(i) The amount represents unclaimed dividends due to UBA Plc's shareholders which have been returned by the Bank's Registrar.

(ii) Customers' deposit for foreign trade represents the naira value of foreign currencies held to cover letter of credit transactions. The corresponding balance is included in current balances with banks in note 22.

(iii) The amount represents a provision for certain legal claims. The provision charge is recognised in income statement within 'other operating expenses'. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 30 June 2017. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

The movement in provision during the period is as follows:

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
At 1 January	**198**	185	**147**	147
Additional provisions	**-**	13	**-**	-
At 30 June	**198**	198	**147**	147
Analysis of total provisions:				
Current	**198**	198	**147**	147

37 BORROWINGS

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Central Bank of Nigeria (note 37.1)	**48,380**	43,174	**48,380**	43,174
Bank of Industry (BoI) (note 37.2)	**10,112**	11,029	**10,112**	11,029
Standard Chartered Bank (note 37.3)	**2,950**	-	**2,950**	-
European Investment Bank (EIB) (note 37.4)	**20,845**	1,951	**20,845**	1,951
Syndicated facility (note 37.5)	**9,236**	27,542	**9,236**	27,542
Africa Trade Finance Limited (note 37.6)	**22,977**	15,145	**22,977**	15,145
Afrexim (note 37.7)	**-**	30,399	**-**	30,399
African Development Bank (note 37.8)	**37,111**	36,204	**37,111**	36,204
Credit Suisse (note 37.9)	**98,747**	94,483	**98,747**	94,483
Eurobond debt security (note 37.10)	**151,626**	-	**151,626**	-
	401,984	259,927	**401,984**	259,927
Current	**133,911**	167,569	**133,911**	167,569
Non-current	**268,073**	92,358	**268,073**	92,358
	401,984	259,927	**401,984**	259,927
Movement in borrowings during the period:				
In millions of Nigerian Naira				
Opening balance	**259,927**	129,896	**259,927**	129,896
Additions	**201,890**	243,029	**201,890**	243,029
Interest expense	**9,237**	8,999	**9,237**	8,999
Interest paid	**(3,280)**	(11,788)	**(3,280)**	(11,788)
Repayments (principal)	**(65,790)**	(110,209)	**(65,790)**	(110,209)
	401,984	259,927	**401,984**	259,927

37.1 This represents on-lending facilities provided by the Central Bank of Nigeria (CBN):

(a) N22.384billion of this facility represents the outstanding balance on the Commercial Agriculture Credit Scheme granted to the Bank for the sole purpose of granting loans, at subsidised rates, to the agricultural sector. Interest on the facility cannot exceed 9% per annum inclusive of all charges and is to be shared between the Bank and CBN at 7% and 2% respectively. The facility will terminate on 30 September 2025. The Bank is the primary obligor to CBN and assumes the risk of default.

(b) b) N25.994billion of this facility represents the outstanding balance on the concessionary loans granted by the Central Bank of Nigeria to some State Governments. The facility attracts an interest rate of 2% and the Bank is under obligation to lend to participating states at a maximum rate of 9% per annum (inclusive of all charges). The principal is repayable monthly and the tenor of the facility is 20 years.

37.2 This represents an intervention credit granted to the Bank by the Bank of Industry (BOI) for the purpose of refinancing/restructuring existing loans to Small and Medium Scale Enterprises (SMEs), manufacturing companies and companies in the power and aviation industries. The maximum tenor of term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum deductible at source in the first year and quarterly in arrears thereafter is paid by the Bank under the intervention programme and the Bank is under obligation to on-lend to customers at an all-interest rate of 7% per annum. The Bank is the primary obligor to CBN/BOI and assumes the risk of default.

37.3 This represents the amount granted under a $9.518million trade finance loan facility granted by Standard Chartered Bank in March 2017. The facility is for a tenor of 4 months and Interest rate is three (3) months USD LIBOR plus 400 basis points. The interest and principal repayment are due upon maturity in July 2017.

37 BORROWINGS (continued)

37.4 This represents the outstanding balance on $16.296 million and $62.634million (€60million) term loan facilities granted by European Investment Bank in October 2013 and January 2017 respectively. The purpose of the $16.296 million term loan facility is to support lending to small and medium sized enterprises in Nigeria and through its regional subsidiaries. The facility is for a tenor of 7 years. Of the initial amount granted, $8.079 million was liquidated in June 2014. Interest rate on the facility is six (6) months USD LIBOR plus 350 basis points. Interest on the loan is payable semi-annually while principal repayment commenced in April 2016. The facility will expire in October 2020. The $62.634million (€60million) term loan facility was granted under the Nigeria Private Enterprise Finance Facility extended by the European Investment Bank to a group of financial institutions located in Nigeria. The purpose of the facility is to finance capital expenditure for development of intermediation capacities and support small and medium sized enterprises in Nigeria. The facility is for a tenor of 8 years. The interest rate on the facility is six months USD LIBOR plus 337 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 42 months.

37.5 This represents the amount granted under a $270 million 3-year syndicated term loan facility in September 2014. Interest rate on the facility is six (6) months USD LIBOR plus 350 basis points. Interest on the loan is payable quarterly while principal repayment commenced in August 2015. The facility will expire in August 2017.

37.6 This represents the outstanding balance on $25million and $50million term loan facilities arranged by Africa Trade Finance Limited, United Kingdom in April and June 2017 respectively. The $25million facility is a trade related term loan with a tenor of 6 months and interest rate of six months USD LIBOR plus 450 basis points. Interest on the loan is payable quarterly with principal repayment at maturity in October 2017. The $50million facility is a trade related term loan with a tenor of 6 months and interest rate of three months USD LIBOR plus 350 basis points. Interest on the loan is payable quarterly with principal repayment at maturity in December 2017.

37.7 This represents the amount granted under a $100million Dual Tranche Short Term Trade Financing Facility by African Export-Import Bank (AFREXIM) in June 2016. The facility is for a tenor of 1 year and is to be used solely for financing trade finance transactions. Interest rate on the facility is three months USD LIBOR plus 575 basis points. Interest on the loan is payable quarterly and principal repayment is on maturity in June 2017. The facility has been fully paid down.

37.8 This represents the amount granted under a $150million line of credit by African Development Bank, Cote d'Ivoire in November 2016. The first tranche of $120million was disbursed to the Bank in December 2016. The facility is for a tenor of 8 years and is to be used for medium term financing and on-lending to infrastructure projects, small and medium sized enterprises and women-owned enterprises in the Federal Republic of Nigeria. The interest rate on the facility is six months USD LIBOR plus 440 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 2 years.

37.9 This represents the amount granted under a $300million term loan facility by Credit Suisse International, United Kingdom and disbursed in three tranches of $100million each. Tranche A of this facility was disbursed in July 2016 and has a tenor of 13 months with interest rate of 12 months USD LIBOR plus 550 basis points. Interest payment and principal repayment are due at maturity in August 2017. Tranche B and Tranche C were disbursed in September 2016 and have tenors of 12 months each with the same interest rate of 12 months USD LIBOR plus 550 basis points. Interest payment and principal repayment are due at maturity in September 2017.

37.10 This represents the amortised cost of the Eurobond issued by the Bank on June 8, 2017. The $500million notes have a tenor of 5 years with a maturity date of June 8, 2022 and a yield of 7.875%. The rate of interest (coupon) is 7.75% payable semi-annually with bullet repayment of the principal sum at maturity.

38 SUBORDINATED LIABILITIES

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Medium term notes - series 1	**20,624**	20,575	**20,624**	20,575
Medium term notes - series 2	**35,929**	35,805	**35,929**	35,805
Medium term notes - series 3	**29,678**	29,598	**29,678**	29,598
	86,231	85,978	**86,231**	85,978
Current	**20,624**	20,575	**20,624**	20,575
Non-current	**65,607**	65,403	**65,607**	65,403
	86,231	85,978	**86,231**	85,978

Subordinated liabilities represent medium-term bonds issued by the Bank. In September 2010, the Bank offered for subscription N20 billion fixed rate subordinated unsecured notes, maturing in 2017 with a coupon of 13%. In September 2011, the Bank also offered N35billion fixed rate subordinated unsecured notes, maturing in 2018 with a coupon of 14%. In December 2014, the Bank also offered N30.5 billion fixed rate unsecured notes maturing in 2021 with a coupon of 16.45%. Coupon on the notes are payable semi-annually while principal is payable on maturity.

Movement in subordinated liabilities:	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Opening balance	**85,978**	85,620	**85,978**	85,620
Interest accrued	**6,470**	12,880	**6,470**	12,880
Repayments	**(6,217)**	(12,522)	**(6,217)**	(12,522)
	86,231	85,978	**86,231**	85,978

39 CAPITAL AND RESERVES

	Group		Bank	
	Jun. 2017	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
(a) **Share capital**				
Share capital comprises:				
(i) **Authorised -**				
45,000,000,000 Ordinary shares of 50k each	**22,500**	22,500	**22,500**	22,500
(ii) **Issued and fully paid -**				
36,279,526,321 Ordinary shares of 50k each	**18,140**	18,140	**18,140**	18,140
Number of shares in issue at end of the period	**36,280**	36,280	**36,280**	36,280

(b) **Share premium**

Share premium is the excess paid by shareholders over the nominal value for their shares.

(c) **Retained earnings**

Retained earnings is the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

39 CAPITAL AND RESERVES (continued)

(d) **Other Reserves**

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Other reserves include the following:				
Translation reserve (note (i))	35,955	28,799	-	-
Statutory reserve (note (ii))	81,115	73,866	65,958	59,703
Fair value reserve (note (iii))	61,457	58,274	62,064	58,881
Regulatory (Credit) risk reserve (note (iv))	35,921	31,375	34,932	26,650
Treasury shares (note (v))	(30,946)	(31,600)	-	-
	183,502	160,714	162,959	145,234

(i) **Translation reserve**

Translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

(ii) **Statutory reserve**

In accordance with existing legislation, the Bank transferred 15% (2016: 15%) of its profit after taxation to statutory reserves. Also included in statutory reserves is the Bank's Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves of N2.635 billion as at June 2017 (December 2016: N2.635 billion) . The Bank has since suspended further appropriation to SMEEIS reserve in line with the directives of the Central Bank of Nigeria.

(iii) **Fair value reserve**

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments. Such fair value changes are maintained until the investment is derecognised or impaired.

(iv) **Regulatory (Credit) risk reserve**

The regulatory (credit) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the various Central Banks of the various operating jurisdictions compared with the incurred loss model used in determining the impairment loss under IFRSs. Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the incurred loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

(v) **Treasury shares**

Treasury shares represent the Bank's shares of 2,080,104,955 units (31 December 2016 : 2,225,669,230 units) held by the Staff Share Investment Trust as at 30 June 2017.

40 DIVIDENDS

"The Board of Directors have proposed an interim dividend of N0.20 per share (30 June 2016: N0.20 per share) from the retained earnings account as at 30 June 2017.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 30 June 2017 and 31 December 2016 respectively.

Payment of dividend to shareholders is subject to withholding tax at a rate of 10%.

41 CONTINGENCIES

(i) Litigation and claims

The Bank, in the ordinary course of business is currently involved in 668 legal cases (2016: 650). The total amount claimed in the cases against the Bank is estimated at N515.1 billion (2016: N486.92 billion). The directors having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

(ii) Contingent liabilities

In the normal course of business, the Group conducts business involving acceptances, performance bonds and indemnities. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk. There are no guarantees, commitments or other contingent liabilities arising from related party transactions.

	Group		Bank	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**	**Jun. 2017**	**Dec. 2016**
Performance bonds and guarantees	**203,084**	388,884	**115,541**	135,127
Letters of credits	**494,874**	202,122	**325,618**	168,600
	697,958	591,006	**441,159**	303,727

(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 N119 billion (2016: N108 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 N4.185 billion (2016: N3.166 billion) in respect of authorised and contracted capital projects.

	Group	
In millions of Nigerian Naira	**Jun. 2017**	**Dec. 2016**
Property and equipment	**2,348**	1,867
Intangible assets	**1,841**	1,299
	4,189	3,166

42 RELATED PARTIES

United Bank for Africa Plc (UBA Plc) is the ultimate parent/controlling party of the Group. The shares of UBA Plc are listed on the Nigerian Stock Exchange and held by widely varied investors.

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures as well as key management personnel.

(a) Subsidiaries

Transactions between United Bank for Africa Plc and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements but are disclosed in the books of the Bank. The Bank's transactions and balances with its subsidiaries during the period and at period end are as follows:

(i) Cash and cash equivalents with the following subsidiaries are:

In millions of Nigerian naira Name of Subsidiary	Nature of Balance	Jun. 2017	Dec. 2016
UBA Uganda	Money market placement	**-**	921
UBA Tanzania	Money market placement	**45**	-
UBA Kenya	Money market placement	**-**	3,053
UBA Cameroun	Money market placement	**3,997**	-
UBA Cote D'Ivoire	Money market placement	**-**	-
UBA Capital Europe	Money market placement	**-**	27,695
UBA Capital Europe	Nostro balance	**27,892**	6,384
		31,934	38,053

(ii) Loan and advances

In millions of Nigerian naira Name of Subsidiary	Type of Loan	Jun. 2017	Dec. 2016
UBA Tanzania	Term Loans	**2,753**	3,224
UBA Liberia	Term Loans	**-**	1,144
UBA Cameroun	Overdraft	**101**	-
UBA Senegal	Overdraft	**6**	110
UBA Chad	Overdraft	**65**	-
UBA Gabon	Overdraft	**69**	-
UBA Guinea	Overdraft	**-**	2
UBA Ghana	Overdraft	**-**	116
UBA Mozambique	Overdraft	**1**	-
UBA Liberia	Overdraft	**956**	-
UBA Cote D'Ivoire	Overdraft	**11**	130
UBA Congo Brazzaville	Overdraft	**110**	689
UBA Benin	Overdraft	**1,304**	15
UBA Congo DRC	Overdraft	**22**	38
		5,398	5,468

42 RELATED PARTIES (continued)

(iii) Deposits

In millions of Nigerian naira Name of Subsidiary	Type of Deposit	Jun. 2017	Dec. 2016
UBA Benin	Current	**20**	1
UBA Burkina Faso	Current	**11**	1
UBA Chad	Current	**7**	3
UBA Congo DRC	Current	**6**	-
UBA Cote D'Ivoire	Current	**8**	27
UBA Congo Brazzaville	Current	**11**	-
UBA FX Mart	Current	**637**	637
UBA Ghana	Current	**17**	117
UBA Mozambique	Current	**-**	6
UBA Pension Custodian	Current	**87**	1
UBA Kenya	Current	**5**	24
UBA Guinea	Current	**9**	-
UBA Senegal	Current	**19**	13
UBA Tanzania	Current	**6**	15
UBA Uganda	Current	**6**	46
UBA Gabon	Current	**3**	12
UBA Liberia	Current	**6**	2
UBA Sierra Leone	Current	**4**	6
UBA Cameroon	Current	**18**	21
UBA Capital Europe	Current	**2**	2
UBA Burkina Faso	Domiciliary	**46**	49
UBA Cote D'Ivoire	Domiciliary	**23**	24
UBA Gabon	Domiciliary	**70**	100
UBA Cameroon	Domiciliary	**74**	112
UBA Benin	Domiciliary	**1**	9
UBA Ghana	Domiciliary	**404**	125
UBA Senegal	Domiciliary	**82**	110
UBA Guinea	Domiciliary	**302**	352
UBA Sierra Leone	Domiciliary	**93**	188
UBA Tanzania	Domiciliary	**16**	56
UBA Uganda	Domiciliary	**34**	42
UBA Kenya	Domiciliary	**43**	29
UBA Liberia	Domiciliary	**3,731**	2,035
UBA Congo Brazzaville	Domiciliary	**41**	20
UBA Mozambique	Domiciliary	**14**	2
UBA Chad	Domiciliary	**23**	84
UBA Congo DRC	Domiciliary	**122**	-
UBA New York	Term deposit	**-**	-
UBA Capital Europe	Term deposit	**25,523**	21,977
UBA Benin	Money market deposit	**-**	930
UBA Chad	Money market deposit	**4,752**	4,002
UBA Ghana	Money market deposit	**14,857**	15,819
UBA Mozambique	Money market deposit	**-**	1,529
UBA Tanzania	Money market deposit	**2,574**	619
UBA Uganda	Money market deposit	**746**	930
UBA Sierra Leone	Money market deposit	**2,301**	1,084
UBA New York	Money market deposit	**-**	-
UBA Cameroon	Money market deposit	**766**	925
		57,520	52,086

NOTES TO THE FINANCIAL STATEMENTS (continued)

42 RELATED PARTIES (continued)

(iv) **Accounts receivable from the following subsidiaries are:**

In millions of Nigerian naira Name of Subsidiary		Jun. 2017	Dec. 2016
UBA Ghana	Accounts receivable	**1,908**	1,668
UBA Congo Brazzaville	Accounts receivable	**800**	720
UBA Gabon	Accounts receivable	**181**	154
UBA Guinea	Accounts receivable	**268**	225
UBA Senegal	Accounts receivable	**371**	296
UBA Chad	Accounts receivable	**141**	82
UBA Retail Financial Services	Accounts receivable	**131**	131
UBA Sierra Leone	Accounts receivable	**147**	97
UBA Liberia	Accounts receivable	**201**	141
UBA Benin	Accounts receivable	**68**	-
UBA BurkinaFaso	Accounts receivable	**297**	-
UBA Pension Custodian	Accounts receivable	**86**	-
UBA Tanzania	Accounts receivable	**12**	-
UBA Cote D'Ivoire	Accounts receivable	**58**	-
		4,669	3,514

(v) **Dividend receivable from the following subsidiaries are:**

In millions of Nigerian naira Name of Subsidiary	Jun. 2017	Dec. 2016
UBA Ghana	**1,227**	6,029
UBA Pension Custodian	**-**	2,400
	1,227	8,429

(vi) **Internal transfer pricing charges from the following subsidiaries are:**

In millions of Nigerian naira Name of Subsidiary	Jun. 2017	Dec. 2016
UBA Ghana	**389**	62
UBA Burkina Faso	**297**	-
UBA Congo Brazaville	**122**	98
UBA Senegal	**113**	32
UBA Chad	**85**	35
UBA Benin	**83**	114
UBA Cameroun	**76**	50
UBA Cote d' Ivoire	**72**	63
UBA Gabon	**59**	21
UBA Liberia	**52**	46
UBA Guinea Conakry	**52**	-
UBA Sierra Leone	**51**	57
UBA Tanzania	**23**	-
UBA Congo DRC	**-**	13
UBA Uganda	**-**	13
UBA Pension	**86**	54
	1,560	658

42 RELATED PARTIES (continued)

(b) Investment in equity accounted investee

Transactions between United Bank for Africa Plc and UBA Zambia meet the definition of related party transactions. The following transactions and balances are held with respect to the associate.

In millions of Nigerian naira	Jun. 2017	Dec. 2016
Interest expense	**69**	5
Money market deposits	**1,528**	3,366

(c.) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of UBA Plc, directly or indirectly, including any director (whether executive or otherwise) of the Bank, and their close family members. Close family members are those family who may be expected to influence, or be influenced by that individual in their dealings with UBA Plc and its subsidiaries.

Key management personnel and their close family members engaged in the following transactions with the Bank during the period:

Loans and advances to key management personnel

In millions of Nigerian naira	Jun. 2017	Dec. 2016
Loans and advances as at period end	**402**	241
Interest income earned during the period	**29**	12

Loans to key management personnel are granted on the same terms and conditions as loans to other employees. Related party loans are secured over real estate, equity and other assets of the respective borrowers. No impairment losses (2016: Nil) have been recorded against related party loans.

Loans and advances to key management personnel's related persons and entities as at June 2017:

In millions of Nigerian naira Name of company/individual	Name of Director	Facility Type	Security	Status	Rate	Currency	Jun. 2017	Dec. 2016
Bridge House College	Mrs. Foluke Abdulrazaq	Term loan (Under CBN MSMEDF)	Real Estate	Performing	9.0%	NGN	32	37
Bridge House College	Mrs. Foluke Abdulrazaq	Overdraft	Real Estate	Performing	29.0%	NGN	1	-
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	14.0%	NGN	7,309	9,928
							7,342	9,965

In millions of Nigerian Naira	Jun. 2017	Dec. 2016
Interest income earned during the period	476	1,397

Deposit liabilities

Deposit liabilities relating to key management personnel and their related persons and entities as at end of the period is as follows:

In millions of Nigerian Naira	Jun. 2017	Dec. 2016
Deposits as at period end	**1,483**	1,674
Interest expense during the period	**20**	19

42 RELATED PARTIES (continued)

(c.) **Key management personnel (continued)**

Compensation

Aggregate remuneration to key management staff during the period is as follows:

In millions of Nigerian Naira	Jun. 2017	Dec. 2016
Executive compensation	**405**	280
Termination benefits	**-**	543
Defined contribution plan	**12**	8
Total benefits cost	**417**	831

43 COMPENSATION TO EMPLOYEES AND DIRECTORS

(i) The number of persons in the employment of the Group as at period end is as follows:

(In absolute units)	Group		Bank	
	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Group executive directors	**9**	9	**9**	9
Management	**98**	104	**77**	79
Non-management	**11,992**	12,181	**8,982**	9,208
	12,099	12,294	**9,068**	9,296

Compensation for the above personnel (including executive directors):	Group		Bank	
In millions of Nigerian Naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Salaries and wages	**32,777**	28,220	**20,073**	20,222
Retirement benefit costs:				
Defined contribution plans	**1,181**	1,053	**648**	666
	33,958	29,273	**20,721**	20,888

(ii) The number of employees of the Group, other than Directors, who received emoluments in the following ranges (excluding pension contributions) were:

(In absolute units)

	Group		Bank	
	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
N300,001 - N2,000,000	**5,450**	5,928	**4,126**	4,507
N2,000,001 - N2,800,000	**2,530**	2,414	**2,064**	1,993
N2,800,001 - N3,500,000	**275**	237	**51**	13
N3,500,001 - N4,000,000	**621**	630	**511**	396
N4,000,001 - N5,500,000	**836**	872	**439**	636
N5,500,001 - N6,500,000	**151**	170	**-**	-
N6,500,001 - N7,800,000	**649**	631	**545**	524
N7,800,001 - N9,000,000	**493**	476	**422**	425
N9,000,001 - above	**1,094**	927	**910**	793
	12,099	12,285	**9,068**	9,287

43 COMPENSATION TO EMPLOYEES AND DIRECTORS (continued)

(iii) Directors

	Group		Bank	
In millions of Nigerian naira	Jun. 2017	Dec. 2016	Jun. 2017	Dec. 2016
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	**13**	22	**13**	22
Executive compensation	**405**	280	**405**	280
Termination benefits	**-**	543	**-**	543
Defined contribution plan	**12**	8	**12**	8
	430	853	**430**	853
Fees and other emoluments disclosed above includes amounts paid to:				
The Chairman	**1**	2	**1**	2
The highest paid Director	**70**	69	**70**	69
The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:				
(In absolute units)				
N1,000,001 - N5,000,000	**10**	10	**10**	10
N5,500,001 and above	**9**	5	**9**	5
	19	15	**19**	15

44 TRANSACTIONS REQUIRING REGULATORY APPROVAL

The rules of the Financial Reporting Council of Nigeria require that transactions or agreements requiring registration by regulatory bodies in Nigeria shall only be recognised in the financial statements to the extent that approval is obtained. For transactions recognised, the relevant registration details are required to be disclosed. The Bank obtained the approval of the National Office for Technology and Promotion (NOTAP) for some information technology transactions, the cost of which have been recognised in these financial statements. Details of transactions for which regulatory approval was sought and obtained as well as payments made during the period are as disclosed below:

S/n	Transaction involved	Registration certificate number	Approved basis and amount ($'000)	Certificate validity	2017 N'million
1	Entrust e-Tokens Provision and End User License Agreement between Mint Crest Corporation (Panama) and United Bank for Africa Plc	NOTAP/AG/ FI/873/76/64	3,520.00	22 Aug. 2016 to 21 Aug. 2017	**465**
2	Actimize Acquirer and Remote Banking Software License Agreement between Mint Crest Corporation (Panama) and United Bank for Africa Plc	NOTAP/AG/ FI/873/78/59	1,594.94	15 Sep. 2016 to 14 Sep. 2017	**176**
					641

1 *The entrust e-Tokens license agreement with Mint Crest Corporation was approved by NOTAP in 2016 for a validity period of 1 year.*

2 *NOTAP issued an approval for one year for payment of the use of Actimize Acquirer and Remote Banking Module. A total payment of N176million was made to Mint Crest Corporation for this service. The license agreement expires in September 2017.*

45 NON-AUDIT SERVICES

During the period, the Bank's external auditors (PricewaterhouseCoopers) rendered non-audit services to the Bank. The non-audit services related to a review of the interim financial information as at 31 March, 2017 in respect of the issuance of Eurobond by the Bank. The total amount paid by UBA Plc for this service was N85million.

46 RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION

Banking sector resolution cost (the cost) was recognized in full during the period ended 30 June 2017 in line with IFRIC 21 (Levies) which clarifies that an entity should recognise a liability for a levy when the activity that triggers payment as identified by the relevant legislation (AMCON Act) occurs. The cost was previously spread throughout the financial year on a straight line basis, the comparative cost has been restated to align with the current period's presentation as follows:

		Group	Bank
	In millions of Nigerian Naira	Jun. 2016	Jun. 2016
(i)	**Profit After Tax**		
	Profit After Tax	32,621	25,051
	less: Charge of unamortised AMCON levy	(5,514)	(5,514)
	Amount as re-presented	27,107	19,537
	Owners of Parent	26,491	19,537
	Non-controlling interest	616	-
	Amount as re-presented	27,107	19,537
	Transfer to statutory reserve restated	3,147	2,931
(ii)	Other operating expenses		
	Banking sector resolution cost	5,568	5,568
	Charge of unamortised AMCON levy	5,514	5,514
	Amount as re-presented	11,082	11,082
(iii)	Net effect on changes in operating assets and liabilities		
	Change in other assets	(48,846)	(76,611)
	Add: Charge of unamortised AMCON levy	5,514	5,514
	Amount as re-presented	(43,332)	(71,097)
(iii)	Earnings per share		
	Earnings Per Share	0.94	0.69
	Less: Effect of adjustment to other operating expenses	(0.16)	(0.15)
	EPS as re-presented	0.78	0.54

47 COMPLIANCE WITH BANKING REGULATIONS

During the period, the Bank paid the following penalties:

In millions of Nigerian Naira		
Description		**Amount**
1	Penalty for failing to detect single BVN wrongly linked to accounts owned by different indivduals	40
2	Penalty for failing to promptly refund excess charges against the accounts of a customer	2
3	Penalty for introduction of unauthorised monthly maintenance charges	2
4	Penalty for late rendering of returns on international cards	1
	Total	45

48 EVENTS AFTER THE REPORTING DATE

Pursuant to the approval of the Bank's shareholders at the Annual General Meeting on April 08, 2016 to cancel the shares of Staff Share Investment Trust Scheme (SSIT), the Bank on July 19, 2017 crossed 2,080,104,955 units of its ordinary shares from the SSIT to the Group, at a price of N9.47 per share. Upon cancellation of the SSIT, the outstanding shares of the Bank will be reduced from 36,279,526,321 units to 34,199,421,366 units. The cancellation of SSIT shares has no impact on liquidity and capital adequacy ratio of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (continued)

49 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES

For the period ended 30 June 2017

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	25,978	1,391	3,806	5,163	1,282	1,647	2,036	4,133
Total operating expenses	(12,796)	(1,049)	(3,652)	(2,856)	(1,195)	(1,380)	(1,356)	(3,748)
Net impairment gain/(loss) on financial assets	(1,736)	(44)	(123)	(145)	(68)	(21)	(47)	441
Profit/(loss) before income tax	11,446	298	31	2,162	19	246	633	826
Income tax expense	(3,465)	290	(7)	(399)	(32)	(84)	(232)	-
Profit/(loss) for the period	7,981	588	24	1,763	(13)	162	401	826
Condensed statements of financial position								
Assets								
Cash and bank balances	45,558	14,417	6,322	37,376	5,300	8,190	12,629	8,196
Loans and advances to customers	98,024	6,717	35,700	38,944	10,466	21,507	19,178	24,079
Investment securities	50,277	2,496	27,271	39,556	6,123	17,484	3,112	64,559
Other assets	1,997	899	942	105	473	(166)	117	832
Property and Equipment	996	536	604	957	177	442	1,972	2,411
Intangible assets	97	21	24	13	41	2	14	1
Deferred tax asset	162	316	-	-	892	-	-	-
	197,111	25,402	70,863	116,951	23,472	47,459	37,022	100,078
Financed by:								
Deposits from banks	15,089	315	21,625	13,268	3,892	5,604	-	27,959
Deposits from customers	144,809	18,960	42,160	82,119	12,584	32,312	27,748	64,435
Other liabilities	5,028	985	3,657	6,264	482	3,455	2,531	2,534
Current tax liability	1,221	24	7	85	-	(780)	232	-
Deferred tax liability	81	-	-	-	-	-	-	-
Total Equity	30,883	5,118	3,414	15,215	6,514	6,868	6,511	5,150
	197,111	25,402	70,863	116,951	23,472	47,459	37,022	100,078
Condensed cash flows								
Net cash from operating activities	(36,257)	893	(2,510)	18,431	5,517	(8,241)	5,951	(2,845)
Net cash from financing activities	(992)	(663)	207	1,521	(484)	619	343	344
Net cash from investing activities	31,610	1,228	2,359	(7,403)	(886)	1,309	(2,883)	2,834
Increase/(decrease) in cash and cash equivalents	(5,639)	1,458	56	12,549	4,147	(6,313)	3,411	333
Cash and cash equivalents at beginning of period	51,197	12,959	6,266	24,827	1,153	14,503	9,218	7,863
Cash and cash equivalents at end of the period	45,558	14,417	6,322	37,376	5,300	8,190	12,629	8,196

NOTES TO THE FINANCIAL STATEMENTS (continued)

49 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the period ended 30 June 2017

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mo-zam-bique	UBA Cam-eroun	UBA Pension Custodian
Condensed statements of comprehensive income								
Operating income	1,479	6,105	2,507	1,279	4,309	396	7,438	2,939
Total operating expenses	(659)	(5,296)	(1,322)	(1,130)	(2,311)	(687)	(5,064)	(614)
Net impairment gain/(loss) on financial assets	-	(201)	116	(1)	(50)	5	(418)	-
Profit/(loss) before income tax	820	608	1,301	148	1,948	(286)	1,956	2,325
Income tax expense	(155)	(46)	-	(2,017)	(355)	-	-	(586)
Profit/(loss) for the period	665	562	1,301	(1,869)	1,593	(286)	1,956	1,739
Condensed statements of financial position								
Assets								
Cash and bank balances	6,903	12,069	14,882	9,384	10,487	2,955	32,710	86
Loans and advances to customers	1,837	50,349	24,398	1,613	31,303	887	72,445	-
Investment securities	6,677	135,963	7,719	6,284	14,319	2,911	55,727	6,759
Other assets	171	2,218	1,060	589	2,941	52	2,415	911
Property and Equipment	380	3,614	741	224	824	107	1,087	36
Intangible assets	-	22	12	29	32	19	20	90
Deferred tax asset	-	22	20	-	-	-	-	36
	15,968	204,257	48,832	18,123	59,906	6,931	164,404	7,918
Financed by:								
Deposits from banks	426	45,680	2,523	2,060	8,579	1,117	12	-
Deposits from customers	11,232	143,374	37,031	10,401	30,150	4,385	140,352	-
Other liabilities	354	1,461	621	2,475	5,821	81	9,475	1,257
Current tax liability	42	1	-	-	355	-	-	847
Deferred tax liability	25	-	-	-	-	-	-	-
Total Equity	3,889	13,741	8,657	3,187	15,001	1,348	14,565	5,814
	15,968	204,257	48,832	18,123	59,906	6,931	164,404	7,918
Condensed cash flows								
Net cash from operating activities	(893)	27,684	(14,996)	4,974	(2,327)	952	5,860	86
Net cash from financing activities	(244)	1,145	681	(190)	2,347	157	1,997	1
Net cash from investing activities	930	(26,808)	(309)	(320)	(1,526)	(2,140)	(17,637)	(2)
Increase/(decrease) in cash and cash equivalents	(207)	2,021	(14,624)	4,464	(1,506)	(1,031)	(9,780)	85
Cash and cash equivalents at beginning of period	7,110	10,048	29,506	4,920	11,993	3,986	42,490	1
Cash and cash equivalents at end of the period	6,903	12,069	14,882	9,384	10,487	2,955	32,710	86

49 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the period ended 30 June 2017

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA Capital Europe	SSIT	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income									
Operating income	707	1,334	-	1,561	1,144	-	104,655	(19,513)	161,776
Total operating expenses	(913)	(979)	-	(1,513)	(728)	-	(63,932)	18,376	(94,804)
Net impairment gain/(loss) on financial assets	35	8	-	-	-	-	(7,193)	1	(9,441)
Profit/loss) before income tax	(171)	363	-	48	416	-	33,530	(1,136)	57,531
Income tax expense	(314)	-	-	-	(114)	-	(7,676)	-	(15,192)
Profit/(loss) for the period	(485)	363	-	48	302	-	25,854	(1,136)	42,339
Condensed statements of financial position									
Assets									
Cash and bank balances	6,483	6,298	672	1,339	-	455	624,747	(104,234)	763,224
Financial assets held for trading	-	-	-	-	-	-	43,878	-	43,878
Derivative assets	-	-	-	-	-	-	13,931	-	13,931
Loans and Advances to Banks	-	-	-	25,304	-	-	16,889	(30,688)	11,505
Loans and advances to customers	4,353	5,235	-	12,442	-	2	1,123,398	(1,143,011)	1,560,337
Investment securities	3,749	1,024	99	11,597	19,699	-	632,126	(22,067)	1,093,464
Other assets	415	1,166	-	999	-	114	44,686	(6,362)	56,574
Investments in equity-accounted investee	-	-	-	-	-	-	1,770	1,259	3,029
Investments in Subsidiaries	-	-	-	-	-	-	70,702	(70,702)	-
Property and Equipment	69	499	2	287	-	203	82,777	-	98,944
Intangible assets	12	13	-	556	-	-	5,026	8,958	15,002
Deferred tax asset	-	17	-	-	-	-	28,937	(1)	30,401
	15,081	14,252	773	52,524	19,699	774	2,688,867	(1,366,848)	3,690,289
Financed by:									
Derivative liabilities	-	-	-	-	-	-	61	-	61
Deposits from banks	7,523	6	-	24,872	-	-	41,434	(82,354)	139,630
Deposits from customers	5,857	9,897	-	404	-	70	1,677,971	(47,634)	2,448,617
Other liabilities	99	69	677	12,317	-	36	79,555	(12,423)	126,811
Current tax liability	-	1	-	-	-	-	1,646	-	3,681
Subordinated liabilities	-	-	-	-	-	-	86,231	-	86,231
Borrowings	-	-	-	-	28,749	-	401,984	(28,749)	401,984
Deferred tax liability	-	-	-	37	-	-	-	-	143
Total Equity	1,602	4,279	96	14,894	(9,050)	668	399,985	(75,218)	483,131
	15,081	14,252	773	52,524	19,699	774	2,688,867	(246,378)	3,690,289
Condensed cash flows									
Net cash from operating activities	4,275	1,319	-	(5,432)	(9,315)	-	(66,796)	19,585	(54,086)
Net cash from financing activities	(138)	854	-	13	10,338	-	116,148	(16,058)	117,946
Net cash from investing activities	(458)	(311)	-	(6,385)	(1,023)	-	(89,389)	(6,377)	(123,587)
Increase/(decrease) in cash and cash equivalents	3,679	1,862	-	(11,804)	-	-	(40,037)	(2,850)	(59,727)
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	-	192	7,085	7,277
Cash and cash equivalents at beginning of period	2,804	4,436	672	13,143	(0)	455	236,416	(114,924)	381,043
Cash and cash equivalents at end of the period	6,483	6,298	672	1,339	-	455	196,571	(110,689)	328,593

49 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the period ended 30 June 2016

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	13,436	628	2,573	2,474	1,084	1,419	1,281	2,751
Total operating expenses	(10,727)	(554)	(2,287)	(1,345)	(962)	(1,143)	(883)	(2,604)
Net impairment gain/(loss) on financial assets	(1,060)	23	23	(36)	(2)	(32)	(13)	24
Profit/(loss) before income tax	**1,649**	**97**	**309**	**1,093**	**120**	**244**	**385**	**171**
Income tax expense	(562)	(21)	(9)	(14)	283	(320)	(158)	(32)
Profit/(loss) for the period	**1,087**	**76**	**300**	**1,079**	**403**	**(76)**	**227**	**139**
Condensed statements of financial position								
As at 31 December 2016								
Assets								
Cash and bank balances	51,197	12,959	6,266	24,827	1,153	14,503	9,218	7,863
Loans and advances to customers	133,846	7,261	29,565	39,143	9,422	17,663	18,528	18,659
Investment securities	81,879	3,709	29,660	32,249	5,252	18,758	1,973	67,804
Restricted balances with central banks		-	-	-	-	-		-
Other assets	3,086	699	1,261	2,639	318	2,718	138	626
Property and Equipment	1,015	572	584	872	160	475	207	1,997
Intangible assets	86	-	14	2	43	4	35	4
Deferred tax assets	109	-	-	-	924	-	-	-
	271,218	**25,200**	**67,350**	**99,732**	**17,272**	**54,121**	**30,099**	**96,953**
Financed by:								
Deposits from banks	20,628	-	24,754	20,936	4,239	7,577	-	17,049
Deposits from customers	215,646	18,373	37,080	62,999	5,895	39,497	22,069	73,983
Other liabilities	11,050	1,591	2,333	3,854	127	926	2,201	1,894
Current tax liabilities	-	43	-	12	-	112	294	47
Total Equity	23,894	5,193	3,183	11,931	7,011	6,009	5,535	3,980
	271,218	**25,200**	**67,350**	**99,732**	**17,272**	**54,121**	**30,099**	**96,953**
Condensed cash flows								
For the period ended 30 June 2016								
Net cash from operating activities	39,517	5,681	14,477	7,180	(1,953)	5,263	839	28,071
Net cash from financing activities	4,875	2,225	286	3,053	955	941	1,371	434
Net cash from investing activities	(32,381)	374	(12,611)	(10,143)	(1,376)	(3,411)	(1,414)	(21,190)
Increase/(decrease) in cash and cash equivalents	12,011	8,280	2,152	90	(2,374)	2,793	796	7,315
Cash and cash equivalents at beginning of period	9,878	4,537	3,609	10,757	6,128	5,700	5,585	2,152
Cash and cash equivalents at end of period	**21,889**	**12,817**	**5,761**	**10,847**	**3,754**	**8,493**	**6,381**	**9,467**

49 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the period ended 30 June 2016

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mo-zam-bique	UBA Cam-eroun	UBA Pension Custo-dian
Condensed statements of comprehensive income								
Operating income	908	4,182	1,672	858	3,411	187	4,551	2,369
Total operating expenses	(421)	(3,308)	(1,293)	(691)	(1,603)	(486)	(3,195)	(522)
Net impairment gain/(loss) on financial assets	-	(24)	18	(32)	(227)	-	(253)	-
Profit/(loss) before income tax	**487**	**850**	**397**	**135**	**1,581**	**(299)**	**1,103**	**1,847**
Income tax expense	(79)	(32)	(172)	-	(123)	-	(397)	(496)
Profit/(loss) for the period	**408**	**818**	**225**	**135**	**1,458**	**(299)**	**706**	**1,351**
Condensed statements of financial position								
As at 31 December 2016								
Assets								
Cash and bank balances	7,110	10,048	29,506	4,920	11,993	3,986	42,490	1
Loans and advances to customers	2,510	41,946	21,057	1,560	29,977	666	57,485	67
Investment securities	7,536	109,235	7,453	6,060	12,808	806	38,133	6,742
Other assets	180	1,497	662	479	528	174	1,843	909
Property and Equipment	451	3,528	699	123	818	71	1,040	43
Intangible assets	-	28	11	34	23	20	24	98
Deferred tax assets	-	20	20	1,924	-	-	-	36
	17,787	**166,302**	**59,408**	**15,100**	**56,147**	**5,723**	**141,015**	**7,896**
Financed by:								
Deposits from banks	-	35,565	3,802	549	9,497	-	3,160	97
Deposits from customers	12,901	117,245	47,945	6,869	31,561	4,228	116,612	-
Other liabilities	486	1,446	416	2,436	3,022	18	9,555	2,697
Current tax liabilities	242	12	570	-	1,006	-	1,076	1,028
Deferred tax liabilities	25	-	-	-	-	-	-	-
Total Equity	4,133	12,034	6,675	5,246	11,061	1,477	10,612	4,074
	17,787	**166,302**	**59,408**	**15,100**	**56,147**	**5,723**	**141,015**	**7,896**
Condensed cash flows								
For the period ended 30 June 2016								
Net cash from operating activities	(494)	37,929	541	4,455	4,826	(669)	25,550	1,476
Net cash from financing activities	(194)	2,804	1,942	1,915	3,089	1,514	3,362	6
Net cash from investing activities	716	(37,146)	(2,064)	(2,850)	(376)	237	(10,120)	(2,227)
Increase/(decrease) in cash and cash equivalents	**28**	**3,587**	**419**	**3,520**	**7,539**	**1,082**	**18,792**	**(745)**
Cash and cash equivalents at beginning of year	5,540	5,234	5,354	4,274	10,525	1,956	26,531	748
Cash and cash equivalents at end of year	**5,568**	**8,821**	**5,773**	**7,794**	**18,064**	**3,038**	**45,323**	**3**

49 CONDENSED RESULT OF CONSOLIDATED SUBSIDIARIES (continued)

For the period ended 30 June 2016

In millions of Nigerian Naira	UBA Tanza-nia	UBA Congo DRC	UBA FX Mart	UBA Capital Europe	SSIT	UBA RFS Lim-ited	Bank	Group Adjust-ments	Group
Condensed statements of comprehensive income									
Operating income	632	823	-	967	655	-	86,413	(17,078)	116,196
Total operating expenses	(781)	(648)	-	(1,063)	(388)	-	(50,374)	16,252	(74,540)
Net impairment gain/(loss) on financial assets	8	51	-	7	-	-	(5,569)	273	(6,821)
Share of loss of equity-accounted investee	-	-	-	-	-	-	-	(79)	(79)
Profit/loss) before income tax	**(141)**	**226**	**-**	**(89)**	**267**	**-**	**30,470**	**(632)**	**34,756**
Income tax expense	80	(77)	-	(17)	(83)	-	(5,419)	(0)	(7,649)
Profit/(loss) for the period	**(61)**	**149**	**-**	**(106)**	**184**	**-**	**25,051**	**(632)**	**27,107**
Condensed statements of financial position									
As at 31 December 2016									
Assets									
Cash and bank balances	2,804	4,436	672	13,143	-	455	610,910	(109,530)	760,930
Financial assets held for trading	-	-	-	-	-	-	52,295	-	52,295
Derivative assets	-	-	-	-	-	-	10,642	-	10,642
Loans and Advances to Banks	-	-	-	-	-	-	23,850	(1,085)	22,765
Loans and advances to customers	4,284	3,885	-	27,305	-	2	1,090,355	(49,867)	1,505,319
Investment securities	3,300	777	99	5,248	10,082	-	533,016	(12,187)	970,392
Other assets	430	427	-	449	-	114	31,192	(12,833)	37,849
Investments in equity-accounted investee	-	-	-	-	-	-	1,770	1,155	2,925
Investments in Subsidiaries	-	-	-	-	-	-	70,702	(70,702)	-
Property and Equipment	59	437	2	325	-	203	80,252	-	93,932
Intangible assets	13	11	-	482	-	-	4,905	8,524	14,361
Deferred tax assets	314	17	-	-	-	-	29,696	-	33,060
	11,204	**9,990**	**773**	**46,952**	**10,082**	**774**	**2,539,585**	**(246,525)**	**3,504,470**
Financed by:									
Derivative liabilities	-	-	-	-	-	-	14	-	14
Deposits from banks	4,111	4	-	25,869	-	-	30,484	(99,241)	109,080
Deposits from customers	4,782	6,547	-	284	-	70	1,698,859	(37,835)	2,485,610
Other liabilities	83	209	677	5,929	-	36	72,901	(13,291)	110,596
Current tax liabilities	3	168	-	-	-	-	522	-	5,134
Subordinated liabilities	-	-	-	-	-	-	85,978	-	85,978
Borrowings	-	-	-	-	29,772	-	259,927	(29,772)	259,927
Deferred tax liabilities	-	-	-	37	-	-	-	-	62
Total Equity	2,225	3,062	96	14,833	(19,690)	668	390,900	(66,386)	448,069
	11,204	**9,990**	**773**	**46,952**	**10,082**	**774**	**2,539,585**	**(246,525)**	**3,504,470**
Condensed cash flows									
For the period ended 30 June 2016									
Net cash from operating activities	2,200	888	-	(1,563)	(2,693)	-	(90,684)	(8,389)	72,448
Net cash from financing activities	(43)	(138)	-	3,967	3,040	-	8,637	(34,394)	9,647
Net cash from investing activities	(575)	20	-	(1,580)	(347)	-	43,306	(27,804)	(122,962)
Increase/(decrease) in cash and cash equivalents	**1,582**	**770**	**-**	**824**	**-**	**-**	**(38,741)**	**(70,587)**	**(40,867)**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	-	6,623	34,886	41,508
Cash and cash equivalents at beginning of year	2,015	2,533	672	2,791	0	455	290,586	(59,704)	347,856
Cash and cash equivalents at end of year	**3,597**	**3,303**	**672**	**3,615**	**-**	**455**	**258,468**	**(95,405)**	**348,497**

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED

For the half year ended 30 June

	2017 N'million	%	2016 N'million	%
Group				
Gross revenue	**222,718**		165,580	
Interest paid	**(53,575)**		(43,286)	
	169,143		122,294	
Administrative overheads:				
- local	**(61,943)**		(46,253)	
- foreign	**(1,478)**		(1,126)	
Value added	**105,722**	**100**	74,915	100
Distribution				
Employees :				
- Salaries and benefits	**33,958**	**32**	29,273	39
Government :				
- Taxation	**15,192**	**14**	7,649	11
The future :				
- Asset replacement (depreciation and amortization)	**4,792**	**5**	4,065	5
- Asset replacement (provision for losses)	**9,441**	**9**	6,821	9
- Expansion (transfer to reserves and non-controlling interest)	**42,339**	**40**	27,107	36
	105,722	**100**	74,915	100
Bank				
Gross revenue	**152,204**		121,251	
Interest paid	**(42,427)**		(29,924)	
	109,777		91,327	
Administrative overheads:				
- local	**(44,938)**		(36,747)	
- foreign	**(59)**		(52)	
Value added	**64,780**	**100**	54,528	100
Distribution				
Employees :				
- Salaries and benefits	**20,721**	**32**	20,888	38
Government :				
- Taxation	**7,676**	**12**	5,419	10
The future :				
- Asset replacement (depreciation and amortization)	**3,336**	**5**	3,115	6
- Asset replacement (provision for losses)	**7,193**	**11**	5,569	10
- Expansion (transfer to reserves and non-controlling interest)	**25,854**	**40**	19,537	36
	64,780	**100**	54,528	100

OTHER NATIONAL DISCLOSURES (continued)

GROUP FIVE - YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

In millions of Nigerian Naira	30 June 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
ASSETS					
Cash and bank balances	763,224	760,930	655,371	812,359	716,803
Financial assets held for trading	43,878	52,295	11,249	1,099	784
Derivative assets	13,931	10,642	1,809	6,534	3,265
Loans and advances to banks	11,505	22,765	14,600	48,093	26,251
Loans and advances to customers	1,560,337	1,505,319	1,036,637	1,071,859	937,620
Investment securities	1,093,464	970,392	856,870	657,523	811,206
Other assets	56,574	37,849	40,488	30,057	30,436
Investments in equity-accounted investee	3,029	2,925	2,236	2,986	2,977
Property and equipment	98,944	93,932	88,825	89,517	75,409
Intangible assets	15,002	14,361	11,369	9,430	7,356
Deferred tax assets	30,401	33,060	33,168	33,116	30,189
Non-current assets held for distribution		-	-		
TOTAL ASSETS	**3,690,289**	**3,504,470**	**2,752,622**	**2,762,573**	**2,642,296**
LIABILITIES					
Derivative liabilities	61	14	327	943	31
Deposits from banks	139,630	109,080	61,066	59,228	60,582
Deposits from customers	2,448,617	2,485,610	2,081,704	2,169,663	2,161,182
Managed funds	-	-	-	-	-
Other liabilities	126,811	110,596	54,885	63,566	78,071
Current tax liabilities	3,681	5,134	6,488	4,615	2,861
Borrowings	401,984	259,927	129,896	113,797	48,866
Subordinated liabilities	86,231	85,978	85,620	85,315	55,653
Deferred tax liabilities	143	62	15	40	14
Liabilities held for distribution	-	-		-	-
TOTAL LIABILITIES	**3,207,158**	**3,056,401**	**2,420,001**	**2,497,167**	**2,407,260**
EQUITY					
Share capital and share premium	135,514	135,514	135,514	124,423	124,423
Reserves	332,971	299,337	190,313	135,507	103,226
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	468,485	434,851	325,827	259,930	227,649
Non-controlling interest	14,646	13,218	6,794	5,476	7,387
TOTAL EQUITY	483,131	448,069	332,621	265,406	235,036
TOTAL LIABILITIES AND EQUITY	**3,690,289**	**3,504,470**	**2,752,622**	**2,762,573**	**2,642,296**

SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME

OTHER NATIONAL DISCLOSURES (continued)

GROUP FIVE - YEAR FINANCIAL SUMMARY (continued)

In millions of Nigerian Naira	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Net operating income	161,777	116,196	110,992	92,098	89,728
Operating expenses	(94,804)	(74,540)	(69,678)	(61,138)	(54,808)
Net impairment loss on loans and receivables	(9,441)	(6,821)	(2,216)	(2,049)	(1,672)
Share of profit/(loss) of equity-accounted investee	(1)	(79)	(52)	(18)	-
Profit before taxation	**57,531**	**34,756**	**39,046**	**28,893**	**33,248**
Taxation	(15,192)	(7,649)	(7,047)	(6,037)	(4,839)
Profit after taxation	42,339	27,107	31,999	22,856	28,409
Profit from discontinued operations	-	-	-	-	-
Profit for the period	**42,339**	**27,107**	**31,999**	**22,856**	**28,409**
Non-controlling interest	890	616	622	575	690
Equity holders of the parent	41,449	26,491	31,377	22,281	27,719
Other comprehensive income for the period	10,877	56,161	2,186	(2,694)	2,315
Total comprehensive income for the period	**53,216**	**83,268**	**34,185**	**20,162**	**30,724**

OTHER NATIONAL DISCLOSURES (continued)

BANK FIVE - YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

In millions of Nigerian Naira	30 June 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
ASSETS					
Cash and bank balances	**624,747**	610,910	590,774	749,716	620,426
Financial assets held for trading	**43,878**	52,295	11,249	1,099	777
Derivative assets	**13,931**	10,642	1,809	6,534	3,265
Loans and advances to banks	**16,889**	23,850	14,591	48,991	26,251
Loans and advances to customers	**1,123,398**	1,090,355	822,694	884,587	796,942
Investment securities :					-
Available-for-sale investments	**342,722**	244,424	270,409	261,741	244,467
Held to maturity investments	**289,404**	288,592	297,794	181,168	340,978
Other assets	**44,686**	31,192	22,528	21,136	19,069
Investments in subsidiaries	**70,702**	70,702	65,767	65,767	65,767
Investments in equity-accounted investee	**1,770**	1,770	1,770	1,770	1,770
Property and equipment	**82,777**	80,252	80,145	81,050	67,661
Intangible assets	**5,026**	4,905	4,954	3,446	1,401
Deferred tax assets	**28,937**	29,696	31,853	31,853	28,643
Non-current assets held for distribution	**-**	-	-	-	-
TOTAL ASSETS	**2,688,867**	**2,539,585**	**2,216,337**	**2,338,858**	**2,217,417**
LIABILITIES					
Derivative liabilities	**61**	14	327	943	31
Deposits from banks	**41,434**	30,484	350	1,526	-
Deposits from customers	**1,677,971**	1,698,859	1,627,060	1,812,277	1,797,376
Current tax liabilities	**1,646**	522	634	1,858	1,602
Subordinated liabilities	**86,231**	85,978	85,620	85,315	55,653
Borrowings	**401,984**	259,927	129,896	113,797	48,866
Other liabilities	**79,555**	72,901	34,219	41,209	54,351
TOTAL LIABILITIES	**2,288,882**	**2,148,685**	**1,878,106**	**2,056,925**	**1,957,879**
EQUITY					
Share capital and share premium	**135,514**	135,514	135,514	124,423	124,423
Reserves	**264,471**	255,386	202,717	157,510	135,115
TOTAL EQUITY	**399,985**	390,900	338,231	281,933	259,538
TOTAL LIABILITIES AND EQUITY	**2,688,867**	**2,539,585**	**2,216,337**	**2,338,858**	**2,217,417**

OTHER NATIONAL DISCLOSURES (continued)

BANK FIVE - YEAR FINANCIAL SUMMARY (continued)

SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME

In millions of Nigerian Naira	30 June 2017	Restated* 30 June 2016	30 June 2015	30 June 2014	30 June 2013
Net operating income	**104,655**	86,413	83,693	67,324	74,389
Operating expenses	**(63,932)**	(55,888)	(53,389)	(47,134)	(41,563)
Net impairment loss on loans and receivables	**(7,193)**	(5,569)	(1,892)	(1,247)	(610)
Profit before taxation	**33,530**	**24,956**	**28,412**	**18,943**	**32,216**
Taxation	**(7,676)**	(5,419)	(4,108)	(4,771)	(4,082)
Profit/(loss) for the period	**25,854**	**19,537**	**24,304**	**14,172**	**28,134**
Other comprehensive income for the period	**3,183**	23,700	4,685	592	(621)
Total comprehensive income/(loss) for the period	**29,037**	**43,237**	**28,989**	**14,764**	**27,513**

* See details of items restated in note 46