UBA

United Bank for Africa Plc

RC: 2457

Partnering with Africa for development

Annual Report 2012

Nigeria Ghana Cameroon Cote d'Ivoire Burkina Faso Uganda Liberia Sierra Leone Rep.Benin Senegal Chad Kenya Tanzania Gabon Zambia Guinea Mozambique Congo DR Congo Brazzaville USA England France

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Africa's global bank

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United Bank for Africa (UBA) Plc is one of the leading financial services institutions in Africa. UBA provides banking and other financial services to more than 7.2 million customers through its channels strategically located in 19 African countries, United States of America, United Kingdom and France. It is a publicly quoted company listed on the Nigerian Stock Exchange (NSE) and has a well-diversified shareholder base.

The origin of UBA dates back to 1949, when it was first referred to as the British and French Bank Limited (BFB). It took over the assets and liabilities of BFB and was incorporated as a limited liability company on 23 February 1961 under the Compliance Ordinance (Cap 37) 1922. UBA was the first Nigerian bank to make an Initial Public Offering (IPO), following its listing on the NSE in 1970. It was also the first bank to issue Global Depository Receipts (GDRs).

In 2005, it completed one of the biggest mergers in the history of Nigeria's capital markets with the business combination with Standard Trust Bank (STB) Plc. From then, it commenced its pan African expansion strategy, which has led to its presence in Ghana, Benin Republic, Cote d'Ivoire, Burkina Faso, Guinea, Chad, Cameroon, Kenya, Gabon, Tanzania, Zambia, Uganda, Liberia, Sierra Leone, Mozambique, Senegal, Congo DR and Congo Brazzaville.

Vision

To be the undisputed leading and dominant financial services institution in Africa.

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.

Who we are

UBA Plc is a leading financial service group in Sub-Saharan Africa with presence in 19 Africa countries as well as United Kingdom, United States of America and France. With the Bank's migration from universal banking to the monoline commercial banking in line with regulatory requirement, UBA now provides commercial banking and pension custody services to its corporate, commercial and retail customers.

What we do

Products

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

Market

UBA has over 7.2 million customers in retail, commercial and corporate market segments. The bank's operation is spread across 22 countries, consisting of Nigeria, 18 African countries, United States of America, United Kingdom and France.

Channels

UBA has one of the largest distribution network in Nigeria. As at 31 December 2012, there were 603 branches and retail outlets, 1,500 ATMs and 5,303 POS machines fully deployed.

Staff

As at 31 December 2012, the Group had 11,529 members of staff.

Global footprint

Gross earnings
N220.1 billion
Up 34.4% year-on-year

Operating income
N153.1 billion
Up 28.7% year-on-year

Profit for the year
N54.8 billion
Up 905.3% year-on-year

Total Assets
N2.27 trillion
Up 17.6% year-on-year

Total Deposits
N1.78 trillion
Up 21.4% year-on-year

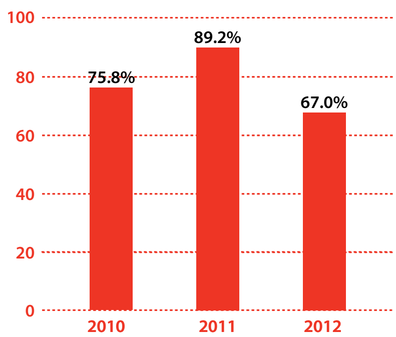
Owners' equity
N192.5 billion
Up 17.5% year-on-year

Return on equity
31.9%
Versus (4.5%) in prior year

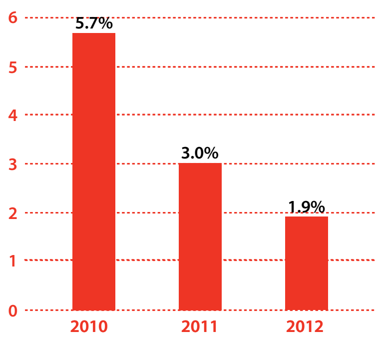
Return on assets
2.6%
Versus (0.4%) in prior year

Capital adequacy ratio
23.5%
Versus 21.7% in prior year

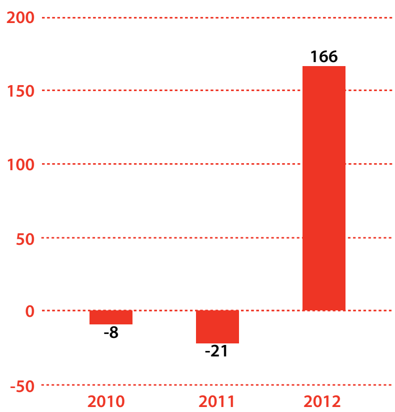
Cost-to-income ratio



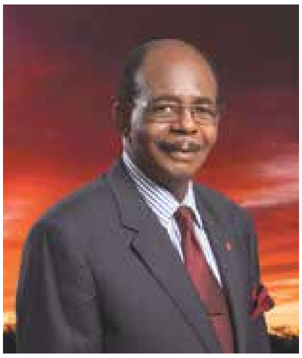
Non-performing loan ratio



Earnings per share (kobo)



Our people



Israel Ogbue, Chairman

Appointed Non-Executive Director in 2005 and Chairman of the Board in 2011.

Qualified as a Chartered Secretary upon graduation from South-West London College of Commerce, England. Holds the fellowship of the Chartered Institute of Secretaries. Has work experience spanning over four decades, two of which were at a senior management level. He retired as General Manager of National Insurance Corporation of Nigeria (NICON). Has served as a Director on the boards of many companies, including Transcorp Hilton Hotel and NAL Bank (now Sterling Bank Plc).

Joseph Keshi, Oon, Vice-Chairman

Appointed a Non-Executive Director in 2010 and Vice-Chairman of the Board in 2011.

A graduate of political science from the University of Ibadan, Nigeria, he holds a post graduate diploma in International Relations and Diplomacy from the Nigerian Institute of International Affairs and a Masters in Administration and Development from the Institute of Social Studies, the Hague. He is both a Fellow of the John Kennedy School of Government, Harvard University and the Harvard Business School.

He joined the Nigerian Public Service in 1975 and has over 35 years working experience, some which were at the highest level of Government. Apart from serving in a number of Nigeria's diplomatic missions and heading a few, he was at various times, Permanent Secretary, Cabinet Secretariat, the Presidency and Permanent Secretary, Ministry of Foreign Affairs.

He is a Director of South Strategy and Chairman of Afrigrowth Foundation.

Phillips Oduoza, Group Managing Director/CEO

Appointed Executive Director in 2005 and GMD/CEO in 2010.

Holds an MBA (Finance) and first class honours (Civil Engineering) degrees from the University of Lagos. An alumnus of the Harvard Business School's Advance Management Program. Banking career spans over two decades with experience in several areas, including credit and marketing, treasury, relationship management, information technology, business development, strategic planning, financial control, human resources, internal control and international operations. He held several senior level appointments before joining Standard Trust Bank in 2004. He has attended numerous banking, management and leadership programs. He is also known for strong execution and talent management.

Kennedy Uzoka, Deputy Managing Director

Appointed Executive Director in 2010 and Deputy Managing Director in 2011.

Until his appointment as the Deputy Managing Director, Kennedy Uzoka was the Executive Director, Resources, a position he held from May 2010, in which role he oversaw, Human Capital, Corporate Communication, Company Secretariat, Corporate Services, Legal Services, UBA Academy, UBA Foundation, and UBA Properties.

Kennedy has a BSc degree in Mechanical Engineering from the University of Benin and an MBA degree from the University of Lagos. His experience spans over two decades in marketing, business strategy, finance, and resources management. Before the merger of STB with UBA Plc in 2005, Kennedy was the General Manager, North Bank covering all the states in the Northern part of Nigeria including the Federal Capital Territory. He is an alumnus of international institutions such as the Harvard Business School in Boston, USA; International Institute of Management Development (IMD) in Lausanne, Switzerland, and the London Business School, UK.

Emmanuel N. Nnorom, Executive Director and CEO – UBA Africa

Appointed Executive Director in 2008.

An alumnus of the Oxford University Templeton College and trained with the accounting firm of Peat Marwick Caselleton Elliot & Co, where he qualified as a professional accountant. He holds the fellowship of the Institute of Chartered Accountants of Nigeria (ICAN) and an honorary membership of the Chartered Institute of Bankers of Nigeria (CIBN). He has had extensive work experience in accounting and finance (including at executive levels) in both the real and banking sectors of the Nigerian economy spanning over two decades. He previously worked with ANZ Merchant Bank (now part of Stanbic IBTC Bank Plc), Diamond Bank Plc, Standard Trust Bank Plc and since joining UBA Plc, has been involved in several functions including financial control, operations, regulatory affairs, executive office and supervision of non-bank subsidiaries. He is currently the Managing Director/CEO of UBA Africa.

Abdulqadir Bello, Executive Director (UBA Nigeria, Far North)

Appointed Executive Director in 2009.

Holds a BSc (Accounting) degree from Bayero University, Kano and an Associate Membership of the Institute of Chartered Accountants of Nigeria (ICAN). He has over 22 years' experience in the banking sector, during which period he held several senior management positions in various banks. Until his appointment as Executive Director, Risk Management, he was the Group Chief Credit Officer.

Femi Olaloku, Executive Director/Group Chief Operating Officer

Appointed Executive Director in 2010.

He holds a BSc (Civil Engineering) and MBA degrees from the University of Lagos. He has over 21 years of work experience in the banking sector, holding several management positions in operations and information technology.

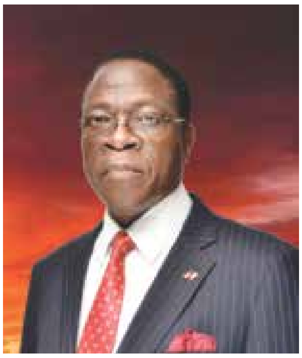
Dan Okeke, Executive Director (UBA Nigeria, East and Abuja)

Appointed Executive Director in 2011.

He holds a BSc degree in Geography and Planning from the University of Nigeria Nsukka and an MBA (Finance) degree from the ESUT Business School Lagos. He is an associate of the Nigerian Institute of Management (NIM) and has attended various local and international courses, including the Competition and Strategy programme at the Harvard Business School. He acquired varied work experience in the manufacturing industry before moving to the financial services sector. He has over 17 years banking experience, garnering capabilities in domestic and international operations, credit and marketing.

He is currently responsible for the bank's retail, commercial and public sector business in Abuja and Eastern Nigeria.

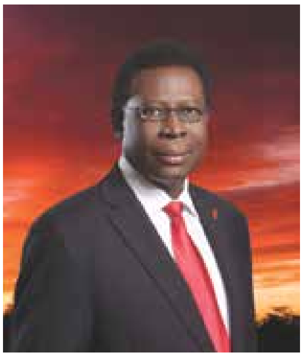
Our people *continued…*



Kola Jamodu, OFR Non-Executive Director

Appointed Non-Executive Director in 2007.

He is a qualified Chartered Management Accountant in the UK. He is also a fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and Chartered Secretaries and Administrators. His work experience spans the multinational sector in Nigeria, having worked in UAC, Unilever and PZ Industries where he was appointed Chairman/Chief Executive of PZ Group. An alumnus of the Harvard Business School, Boston, USA, and a former Minister of Industry of the Federal Republic of Nigeria, Chief Jamodu was the President, Manufacturers Association of Nigeria (MAN) and currently, the Chairman of the Board of Nigerian Breweries Plc. He is a recipient of National Merit Awards including Member of the Order of the Federal Republic of Nigeria (MFR) and Officer of the Order of the Federal Republic of Nigeria (OFR). He is also a recipient of the National Productivity Merit Award (NPMA).



Adekunle Olumide, OON Non-Executive Director

Appointed Non-Executive Director in 2007.

He is a quintessential diplomat, a distinguished career public servant and an accomplished technocrat of the organised private sector who holds a second class upper honours degree in History from the University College, Ibadan. He is a former Federal Permanent Secretary and Chairman of the Nigerian Social Insurance Trust Fund (NSITF). He has represented Nigeria in many global fora, including as Minister-Counselor at the Permanent Mission of Nigeria to the United Nations Office in Geneva, member of the Board of the International Atomic Energy Agency (IAEA), Chairman of the Employment Committee of the International Labour Organisation (ILO) and Charge d'Affaires of the Nigerian Embassy in Gabon, which he opened after the Nigerian Civil War. He retired as the first Director-General/CEO of the Lagos Chamber of Commerce & Industry in 2005.

Foluke K. Abdulrazaq, Non-Executive Director

Appointed Non-Executive Director in 2007.

She holds MSc Degree in Banking and Finance from the University of Ibadan. She is an Alumnus of the Harvard Business School, Boston, USA.

She has over 15 years of practical banking experience. She was appointed by the Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) in September 1995 as the Executive Chairman, Interim Management Board of Credite Bank Nigeria Limited. She also has vast public service experience, having served as Commissioner for Finance and Women Affairs in Lagos State. She was the Chairman of the State's Tenders' Board, a member of the Federal Accounts Allocation Committee (FAAC) and the State's Executive Council.

Mrs Abdulrazaq has held several major Board positions, including Julius Berger Plc. She is a Council Member of the Bank Directors Association of Nigeria (BDAN), a member of the Institute of Directors (IOD), and a recipient of the 'Lagos State Woman of Excellence' Award in 1999 and a Justice of Peace (JP).

She is the founder and presently the Executive Director of Bridge House College, Ikoyi – Lagos.

Ja'afaru Paki, Non-Executive Director

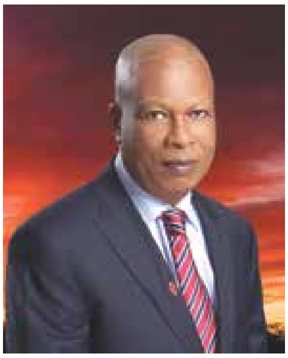
Appointed Non-Executive Director in 2008.

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

Angela Aneke, Non-Executive Director

Appointed Non-Executive Director in 2010.

She holds a BSc from The American University, Washington DC, USA and qualified as an International Associate of the American Institute of Certified Public Accountants in 1985. Her working career spans over 27 years with experience in key financial services institutions across West Africa, where she held executive management positions. She holds board positions in UBA subsidiaries in Liberia, Tanzania, Zambia, Chad and Guinea Conakry. She is Chairman of UBA Metropolitan Life Insurance, UBA Capital Plc and was until December 2010, the Chairman of Credit Reference Company, a credit bureau. She retired as an Executive Director of UBA in March 2010 and was appointed a Non-Executive Director in July 2010.



Yahaya Zekeri, Non-Executive Director

Appointed Non-Executive Director in 2010.

He is a Chartered Accountant and seasoned banker with over 35 years banking experience across leading Financial Institutions. He is an Associate Member, Chartered Institute of Bankers, London (ACIB) and an Associate member, Institute of Chartered Accountants of Nigeria (ICAN). He is also a Fellow, Association of Chartered Certified Accountants, London (FCCA).

Rose Okwechime, Non-Executive Director

Appointed Non-Executive Director in 2005, resigned from the Board in 2010 and was reappointed Non-Executive Director in July 2012.

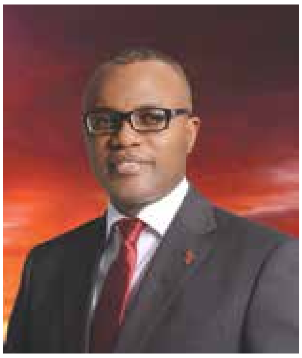
She holds a Masters in Business Administration in Banking and Finance. Currently the Managing Director of Abbey Building Society Plc. Fellow of the Chartered Institute of Bankers of Nigeria and Fellow of the Institute of Bankers (London). She is a recipient of many awards, including the Woman of Excellence Award.

Owanari Duke, Non-Executive Director

Appointed Non-Executive Director in July 2012.

She holds an LLB degree from Ahmadu Bello University, Zaria (1983). She is a former First Lady of Cross River State of Nigeria and a Legal Practitioner, an Entrepreneur, a certified Mediation/Dispute Resolution Consultant and Philanthropist. She is the Managing Partner of a Law Firm, Duke and Bobmanuel and serves as the Executive Chairman of Allied Merchants & Brokers Limited. Mrs Duke also serves as Country Director of EMPRETEC Nigeria Foundation; a United Nations Centre for Trade & Development (UNCTAD) Private Sector Support Initiative to help Nigerians achieve higher levels of productivity and competitiveness among Small and Medium-Scale Enterprises SMEs.

Our people continued…



Emeke E. Iweriebor, Group Director, Corporate Banking and UBA Nigeria (Lagos & West Directorate)

Appointed Executive Director in 2013 (subject to CBN approval).

He holds BSc and MSc degrees in Political Science (International Relations) as well as an MBA degree from the University of Lagos, Nigeria. He is an alumnus of the Wharton Business School's Executive Development Program.

He has about two decades experience in banking and financial services and in his current role as Head of Corporate Banking as well as UBA Nigeria (Lagos and West) Directorates. He was previously Deputy CEO, UBA Africa, where he was responsible for building the Bank's business and governance in UBA subsidiaries across Africa. He was also the CEO UBA Central East and Southern (CES) Africa, where he oversaw the Bank's subsidiaries in the sub-region and before then, the pioneer MD/CEO of UBA Cameroun.

Ugo A. Nwaghodoh, Group Chief Finance Officer

He holds a BSc degree from the University of Ibadan, Nigeria and MSc degree in Finance and Management from Cranfield University, England. He is a fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a member of the Cranfield Management Association.

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

Ben Odukwe, Group Human Resource Director

Holds a first degree in Business Administration from the University of Benin and MSc in Banking and Finance from the University of Ibadan. He is a fellow of the Nigerian Institute of Cost Management (NICM), an Associate of the Chartered Institute of Bankers of Nigeria (CIBN), Nigerian Institute of Management (NIM), American Institute of Management and a member of the Oxford Club, Geneva Switzerland. He is also an Alumnus of the IMD International, Lausanne Switzerland.

He has held senior level and top management positions in the manufacturing and financial services sectors garnering capabilities in cash/treasury management, operations, audit, corporate banking, financial control, corporate finance and investment banking.

He is responsible for human capital policies and practices across the Group.

Uche Ike, Group Chief Risk Officer

Holds a BSc degree in Accountancy and a Master of Business Administration degree from the University of Benin. He is an Associate member of the Institute of Chartered Accountants of Nigeria (ICAN).

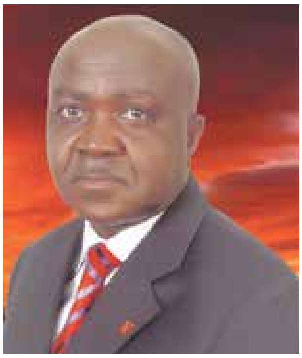
Uche has over two decades of banking experience spanning operations, internal audit, operational risk management, fraud management and regulatory compliance. In his current role as Group Chief Risk Officer, he has responsibility for coordinating the risk management activities of the Bank. Prior to this role, he was the General Manager of UBA New York Branch and had also previously supervised Operations in the East and South Banks of UBA Nigeria.

Emem Etuk, Regional Bank Head (CRA Bank)

Holds Bsc (Biochemistry) and MBA from the Obafemi Awolowo University, Ile Ife. An alumnus of the Lagos Business School and Harvard Business School.

She has over 14 years banking experience and has garnered capabilities in relationship management, marketing and commercial banking. Prior to joining UBA in 2011, she was a regional executive in Bank PHB Plc, now Keystone Bank, where she was responsible for developing the commercial businesses in bank's Victoria Island region.

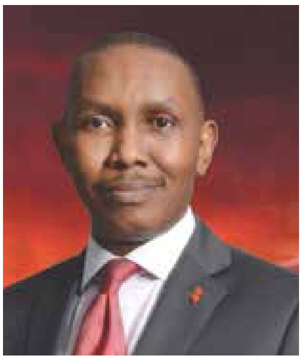
Emem is currently the head of UBA's Cross River and Akwa Ibom Region (CRA) and is responsible for supervising and coordinating activities in the branches located in the region, whilst planning and implementing strategies to grow the bank's business in the region.



Puri Ibrahim, Head UBA Nigeria (North Central)

Holds a BSc in Accountancy and MSc in Banking and Finance from Bayero University Kano.

He has over 26 years banking experience spanning Operations, Trade and Structured Finance, Retail banking, Commercial and Corporate Banking. He is responsible for the Retail, Commercial and Corporate Banking business in UBA's North (Central) region. Prior to this role, he was Head Wholesale Banking (North), Regional Director (Abuja) and Regional Bank Head (North West). Before joining UBA, he was Regional Controller (Northern Nigeria), responsible for consumer, commercial and corporate banking at Universal Trust Bank Plc. (Now part of Union Bank Plc). He has attended several local and international courses.

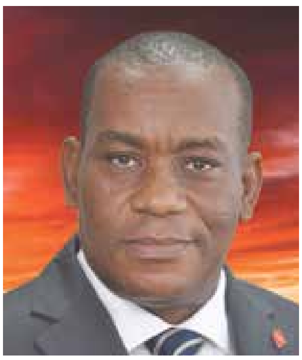


Emmanuel Onokpasa, Group Treasurer

He holds a BSc (Honours) degree in Accounting from the University of Benin and is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and Associate of the Chartered Institute of Taxation of Nigeria (CITN). He is an Alumnus of the Harvard Business School, Boston and the Lagos Business School.

His experience spans key areas of banking most especially in Financial Markets, Operations, International Trade, Business Strategy and Structured Finance.

Mr Onokpasa has had a distinguished career serving at different times as Group Treasurer with Diamond Bank and First Inland Bank (now part of FCMB) after having a stint in Consulting, Auditing and Taxation.



Samuel Adikamkwu, Group General Counsel

Holds an LLB from the then Bendel State University (now Ambrose Alli University) and an LLM degree from both his alma mater and the University of Lagos. He is a Member, Chartered Institute of Arbitrators, United Kingdom.

Before joining the banking industry in 1997, Mr Adikamkwu lectured at the Ambrose Alli University where he was the Acting Head of Department for Commercial Law Department of the Faculty of Laws.

He was appointed Company Secretary/Legal Adviser of Standard Trust Bank (STB) Plc in 1997. Following the merger of STB Plc with UBA Plc, he became the Deputy Legal Adviser. In 2007 he was appointed the Group General Counsel. Mr. Adikamkwu has attended several courses within and outside Nigeria.

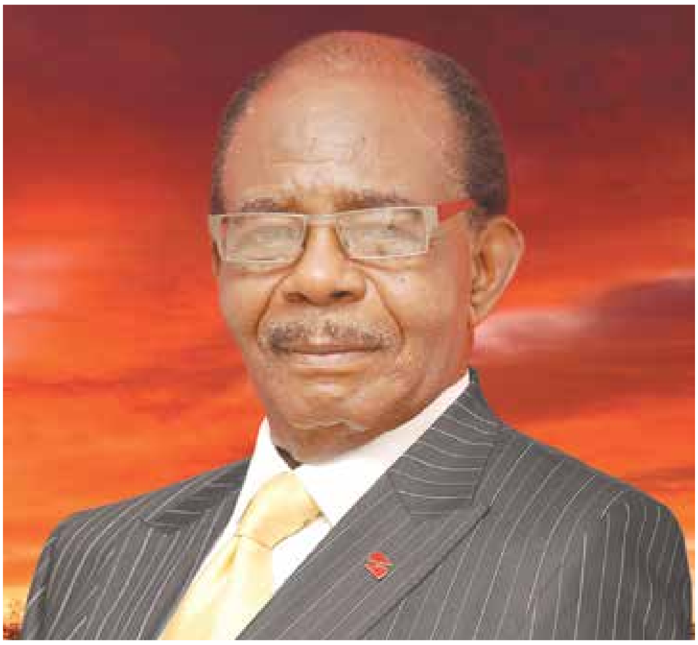
Our people *continued…*

Bili Odum, Group Company Secretary

He holds an LLB (Hons) degree from Edo State University, Ekpoma, Nigeria and was enrolled as a Solicitor and Advocate of the Supreme Court of Nigeria in 1990. He is a member of the Chartered Institute of Arbitrators (United Kingdom), the Nigerian Bar Association and the International Bar Association.

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

"We achieved gross earnings of N220.1 billion, representing a 34.5% growth over the N163.7 billion recorded in 2011. This topline performance was driven by quality asset creation, improving non-interest incomes and growth in revenues from other African countries"



Fellow shareholders, it is with great delight that I present to you the financial performance of our Bank for the year 2012.

Indeed, the year has proven to be a year of stabilisation for our Bank on all fronts, with a remarkable return to high performance, and our pan-African businesses increasingly becoming more justified, giving the region's growing contribution to the Group's performance, due to Africa's rising profile in the global economy.

The return to high performance was within the context of a challenging global and local operating environment, which makes our recovery even more remarkable.

UBA financial performance

I am delighted with the progress our Bank has made in delivering strong financial performance and superior shareholder value enhancement. The 2012 financial year ushered in a new era for UBA, with the major phase of our pan-African expansion ceasing in 2011 and the consolidation of these businesses taking firm route.

Profit before income tax was also strong, growing by almost 300% to N52.0 billion from a loss of N26.6 billion in 2011. Meanwhile, the Group's profit for the year was even stronger at N54.8 billion after incorporating a profit of N3.3 billion, earned from discontinued operations.

In view of these sterling results, the Board of Directors has proposed that a proportion of our profits be distributed as dividends to shareholders. A cash dividend of 50 kobo on every share outstanding in the Bank is thereby proposed for your approval. The aggregate sum of this dividend is N16.49 billion.

It is our belief that your Bank is better positioned to do well in future for the benefit of every stakeholder, especially you shareholders, through sustained wealth enhancement.

Now, let me highlight the major events that pervaded our local and global operating environment in 2012.

Lag in global economic growth persisted through most of 2012

The global economy in 2012 continued to maintain a slow growth pace as a result of the uncertainty surrounding the US economic growth prospect and the lingering Eurozone crisis that has defied several intervention mechanisms.

The Eurozone Sovereign Debt Crisis worsened during the year as the contagion effect of the worst affected countries continues to impinge on the growth of the region as a whole. Austerity measures taken in response so far has led to further weakening of growth and employment prospects within the region, making fiscal adjustment and the repair of financial sector balance sheets all the more challenging.

On the whole, GDP for the zone fell by 0.1% in the third quarter, after shrinking by 0.2% in the second quarter, plunging the region into a recession that has dragged into the new year.

The US economy, which remains the largest importer of crude oil from Nigeria, struggled to expand only by a mere 2% as at Q3 in the face of stubbornly high unemployment rate and unresolved issues around the fiscal cliff. Asia Pacific economies, the major source of heavy machinery and general imports to Africa, were also impacted, as exports to key developed markets including the Eurozone came under pressure. China's real GDP growth slowed to 7.6 per cent in Q2 due to decline in net exports, while growth moderated in Japan, especially in Q3, as a result of softening manufacturing activities. India's real GDP, year-on-year, moderated to 5.5 per cent in Q2 of 2012 from 6.1 per cent in Q4 of 2011, mainly as a result of deceleration in private consumption.

Global oil prices have however remained relatively stable throughout the year, hovering around the $100/barrel mark despite heightened fear regarding demands and imminent drop in prices. The effect of the weak oil demand from the Eurozone, coupled with new crude discoveries in East Africa and increased oil production in Iraq, was countered by the reduction in global supply arising from the EU sanction imposed on Syria and Iran during the year. Recent oil discoveries in the US also had no impact on the market, as the energy demand in the wake of Hurricane Sandy reconstruction phase resulted in very limited decrease in oil demand from the US.

African growth remains positive throughout the year

While the developed economies are groaning under the weight of stunted growth, Africa on the other hand has been experiencing consistent economic development due largely to strong commodity prices, accommodative policy environment, relative political stability and effective domestic demand, though the region, particularly South Africa, experienced a reduction in export to the largest developing economies, especially in the last three quarters of the year.

In Nigeria, oil revenues accounted for about 90% of total export income and the stable oil price has significantly overshadowed the economic impact of the global slow down on the country's export market, helping to shore up foreign reserves.

Private capital flows into Africa during the year fell to about $36.6 billion after reaching an estimated $42.4 billion in 2011, while foreign direct investment flows remained resilient at about $31billion (compared to $32.5 billion in 2011) on the back of relative strong domestic demand and robust export growth in countries with new mineral development, resulting in the estimated 5.1% growth for the region in 2012.

Africa's consistent growth has attracted significant financial inflows into the region from discerning investors from developed economies, mostly through investments in government-issued financial instruments, prompting financial regulators in the different economies within the region to adopt different monetary policies to manage their economy.

In Nigeria, the CBN adopted monetary tightening policies, focusing on maintaining relative economic stability and foreign reserve build up to curtail inflation and protect the country from economic shocks. GDP growth has been on an upward swing, growing from 6.17% as at Q1 to about 6.41 percent in Q3, and estimated to close at about 6.46 percent for the 2012FY. Total foreign reserve also increased from about $34.2 billion in January 2012 to about $44.5 billion as at November 2012.

Some other African countries including Uganda, Tanzania, Kenya and Zambia, having initially adopted monetary tightening measures to successfully curb growing inflation, reverted to expansionary policy of monetary easing; reducing benchmark interest rates to increase money flow within their economies; stimulate aggregate demand and increase productivity.

Sustainability

In conducting our business as a responsible bank, the social impact of our operation within our operating environment has continued to receive priority attention. We sustained our interactions with our social environment through UBA Foundation, our dedicated CSR arm. During the year, we executed the 'Read Africa' initiative, our annual essay competition to promote academic excellence within the community, and also worked in collaboration with the Lagos State Government to promote a greener environment through the Greener Lagos initiatives. The Bank is also still actively involved in several beautification projects which provide gainful employments opportunities while also enhancing environmental ambience.

Adoption of a monoline banking structure

On 13 December 2012, the shareholders of UBA Plc unanimously voted for the bank to restructure into a Monoline Commercial Banking Model in order for it to fully comply with the new CBN guidelines for commercial banks in Nigeria, which repealed the erstwhile universal banking regime. With the restructuring, the Group's non-commercial banking subsidiaries with the exception of Africa Prudential Registrars Plc and Afriland Properties Plc were consolidated under UBA Capital Plc and spun-off to shareholders of the Bank. The Bank's excess real estate assets were used to capitalise Afriland Properties Plc, which was then spun-off, along with Africa Prudential Registrars Plc, to be held directly by the Bank's shareholders. Along with UBA Plc, the result of the restructuring is three stand-alone entities held directly by the Bank's shareholders – UBA Capital Plc and Africa Prudential Registrars Plc, which are already listed on the Nigerian Stock Exchange, as well as Afriland Properties Plc, which will be listed on a future date. In order words, the shareholders of UBA Plc received four shares of UBA Capital Plc, one share of Africa Prudential Plc and one share of Afriland Properties for every 33 shares they own in UBA Plc.

Board appointments

In line with the Bank's desire to continue to reinforce its corporate governance structure and embrace diversity even at the highest level, the membership of its Board of Directors was strengthened with the appointment of two highly accomplished and deeply experienced female Non-Executive Directors:

- **Mrs Rose Okwechime** has over 20 years experience as a company director, including as Non-Executive Director on the Boards of erstwhile Standard Trust Bank Plc (two years) and United Bank for Africa Plc (five years). She has cognate experience in strategic planning and systems development, gained with top-notch institutions including the Bank of England
- **Mrs Owanari Duke** is a legal practitioner and the Managing Partner of the Law Firm of Duke & Bobmanuel. Mrs Duke sits on the board of Allied Merchants & Brokers Limited as the Executive Chairman and also as Country Director of EMPRETEC Nigeria Foundation; a United Nations Centre for Trade & Development (UNCTAD) private sector initiative, driving higher levels of productivity and competitiveness among Small and Medium-Scale Enterprises (SMEs) in Nigeria

We are confident that, the Bank will significantly benefit from the wealth of experience of the new Non-Executive Directors, to achieve our strategic intent of becoming Africa's Global Bank.

Outlook

Despite the high downside risks of further weakening of global economic conditions, global growth is expected to improve in 2013, albeit still at a slow pace. This will be largely driven by improvements in the management of the Eurozone crisis through the adoption of the new regulatory framework for European financial institutions and effective resolution of the fiscal cliff issue in the US, leading to increase in aggregate demand and productivity in the Asian Pacific economies, with trickle-down effect on African trade.

In the same vein, oil prices are estimated to remain around the $100 mark in 2013, buoyed by protracted political impasse in the Middle East as well as growth recovery in the US and the Asia Pacific. This will sustain banking opportunities in Nigeria and other commodity-rich African economies.

Chairman's Statement *continued …*

In Sub-Saharan Africa, domestic demand is expected to see an uptick to about 5.2% in 2013 (6.2% excluding South Africa) on the back of stable political environment, increasing pace of reforms within the region, strong demand driven by the rising middle class and new mineral exports creating viable opportunities for expansion of banking services to facilitate the expected growth.

In Nigeria, the pace of reforms in the power, agriculture, oil and gas and aviation sectors is expected to significantly improve economic growth through inflows into the economy and increase in aggregate demand. Continuous management of inflation and improvements in the state of security within the country is also expected to contribute to economic expansion in 2013.

With these factors in place, the CBN is expected to shift from a monetary tightening stance to an expansionary policy, which should include a reduction in the benchmark interest rates and encourage increased domestic participation in the credit market.

Appreciation

I would want to use this opportunity to appreciate our shareholders for the confidence reposed in us, especially as we successfully weathered through the difficult time of the past few years, as well as my fellow Board members for your relentless effort in providing strong leadership in steering the Bank to regain its industry position. Above all, I want to specially commend the management and staff of UBA for the passion and dedication that resulted in the laudable turnaround performance we are celebrating today.

We of course couldn't have achieved anything without the loyalty of our esteemed customers who provided us the opportunity to deliver unique value-added services to them. For this, we are most grateful.

Thank you

Chief Israel Ogbue
Chairman

"Our Bank ended the year with N54.8 billion as profits and emerged a stronger financial institution with progressively productive footprints in growing African economies"

Distinguished Shareholders,

It is my pleasure to present your Bank's stellar performance during the 2012 financial year. Indeed, adopting the option to improve the quality of our balance sheet and reposition our Bank for industry leadership, though painful, have proven to be a key factor in the creation of the Bank's performance recovery platform, setting the stage for the attainment of our long-term strategic intent of being 'Africa's Global Bank'.

With an improved balance sheet, buoyed by quality earning assets and diversified earnings stream.

2012 Strategic imperatives

At the beginning of the year, following a deliberate and thorough clean-up of our balance sheet in the preceding year, we defined a set of strategic imperatives for the year designed to fuel the propulsion of our bank along its **Three-Tier Strategic Intent** – dominance in Nigeria; leading bank in Africa; and maintaining a global presence. These key imperatives include:

- improving the bank's cost-to-income ratio by increasingly leveraging scale economies and executing high impact cost saving measures;
- leveraging the bank's large branch network to build on momentum in low-cost deposit growth;
- improving the bank's balance sheet yield by optimising opportunities in the high interest rate regime;
- leverage emerging growth sectors to create high quality earning assets in partnership with both the private and public sectors;
- optimising e-banking capability through aggressive deployment of e-banking channels and products in line with the cash-lite initiatives; and
- strengthening governance, business oversight and the Bank's risk management framework for sustainable profitability.

Over the course of the year, the Bank defined and methodically implemented execution steps for each of these initiatives with high impact results. The Bank's cost-to-income ratio was significantly improved to 67% from 89.8 as at year-end 2011. The low cost deposit ratio improved to 80% from 78% in 2011. Overall, net interest margin also improved from 4.9% in 2011 to 5.9%. The Bank also recorded marked improvement in the contribution of its African subsidiaries to Group performance, deepened penetration in the e-banking market, along with significant wins in the critical sectors of the economy.

In addition, the Bank aimed to improve executive oversight for its businesses. The number of Executive Directors supervising businesses was therefore increased from three (3) to five (5), enabling improved market penetration across our businesses during the year.

The impact of these initiatives, with the unmatched passion and dedication of its workforce, propelled us to deliver the performance we are reporting today.

Key transactions

As earlier mentioned, one of the key thrusts of our Bank in 2011 was partnership with the private and public sectors in the transformation of critical sectors of the economy across Africa. To this end, the Bank during the course of the year participated in key landmark transactions including the following:

- appointment as lead financier in the US$100 million Government of Ghana syndicated bond, of which UBA Ghana financed US$50 million;
- joint participant in the syndicated US$58 million finance line to IHS Limited, Cameroun, a member of Africa's largest independent mobile infrastructure provider;
- corporate bond guarantee to China Civil Engineering Construction Limited (CCECC), to the tune of about US$40 million in Tanzania;
- financier of the US$40 million structured commodity finance line to Olam International Limited, Uganda;
- sole financier of the US$25 million term loan to the Government of Tanzania;
- bid sponsor for the Transcorp Consortium, preferred bidder for the Ughelli Power plant in line with the ongoing Federal Government of Nigeria power sector reform;
- financial adviser/lead arranger to North South Power Limited, which emerged as the preferred bidder in the $111milion Shiroro power project in Nigeria;
- partnership with European Investment Bank (EIB), Europe's long-term lending institution on the Euro 50 million regional funding initiative to strengthen small and medium businesses across 16 countries in Africa; and
- partnership with Standard Chartered Bank on the $100 million medium-term facility for onward lending to finance risk assets in Nigeria.

Major awards

In 2012, our Bank was severally recognised for its leadership role in the financial services industry, both locally and internationally. Specifically, the Bank received the following major awards, among others:

- the 'Best Bank of the Year 2012 for Africa', courtesy the Financial Times Bankers Magazine;
- the 'Best Bank of the Year 2012 in Cameroun' for the second year running, courtesy the Financial Times Bankers Magazine;
- the 'Best Bank of the Year 2012 in Senegal', courtesy the Financial Times Bankers Magazine;
- the 'Best bank in Short-term Financing in Ghana', courtesy the Bank of Ghana; and
- Forbes Africa Top 25 companies, courtesy Forbes Africa.

Overview of 2012 financial performance

In the financial year ended 2012, the UBA Group delivered a strong set of results across key financial metrics. The income statement reflected our ability to diversify our earnings base, manage costs and deliver value to shareholders, while our statement of financial position demonstrated our capacity to handle big ticket transactions and alter our asset mix to stay competitive.

Review of income and profits

Our gross earnings growth was strong in 2012, riding on the back of contributions from operations outside Nigeria and higher business volumes. The rest of Africa contributed 19% to total revenues this year compared to 22% in the previous year. Of the N41.5 billion revenue generated by our bank subsidiaries, 45% were from non-interest sources, attesting to the successes recorded by the ancillary products and services we have developed to channel global funds and trade to Africa and allow them flow seamlessly within the continent, especially in the 19 countries we have operations.

Net interest income grew by 34.3% from N68.2 billion to N91.6 billion in2012, having extracted value from our earnings assets, as reflected by the impressive run on our interest and similar incomes. We believe there is more value to be seen in that respect, as we continue to price our assets better.

In light of the forgoing, operating income was N153.1 billion, achieving a growth of 28.7% year-on-year. We were able to put our operating expenses in check by reducing total operating expenses by 3.3% from N106.1 billion in 2011 to N102.6 billion in 2012. This was in spite of an average inflation rate of 11 – 12% in 2012.

Review of financial position

UBA's capacity to do more business was enhanced in 2012 with an 18.4% growth in total assets from N1.92 trillion in 2011 to N2.27 trillion in 2012. Riding on the strength of deposit growth, asset base was driven by growth in loans (up 8.8%); and cash and bank balances, (especially money market placements, which rose by 68% year-on-year). These assets returned 2.6% in 2012 and a sizeable portion of them are near-cash items.

Our loan book grew modestly and is largely made up of top quality assets. As expected, Upstream oil and gas, manufacturing, Telecoms sectors and consumer finance accounted for the bulk of our loan book with 61.2%. In the end, we achieved an improved return on our earning assets with a net interest margin of 5.9%.

We ramped up deposit during the year, posting a 21.3% growth from N1.47 trillion in 2011 to N1.78 trillion in 2012. These deposits cost us an average of 2.9% during the year, in spite of the upward pressure on interest rates in the last quarter of 2012. We were able to achieve this due to the good mix of our deposits, consisting about 80% cheap funds.

The year came to a close with an equity base of N192.5 billion, 27.5% higher than the position at the end of 2011. We are gratified by the efficiency of our owners' equity, which returned 31.9% in 2012, the highest in the industry. Also, with a capital adequacy ratio of 23.5%, there is sufficient buffer to meet our future growth needs in 2013.

How the rest of Africa (excluding Nigeria) fared

The major phase of our expansion in Africa ended in 2011, to enable us consolidate those businesses and extract value from them. I am pleased to inform you that our subsidiaries in Africa are truly beginning to bear fruits. Total revenue of the 18 bank subsidiaries grew by 13% from N36.8 billion in 2011 to N41.5 billion in 2012. They made N5.4 billion as profits, which represent about 10% of Group profits, for the first time. This profit level was 88% higher than the N2.9 billion recorded in 2011.

On the balance sheet side, there has been considerable growth from the rest of Africa. Total assets stood at N387.3 billion compared to N344.6 billion in 2011. We also recorded impressive growth in loans from N98.7 billion in 2011 to N119 billion, representing an increase of N20.3 billion or 20.6%. Customer deposits were 16.6% higher reaching N273.8 billion in 2012.

Also, the equity base attributable to the rest of Africa remained strong at N45.3 billion, from N41.9 billion in 2011.

We expect to present even better results from the rest of Africa in the coming year. Please join me in congratulating the staff and management of our subsidiaries in Africa for a job well done.

Looking ahead

With the successful stabilisation achieved in our business in 2012, the Bank has set the stage for rapid growth going forward with the aim of regaining our industry leadership. To this end, the Bank has defined a set of strategic imperatives that will underpin an aggressive transformation agenda tagged "**PROJECT ALPHA**" for the medium term (2013 – 2015):

- re-engineering the customer experience though a Customer Service Transformation Programme;
- aggressive accounts acquisition and reactivation drive;
- aggressive deposit mobilization drive through the reinvigoration of the SBU structure at branches;
- positioning for leadership in e-banking space through the deployment of e-channels and products;
- build the platform to drive increased synergy among the Bank's African subsidiaries;

Chief Executive Officer's Report *continued…*

- initiate organisational realignment for improved market penetration;
- position to be the partner for reforms, for rapid growth in Africa; and
- focus on improving employee motivation with the objectives of driving improved productivity and positioning the Bank as 'the employer of choice in the industry'.

We are convinced that the disciplined execution of these initiatives guarantees our reclaiming industry leadership.

Conclusion

As we commence on the 'industry leadership' phase in our growth trajectory, our immediate priorities are clear. Adoption of an enhanced customer centric approach to market and service delivery will be the key driver of our strategic thrust, with focus on low cost deposits mobilisation and quality asset creation. We will also continue to drive regional synergies across our various jurisdictions and leverage our unique technology platform to offer value-added services to our customers across Africa.

On behalf of the Board, I want to specially appreciate our employees for their devotion to the achievement of our modest success, our revered customers who stood by us and provided us the opportunity to continue to deliver value to them and above all our shareholders for their support and unwavering belief in our shared aspirations.

Thank you

Phillips Oduoza
GMD/CEO

Driven by vision

UBA Plc's strategic aspirations and priorities are derived from its three–tier strategic intents, aimed at continuously unlocking growth potential within the Group and creating values for the Bank's stakeholders

Our Vision:

"To be the undisputed leading and dominant financial services institution in Africa"

Our Three-tier Strategic Intent	Strategic Imperatives
Dominant and Clear Leadership in Nigeria	– Market share dominance – Balance sheet optimisation – Leveraging cash-lite initiatives – Improved cost efficiency
Leading African Bank	– Migration to consolidation phase – Development of partnership for profitability
Maintain Global Presence	– Improved access to multilateral trade

The Bank has strategically positioned its operations to serve customers across different segments and along different industry sectors with tailored products and services designed in line with the Bank's risk acceptance criteria for each segment/sector.

Wholesale	Middle Markets	SME	Consumer
– Multinational Corporates – Local Corporates – Public sector	– Commercial	– Enterprise	– HNI – Mass Affluent – Mass Market

- ✓ Oil and Gas: Upstream; Midstream; Downstream (majors only); Oil trading and oil services
- ✓ Power: Generation; Transmission and Distribution
- ✓ Agriculture
- ✓ Manufacturing
- ✓ General commerce
- ✓ Financial institutions
- ✓ Public sector
- ✓ Infrastructure
- ✓ Aviation
- ✓ Hospitality and Tourism
- ✓ Telecoms
- ✓ Mining, etc

Review of Group Strategy *continued …*

GUIDED BY MISSION

The essence of the Bank's legacy is also fully demonstrated in our mission statement that guides our interactions with our stakeholders.

Project Alpha: UBA's 2013 – 2015 Medium Term Plan

Looking ahead, our thrust for 2013 – 2015 is designed to deliver strong growth by adopting an aggressive approach to market, tagged **Project Alpha**, with focus on driving deposit growth, improved cross selling and value chain banking through enhanced synergies across the Group.

In line with Project Alpha, the Bank intends to attain the following milestones:

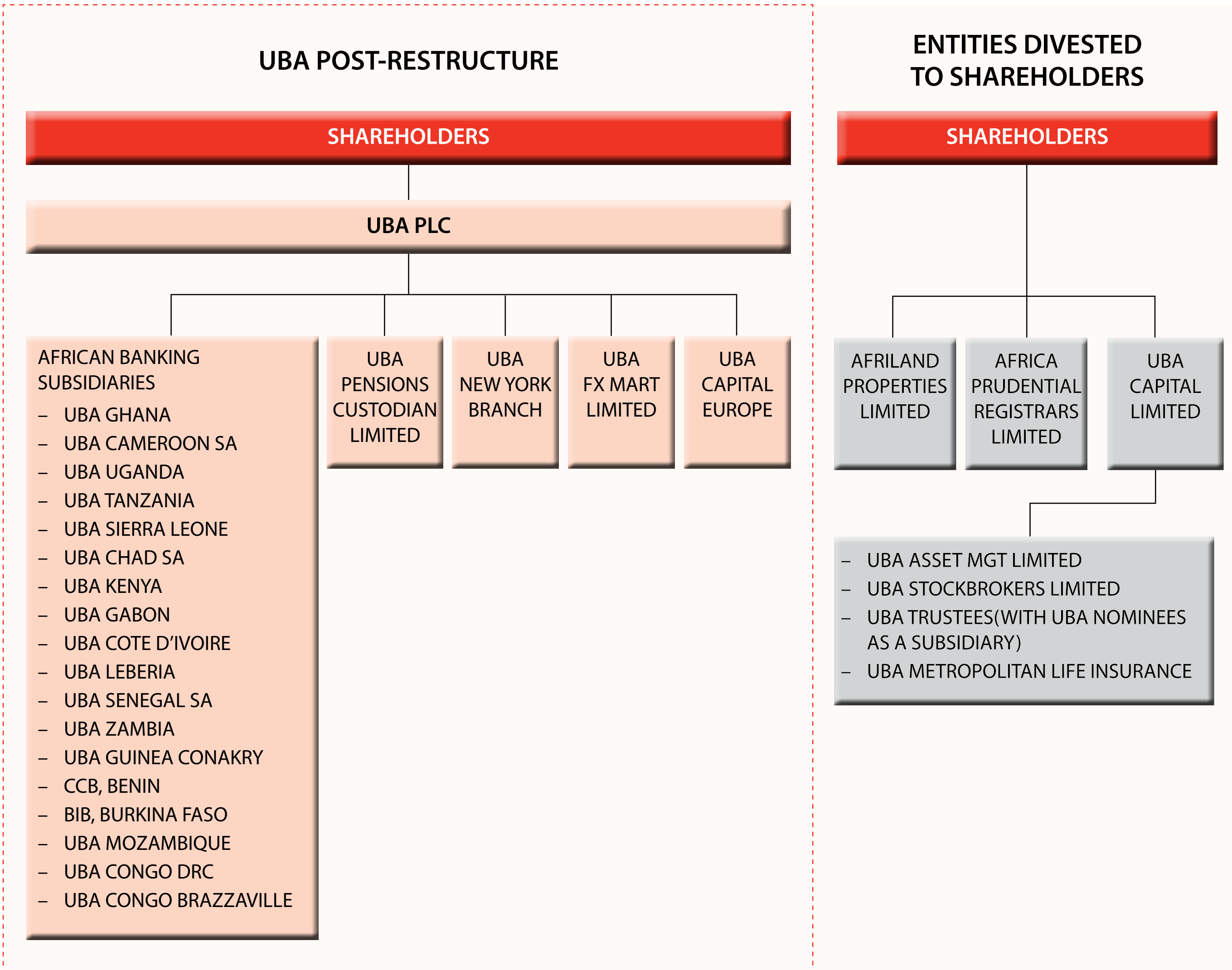
- attain market leadership across all parameters by 2015;
- improve deposit growth and profitability to attain Top 3 industry position in 2013; and
- achieve 100% customer account growth in 2013.

To deliver on these aggressive corporate objectives, the Bank has earmarked a selection of strategic initiatives to be fully implemented over the plan period.

Business Model Review

UBA has adopted a monoline commercial banking business model having divested its interests in the non-commercial banking businesses in line with CBNs' new guidelines for commercial banks in Nigeria.

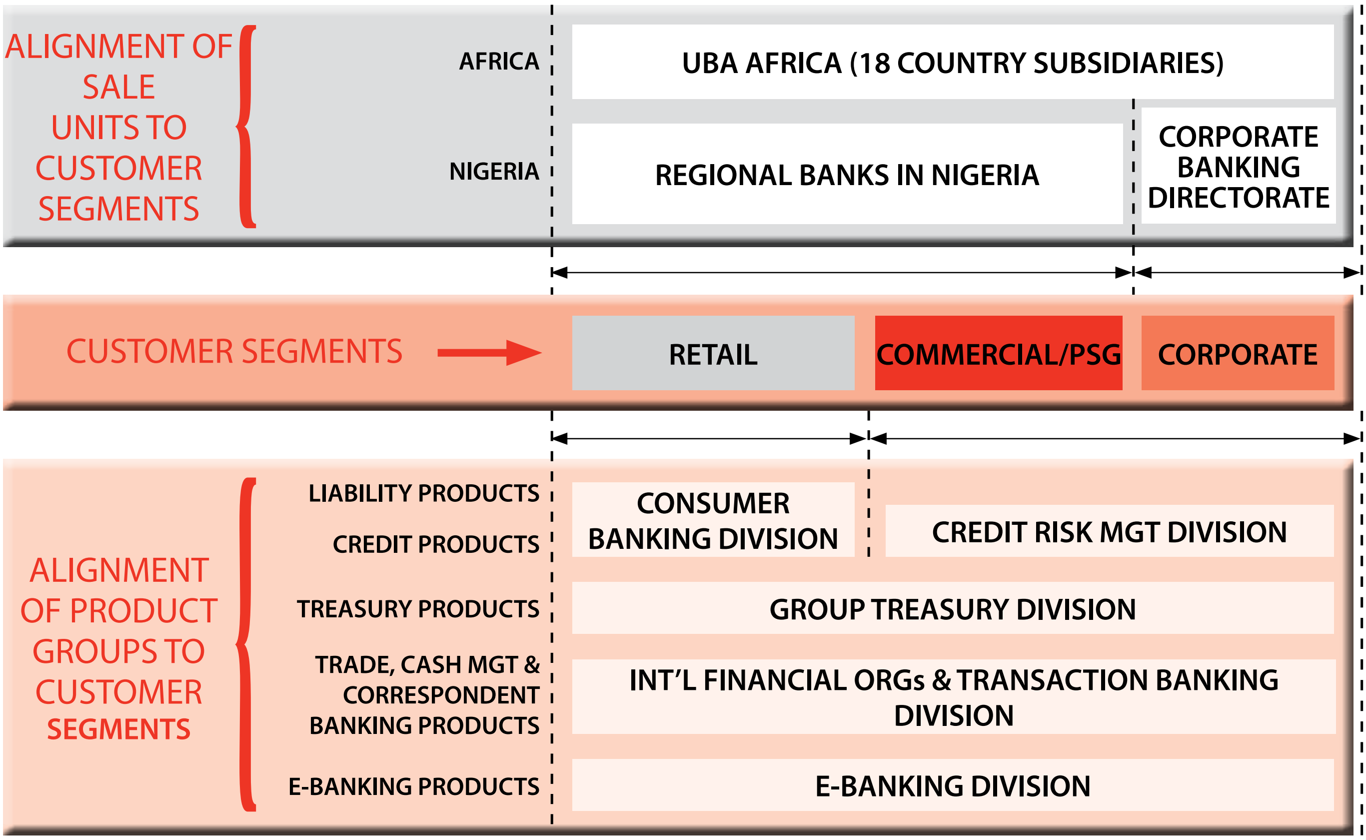
This monoline commercial banking business model involves UBA Plc remaining the parent company for all its commercial banking activities in Nigeria, Africa and the rest of the world. It will also be the parent company for UBA Pension Custodian Limited, UBA Capital (UK) and UBA FX Mart Limited.


UBA POST-RESTRUCTURE
SHAREHOLDERS
UBA PLC
AFRICAN BANKING SUBSIDIARIES
– UBA GHANA
– UBA CAMEROON SA
– UBA UGANDA
– UBA TANZANIA
– UBA SIERRA LEONE
– UBA CHAD SA
– UBA KENYA
– UBA GABON
– UBA COTE D'IVOIRE
– UBA LEBERIA
– UBA SENEGAL SA
– UBA ZAMBIA
– UBA GUINEA CONAKRY
– CCB, BENIN
– BIB, BURKINA FASO
– UBA MOZAMBIQUE
– UBA CONGO DRC
– UBA CONGO BRAZZAVILLE
UBA PENSIONS CUSTODIAN LIMITED
UBA NEW YORK BRANCH
UBA FX MART LIMITED
UBA CAPITAL EUROPE
ENTITIES DIVESTED TO SHAREHOLDERS
SHAREHOLDERS
AFRILAND PROPERTIES LIMITED
AFRICA PRUDENTIAL REGISTRARS LIMITED
UBA CAPITAL LIMITED
– UBA ASSET MGT LIMITED
– UBA STOCKBROKERS LIMITED
– UBA TRUSTEES(WITH UBA NOMINEES AS A SUBSIDIARY)
– UBA METROPOLITAN LIFE INSURANCE

Review of Group Strategy *continued …*

Organisational Arrangement

The changes in our business model accord us the opportunity to improve our organisational arrangement for better market coverage. The new organisational arrangement is built with the aim of positioning the Bank's service delivery model for optimal relationship management and product alignment for our target customer segments.

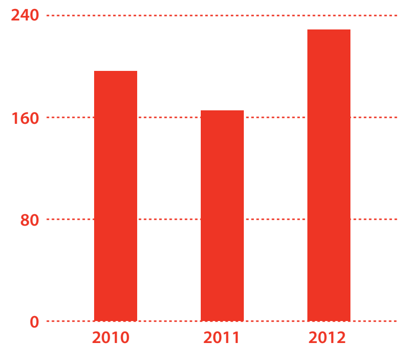


In Nigeria, our sales architecture is structured to serve our customers in the retail, commercial and public sector customer segments through our Regional Banks. These sectors are covered by our banking subsidiaries in the 18 countries where we have presence in Africa. To serve the corporate segment that typically has cross-border businesses in multi-jurisdictions, our Corporate Banking Directorate extends to cover corporate clients in Nigeria as well as our African operations where the directorate teams up with the local wholesale banking teams to provide a unique global relationship management proposition

The Bank has also deployed product groups to provide tailored products and services that match the need of the different customer segments. These product groups, which include Group Treasury, E-banking and the International Financial Organisation and transaction banking divisions, provide treasury, e-banking and trade and cash management products respectively. In addition, the consumer banking division manages the Bank's liability and credit products for the retail customer segment, while credit products and services for the commercial, public sector and corporate customer segments are housed in the credit risk management division.

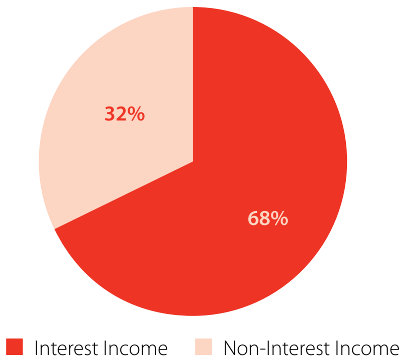
Gross Earnings (N'billion)

Our total revenue was strong in 2012 at N220.1 billion, growing by 33.6%, compared to N164.8 billion in the prior year. This performance was driven by increase in volumes, and contribution from the rest of Africa.



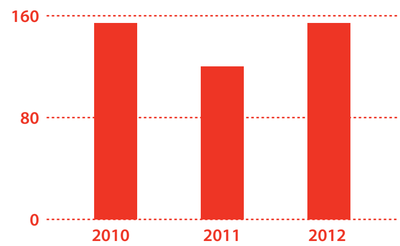
Revenue Mix (%)

The split of our gross earnings between interest and non-interest related earnings is balanced, with interest revenues representing more than two-thirds of total revenue. Notwithstanding, we expect this mix to be altered slightly over the medium term, when non-interest income should constitute up to 40% of total revenue.



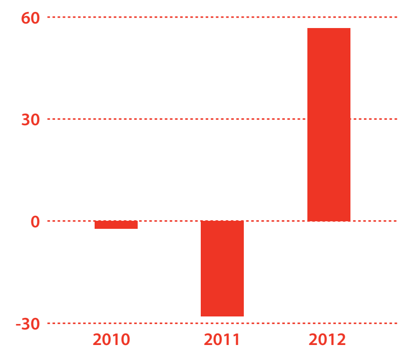
Operating Income (N'billion)

Driven by strong interest and non-interest incomes, as well as low cost of risks, we recorded 28.7% growth in operating income. This attests to the strength of our underlying business.



Profit/(Loss) Before Tax (N'billion)

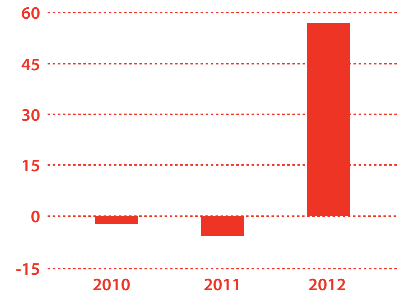
We posted a profit of N52.0 billion before income tax, compared to a N26.6 billion loss in the corresponding period of 2011. This PBT level was helped by an efficient cost base.



Group Financial Performance Review *continued ...*

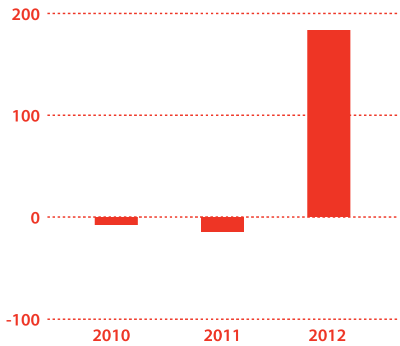
Profit for the Year (N'billion)

A total of N54.8 billion was achieved as profit for the year with discontinued operations contibuting N3.3 billion. Minimum tax was applicable during the year, due to significant tax exempt incomes claimed by the bank.



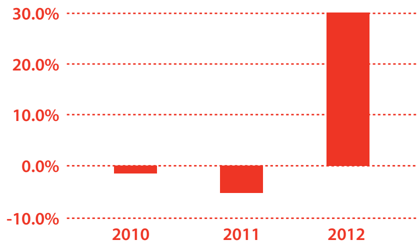
Earnings Per Share (kobo)

The Group earned 166 kobo on every share in issue; a strong recovery from a loss per share of 21 kobo in the previous year. Potential for further EPS growth exists over the medium term.



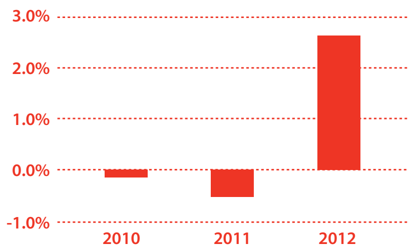
Return on Average Equity (%)

With a ROaE of 31.9%, UBA has delivered one of the best returns to shareholders in the local and regional banking industry. It is instructive to note however that impact of IFRS on prior year equity base helped strengthen the ratio.



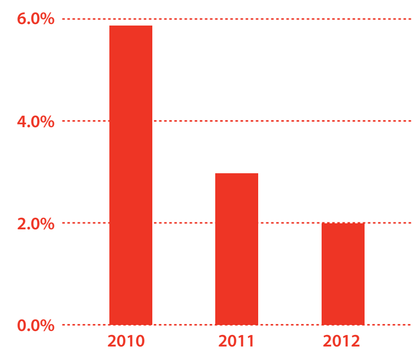
Return on Average Assets (%)

The efficiency of our asset base was reflected in the delivery of a ROaA of 2.6%. The robustness of our liquid assets, helped by significant growth in fee-based incomes contributed to the quality our assets' returns.



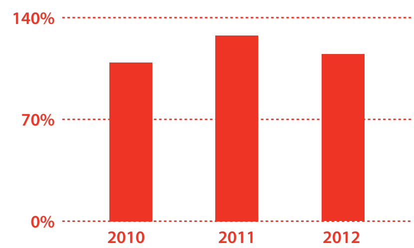
Non-Performing Loan Ratio (%)

Our NPL ratio has continued to improve over the last few years, dropping from 5.7% in 2010 to 1.9% in 2012. This attests to the improving quality of our risk asset portfolio, thereby positioning us for better financial performance going forward.



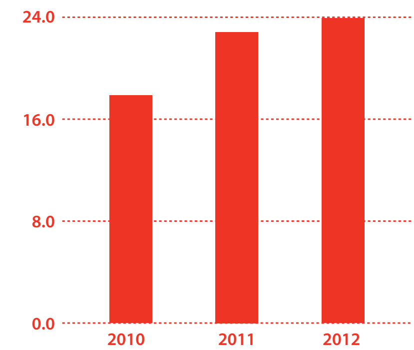
NPL Coverage Ratio (%)

In view of our adherence to conservative reporting and robust risk management framework, the Group coverage ratio been more than 100% over the last few years. Indeed, we are gratified that our NPL coverage ratio for 2012 was 119%.



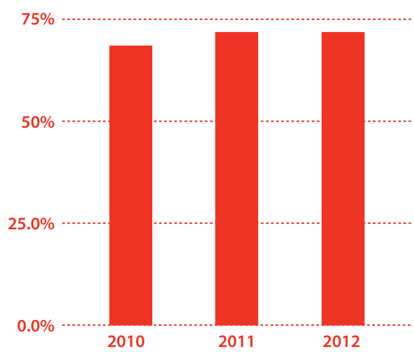
Capital Adequacy Ratio (%)

Group Capital Adequacy Ratio stood at 23.5% by the end of 2012; an improvement by 18 basis points from 21.7% in 2011. This capital adequacy level is sufficient to cushion against shocks in the medium term.



Liquidity Ratio (%)

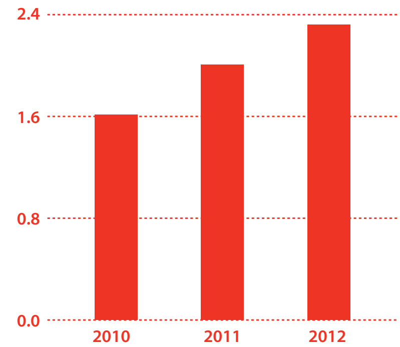
Liquidity Ratio remained strong reaching 69.8% in 2012, compared to 69% in 2011. This solid liquidity position allows some flexibility with our balance sheet management and gives headroom to alter our asset mix in reaction to events in the operating environment.



Group Financial Performance Review *continued ...*

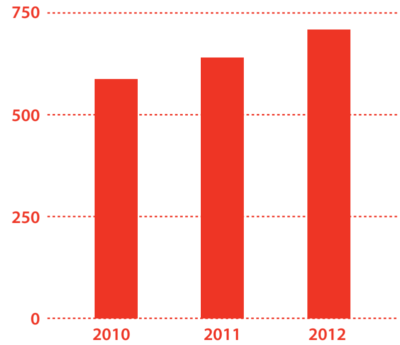
Total Assets (N'trillion)

Total asset growth of 17.6% was recorded in 2012 from N1.93 trillion in 2011 to N2.27 trillion. We are determined to ensure that value is extracted from these assets to the benefit of shareholders.



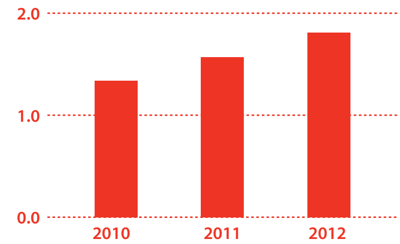
Loans (N'billion)

As a reflection of our conservative lending posture, we grew loans by 6.2% in 2012 to N687 billion. The bulk of our loans are made to selected customer segments with a view to ensuring good asset quality.



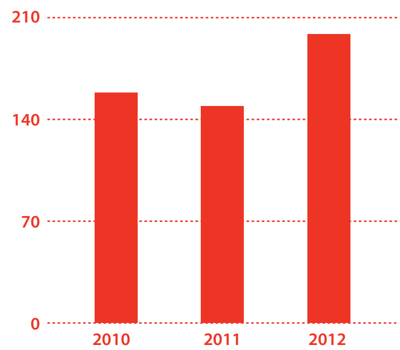
Deposits (N'trillion)

Our deposit grew by 21.4% year-on-year from N1.47 trillion to N1.78 trillion. They consist of largely of low cost deposits (about 80%). Our deposit book enhances our capacity to create good quality assets for top end customer segments.



Shareholders' Funds (N'billion)

Owners' equity firmed up in 2012, growing by 27.5% over the N151 billion position in 2011. With a capital adequacy ratio of 23.5%, we are positioned to grow our business going forward.



Review of UBA's e-Banking Resources

To transform the features of retail, commercial and corporate banking products, UBA has enhanced its e-Banking capabilities by developing a suit of products. The e-Banking model is designed to increase customer capacity in our branches by moving quick and regular businesses to self-service platforms, while the branches become high-value customer consulting shops. With our spread across 19 countries in Africa, e-Banking enables us leverage the opportunities presented by the cashless policy in Nigeria to deepen banking penetration and engender seamless customer transactions.

Retail/Individual	
Debit Card	Verve
	Debit MasterCard (including All About U)
	Gold MasterCard (NGN, USD, GBP, EUR)
	Paltinum MasterCard (NGN, USD, GBP, EUR)
	World MasterCard (NGN, USD, GBP, EUR)
	Visa Classic
	Visa Dual Currency
Prepaid	Visa Prepaid – Local Country Currency
	Visa Prepaid – USD (Nigeria, Liberia, Congo, DRC only)
U-Mobile	Mobile Banking
U-Direct	Internet Banking
ATM	ATM
PoS	Payment PoS
	Customised PoS
Alerts	SMS
	e-Mail
	e-Statement

Corporate	
U-Pay	U-Pay Connect
	U-Pay HR
	TTUM
PayManager	PayManager
U-Swift	NIP
U-Collect	BankCollect (UBA Branch Only)
	PayDirect
	e-Transact
	SchoolOnline
	EduPortal
	Web Payment

Retail e-Banking Channels and Products

UBA has 17 e-Banking products to complement and drive sales of retails products and service channels. The products, channels and services are presented on the left hand side of Table 1 above.

The details of the products are presented below.

Debit Cards

In 2012, UBA introduced new Visa, MasterCard and Verve Cards to facilitate access to funds in accounts locally and internationally.

Previously, Visa cards were issued as EMV chip and PIN cards with the ultimate security; but by segmenting our customer base, we have introduced debit cards for mass market, mass affluent and high net-worth individuals.

Verve Debit Card

In Nigeria, Verve Debit Card has been introduced as 'Pay-As-U-Go' to eliminate card maintenance charges, when the customer does not use the card to withdraw cash within the month. Verve, therefore, serves as a low-cost debit card for mass-market customers.

Visa Debit Card

The Visa standard debit cards are still issued, across the branches in Nigeria and the other 18 countries of operations, as single currency cards that enable customers to use them for payment in any currency within and outside the countries.

Visa Dual Currency Debit Card (Visa DCDC)

Visa Dual Currency Debit Card (Visa DCDC) has also increased in the number issued. Visa DCDC allows customers that have domiciliary and local currency accounts to link both accounts to a single debit card. The card only allows customers to access the local currency account when within the local country of issuance and allows spending from the domiciliary account from anywhere in the world outside the local country.

Review of UBA's e-Banking Resources *continued …*

MasterCard Debit Cards: Standard, Gold, Platinum and World

We also introduced MasterCard as debit cards. It serves as a standard MasterCard debit card for the mass-market, Gold MasterCard for the mass-affluent, Platinum MasterCard for the high net-worth and World MasterCard on special requests. These cards are introduced as single currency cards as they are issued on local currency, while customers can spend in any currency at ATMs, PoS or on the internet. This eliminates the need to change currencies before spending. The MasterCard Debit Cards are currently issued in Nigeria only, with the plan to issue them across Africa, when the acceptance of MasterCards grows across the other 18 countries we operate.

MasterCard: USD, EURO and GBP

In Nigeria, we have also introduced MasterCard for domiciliary accounts in USD, GBP and Euro. The introduction of these foreign currency MasterCard debit cards has elevated the value propositions of our domiciliary accounts. These cards will be introduced in other African countries very soon.

PrePaid Cards

UBA introduced prepaid cards in Visa brand. UBA prepaid card has been launched in all 19 countries in their respective local currencies. As market demands, UBA is poised to introduce prepaid cards in MasterCard card and other card schemes.

Visa Prepaid card has also been introduced in US Dollar denomination in Nigeria, Liberia and Congo DRC only.

Channels

Mobile Banking (U-Mobile), Internet Banking (U-Direct), ATMs, PoS and Web Payment are provided and enabled by UBA for account holders to access and manage accounts with U-Mobile and U-Direct; withdraw cash with the ATM; and make payments using PoS and Web Payment channels.

ATM Channel

ATMs are deployed across 19 countries. The ATMs have been developed to accept payment request from all card schemes, including those issued outside Nigeria.

The landscape of charges that apply to ATMs withdrawal services has changed dramatically in Nigeria since December, 2012. Banks have discontinued the charge of N100 for non-bank customers. However, the banks that issue the cards now pay the charges, whenever their customers make withdrawals through other banks' ATMs.

This has changed the customers' behavior dramatically. Customers now randomly use any nearest and reliable ATMs which have resulted in a dramatic increase in ATM transaction counts and costs at the same time. Total number of transactions has been at a minimum of 10% on a monthly basis.

Mobile Banking (U-Mobile)

UBA has invested in Mobile Banking capability and beyond. The Mobile Banking has been running in Nigeria and Ghana. Work is in progress to deploy to all other 17 countries of operations by middle of June, 2013. The Mobile Banking channel enables customer to access basic banking service such as viewing balances, confirming cheques, transferring money, buying airtime, paying bills and sending complaints to customer fulfillment center.

Internet Banking (U-Direct)

UBA has deployed internet banking (U-Direct) to all the 19 countries of operations.

The internet banking channel enables customer to access basic banking service such as viewing balances, confirming cheques, transferring money, buying airtime, paying bills and sending complaints to customer fulfilment centre.

Services (SMS, e-Mail Notification, Periodic e-Statement)

UBA provides other notification services which include SMS, e-Mail notification and frequent statement. SMS and e-Mail notification services are designed to present notification to customers when debit or credit is passed to the customers' accounts. SMS and e-Mail notifications are sent to mobile number and e-mail address provided by the customers and in the bank's records.

Corporate and Commercial e-Banking Products

PayManager: Bulk Vendor Payment

PayManager payment platform designed for use by corporate, commercial and institutions, SME and government to manage payment from their operations account. UBA PayManager is a secure web-based application that allows companies, corporate, and small businesses make electronic payments to any beneficiary, in any bank (local and foreign currency), from any location over the internet. It supports electronic payments with a unique rules-based logic that increases straight-through-processing (STP).

It gives the corporate control of its accounts for various types of payments (eg staff salary, vendor payment, dividends, pensions etc). These services are offered through a single window, along with quick client on-boarding, simple and flexible configuration, authorisation rules and multiple level approvals. Pay Manager supports both one-to-one payments, and one-to-many payments, predefined workflows and multiple file formats. It also supports direct credit and direct debit payments

The solution can be used to make individual payments to vendors and for employee petty cash and benefits. Payment can be made in both local. The PayManager solution is available across all 19 countries of operations.

U-Pay: Bulk Salary Payment

U-Pay payment platform designed to manage employees' record, benefits, taxes and salary calculations and payments. U-Pay is designed for use by corporate, institutions, SME and government to manage employees' database, payment of salaries and benefits for employees and remittance of taxes to the government authorities, right from their operations account.

UBA U-Pay is a secure web-based application that allows electronic payment with a business approval process to do straight-through-processing (STP) from the comfort of their offices. These services are offered through a single window, along with quick client on-boarding, simple and flexible configuration, authorisation rules and multiple level approvals. U-Pay also supports direct credit and direct debit payments. The web enabled and client based version of U-Pay solution are available across all 19 countries of operations.

U-Collect Branch (BankCollect): Inbound Collections

UBA BankCollect is offered to businesses to be able to collect payments from their customers across all UBA branches. This proprietary product is deployed and used by tellers of UBA branches to collect business and financial information from those paying into the account. Examples of such collections are for government taxes, business sales, utility bills, etc.

BankCollect enables the business that collects to view payments real time so they can give values to the payers. The system is flexible and can be integrated with the billing system of the collecting company. Even though BankCollect can only be used for collection that is through UBA branches only, we also accept white-labeled interbank collection platforms that enable collections from all selected bank branches.

BankCollect is used to drive deposit collections through our network of branches for merchants that have one or multiple outlets. It is available across the 19 countries of operations in Africa.

U-Collect Web: Web Collections

U-Collect Web is a UBA proprietary web collection portal that enables payment at merchant sites online. The collection portal enable merchants to collect payments using any card scheme including MasterCard, Visa and any local cards. UBA currently offers U-Collect web-to-web developers and merchants at no cost in order to drive the growth of web commerce.

A version of U-Collect Web when deployed for collections of school fees at secondary level are referred to as SchoolsOnline and when deployed to tertiary institutions is called EduPortal. For EduPortal and SchoolOnline, UBA also provides the online contents of education programs and activities besides just fee collections.

Sustainability and Corporate Social Responsibility Report

Sustainability

In UBA, we are committed to running our business in a socially responsible and environmentally friendly manner. UBA is appreciative of the fact that Sustainable Banking is critical to the success of any Bank and embodies two main concepts:

- Corporate Social Responsibility (CSR)
- Environmental Risk Management (ERM)

Building sustainability thinking into our DNA is our long-term mission, and will involve understanding the linkages between our operations, the communities where we have presence and the changes in the global environment.

We believe we can make positive impact on people's lives through creating access to affordable financial services irrespective of status, race or gender. We will continue to assist in creating job opportunities in communities where we operate and will undertake varied social projects that promote education, health and safety, Corporate Social Responsibility and Environment Management System and to work in conjunction with our various stakeholders towards attaining internationally accepted practices and standards.

Corporate Social Responsibility

Our CSR is all encompassing, beginning with our staff and extending externally to other stakeholders. UBA Foundation therefore is the social extension of the Group's core values of Humility, Empathy, Integrity and Resilience.

UBA Foundation (UBAF) has from inception been driving the Group's deliberate corporate strategy of sustainable development that combines our banking excellence with social interventions in our chosen need areas of education, health, human capital development and special projects.

By investing in the social, economic and environmental needs of the countries and communities where we conduct our businesses, the Group aims to deepen goodwill while ensuring sustainable operations, by contributing to the improvement of the quality of life.

Partnering with Stakeholders

Our CSR activities are executed across Africa. In doing this, we strive to develop unique programs and development actions that impact on individual and community lives thereby bridging social and economic gaps that are inherent in the various environments we operate in. At every point in the execution of these programmes, internal and external stakeholders are actively engaged to ensure the maximisation of resources for strongest impact in identified critical need areas. All these are done using global frameworks and metrics for best practice and impact measurement.

UBA Foundation, the Bank's corporate social responsibility arm, as part of its wider contribution to the Bank's community and social engagement programme, provides an annual grant of USD2 million to the Tony Elumelu Foundation, one of Africa's leading philanthropies, with a specific focus on the promotion of entrepreneurship and business leadership across Africa. In this way, the Bank believes it achieves a focused and effective way of implementing its commitment to improving the opportunities for entrepreneurship and the business environment across Africa.

Education

2012 Projects include READ AFRICA and Annual projects like the READ AFRICA initiative, UBA Foundation National Essay Competition (Nigeria). The 2012 READ AFRICA project was centered on the book "**Weep not Child**" written by Ngugi wa Thiong'O, the renowned Kenyan author who visited Nigeria in July, 2012 to kick start the year's programme. The initiative saw the Management staff of UBA pay visits to schools, with role models to drive mentorship and career emulation by pupils and students across Africa. Thousands of books were donated to students in addition to reading and mentoring sessions held aimed at rekindling what is largely seen as the dwindling reading culture amongst African youths.


Pic 1


Pic 2


Pic 3

Pic 1: Professor Ngugi Wa Thiong'O at the launch of the 'READ AFRICA' 2012 with senior management of UBA Plc, students of Kings College Lagos and Holy Child College.

Pic 2: A student of Baptist Academy Obanikoro, asking Professor Ngugi Wa Thiong'O a question.

Pic 3: Mrs Mary Udu-Ejembi, Assistant Director, Budget Office, Federal Ministry of Finance and UBA Foundation Trustee (2nd right) and Ms Ijeoma Aso, MD/CEO UBA Foundation, leading the reading session.

The increased number of entries in the 2012 UBA Foundation's National Essay Competition was a clear indication of how much Nigerians have bought into the initiative and of the impact the project made the previous year. In the 2012 competition, a total of 2,847 entries were sent in from various schools across Nigeria, representing more than a 100% increase from the 1,217 entries received in 2011. This is a strong indication that the UBA Group's objective of instilling the spirits of competitiveness, aspiring for excellence and awakening the consciousness for the quest for knowledge is manifesting and yielding fruits in the lives of school children. As a demonstration of our commitment to educational development, the UBA Foundation gave educational grants to the three finalists to help with their tuition in any African university where they are admitted.

Pic 4: L-R; Deputy Managing Director, UBA Plc, Mr. Kennedy Uzoka; Winner, UBA Foundation National Essay Competition for Secondary Schools in Nigeria 2012, Master Ugwuegbulam Ogbonna; Managing Director, UBA Foundation, Ms Ijeoma Aso; and Managing Director, Financial Derivates Company Ltd, Mr. Bismark Rewane, at the Prize Giving Ceremony of the Competition.

WELLNESS

Another part of the Foundation's annualized programme's is the Walk, Jog and Cycle for Prostate Cancer programme aimed at creating awareness on the debilitating effect of prostate cancer. The day culminates with free prostate cancer screening for men held at the venue of the event. In 2012, there was a remarkable 200% increase in the number of men who were screened. We are happy to report the Foundation's avowed commitment to further deepening this awareness about this dreaded disease, especially knowing that it is one that can easily be treated if detected early. As usual, novelty matches were played and staff took to the streets across Africa to raise awareness.

Pic 5: L-R; Permanent Secretary, Lagos State Ministry of Health, Dr Femi Olugbile; DMD, UBA Plc, Mr Kennedy Uzoka; Nigerian ex-international player, Mr Henry Nwosu; MD/CEO, UBA Foundation, Ms Ijeoma Aso..

PROJECTS

Besides these projects, The UBA Foundation also made several donations to various projects and institutions during the year. It also created several other social and economic partnerships with different organisations all in the drive to impact the lives of the people in the countries and communities where we operate.

Pic 6: L-R; RBH, Mainland bank, Ilesanmi Owoeye; Chairman, Medical Advisory Committee LUTH, Prof Olugbenga Ogunlewe; MD/CEO, UBA Foundation, Ms Ijeoma Aso.

UBA FIRE SERVICES UNIT

As part of our social responsibilities, UBA has put its fire-fighting resources to community use when required, which has included putting out a fire outbreak at the Head Office of one of the Banks in Lagos and a 5 storey Euro-Asia Plaza on Breadfruit Street, Lagos, Nigeria.

We remain committed to ensuring that we impact lives in the communities we operate.

Directors' Report

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2012.

1. RESULTS

	GROUP		BANK	
	2012 N'million	2011 N'million	**2012 N'million**	2011 N'million
Profit before income tax	**52,010**	(26,600)	**46,180**	(26,468)
Taxation (charge)/credit	**(533)**	17,935	**1,195**	18,502
Profit from continuing operations	**51,477**	(8,665)	**47,375**	(7,966)
Profit from discontinued operations	**3,289**	1,864	**–**	–
Other comprehensive income	**764**	5,680	**3,534**	4,212
Total comprehensive income	**55,530**	(1,121)	**50,909**	(3,754)
Total comprehensive income attributable to equity holders of the Bank	**55,306**	(1,971)	**50,909**	(3,754)
Non-controlling interest	**224**	850	**–**	–
Profit/(loss) for the year	**55,530**	(1,121)	**50,909**	(3,754)

2. DIVIDEND

In respect of the current year, the Directors propose that a dividend of 50 kobo per ordinary share of 50 kobo each, amounting to N16.49 billion, be paid to shareholders upon approval at the Annual General Meeting. The proposed dividend is subject to withholding tax at the appropriate tax rate and is payable to shareholders whose names appear on the Register of Members at the close of business on May 21, 2013.

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 is the first Nigerian Bank to offer an Initial Public Offering (IPO) following its listing on the floor of the Nigerian Stock Exchange in 1970. The Bank is also the first Nigerian company with a GDR programme. Following the consolidation reforms introduced and driven by the Central Bank of Nigeria in 2004, the Bank merged with Standard Trust Bank Plc on 1 August 2005 and subsequently acquired Continental Trust Bank Limited on 31 December 2005.

4. MAJOR ACTIVITIES

UBA Plc is engaged in the business of banking and provides corporate, commercial, consumer and international banking, trade services, cash management, treasury and electronic banking services. Pensions Custody and Bureau de Change services are provided through subsidiaries.

5. BUSINESS REVIEW AND FUTURE DEVELOPMENT

UBA Plc carries out banking activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and the prospects for the ensuing year is contained in the Group CEO's report.

6. DIRECTORS

The names of the Directors during the year ended December 31, 2012 are as shown on pages 35 and 36. Rose Okwechime was reappointed to the Board and Owanari Duke was newly appointed to the Board on July 13, 2012 and in accordance with Article 75 of the Articles of Association of the Bank. They will retire at the Annual General Meeting and offer themselves for election.

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

1. Angela Aneke
2. Jaafaru Paki

During the course of the year, Victor Osadolor, Paolo Di Martino and Runa Alan retired from the Board.

7. DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank and Group and of the profit or loss for that period and comply with the provisions of the Companies and Allied Matters Act. 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.

8. DIRECTORS' INTERESTS

The interests of the Directors in the issued share capital of the Bank are recorded in the register of Directors' Shareholding as at 31 December 2012 as follows:

		31 December 2012		31 December 2011	
S/N	NAMES OF DIRECTORS	DIRECT	INDIRECT	DIRECT	INDIRECT
1	Israel Ogbue	1,277,936	66,812,728	810,000	1,584,690,453
2	Joseph Keshi, OON	127,500	Nil	125,000	Nil
3	Phillips Oduoza	97,306,259	17,254,234	27,049,552	16,915,916
4	Kennedy Uzoka	32,295,910	NIL	22,042,035	Nil
5	Emmanuel Nnorom	10,482,360	1,031,855	1,660,760	694,062
6	Rasheed Olaoluwa	8,502,267	Nil	5,106,926	Nil
7	Abdulqadir Bello	3,576,573	Nil	500,000	Nil
8	Femi Olaloku	4,376,578	Nil	683,030	Nil
9	Ifeatu Onejeme	6,908,943	Nil	2,564,451	Nil
10	Dan Okeke	6,344,873	Nil	6,220,465	Nil

S/N	NAMES OF DIRECTORS	31 December 2012 DIRECT	31 December 2012 INDIRECT	31 December 2011 DIRECT	31 December 2011 INDIRECT
11	Victor Osadolor [Resigned 9 January 2012]			13,295,663	Nil
12	Rose Okwechime [Appointed 13 July 2012]	Nil	40,133,851		
13	Paolo Di Martino [Retired May 2012]			Nil	247,860,000
14	Adekunle Olumide, OON	2,635,014	Nil	2,583,348	Nil
15	Angela Aneke	5,923,971	Nil	1,611,263	Nil
16	Kolawole Jamodu, OFR	484,015	52,756	474,525	52,756
17	Runa Alan [Retired April 2012]			Nil	Nil
18	Ja'afaru Paki	Nil	22,950,000	Nil	22,500,000
19	Foluke Abdulrazaq	3,000,000	6,120,000	Nil	9,000,000
20	Yahaya Zekeri	11,704	Nil	11,475	Nil
21	Owanari Duke [Appointed 13 July 2012]	Nil	Nil		

9. ANALYSIS OF SHAREHOLDING

Shareholding	Number of shares held	% of total shareholding	Number of shareholders	% of total shareholders
1 – 1,000	11,334,642	0.03%	23,110	8.19%
1,001 – 5,000	313,293,402	0.95%	122,974	43.47%
5,001 – 10,000	337,456,711	1.02%	46,689	17.26%
10,001 – 50,000	1,321,120,644	4.01%	62,145	22.03%
50,001 – 100,000	843,793,334	2.56%	12,497	4.43%
100,001 – 500,000	2,034,724,924	6.17%	10,168	3.60%
500,001 – 1,000,000	58,717,987	2.91%	1,413	0.50%
1,000,001 and above	27,160,945,924	82.35%	1,436	0.51%
Total	**32,981,387,565**	**100.00%**	**282,432**	**100.00%**

10% AND ABOVE HOLDINGS

Shareholder	Shareholding	% holding
Stanbic Nominees Nigeria Limited (SNNL)	3,637,413,911	11.03%

(SNNL holds these shares on behalf of several investors under a nominee arrangement)

10. SUMMARY OF DEALING IN UBA SHARES AS AT 31 DECEMBER 2012

Quarter	Total	Monthly average
First Quarter	3,070,040,525	1,023,346,841
Second Quarter	1,468,323,316	489,441,105
Third Quarter	1,112,802,849	370,934,283
Fourth Quarter	1,016,590,183	338,863,394

11. DONATIONS

In order to identify with the aspirations of the community and the environment within which the Group operates a total sum of N87.5 million was given out as donations and charitable contributions during the period. These comprise contributions to charitable organisations and to other non-charitable organisations. Details of such donations and charitable contributions are as follows:

Schedule of donations for the period 1 January 2012 to 31 December 2012

S/N	Beneficiary	Amount (Naira)
1	African University of Science and Technology (AUST)	50,000,000
2	Nasarawa State Government	10,000,000
3	Federal Ministry of Agriculture	10,000,000
4	The Nigerian Police Force	5,449,500
5	Kogi State Flood Disaster Relief	5,000,000
6	Central Bank of Nigeria	3,500,000
7	Lagos University Teaching Hospital (LUTH)	1,500,000
8	Financial Reporting Council (FRC)	1,000,000
9	Lagos University Teaching Hospital (LUTH)	540,750
10	Nigerian Defense Academy	500,000
Total		**87,490,250**

12. FIXED ASSETS

Movements in property and equipment during the period are shown on pages 154 and 155. In the opinion of the Directors, the market value of the Bank's properties is not less than the value shown in the financial statement.

13. EMPLOYMENT AND EMPLOYEES

i. Employment of Physically Challenged Persons

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

DEMOGRAPHICS OF OUR WORKFORCE

During the 2012 financial year, the Group employed 11 529 staff across the different businesses and geographies we operate.

Group Staff Distribution by Nationality and Location during the 2012 financial year

Nationality	Location	Head count	% of total
Nigerians	Nigeria	9,116	79.07
	Other 18 Africa Countries	30	0.26
	USA	7	0.06
	Europe (London)	3	0.03
Francophone (Africa)	Nigeria	3	0.03
	Other 18 African Countries	1,288	11.16
Anglophone (Africa)	Nigeria	2	0.02
	Other 18 African Countries	1,046	9.07
	Europe (London)	2	0.02
South Africans	Nigeria	1	0.01
Indians	Nigeria	5	0.04
Americans/US	New York	18	0.16
Canadians	Nigeria	1	0.01
Europeans	Europe (London)	7	0.06
Total		**11,529**	**100**

The Group staff consist of nationals from over 23 African Countries, USA, UK, France, India, Canada, West Indies, New Zealand and Pakistan. UBA recruitment policy is non-discriminatory and seeks to attract the most qualified skills from any part of the world.

Physically challenged persons account for 0.10% of our total staff strength, indicating our compliance with the Group's policy not to discriminate against employing such individuals.

Staff Distribution by Gender during 2012 financial year

Description	Gender	Head count	% of total
Group	Male	6,456	56
	Female	5,073	44
	Total	**11,529**	**100**
Bank	Male	5,060	56
	Female	3,975	44
	Total	**9,035**	**100**

As a reflection of our diverse workforce, 44% of staff are females, both at the Group and bank level.

Average Gender Analysis of the Bank's Board of Directors and Top Management during 2012 Financial Year

Description	Gender	Head count	% of total
Board of Directors	Male	14	78
	Female	4	22
	Total	**18**	**100**
Top Management	Male	76	77
	Female	23	23
	Total	**99**	**100**

Detailed Average Gender Analysis for Board of Directors and Top Management Staff during the 2012 Financial Year

	Male		Female		Total
Classification	**Count**	**%**	**Count**	**%**	
Non-Executive Directors	6	60.00	4	40.00	10
Executive Directors	8	100.00	–	–	8
General Managers	23	76.67	7	23.33	30
Deputy General Managers	25	89.29	3	10.71	28
Assistant General Managers	28	68.29	13	31.71	41
Total	**90**	**78.00**	**27**	**22.00**	**117**

ii. Health, Safety at Work and Welfare of Employees

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living 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.

iii. Employee Involvement and Training

The Bank encourages participation of its employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Bank provides opportunities where employees deliberate on issues affecting the Bank and employees interest, with a view to making inputs to decisions thereon. The Bank places a high premium on the development of its manpower. Consequently, the Bank achieved over 78% of its training plan (local and international) in 2012. The total amount spent on training was N355 062 000.00.

iv. Research and Development

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

14. POST-BALANCE SHEET EVENTS

There are no post-balance sheet events which could have had a material effect on the financial state of affairs as at 31 December 2012.

Directors' Report *continued …*

15. AUDIT COMMITTEE

Pursuant to section 359(3) of the Companies and Allied Matters Act, the Bank has an Audit Committee comprising three Non-Executive Directors and three shareholders as follows:

Matthew Esonanjor	–	Chairman/Shareholder
Wale Ariyibi	–	Shareholder
Umar Al-Kassim	–	Shareholder
Foluke Abdulrazaq	–	Non-Executive Director
Angela Aneke	–	Non-Executive Director
Amb Joe C Keshi	–	Non-Executive Director

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

16. AUDITORS

Messrs PricewaterhouseCoopers have indicated their willingness to continue in office in accordance with section 357(2) of the Companies and Allied Matters Act. A resolution will be proposed at the Annual General Meeting to authorise the Directors to determine their remuneration.

BY THE ORDER OF THE BOARD

Bili A Odum
Company Secretary

57 Marina, Lagos

Customer Complaints Report

Introduction

United Bank for Africa Plc considers her customers as critical stakeholders in her business. As a result, the Bank strives to deliver excellent customer service and provide high quality financial services of international standard that meet or surpass customers' expectations. We therefore consider customer feedback as a necessary and important factor in our drive to delight our customers at every interaction they have with the Bank.

Consistent with the Bank's policy of excellent service delivery to all customers in all locations, the Bank's products, processes and operational frameworks are regularly reviewed with a view to ensuring continuous improvement and increasing customer satisfaction.

UBA staff worldwide have been trained to imbibe quality service and place consistent focus on customers in every aspect of the Bank's operations thereby keeping to the Bank's promise to customers as contained in our charter as follows:

- be respectful – we know '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 on technical knowledge to fully support the customer's financial needs; and
- show appreciation at all times.

Complaints Channels:

In recognition of this, the Bank has provided the following channels for feedback on its products and services either as enquires, requests or complaints. These platforms include:

- **Customer Fulfillment Center (CFC)** – Our 24/7 customer contact centre where customers can call in to lodge complaints, make requests or enquire about our products and services.
- **Dedicated Email address** – A dedicated email address cfc@ubagroup.com is available to customers 24/7 to send in their complaints. This email channel is manned by skilled and effective agents to accurately deliver high quality service to UBA customers and prospects alike.
- **Hot lines in the branches:** Branded phones called UBA hotline have been placed in designated business offices to enable customers call the Customers Fulfilment Centre to relay their complaints, requests and enquiries. Calls received through this channel are handled by designated inbound call agents. This is also to reduce customers' wait time at the branches.
- **Suggestion/Complaint Box:** Customers' complaint boxes are maintained in all UBA business offices to facilitate the tracking, resolution, reporting and dissemination of learning points.
- **Web:** On the UBA website www.ubagroup.com, customers also log in and register their Complaints through the link that asks 'Do You Have Feedback?' Such complaints are automatically routed to the CFC for resolution.
- **Post:** A dedicated Post Office Box (P.O. Box 5551, Marina, Lagos) is also available exclusively for receiving customer complaints by post.
- **Fax:** A fax line number 01-2808 448 is available, directly to the Supervisor Customer Complaints.
- A notice is displayed in all banking halls directing customers to forward their complaints through any of the various channels listed above.

Customer Complaints Report *continued …*

Resolution Structure

In order to ensure that customers' complaints, enquiries and requests are promptly resolved, the Bank has put in place a dedicated complaints management unit headed by a very senior officer of the Bank, responsible for prompt investigation and resolution of customers' complaints within the approved timeline. The complaints unit is manned by skilled personnel with diverse banking experience to resolve complaints from customers promptly without referring to other areas of the Bank. The Bank maintains a robust customer complaints management system, which is managed by well trained staff of the Customer Fulfilment Centre and reports generated are periodically reviewed by Executive Management.

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

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

- The receiving point of a customer's complaint acknowledges the complaint.
- The complaint is reviewed and it is determined if the complaint could be resolved at first level.
- Where the complaint can be resolved at the first level, a resolution is provided to the customer.
- If such complaint cannot be resolved at the first level, the receiving point forwards the complaint to operations specialist at the Customer Fulfilment Centre to handle.
- Upon resolution, the customer is contacted and the necessary feedback provided to the customer.
- The complaint is closed and marked as resolved.

Feedback on customers' complaints to the Bank

Feedback on customers' complaints is provided to management and relevant departments within the Bank to ensure that complaints and issues raised by customers do not recur. The feedback gathered ensures that:

- the Bank retains her customers as customers feel appreciated and respected;
- the quality of the Bank's service delivery is maintained and made uniform across board; and
- it serves as a reliable source of identifying improvement opportunities.

Reports of the complaints received and resolved by the bank from January to December 2012, is stated hereunder:

Month	Number of complaints received during the period	Number resolved	Number not resolved but reported to CBN	Total Disputed Amount (N' million)
January	3,551	3,079	Nil	8.78
February	4,873	4,618	Nil	280.97
March	12,842	10,697	Nil	22.54
April	7,109	6,628	Nil	121.66
May	5,271	4,904	Nil	83.81
June	6,115	5,923	Nil	23.74
July	6,636	6,229	Nil	29.63
August	5,797	5,287	Nil	10.11
September	5,811	5,460	Nil	13.70
October	7,536	6,973	Nil	20.59
November	6,432	5,753	Nil	67.61
December	8,946	7,692	Nil	12.19
TOTAL				**695.33**

In addition to the above, the Bank renders a monthly report to the Central Bank of Nigeria in line with the guidelines on resolution of customer complaints.

Corporate Governance Report

United Bank for Africa 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 2012 financial year.

During the 2012 financial year, shareholders approved the restructuring plan of the Bank to operate as a monoline business and divest from all non-commercial banking subsidiaries, pursuant to CBN's approval of the Bank's compliance plan.

Under the new restructuring arrangement, UBA Plc will remain the parent bank holding company of all its commercial banking activities in Nigeria, Africa and the rest of the world and will also be the parent company for UBA Pension Custodian Limited and UBA FX Mart Limited. Furthermore, UBA Plc will divest from the following non-commercial banking subsidiaries: UBA Capital, UBA Asset Management Limited (which currently owns UBA Trustees Limited and UBA Nominees Limited), UBA Insurance Brokers Limited and UBA Metropolitan Life Insurance Limited. These entities with the exception of UBA Insurance Brokers Limited (which is being wound up), would be consolidated under UBA Capital Plc and spun off to all eligible Shareholders of UBA Plc, along with Africa Prudential Registrars Plc and Afriland Properties Plc.

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 Committee

As at December 31, 2012, the Board comprised a Non-Executive Chairman, a Non-Executive Vice Chairman, eight Non-Executive Directors, two independent Non-Executive Directors and eight 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 discussed in section E of this report. In addition to these Committees, there are a number of Management Committees which ensure effective and good Corporate Governance at the Managerial level.

A. THE BOARD

The Board presently consists of 18 members, eight of whom, inclusive of the GMD/CEO are Executive Directors and 10 Non-Executive Directors. The Non-Executive Directors have the requisite integrity, skills and experience to bring independent judgment to bear on Board deliberations and discussions.

Responsibility

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman is primarily responsible for the working of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and which meets every other week 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 2012 the Board met four times.

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

Appointments and retirements

During the course of the year, Mr Victor Osadolor, Mr Paolo Di Martino and Ms Runa Alan retired from the Board. Mrs Rose Okwechime was reappointed to the Board and Mrs Owanari Duke was newly appointed to the Board.

Professional Independent Advice

All Directors are aware that they may take independent professional advice at the expense of the Bank, 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 obligations 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 up to date infrastructure to ensure accuracy. This procedure involves the monitoring of performance throughout the financial year in addition to monthly reporting of key performance indicators.

PricewaterhouseCoopers acted as external auditors to the Group during the 2012 financial year. Their report is contained on pages 54 and 55 of this Annual Report.

Internal Controls

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

C. CONTROL ENVIRONMENT

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

The Board approves the annual budget for the Group and ensures that a robust budgetary process is operated with adequate authorisation 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 Director, Investor Relations or the Company Secretary. Their contact details are available on the Bank's website and are reproduced at the back cover of this Annual Report.

E. BOARD COMMITTEES

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

Board Audit Committee

The Board Audit committee is comprised as follows:

1. Mr Adekunle Olumide, OON – Chairman
2. Mrs Foluke Abdulrazaq – Member
3. Chief Kola Jamodu, OFR – Member
4. Mr Rasheed Olaoluwa – Member
5. Mr Kennedy Uzoka – Member
6. Mrs Rose Okwechime – Member
7. Mrs Owanari Duke – Member

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

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

S/N	Members	Number of meetings held	Number of meetings attended
1	Mr Adekunle Olumide, OON	5	5
2	Mrs Foluke Abdulrazaq	5	5
3	Mr Rasheed Olaoluwa	5	1
4	Chief Kola Jamodu	5	1
5	Mr Kennedy Uzoka	5	5
6	Mrs Rose Okwechime (Appointed July 2012)	5	1
7	Mrs Owanari Duke (Appointed July 2012)	5	1

Board Risk Management Committee

The Board Risk Management Committee comprises of the following Directors:

1. Chief Kola Jamodu, OFR – Chairman
2. Mr Phillips Oduoza – Member
3. Mr Femi Olaloku – Member
4. Mr Emmanuel Nnorom – Member
5. Alhaji Ja'afaru Paki – Member
6. Mr Yahaya Zekeri – Member
7. Mrs Rose Okwechime – Member

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

S/N	Members	Number of meetings held	Number of meetings attended
1	Chief Kola Jamodu, OFR	4	4
2	Phillips Oduoza	4	3
3	Alhaji Ja'afaru Paki	4	4
4	Emmanuel Nnorom	4	4
5	Femi Olaloku	4	4
6	Yahaya Zekeri	4	4
7	Rose Okwechime (Appointed July 2012)	4	1

Board Credit Committee

The Board Credit Committee is made up of six 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 once a quarter. Members of the Board Credit Committee are:

1. Mrs Foluke Abdulrazaq – Chairman
2. Alhaji Ja'afaru Paki – Member
3. Amb Joe C Keshi OON – Member
4. Ms Angela Aneke – Member
5. Mr Yahaya Zekeri – Member
6. Mrs Owanari Duke – Member

The Board Credit Committee was set up to assist the Board of Directors in discharging its responsibility of exercising 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 Chief Credit Officer and the Group Chief Risk and Compliance Officer are in attendance at every meeting of the Committee.

S/N	Members	Number of meetings held	Number of meetings attended
1	Mrs Foluke Abdulrazaq	12	12
2	Alh Ja'afaru A Paki	12	10
3	Ms Angela Aneke	12	12
4	Mr Yahaya Zekeri	12	12
5	Amb Joe C Keshi, OON	12	8
6	Owanari Duke (Appointed July 2012)	12	1

Nominations and Governance Committee

The Nominations and Governance Committee is comprised of six Non-Executive Directors namely:

1. Amb Joe C Keshi, OON – Chairman
2. Mrs Foluke Abdulrazaq – Member
3. Ms Angela Aneke – Member
4. Mr Yahaya Zekeri – Member
5. Mrs Rose Okwechime – Member
6. Mrs Owanari Duke – Member

Meetings are held at least once annually and the responsibilities of the Committee include reviewing, considering and determining the appropriate remuneration payable to the Bank's Executive Directors.

S/N	Members	Number of meetings held	Number of meetings attended
1	Amb Joe C Keshi, OON	5	5
2	Ms Angela Aneke	5	5
3	Mr Yahaya Zekeri	5	5
4	Mrs Foluke Abdulrazaq	5	3
5	Mrs Rose Okwechime (Appointed July 2012)	5	1
6	Mrs Owanari Duke (Appointed July 2012)	5	1

Finance and General Purpose Committee

The purpose of 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.

Members of this Committee are:

1. Ms Angela Aneke – Chairman
2. Mr Adekunle Olumide, OON – Member
3. Mr Phillips Oduoza – Member
4. Mr Emmanuel Nnorom – Member
5. Mr Kennedy Uzoka – Member
6. Alhaji Ja'afaru Paki – Member
7. Amb Joe C Keshi OON – Member

S/N	Members	Number of meetings held	Number of meetings attended
1	Angela Aneke	6	6
2	Phillips Oduoza	6	5
3	Emmanuel Nnorom	6	5
4	Mr Adekunle Olumide, OON	6	6
5	Alhaji Ja'afaru Paki	6	6
6	Kennedy Uzoka	6	6
7	Joe C Keshi, OON	6	4

Attendance at Board Meetings

Membership and attendance at Board Meetings are set out below:

S/N	Members	Number of meetings held	Number of meetings attended
1	Chief Israel C. Ogbue	4	4
2	Phillips Oduoza	4	4
3	Kennedy Uzoka	4	4
4	Emmanuel Nnorom	4	4
5	Rasheed Olaoluwa	4	4
6	Abdulqadir J. Bello	4	4
7	Femi Olaloku	4	4
8	Ifeatu Onejeme	4	4
9	Chief Kola Jamodu, OFR	4	4
10	Alhaji Ja'afaru Paki	4	4
11	Mr Adekunle Olumide, OON	4	4
12	Angela Aneke	4	4
13	Yahaya Zekeri	4	4
14	Joe C Keshi, OON	4	4
15	Foluke Abdulrazaq	4	4
16	Dan Okeke	4	4
17	Rose Okwechime (Appointed July, 2012)	4	1
18	Owanari Duke (Appointed July, 2012)	4	1
19	Paolo Di Martino (Resigned May, 2012)	4	1
20	Runa Alan (Resigned April, 2012)	4	0

Executive Management Committee

These are Committees comprising of senior management of the Bank. The Committees are also risk driven as they are basically set up to identify, analyse, synthesise 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) and the Executive Management Committee (EMC).

Statutory Audit 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 2012 are as follows:

1. Mr Matthew Esonanjor – Chairman/Shareholder
2. Mr Oyewale Ariyibi – Shareholder
3. Alhaji Umar Al-Kassim – Shareholder
4. Mrs Foluke Abdulrazaq – Non-Executive Director
5. Ms Angela Aneke – Non-Executive Director
6. Amb Joe C Keshi – Non-Executive Director

Audit Committee Report

TO MEMBERS OF UNITED BANK FOR AFRICA PLC

In accordance with the provision of section 359[6] of the Companies and Allied Matters Act, we the members of the Audit Committee hereby report as follows:

- we confirm that we have seen the audit plan and scope and the management letter on the audit of the accounts of the Bank and the responses to the said letter;
- in our opinion, the plan and scope for the period ended 31 December 2012 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; and
- as required by the provisions of the Central Bank of Nigeria circular 85D/1//2004 dated 18 February 2004 on 'Disclosure of Insider-Related Credits in Financial Statements', we reviewed the insider-related credits of the Bank and found them to be as analysed in the financial statements as at 31 December 2012.

MATTHEW ESONANJOR
Chairman
Audit Committee

MEMBERS OF THE AUDIT COMMITTEE ARE:

1. Mr Matthew Esonanjor – Chairman/shareholder
2. Mr Wale Ariyibi – Shareholder
3. Alhaji Umar Al-Kassim – Shareholder
4. Mrs Foluke Abdulrazaq – Non-Executive Director
5. Ms Angela Aneke – Non-Executive Director
6. Amb Joe Keshi – Non-Executive Director

Board Evaluation Report

Deloitte.

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30 April 2013

Board of Directors
United Bank for Africa Plc
UBA House
57 Marina
Lagos

Dear Sirs,

REPORT TO THE DIRECTORS OF UBA PLC ON THE OUTCOME OF THE BOARD EVALUATION

Akintola Williams Deloitte was engaged to conduct an evaluation of the Board of Directors of United Bank for Africa Plc ('UBA or the Bank') for the FY 2012, in compliance with the requirements of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria ('the Code') and best practices. The code requires that there should be an annual Board and Directors' appraisal covering all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual members' competencies and respective roles in the Board's performance.

Our evaluation was undertaken based on information provided by the Bank. Our responsibility is to determine the level of performance of the Board with respect to the Code based on the work carried out within the scope of our engagement as well as identify areas of improvement for the Board to address in its commitment to continuous improvements in corporate governance.

On the basis of our work, we conclude that the Board's performance complied materially with the standards contained in the Code. The Bank is committed to continuous in its corporate governance practices, ensuring that despite the major changes in the structure of the Bank and the Board composition during the year, the bank remained stable.

Yours faithfully

Joseph Olofinsola
Partner, Consulting

Statement of Directors' Responsibilities in Relation to the Financial Statements *for the Year Ended December 31, 2012*

In accordance with the provisions of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act, the Directors accept responsibility for the preparation of these financial statements. The Directors are of the opinion that the 2012 financial statements give a true and fair view of the state of the financial affairs and profits of the Bank and its subsidiaries for the year ended December 31, 2012. The preparation of the financial statements ensured that:

- proper accounting records were maintained;
- applicable accounting standards were followed;
- suitable accounting policies were adopted and applied;
- reasonable and prudent judgments and estimates were made;
- the going concern accounting basis was used; and
- internal control procedures were instituted to safeguard the assets of the Bank, prevent and detect fraud and other irregularities.

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

Signed on behalf of the Directors

Phillips Oduoza
GMD/CEO

Report of the Independent Auditor to the members of United Bank for Africa Plc

Report on the financial statements

We have audited the accompanying separate and consolidated financial statements of United Bank for Africa Plc ("the Bank") and its subsidiaries (together "the Group"). These financial statements comprise the statements of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act and for such internal control, as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the accompanying financial statements give a true and fair view of the state of the financial affairs of the Bank and the Group as at 31 December 2012 and of the financial performance and cash flows of the Group for year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council Act.

Report on other legal 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 statement of financial position and statement of comprehensive income are in agreement with the books of account;

(iv) related party transactions and balances are disclosed in Note 40 to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004; and

(v) except for the contraventions disclosed in Note 43 to the financial statements, the Bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
FRC/2013/ICAN/00000000946

8 May 2013

Consolidated and Separate Statement of Comprehensive Income

For the year ended December 31

		Group		Bank	
In millions of Nigerian Naira	Notes	**2012**	2011	**2012**	2011
Gross earnings		**220,129**	163,732	**177,429**	126,098
Interest and similar income	8	**150,003**	113,590	**126,147**	97,427
Interest and similar expense	8	**(58,386)**	(45,423)	**(51,302)**	(41,203)
Net interest income		**91,617**	68,167	**74,845**	56,224
Net fee and commission income	9	**45,108**	38,660	**34,212**	28,726
Net trading income/(loss)	10	**9,695**	3,546	**9,254**	(2,563)
Other operating income	12	**6,673**	8,596	**6,045**	2,763
Operating income		**153,093**	118,969	**124,356**	85,150
Net impairment loss on loans and receivables	13	**(4,560)**	(17,738)	**(2,654)**	(8,180)
Net gains/(losses) on investment securities	11	**6,123**	(1,865)	**(129)**	(1,460)
Loss on loans sold to Asset Management Corporation of Nigeria – AMCON		**–**	(19,894)	**–**	(19,894)
Net operating income		**154,656**	79,472	**121,573**	55,616
Personnel expenses	14	**(43,452)**	(47,874)	**(32,999)**	(38,103)
Depreciation and amortisation	15	**(10,888)**	(10,500)	**(6,903)**	(8,239)
Other operating expenses	16	**(48,252)**	(47,730)	**(35,491)**	(35,742)
Total operating expenses		**(102,592)**	(106,104)	**(75,393)**	(82,084)
Share of (loss)/profit of equity accounted investee	26	**(54)**	32	**–**	–
Profit/(loss) before income tax		**52,010**	(26,600)	**46,180**	(26,468)
Taxation (charge)/credit	17	**(533)**	17,935	**1,195**	18,502
Profit/(loss) for the year from continuing operations		**51,477**	(8,665)	**47,375**	(7,966)
Profit for the year from discontinued operations	18(c)	**3,289**	1,864	**–**	–
Profit/(loss) for the year		**54,766**	(6,801)	**47,375**	(7,966)
Other comprehensive income					
Foreign currency translation differences		**(2,999)**	1,607	**–**	–
Fair value gains on available-for-sale investments		**3,763**	4,073	**3,534**	4,212
Other comprehensive income		**764**	5,680	**3,534**	4,212
Total comprehensive income/(loss) for the year		**55,530**	(1,121)	**50,909**	(3,754)
Profit attributable to:					
Owners of Bank		**54,664**	(7,651)	**47,375**	(7,966)
Non-controlling interest		**102**	850	**–**	–
Profit/(loss) for the year		**54,766**	(6,801)	**47,375**	(7,966)
Total comprehensive income attributable to:					
Owners of Bank		**55,306**	(1,971)	**50,909**	(3,754)
Non-controlling interest		**224**	850	**–**	–
Total comprehensive income for the year		**55,530**	(1,121)	**50,909**	(3,754)
Earnings per share from continuing and discontinued operations attributable to owners of the Bank during the year					
Basic earnings/(loss) per share (Naira)					
From continuing operations	19	**1.66**	(0.29)	**1.44**	(0.24)
From discontinued operations	19	**0.11**	0.06	**–**	–
From profit for the year		**1.77**	(0.23)	**1.44**	(0.24)
Diluted earnings/(loss) per share (Naira)					
From continuing operations	19	**1.66**	(0.29)	**1.44**	(0.24)
From discontinued operations	19	**0.11**	0.06	**–**	–
From profit for the year		**1.77**	(0.23)	**1.44**	(0.24)

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

Consolidated and Separate Statement of Financial Position

As at *In millions of Nigerian Naira*	Notes	Group **31 December 2012**	 31 December 2011	 1 January 2011	Bank **31 December 2012**	 31 December 2011	 1 January 2011
ASSETS							
Cash and bank balances	20	**714,115**	434,218	385,397	**629,481**	352,500	330,701
Financial assets held for trading	21	**457**	1,303	2,594	**456**	237	1,267
Loans and advances to banks	22	**28,513**	41,564	11,226	**27,878**	41,564	11,226
Loans and advances to customers	23	**658,922**	605,627	590,797	**570,714**	552,526	557,224
Investment securities	24	**680,817**	722,308	493,079	**527,994**	560,028	391,461
Other assets	25	**18,598**	16,513	30,290	**11,159**	16,891	24,877
Investments in equity accounted investee	26	**–**	10,356	10,118	**–**	10,843	10,843
Investments in subsidiaries	27	**–**	–	–	**66,727**	56,695	50,355
Property and equipment	28	**70,746**	55,618	62,009	**63,118**	47,066	53,263
Intangible assets	29	**7,568**	5,930	6,626	**1,578**	2,099	2,952
Deferred tax assets	30	**29,624**	26,998	7,049	**28,152**	25,604	6,555
		2,209,360	1,920,435	1,599,185	**1,927,257**	1,666,053	1,440,724
Non-current assets held for distribution	18(a)	**63,563**	–	–	**5,808**	–	–
TOTAL ASSETS		**2,272,923**	1,920,435	1,599,185	**1,933,065**	1,666,053	1,440,724
LIABILITIES							
Derivative liabilities	31	**124**	817	9,310	**124**	817	9,310
Deposits from banks	32	**57,780**	19,510	7,456	**22,875**	23,408	51
Deposits from customers	33	**1,720,008**	1,445,822	1,270,409	**1,461,131**	1,216,511	1,120,566
Managed funds		**–**	51,943	32,753	**–**	–	–
Other liabilities	34	**81,438**	58,210	41,671	**57,299**	49,924	38,782
Current tax liabilities	17	**1,274**	2,627	2,869	**1,325**	784	1,185
Subordinated liabilities	35	**53,719**	53,500	18,335	**55,474**	55,254	20,147
Borrowings	36	**114,520**	137,040	63,327	**114,520**	137,040	63,327
Deferred tax liabilities	30	**59**	26	30	**–**	–	–
		2,028,922	1,769,495	1,446,160	**1,712,748**	1,483,738	1,253,368
Liabilities held for distribution	18(b)	**51,534**	–	–	**–**	–	–
TOTAL LIABILITIES		**2,080,456**	1,769,495	1,446,160	**1,712,748**	1,483,738	1,253,368
EQUITY							
Share capital	37	**16,491**	16,168	12,934	**16,491**	16,168	12,934
Share premium	37	**107,932**	108,255	111,489	**107,932**	108,255	111,489
Retained earnings	37	**49,572**	16,034	25,695	**47,723**	21,474	30,727
Other reserves	37	**15,111**	6,888	10	**48,171**	36,418	32,206
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK		**189,106**	147,345	150,128	**220,317**	182,315	187,356
Non-controlling interests		**3,361**	3,595	2,897	**–**	–	–
TOTAL EQUITY		**192,467**	150,940	153,025	**220,317**	182,315	187,356
TOTAL LIABILITIES AND EQUITY		**2,272,923**	1,920,435	1,599,185	**1,933,065**	1,666,053	1,440,724

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

The consolidated and separate financial statements were approved by the Directors on 12 April 2013.

Ugochukwu Nwaghodoh
Group Chief Finance Officer
FRC/2012/ICAN/00000000272

Israel Ogbue
Chairman, Board of Directors
FRC/2013/ICSAN/00000001948

Phillips Oduoza
Group Managing Director/CEO
FRC/2013/CIBN/00000001955

Consolidated and Separate Statement of Changes in Equity

For the year ended

(a) 31 December 2012

(i) Group

In millions of Nigerian Naira	Share capital	Share premium	Translation reserve	Regulatory risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2012	16,168	108,255	1,607	–	11,460	(32,193)	26,014	16,034	147,345	3,595	150,940
Profit for the year	–	–	–	–	–	–	–	54,664	54,664	102	54,766
Other comprehensive income											
Foreign currency translation difference	–	–	(3,121)	–	–	–	–	–	(3,121)	124	(2,999)
Fair value change in (available-for-sale) financial assets	–	–	–	–	3,763	–	–	–	3,763	–	3,763
Other comprehensive income for the year	–	–	(3,121)	–	3,763	–	–	–	642	122	764
Total comprehensive income for the year	–	–	(3,121)	–	3,763	–	–	54,664	55,306	224	55,530
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Bonus shares issued	323	(323)	–	–	–	–	–	–	–	–	–
Increase in treasury shares	–	–	–	–	–	(638)	–	–	(638)	–	(638)
Dividend *in specie* (note 34)	–	–	–	–	–	–	–	(12,907)	(12,907)	–	
Transfer to statutory reserves	–	–	–	–	–	–	7,106	(7,106)	–	–	–
Transfer to other regulatory reserve	–	–	–	1,113	–	–	–	(1,113)	–		
Dividends to equity/non-controlling holders	–	–	–	–	–	–	–	–	–	(458)	(458)
Total contribution and distributions to owners	323	(323)	–	1,113	–	(638)	7,106	(21,126)	(13,545)	(458)	(14,003)
Balance at 31 December 2012	16,491	107,932	(1,514)	1,113	15,223	(32,831)	33,120	49,572	189,106	3,361	192,467

(ii) Bank

In millions of Nigerian Naira	Share capital	Share premium	Regulatory risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
Balance at 1 January 2012	**16,168**	**108,255**	**–**	**12,300**	**24,118**	**21,474**	**182,315**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**47,375**	**47,375**
Other comprehensive income							
Fair value change in (available-for-sale) financial assets	**–**	**–**	**–**	**3,534**	**–**	**–**	**3,534**
Other regulatory reserve	**–**	**–**	**1,113**	**–**	**–**	**(1,113)**	**–**
Other comprehensive income for the year	**–**	**–**	**1,113**	**3,534**	**–**	**(1,113)**	**3,534**
Total comprehensive income for the year	**–**	**–**	**1,113**	**3,534**	**–**	**46,262**	**50,909**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Bonus shares issued	**323**	**(323)**	**–**	**–**	**–**	**–**	**–**
Transfer for the year	**–**	**–**	**–**	**–**	**7,106**	**(7,106)**	**–**
Dividends to equity holders	**–**	**–**	**–**	**–**	**–**	**(12,907)**	**(12,907)**
Total contribution and distributions to owners	**323**	**(323)**	**–**	**–**	**7,106**	**(20,013)**	**(12,907)**
Balance at 31 December 2012	**16,491**	**107,932**	**1,113**	**15,834**	**31,224**	**47,723**	**220,317**

Consolidated and Separate Statement of Changes in Equity

continued …

(b) 31 December 2011

(ii) Group

In millions of Nigerian Naira	Share Capital	Share premium	Translation reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2011	12,934	111,489	–	7,387	(32,591)	25,214	25,695	150,128	2,897	153,025
Profit or (loss) for the year	–	–	–	–	–	–	(7,651)	(7,651)	850	(6,801)
Other comprehensive income										
Foreign currency translation difference	–	–	1,607	–	–	–	–	1,607	–	1,607
Fair value change in (available-for-sale) financial assets	–	–	–	4,073	–	–	–	4,073	–	4,073
Other comprehensive income for the year	–	–	1,607	4,073	–	–	–	5,680	–	5,680
Total comprehensive income for the year	–	–	1,607	4,073	–	–	(7,651)	(1,971)	850	(1,121)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Bonus shares issued during the year	3,234	(3,234)	–	–	–	–	–	–	–	–
Decrease in non-controlling interest	–	–	–	–	–	–	–	–	(152)	(152)
Reduction in treasury shares	–	–	–	–	398	–	–	398	–	398
Transfers for the year	–	–	–	–	–	800	(800)	–	–	–
Dividends to equity holders	–	–	–	–	–	–	(1,210)	(1,210)	–	(1,210)
Total contribution and distributions to owners	3,234	(3,234)	–	–	398	800	(2,010)	(812)	(152)	(964)
Balance at 31 December 2011	16,168	108,255	1,607	11,460	(32,193)	26,014	16,034	147,345	3,595	150,940

(ii) Bank

In millions of Nigerian Naira	Share capital	Share premium	Fair value reserve	Statutory reserve	Retained earnings	Total
Balance at 1 January 2011	12,934	111,489	8,088	24,118	30,727	187,356
Loss for the year	–	–	–	–	(7,966)	(7,966)
Other comprehensive income						
Fair value change in (available-for-sale) financial assets	–	–	4,212	–	–	4,212
Other comprehensive income for the year	–	–	4,212	–	–	4,212
Total comprehesive income for the year	–	–	4,212	–	(7,966)	(3,754)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Bonus shares issued during the year	3,234	(3,234)	–	–	–	–
Dividends to equity holders	–	–	–	–	(1,287)	(1,287)
Total contribution and distributions to owners	3,234	(3,234)	–	–	(1,287)	(1,287)
Balance at 31 December 2011	16,168	108,255	12,300	24,118	21,474	182,315

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

		Group		Bank	
In millions of Nigerian Naira	Notes	**2012**	2011	**2012**	2011
Cash flows from operating activities					
Profit/(loss) before income tax, including discontinued operations		**55,874**	(24,383)	**46,180**	(26,468)
Adjustments for:					
Depreciation of property and equipment	15	**9,775**	9,348	**6,043**	7,128
Amortisation of intangible assets	15	**1,113**	1,152	**860**	1,111
Net impairment loss on investment securities	11	**673**	1,723	**725**	1,318
Net impairment loss on loans and advances	13	**5,093**	25,246	**1,527**	7,312
Write-off of loans and advances	13	**7,859**	9,499	**2,910**	9,499
Net impairment charge on other assets	13	**1,055**	719	**281**	672
Foreign exchange (gains)/losses		**(5,979)**	(182)	**247**	(24)
Fair value (gain)/loss on derivative financial instruments	10	**(693)**	8,464	**(693)**	8,464
Fair value gain on previously held interest in equity-accounted investee		**(31)**	–	**(31)**	–
Dividend income		**(3,104)**	(576)	**(4,772)**	(407)
Gain on disposal of property and equipment		**(34)**	–	**(34)**	–
Net interest income	8	**(91,617)**	(68,167)	**(74,845)**	(56,224)
Share of profit of equity accounted investee		**(196)**	(238)	**–**	–
Operating profit before changes in operating assets and liabilities		**(20,212)**	(37,395)	**(21,602)**	(47,619)
Change in financial assets held for trading		**600**	1,297	**(219)**	1,030
Cash reserve balance		**(37,908)**	(69,327)	**(42,666)**	(65,987)
Change in loans and advances to banks		**5,992**	(30,513)	**(6,851)**	(30,675)
Change in loans and advances to customers		**(71,435)**	(178,833)	**(54,876)**	(141,924)
Change in other assets		**(20,228)**	12,833	**5,451**	7,314
Change in derivative liabilities	31	**–**	(16,957)	**–**	(16,957)
Change in deposits from banks		**40,792**	12,089	**(533)**	23,357
Change in deposits from customers		**235,178**	178,655	**246,325**	98,794
Change in managed fund		**(3,243)**	19,190	**–**	–
Interest received		**150,427**	119,427	**126,041**	103,327
Interest paid		**(49,295)**	(47,943)	**(42,057)**	(44,052)
Change in other liabilities and provisions		**9,040**	16,200	**(5,579)**	11,142
Income tax paid	17(c)	**(4,479)**	(2,260)	**(812)**	(948)
Net cash from operating activities		**235,229**	(23,537)	**202,622**	(103,198)
Cash flows from investing activities					
Proceeds/(acquisition) of investment securities		**14,075**	(102,773)	**35,744**	(40,495)
Acquisition of property and equipment		**(8,979)**	(6,058)	**(5,087)**	(3,109)
Acquisition of investment in subsidiaries		**(652)**	–	**(3,133)**	(7,412)
Dividend received		**3,104**	576	**4,772**	407
Proceeds from the sale of property and equipment		**2,513**	3,352	**1,409**	2,178
Acquisition of intangible assets	29	**(558)**	(456)	**(339)**	(258)
Net cash used in investing activities		**9,503**	(105,359)	**33,366**	(48,689)
Cash flows from financing activities					
Proceeds from borrowings		**28,436**	116,958	**28,436**	116,900
Repayments of borrowings		**(18,736)**	(5,480)	**(18,736)**	(5,480)
Interest paid on long-term borrowings		**(10,950)**	(2,600)	**(10,950)**	(2,600)
Dividend paid to owners of the Bank	38	**–**	(1,210)	**–**	(1,287)
Dividend paid to non-controlling interests		**(458)**	–	**–**	–
(Increase)/reduction in treasury shares		**(638)**	398	**–**	–
Net cash from financing activities		**(2,346)**	108,066	**(1,250)**	107,533
Net increase/(decrease) in cash and cash equivalents		**242,386**	(20,830)	**234,738**	(44,354)
Effects of exchange rate changes on cash and cash equivalents		**(397)**	324	**(423)**	166
Cash and cash equivalents at beginning of year	20	**352,429**	372,935	**278,254**	322,442
Cash and cash equivalents at end of year	20	**594,418**	352,429	**512,569**	278,254

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

Notes to the consolidated and separate financial statements

1. REPORTING ENTITY

United Bank for Africa Plc (the "Bank") is a Nigerian registered company with address at 57 Marina, Lagos, Nigeria. The consolidated financial statements of the Bank for the year ended December 31, 2012 comprise the Bank (Bank) and its subsidiaries (together referred to as the "Group" and individually referred to as Group entities"). The Bank and its other banking subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management and treasury services. Through its other subsidiaries, it carries out the following businesses: capital raising, issuing house services, financial advisory services, mergers and acquisitions advisory, security trading, asset management, stockbroking, trusteeship, registrarship, as well as custodial services.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). These are the Bank and Group's first financial statements prepared in accordance with IFRS and therefore, IFRS 1-First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group and the Bank is provided in note 42. This note includes reconciliations of equity and profit or loss for comparative periods reported under the Statement of Accounting Standards issued by the Financial Reporting Council of Nigeria (formerly Nigerian Accounting Standards Board) to those reported for this period under IFRS.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

Acquisitions prior to 1 January 2011

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

Acquisitions subsequent to 1 January 2011

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

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

– the fair value of the consideration transferred; plus

– the recognised amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

– less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognsied in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

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

(iii) Loss of control

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

(iv) Acquisitions under common control

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

(v) Associates

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

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

(vi) Joint ventures

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

(vii) Funds management

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

(viii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

Unrealised 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, unrealised exchange differences are recognised in profit or loss. For non-monetary financial investments available-for-sale, unrealised exchange differences are recorded in other comprehensive income until the asset is sold or becomes impaired.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Nigerian Naira at exchange rates at each reporting date. The incomes and expenses of foreign operations are translated to Nigerian Naira at exchange rates at average rates.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassifeid to profit or loss as part of the gain or loss on disposal.

(c) Interest

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

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

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

(d) Fees and commissions

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

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

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

(e) Net trading income

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

(f) Dividends

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

(g) Leases

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

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

Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's statement of financial position.

(h) Income tax

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

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

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

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

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

(i) Financial instruments

Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue.

Subsequent measurement

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

(i) Held-to-maturity

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

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

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held-for-trading if acquired or incurred principally for the purpose of selling in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-making. Derivatives are also categorised as held-for-trading unless they are designated as hedges and effective as hedging instruments. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

– the designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or

– a group of financial assets is managed and its performance evaluated on a fair value basis; and

– the financial assets consist of debt host and an embedded derivatives that must be separated.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in profit or loss in 'net trading income' for trading assets.

(iii) Available-for-sale

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

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

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

(iv) Loans and receivables

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

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

(v) Financial liabilities

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

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

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

Fair value measurement

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

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

Impairment of financial assets

(i) Assets carried at amortised cost

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

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

- whether a loan or other financial assets or any obligation is more than 90 days past due;
- the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments; or

- there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

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

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

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

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

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

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

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

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

To the extent that a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) *Available-for-sale financial assets*
Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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

(k) Trading assets

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

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

(l) Derivative financial instruments

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

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

(m) Property and equipment

(i) *Recognition and measurement*

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

(ii) *Subsequent costs*

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

(iii) *Depreciation*

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

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

Leasehold improvements	Over the shorter of the useful life of item or lease period
Buildings	40 years
Computer hardware	5 years
Furniture and fittings	5 years
Equipment	5 years
Motor vehicles	5 years
Other transportation equipment*	Over the useful life of the specific asset
Capital work in progress	Not depreciated
Land	Not depreciated

**Other transportation equipment include major components with different useful lives. They are accounted for as separate major components and are depreciated over the respective useful lives of between ten (10) and twenty (20) years respectively.*

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

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(iv) *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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(n) Intangible assets

(i) Goodwill

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

Subsequent measurement

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash-generating unit with the carrying value of its net assets, including attributable goodwill. Impairment losses on goodwill are not reversed.

(ii) Software

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

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life, from the date that it is available for use. The amortisation method and useful life of software are reassessed at each financial year-end and adjusted if appropriate.

(o) Repossessed collateral

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

(p) Deposits and debt securities issued

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

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

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

(q) Provisions

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

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

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

(r) Financial guarantee contracts

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

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

(s) Employee benefits

Post-employment benefits

Defined contribution plans

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

(t) Share capital and reserves

(i) Share issue costs

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

(ii) Dividend on ordinary shares

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

(iii) Treasury shares

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

(u) Earnings per share

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

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

(v) Fiduciary activities

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

(w) Segment reporting

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

(x) New standards and interpretations not yet adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(y) Special purpose entities

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

- the activities of the SPE are being conducted on behalf of the Group according to its specific needs so that the Group obtains from the SPE's operation;
- the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- the Group has rights to obtain the majority of the benfits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; and
- the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

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

(z) Non-current assets held for distribution and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Before being classified as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies.

Conditions to be met before assets qualify as being held for sale/distribution include the following:

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

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

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

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

For discontinued operations, the Group presents discontinued operations in a separate line in the Income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale

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

4. FINANCIAL RISK MANAGEMENT

Introduction and Overview

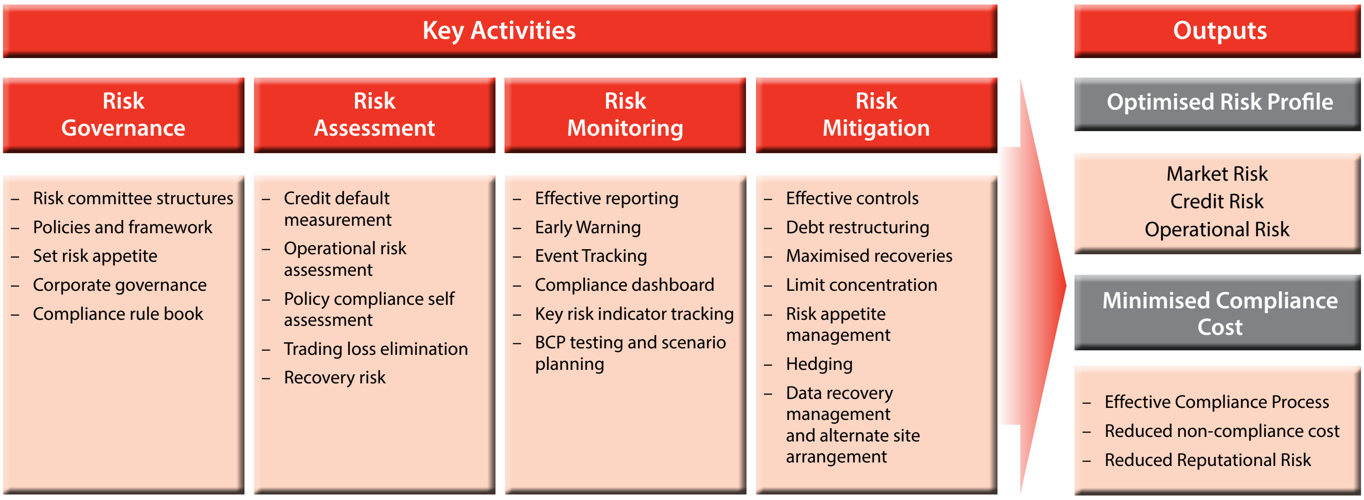
Given the scale and scope of its operations as well as the diversity of the geographies within which it operates, United Bank for Africa Plc (UBA) has adopted an enterprise wide, integrated approach to risk management. The key objectives are as follows:

1. meet and exceed best practice global standards as defined by local and international regulatory bodies. We intend to achieve this by adhering to the principles of the Basel II (and now III) Accords and COSO (Commission of Sponsoring Organisations) in the implementation of an Enterprise Risk Management (ERM) framework 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.

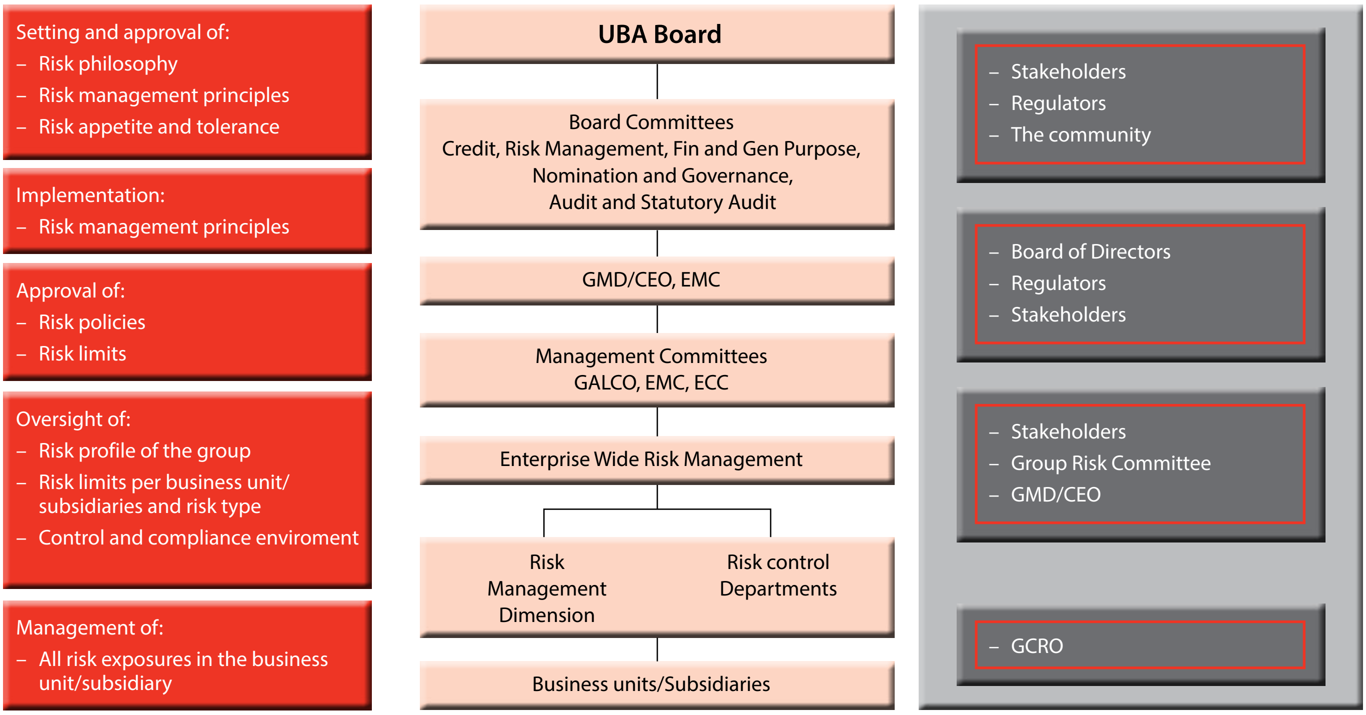
The key elements of the ERM framework are intended to enhance risk identification, measurement, control and reporting. These are diagrammatically represented as follows:



Risk Governance Structures

The Board of Directors has overall responsibility for risk management of the institution. They have delegated specific functional roles to key sub-committees of the Board including the Board Risk Management Committee (BRMC), the Board Credit Committee (BCC) and the Board Audit Committee (BAC).

These Board committees are supported by various management committees in identifying and providing appropriate responses to risks arising from the Group's ongoing business activities. This is illustrated in the diagram below.



Role and responsibilities

The key players in the risk management framework are as indicated in the above governance structure and their responsibilities are as follows:

Board of Directors

The ultimate responsibility for risk management in UBA lies with the Board of Directors. The roles and 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 loan write-offs above set threshold; and
- approving capital demand plans based on risk budgets.

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:

Executive Management Committee (EMC)

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

– formulating and executing strategy once approved by the Board;
– overall performance of the Group;
– managing the Group's risks; and
– day-to-day oversight for the Group.

All non-credit product approvals must go to the EMC who 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.

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.

Its principal activities and functions are:

– 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 approved ratio; and
– review all major credit audit issues with a view to adopting learning points for enhancement to the credit process.

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 as well as steering the implementation of Basel II requirements for market risk.

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 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 optimise 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.

Criticised Assets Committee

The Criticised Assets Committee reviews Past Due Obligations (PDOs) and:

- develops the framework to reduce the Group's portfolio of credits 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.

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.

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 frameworks. The responsibilities of divisional functions with respect to risk include:

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

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

– to identify 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.

In pursuit of its risk management objectives, policies and standards are set for each risk type, adopting a standard methodology consisting of five risk steps as illustrated below.

Identify

- Identify the risk inherent in achieving the bank's goals and objectives
- Establish risk appetite across the entire risk spectrum
- Establish and communicate risk management frameworks

Assess

- Build accurate and consistent risk assessment
- Establish and implement measurement reporting standards and methodologies
- Build a solid risk profile for the Bank

Control

- Establish key control processes, practices and reporting requirements
- Monitor the effectiveness of control
- Ensure all the Bank's exposures are adequately identified, measured and managed in accordance with Board approved frameworks
- Provide early warning signals
- Ensure risk management practices are adequate and appropriate for managing the Bank's risks

Report

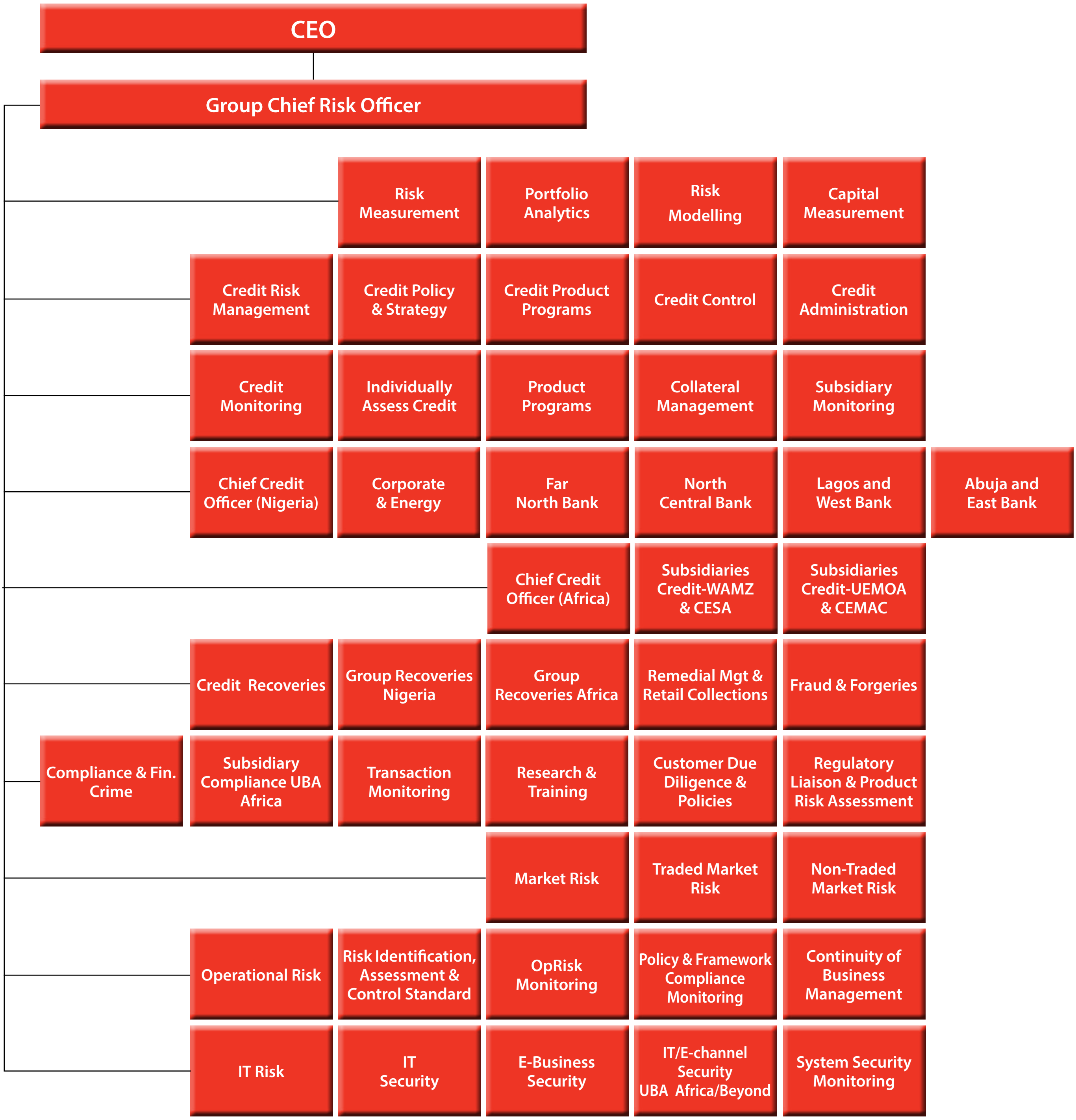
- Reporting areas of stress where crystallization of risk is imminent
- Present remedial actions to reduce and/or mitigate such risks
- Report on sensitive and key risk indicators
- Communicate with relevant parties

Manage and Challenge

- Review and challenge all aspects of the Bank's risk profile
- Advise on optimizing and improving the Bank's risk profile
- Review and challenge risk management practices

Risk Management Structure

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



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.

Risk appetite

A key responsibility of the Board is the determination of the organisation'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 operational risk perspective.

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

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 which is the Legal Lending limit.

Limit concentration

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.

Risk assessment

The Bank considers the following risk types among others which are assessed, monitored and managed in terms of the Group's risk management framework.

Credit risk

This relates to the probability that the group may suffer financial loss where any of its corporate borrowers or other counterparties fails to perform on their payment, guarantee and/or other obligations as contracted.

Market risk

This relates to risk of losses on balance sheet positions that may arise from movements or volatility in market prices that could adversely affect business objectives.

Liquidity risk

This is the risk of loss in earnings and capital that arise from the Group's inability to fund increases in assets or to meet its payment obligations to its customers as they fall due or to replace funds when they are withdrawn.

Operational risk (OpRisk)

The risk of direct and/or indirect losses may arise from inadequacy or failure of internal processes, people, systems, or external events, including legal risk but not strategic risk. Major sources of operational risk include: operational processes, Information and communication technology, outsourcing activities, service providers, strategy implementation, mergers and acquisitions, fraud, error, regulatory compliance, staff, social and environmental factors.

Financial crime risk

This is the risk of failure to monitor, report and act on financial crimes, thereby exposing UBA to losses and penalties. Financial crimes include offences involving money laundering, fraud or dishonesty, and market abuse.

Capital adequacy risk

This is the risk that the Group has insufficient capital resources to meet minimum regulatory capital requirements in Nigeria and in other jurisdictions such as in the UK, USA, and other African countries, where regulated activities are undertaken. Alternatively, it is the risk that capital resources may be inadequate to absorb unexpected losses under severely stressed conditions or may arise due to inefficient utilisation of available capital resources or attributed to reduced returns through sub-optimal capital structures.

Legal risk

Legal risk is the risk arising from the type and nature of the Group's contractual agreements. It also involves the risk that contracts may render the Group or any part therefore, particularly vulnerable to litigation. These risks, if not addressed, may result in unspecified erosion of value.

Regulatory risk

This is the risk of non-compliance with applicable financial services regulatory rules that could expose the Group to penalties. It may also include the risk that a change in laws and regulation or increased complexity in local and international regulatory environment may materially impact the Group.

Technology risk

Technology risk is that which impacts on the integrity of the Group's information systems and technology infrastructure. It is also the risk associated with missing the benefit of adopting a technology that could have enhanced operational efficiency.

Brand reputational risk

This is the risk of brand erosion, reputation loss to the Group. It includes failure to understand, identify or manage developments that could negatively impact on the brand and its value, especially its image, as perceived by its various stakeholders.

Risk Monitoring

Key Risk Indicators (KRIs)

Key risk indicators (KRIs) are central to our risk monitoring and reporting processes. They constitute a systematic means of managing our risk measurement framework and approach, by employing various qualitative and quantitative risk assessment methods, to generate risk exposures.

The KRIs also provide a basis for our assessment of all inherent risk types and supports our decision on materiality, rating and direction of overall risk.

Risk mitigation

Controls

Risk controls and mitigants, identified and approved for the Group, are documented for existing and new products, processes and systems.

The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using OpRisk Manager – (an operational risk management tool) which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

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 and 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 long-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;
- Loan and Collateral Consolidation: Combining several loans into a single payment which is lower than if the payments were separate;
- Short Sale – Loan is discounted to prevent imminent foreclosure; and
- Deed *in lieu* – Voluntary conveyance of interest in property to the Bank.

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

Maximising recoveries

GRRD has established a framework in order to ensure maximised recoveries that is intended to:

- ensure clear definition of recovery accounts and functions within the Group;
- streamline decision-making at each recovery operating unit; and
- achieve uniformity in recovery process methodology and consolidate similar functions in all locations where the Group operates.

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

- foreign currency risk; the risk that foreign exchange rate (e.g. USD/NGN EUR/USD, EUR/GBP, etc.) and/or their implied volatility will change;
- interest rate risk; the risk that interest rate (e.g. Nibor, inflation, etc.) and/or their implied volatility will change; and
- equity risk; the risk that stock or stock index prices and/or their implied volatility will change.

The key market risk initiatives in the past 12 months include the ongoing implementation and enhancement of advanced market risk measurement and reporting tools, and focus on the African subsidiaries with a revised reporting structure. The scenario planning process continues to receive strong management oversight, as part of the medium term business development strategy.

Operational Risk

Operational Risk Division manages operational risk which is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or external events.

The Group has a comprehensive Operational Risk management framework in place which defines the set of activities designed to reduce, transfer, transform, avoid and accept operational losses.

The Group monitors measurable metrics to track exposures or losses. The exposures are measured against the established tolerance limit thereby enabling implementation of proactive corrective actions.

Operational Risk policies include:

- Group Operational Risk Management Policy;
- Group Safety and Physical Security Policy;
- Group Risk and Control Self Assessment Framework;
- Group Framework for the Management of Principal Risk; and
- Group Continuity of Business Policy.

Risk and Control Self Assessment (RCSA)

Operational Risks that arise from Business or Function strategy, objectives, products and activities are identified, and the effectiveness of the controls over those risks are evaluated, tested and monitored applying RCSA process. This process is targeted at achieving the following objectives:

- Focus on the root causes of risk;
- Allocate ownership/accountability of the key risks and controls to risk owner, best placed to manage them;
- Draw common risk language and categorization;
- Draw input from both management and staff across all businesses and service units;
- Be undertaken at any level – product, process, project, business units, functions or entire business;
- Facilitate appropriate reporting of operational risks to senior management and Board of Directors;
- Promote the use of key risk indicators; and
- Establish a consistent standard for the measurement and reporting of operational risk loss data.

Key risk indicators and key risk scenario (KRIs/KRS)

Key Risk Indicator (KRI) tracking – Key risk indicators (KRIs) are central to our operational risk monitoring and reporting processes. Various qualitative and quantitative risk assessment methods are employed in order to generate risk exposures and potential loss estimates at business unit and enterprise-wide levels. Comprehensive MIS platforms support the tracking process.

Policy compliance self assessment (PCSA)

Policy and Framework Compliance Monitoring

This function ensures that principles, guidelines and standards aimed at achieving the strategic objectives of the organisation in an effective and efficient manner are complied with.

We aim to achieve this via the following:

- provide a platform to ensure all divergences from the policy provisions are authorised and documented;
- ensure policy awareness and consciousness by all staff through various modes of awareness creation, assessment and certification; and
- monitor key officers' compliance with laid down policies and reporting on the level of policy compliance.

Losses and loss events data collection and reporting

The Bank maintains a comprehensive losses and loss event database to deliver on the following objectives:

- carry out root cause analysis for each loss event to prevent recurrence;
- identify trends and lessons to be learned over time;
- justify the cost of new or improved controls and compare the effectiveness of controls;
- build a comprehensive loss events database for planning purposes; and
- use loss data as a potential input for capital calculation.

In line with Basel II s, we categorise our loss events as follows:

UBA Group Loss Categories	Definition
Internal Fraud	These are losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations which involves at least one internal party.
External Fraud	These are losses due to acts of a type intended to defraud, misappropriate property or circumvent the law by a third party.
Clients Products and Business Practices	These are losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients or from the nature or design of a product.
Employment Practices and Workplace Safety	These are losses arising from acts inconsistent with employment, health or safety laws or agreement.
Damage to Physical Assets	These are losses arising from loss or damage to physical assets from natural disaster or other events.
Business Disruption and System Failures	These are losses arising from disruption of business or systems failure.
Execution, Delivery and Process Management	These are losses from failed transaction processing or process management from relations with trade counterparties and vendor.

Business continuity management

Business Continuity Programme is implemented across the Group – Head Office, Branches in Nigeria, subsidiaries in African countries and offices in London and New York – aimed at:

(a) identifying potential impacts that threaten our business processes;

(b) providing framework for building resilience and capability for effective response to business disruption; and

(c) striving to safeguard the interest of our key stakeholders, reputation, brand and value creating activities.

We have developed and implemented Business Continuity Plans for critical processes in the Group, made up of:

(a) Business Impact Analysis – identification of impact on our critical processes, if disrupted, and proactive plans to minimise losses.

(b) Continuity of Business Risk Assessment – analysis of threats and vulnerability we are exposed to and corrective action plans to minimise risk of losses.

(c) Crisis Management Plan – Framework of crisis management in the event of business disruption. All Directorates have Crisis Management Teams.

Crisis managers are responsible for escalation, control and coordination of crisis when it occurs and putting machinery in place to handle emergency/and incident responses

(a) Business Recovery Plan – recovery of critical process at alternate sites to ensure continuity of the Bank's operations.

(b) Test Plan – carry out at least annual tests of all processes to ensure the Business Continuity Plans are functional. Our wide network of branches in Nigeria and Africa provides alternate sites where we conduct BCP Test for our businesses in the event of premise failure.

(c) Plan Maintenance – continuous update of our Business Continuity Plans when there are changes.

(d) Monitoring and Reporting – continuous feedback to senior management on Business Continuity implementation and level of compliance with Business Continuity Policy. Deployment of Business Continuity scenario planning tool to monitor and track threats in our business environment.

(e) Training and awareness – development of business continuity skills in the coordination and dissemination of business continuity information to all staff.

Disaster recovery programme

In view of the technicality and special role of Information Technology, we have developed Disaster Recovery Plans for all departments in our Information Technology Division in addition to the Business Continuity Plans. This document specifies how each Information Technology components can be recovered, which includes infrastructure, people, systems and third party support, tracking and reporting of IT and E-banking risk status using IT/e-banking risk dashboards.

IT risk

The need to effectively manage information technology and electronic banking risk is crucial to the Bank. The IT Risk Management Division has the responsibility for the Group Information Security and E-Banking Risk Management Strategy. The Group ensures that all key risks facing the Bank's information assets and electronic banking services are proactively managed in line with best practices and international standards.

The Group manages the information security and e-business risks through the following measures:

- development and implementation of IT Risk Management framework and information security policy in line with ISO 27001;
- development and implementation of appropriate E-banking risk management framework and policy in line with international standard;
- proactive and continuous risk assessment of information technology infrastructure and electronic banking products/services;
- formulation and implementation of appropriate risk treatment plans to address identified IT/e-banking risks;

The key functional areas and their responsibilities are highlighted below:

Credit Office

The Credit Office has responsibility for credit underwriting and makes recommendations to the appropriate authority level for approval of assessed Corporate, Commercial, Public Sector and Retail Credits as spelt out in the Credit Empowerment/Approval Framework.

Credit Risk Management

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 minimise delinquencies.

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

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 Bank's policy and highlights income leakages. 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.

Market Risk

This is the risk that the value of our portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors and affect the Group's income or the value of its holdings of financial instruments. The main objective of market risk management is not only to manage, measure and control market risk exposures but 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
- VaR limit determination based on market volatility
- VaR/Stop loss limit utilisation monitoring
- Position monitoring
- New trading products risk assessment
- P&L attribution analysis
- Pricing model validation and sign off
- Trading portfolio stress testing
- Regulatory limit monitoring
- Position data extraction and internal limit monitoring
- Contingency funding plan maintenance and testing
- Risk profile reporting to GALCO.

– periodic vulnerability assessment and penetration testing of UBA's network and systems;

– conducting information security awareness training for staff and educating staff/customer on current e-banking threats; and

– continuous security monitoring of bank's network and e-banking infrastructure.

Recovery and remedial management

The Group Remedial and Recovery Division (GRRD) manages the repayment of all past due obligations (PDOs) that are classified as substandard, doubtful or lost. It also intervenes in those accounts that appear on Watch list that may be past due but are yet to be impaired. Any accounts remaining on the bank's memorandum database are also managed for potential write-off recoveries.

The aim of GRRD is to manage and track those accounts that show early warning signs of distress and to assist to pro-actively identify loans for immediate recovery action.

Compliance

The compliance function identifies, assesses and documents the compliance risk associated with the Bank's business activities. It develops compliance procedures and guidelines and monitors to ensure exceptions are minimised and addressed promptly.

The Bank uses risk indicators to monitor the compliance risk exposure of the business units and assess the effectiveness of controls for the key risk areas.

The Compliance team aims to ensure effective management of compliance risk via the following:

(a) Track changes to relevant laws and regulations and disseminate relevant information across the Bank.

(b) Take prompt and appropriate action to correct compliance problems that are identified through self-assessments, internal or external compliance audits.

(c) Develop worktools, forms and checklists to assist the Bank staff, as they perform their jobs, in complying with laws, regulations and rules.

(d) Analyse the impact of new or amended legal and regulatory requirements and implement such requirements in the Rule book.

The compliance polices include:

– Anti-Money Laundering/Counter Terrorist Financing Policy
– Know Your Customer [KYC] Policy
– Whistle Blowing Policy
– Anti-Bribery & Corruption Policy
– Environmental Risk Management Policy

Sustainability

Sustainable practices are those practices that meet the needs of the present without compromising the ability of future generations to meet their own needs. It embodies the following key concepts:

i. Corporate Social Responsibility (CSR) C327

ii. Environmental Risk Management (ERM)

iii. Economic consideration/Sustainable lending

UBA is committed to the highest level of sustainable business practices across all activities and operations. As Africa's Global Bank, we are dedicated to being in the forefront of environmental responsibility and social relevance in Nigeria and Africa as a whole. UBA has appointed and ensured the development of the necessary capacity needed to identify, manage and assess the economic and social risks and opportunities associated with the Bank's business activities and operations.

Notes to the consolidated and separate financial statements

continued …

Credit risk

There was increased focus on our African subsidiaries, with the appointment of dedicated credited officers at the Group Office. This enhances responsiveness and gives more attention to their diverse requirements. The credit policy and strategy documents have been revised for all Group operations in line with their distinct circumstances.

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 which are developed to reflect the needs of our customers. The Group's policy is to lend principally on the basis of our customer's repayment capacity through quantitative and qualitative evaluation. However we 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 estimate the following parameters:

i. Probability of Default

ii. Loss Given Default

iii. Exposure at Default

i. Probability of default

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

ii. 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.

iii. Exposure at default

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

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.

i. Individual assessment

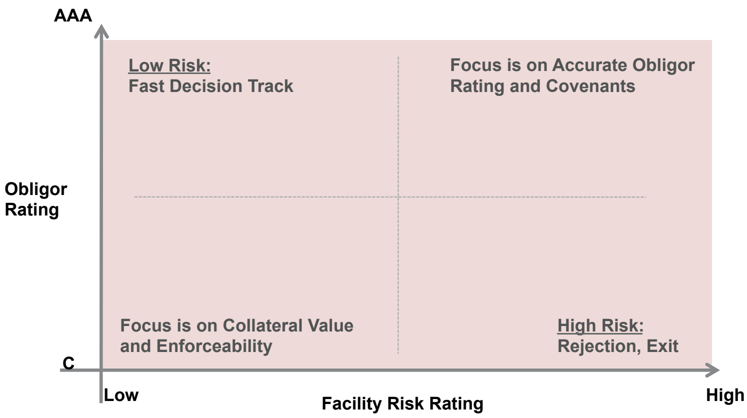
The Group reviewed and revised existing impairment triggers for each loan asset portfolio to ensure that a trigger identifies a loss event as early as possible, which would result in the earliest possible recognition of losses within the IFRS framework. The Group then estimated the impairment based on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

ii. 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.

General risk rating process

United Bank for Africa adopts a two-dimensional approach to the assessment of credit risk in the Risk Rating Process for all Businesses. The core tenets of the two-dimensional approach are shown below:



All Obligors and Facilities are assigned a risk rating. Obligors are assigned an Obligor Risk Rating (ORR) while a Facility Risk Rating (FRRs) is assigned to facilities.

Credit rating of counterparty/obligor

In measuring credit risk of loans and advances to various counterparties, Credit Officers/Risk Measurement ensure that the following components are considered:

i. character and capacity of the obligor to pay or meet contractual obligations;

ii. current exposures to the counterparty/obligor and its likely future developments;

iii. credit history of the counterparty/obligor; and

iv. the likely recovery ratio in case of default obligations-value of collateral and other ways out.

All risk rating processes are reviewed and validated periodically to ensure relevance to business realities. At a minimum, the risk rating process must be re-approved at least once every three years, unless more frequent review is specified as a condition of the approvals above. 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%	
Extremly 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%	

Exposure to credit risk

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

Credit risk exposure relating to on-balance sheet

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

	Maximum exposure			Maximum exposure		
	Group			Bank		
In millions of Nigerian Naira	**2012**	2011	2010	**2012**	2011	2010
Cash and cash equivalent	**714,115**	434,218	385,397	**629,481**	352,500	330,701
Loans and advances to banks	**28,513**	41,564	11,226	**27,878**	41,564	11,226
Loans and advances to customers	**658,922**	605,627	590,797	**570,714**	552,526	557,224
Trading assets	**457**	1,303	2,594	**456**	237	1,267
Debt securities	**645,243**	656,224	447,793	**492,865**	527,075	363,002
Other assets	**13,710**	8,956	21,252	**8,497**	12,228	20,054
Total	**2,060,960**	1,747,892	1,459,059	**1,729,891**	1,486,130	1,283,474
Loans exposure to total exposure	**33%**	37%	41%	**35%**	40%	44%
Debt securities exposure to total exposure	**31%**	38%	31%	**28%**	35%	28%
Other exposures to total exposure	**1%**	1%	2%	**1%**	1%	2%

Credit risk exposure relating to off-balance sheet

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Performance bonds and guarantees	**305,492**	239,014	139,653	**284,359**	228,852	124,602
Letters of credits	**95,820**	121,874	73,524	**78,543**	84,465	62,468
Bankers acceptances	**–**	11,159	9,227	**–**	11,159	9,227
	401,312	372,047	222,404	**362,902**	324,476	196,297
Bonds and guarantee exposure to total exposure	**76%**	64%	63%	**78%**	71%	63%
Letters of credit exposure to total exposure	**24%**	33%	33%	**22%**	26%	32%
Bankers acceptance exposure to total exposure	**0%**	3%	4%	**0%**	3%	5%

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 generally are not updated except when a loan is individually assessed as impaired. 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 usually is not held against investment securities, and no such collateral was held at 1 January 2011.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

Group
In millions of Nigerian Naira

For the year ended 31 December	**Loans and advances to customers** **December 2012**	December 2011	January 2011
Against individually impaired			
Property	**1,525**	1,844	1,641
Equities	**664**	–	6,623
Others	**11,433**	16,911	12,345

Group
In millions of Nigerian Naira

For the year ended 31 December	**Loans and advances to customers** **December 2012**	December 2011	January 2011
Against neither past due nor impaired			
Property	**272,737**	150,910	226,364
Equities	**35,784**	9,822	12,230
Others	**421,150**	500,027	393,948
Total	**743,293**	679,514	653,151
Bank			
Against individually impaired			
Property	**1,700**	1,844	1,641
Equities	**5,600**	–	6,623
Others	**2,100**	2,542	9,324
Against neither past due nor impaired			
Property	**271,021**	150,910	211,712
Equities	**30,184**	9,822	12,230
Others	**305,431**	401,521	372,370
Total	**616,036**	566,639	613,900

Credit concentration

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.

UBA has a domestic bias with over 92% of exposures in Nigeria, of which approximately 80% is local currency denominated. The risks attributable to foreign subsidiaries are covered by the appropriate capital investments in different jurisdictions.

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

	Loans and advances to customers			**Loans and advances to banks**		
Group For the year ended 31 December	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Carrying amount (net)	**658,922**	605,627	590,797	**28,513**	41,564	11,226
Concentration by sector (net)						
Corporate	**468,437**	424,897	413,736	**28,513**	41,564	11,226
Commercial	**49,589**	58,574	35,799	**–**	–	–
Retail	**79,046**	89,511	82,199	**–**	–	–
Public sector	**61,850**	32,645	59,063	**–**	–	–
	658,922	605,627	590,797	**28,513**	41,564	11,226
Concentration by location (net)						
Nigeria	**554,586**	506,124	525,705	**28,513**	41,564	11,226
Rest of Africa	**104,336**	98,960	65,092	**–**	–	–
	658,922	605,084	590,797	**28,513**	41,564	11,226
Bank						
Carrying amount (net)	**570,714**	552,526	557,224	**27,878**	41,564	11,226
Concentration by sector (net)						
Corporate	**398,220**	415,772	382,714	**27,878**	41,564	11,226
Commercial	**31,008**	38,107	21,407	**–**	–	–
Retail	**79,190**	66,027	98,456	**–**	–	–
Public sector	**62,296**	32,620	54,647	**–**	–	–
	570,714	552,526	557,224	**27,878**	41,564	11,226
Concentration by location (net)						
Nigeria	**570,714**	552,526	557,224	**27,878**	41,564	11,226
Rest of Africa	**–**	–	–	**–**	–	–
Rest of the World	**–**	–	–	**–**	–	–
	570,714	552,526	557,224	**27,878**	41,564	11,226

Concentration by location (net)	Off-balance sheet					
	Group			Bank		
Nigeria	**362,902**	313,317	187,070	**–**	–	–
Rest of Africa	**38,410**	47,571	26,107	**–**	–	–
Rest of the World	**–**	–	–	**–**	–	–
	401,312	360,888	213,177	**–**	–	–

Credit concentration – sector

	Investment securities					
	Group			Bank		
For the year ended 31 December	**2012**	2011	2010	**2012**	2011	2010
Carrying amount (net)	**645,243**	656,224	447,793	**492,865**	527,075	363,002
Concentration by location (net)						
Nigeria	**476,192**	550,119	382,173	**476,192**	509,339	345,005
Rest of Africa	**164,397**	60,645	23,992	**12,019**	13,056	13,537
Rest of the World	**4,654**	4,680	4,460	**4,654**	4,680	4,460
	645,243	656,224	447,793	**492,865**	527,075	363,002

	Financial assets held for trading					
	Group			Bank		
For the year ended 31 December	**2012**	2011	2010	**2012**	2011	2010
Carrying amount (net)	**457**	237	1,267	**456**	237	1,267
Concentration by location (net)						
Nigeria	**457**	237	1,267	**456**	237	1,267
Rest of Africa	**–**	–	–	**–**	–	–
Rest of the World	**–**	–	–	**–**	–	–
	457	237	1,267	**456**	237	1,267

	Cash and cash equivalent					
	Group			Bank		
For the year ended 31 December	**2012**	2011	2010	**2012**	2011	2010
Carrying amount (net)	**714,115**	434,218	385,397	**629,481**	352,500	330,701
Concentration by location (net)						
Nigeria	**629,481**	352,500	330,701	**629,481**	352,500	330,701
Rest of Africa	**84,634**	81,718	54,696	**–**	–	–
Rest of the World	**–**	–	–	**–**	–	–
	714,115	434,218	385,397	**629,481**	352,500	330,701

Notes to the consolidated and separate financial statements

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	Other assets					
	Group			Bank		
For the year ended 31 December	**2012**	2011	2010	**2012**	2011	2010
Carrying amount (net)	**13,710**	8,956	21,252	**8,497**	12,228	20,054
Concentration by location (net)						
Nigeria	**8,497**	8,956	20,054	**8,497**	12,228	20,054
Rest of Africa	**5,213**	–	1,198	**–**	–	–
Rest of the World	**–**	–	–	**–**	–	–
	13,710	8,956	21,252	**8,497**	12,228	20,054

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. Investment securities and financial assets held-for-trading analysed below excludes investments in equty instruments.

Group *In millions of Nigerian Naira*	**Loans and advances to banks**	**Loans and advances to customers**	**Financial assets held-for-trading**	**Investment securities**	**Other assets**	**Total**
Administrative and support service activities	–	826	–	–	–	826
Agriculture, forestry and fishing	–	44,718	–	–	–	44,718
Construction	–	45,312	–	–	–	45,312
Education	–	4,248	–	–	–	4,248
Finance and insurance	28,513	–	–	137,586	13,710	179,809
General	–	135,373	–	–	–	135,373
General commerce	–	55,662	–	–	–	55,662
Governments	–	64,114	457	498,976	–	563,547
Human health and social work activities	–	2,118	–	–	–	2,118
Information and communication	–	69,967	–	154	–	70,121
Manufacturing	–	83,759	–	8,527	–	92,286
Oil and gas	–	131,491	–	–	–	131,491
Power and energy	–	15,357	–	–	–	15,357
Professional, scientific and technical activities	–	3,261	–	–	–	3,261
Real estate activities	–	698	–	–	–	698
Transportation and storage	–	2,007	–	–	–	2,007
Water supply sewage, waste management and remediation activities	–	11	–	–	–	11
31 December 2012	**28,513**	**658,922**	**457**	**645,243**	**13,710**	**1,346,845**

Bank *In millions of Nigerian Naira*	**Loans and advances to banks**	**Loans and advances to customers**	**Financial assets held-for-trading**	**Investment securities**	**Other assets**	**Total**
Administrative and support service activities	–	–	–	–	–	–
Agriculture, forestry and fishing	–	37,995	–	–	–	37,995
Construction	–	43,736	–	–	–	43,736
Education	–	3,875	–	–	–	3,875
Finance and insurance	27,878	–	–	25,166	8,497	61,541
General	–	129,404	–	–	–	129,404
General commerce	–	43,015	–	–	–	43,015
Governments	–	64,003	456	459,555	–	524,014
Human health and social work activities	–	2,106	–	–	–	2,106
Information and communication	–	62,040	–	–	–	62,040
Manufacturing	–	79,125	–	8,144	–	87,269
Oil and gas	–	100,381	–	–	–	100,381
Power and energy	–	32	–	–	–	32
Professional, scientific and technical activities	–	2,877	–	–	–	2,877
Real estate activities	–	698	–	–	–	698
Transportation and storage	–	1,427	–	–	–	1,427
Water supply sewage, waste management and remediation activities	–	–	–	–	–	–
31 December 2012	**27,878**	**570,714**	**456**	**492,865**	**8,497**	**1,100,410**

Group *In millions of Nigerian Naira*	**Loans and advances to banks**	**Loans and advances to customers**	**Financial assets held-for-trading**	**Investment securities**	**Other assets**	**Total**
Administrative and support service activities	–	953	–	–	–	953
Agriculture, forestry and fishing	–	41,523	–	–	–	41,523
Construction	–	10,168	–	–	–	10,168
Education	–	4,078	–	–	–	4,078
Finance and insurance	41,564	–	–	26,241	8,956	76,761
General	–	93,290	–	–	–	93,290
General commerce	–	57,991	–	–	–	57,991
Governments	–	33,707	237	620,416	–	654,360
Human health and social work activities	–	1,957	–	–	–	1,957
Information and communication	–	69,228	–	316	–	69,544
Manufacturing	–	82,595	–	9,251	–	91,846
Oil and gas	–	150,033	–	–	–	150,033
Power and energy	–	18,677	–	–	–	18,677
Professional, scientific and technical activities	–	1,293	–	–	–	1,293
Real estate activities	–	2,745	–	–	–	2,745
Transportation and storage	–	37,386	–	–	–	37,386
Water supply sewage, waste management and remediation activities	–	3	–	–	–	3
31 December 2011	**41,564**	**605,627**	**237**	**656,224**	**8,956**	**1,312,608**

Notes to the consolidated and separate financial statements

continued …

Bank *In millions of Nigerian Naira*	**Loans and advances to banks**	**Loans and advances to customers**	**Financial assets held-for-trading**	**Investment securities**	**Other assets**	**Total**
Administrative and support service activities	–	–	–	–	–	–
Agriculture, forestry and fishing	–	35,616	–	–	–	35,616
Construction	–	10,603	–	–	–	10,603
Education	–	3,708	–	–	–	3,708
Finance and insurance	41,564	–	–	25,997	12,228	79,789
General	–	116,381	–	–	–	116,381
General commerce	–	46,417	–	–	–	46,417
Governments	–	34,052	237	492,430	–	526,719
Human health and social work activities	–	1,957	–	–	–	1,957
Information and communication	–	62,443	–	–	–	62,443
Manufacturing	–	74,274	–	8,649	–	82,923
Oil and gas	–	129,446	–	–	–	129,446
Power and energy	–	25	–	–	–	25
Professional, scientific and technical activities	–	856	–	–	–	856
Real estate activities	–	–	–	–	–	–
Transportation and storage	–	36,748	–	–	–	36,748
Water supply sewage, waste management and remediation activities	–	–	–	–	–	–
31 December 2011	**41,564**	**552,526**	**237**	**527,075**	**12,228**	**1,133,631**

Group *In millions of Nigerian Naira*	**Loans and advances to banks**	**Loans and advances to customers**	**Financial assets held-for-trading**	**Investment securities**	**Other assets**	**Total**
Administrative and support service activities	–	5,016	–	–	–	5,016
Agriculture, forestry and fishing	–	39,903	–	–	–	39,903
Construction	–	4,892	–	–	–	4,892
Education	–	2,864	–	–	–	2,864
Finance and insurance	11,226	–	–	18,819	21,252	51,297
General	–	113,670	–	–	–	113,670
General commerce	–	45,242	–	–	–	45,242
Governments	–	65,477	1,267	421,253	–	487,997
Human health and social work activities	–	784	–	–	–	784
Information and communication	–	54,037	–	876	–	54,913
Manufacturing	–	61,926	–	6,847	–	68,773
Oil and gas	–	110,721	–	–	–	110,721
Power and energy	–	5,048	–	–	–	5,048
Professional, scientific and technical activities	–	1,012	–	–	–	1,012
Real estate activities	–	42,043	–	–	–	42,043
Transportation and storage	–	38,162	–	–	–	38,162
Water supply sewage, waste management and remediation activities	–	–	–	–	–	–
1 January 2011	**11,226**	**590,797**	**1,267**	**447,793**	**21,252**	**1,072,337**

Bank *For the year ended 31 December* *In millions of Nigerian Naira*	**Loans and advances to banks**	**Loans and advances to customers**	**Financial assets held-for-trading**	**Investment securities**	**Other assets**	**Total**
Administrative and support service activities	–	3,710	–	–	–	3,710
Agriculture, forestry and fishing	–	36,974	–	–	–	36,974
Construction	–	4,892	–	–	–	4,892
Education	–	3,003	–	–	–	3,003
Finance and insurance	11,226	–	–	18,403	20,054	49,683
General	–	100,581	–	–	–	100,581
General commerce	–	59,954	–	–	–	59,954
Governments	–	56,873	1,267	338,520	–	396,660
Human health and social work activities	–	784	–	–	–	784
Information and communication	–	53,184	–	–	–	53,184
Manufacturing	–	53,725	–	6,077	–	59,802
Oil and gas	–	110,730	–	–	–	110,730
Power and energy	–	83	–	–	–	83
Professional, scientific and technical activities	–	1,037	–	–	–	1,037
Real estate activities	–	35,900	–	–	–	35,900
Transportation and storage	–	35,794	–	–	–	35,794
Water supply sewage, waste management and remediation activities	–	–	–	–	–	–
1 January 2011	**11,226**	**557,224**	**1,267**	**363,002**	**20,054**	**952,771**

Credit Quality

Credit quality of Loans and advances is summarised as follows:

	31 December 2012		31 December 2011		1 January 2011	
GROUP	**Loans to customers**	**Loans to banks**	Loans to customers	Loans to banks	Loans to customers	Loans to banks
Neither past due nor impaired	**640,348**	**28,699**	594,543	42,107	553,919	11,432
Past due but not impaired	**20,940**	**–**	18,601	–	40,921	–
Individually impaired	**13,439**	**–**	16,936	–	36,527	–
Gross	**674,727**	**28,699**	630,080	42,107	631,367	11,432
Less: allowance for impairment	**(15,805)**	**(186)**	(24,453)	(543)	(40,570)	(206)
Net	**658,922**	**28,513**	605,627	41,564	590,797	11,226
Allowance for impairment is broken down as follows:						
Specific allowance	**(5,447)**	**–**	(13,131)	–	(25,487)	–
Portfolio allowance	**(10,358)**	**(186)**	(11,322)	(543)	(15,083)	(206)
Total	**(15,805)**	**(186)**	(24,453)	(543)	(40,570)	(206)

Bank	31 December 2012 Loans to customers	Loans to banks	31 December 2011 Loans to customers	Loans to banks	1 January 2011 Loans to customers	Loans to banks
Neither past due nor impaired	**570,417**	**28,064**	543,808	42,107	529,952	11,432
Past due but not impaired	**6,180**	**–**	18,601	–	40,921	–
Individually impaired	**2,700**	**–**	2,567	–	18,709	–
Gross	**579,297**	**28,064**	564,976	42,107	589,582	11,432
Less: allowance for impairment	**(8,583)**	**(186)**	(12,450)	(543)	(32,358)	(206)
Net	**570,714**	**27,878**	552,526	41,564	557,224	11,226
Allowance for impairment is broken down as follows:						
Specific allowance	**(1,394)**	**–**	(2,567)	–	(18,709)	–
Portfolio allowance	**(7,189)**	**(186)**	(9,883)	(543)	(13,649)	(206)
Total	**(8,583)**	**(186)**	(12,450)	(543)	(32,358)	(206)

Loans and advances to customers – neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

	Group 31 Dec 12	31 Dec 11	1 Jan 11	Bank 31 Dec 12	31 Dec 11	1 Jan 11
Grades:						
Extremely Low Risk	**23,439**	2,074	57,099	**21,702**	2,074	56,590
Very Low Risk	**58,474**	22,097	57,821	**44,342**	18,637	52,222
Low Risk	**49,744**	34,498	77,431	**49,744**	12,650	67,408
Acceptable Risk	**482,787**	356,040	303,416	**428,828**	330,614	295,581
Moderately High Risk	**25,904**	179,834	58,151	**25,904**	179,834	58,151
Total	**640,348**	594,543	553,918	**570,520**	543,809	529,952
Portfolio allowance	**(9,754)**	(10,738)	(15,083)	**(7,029)**	(9,299)	(13,649)
Loans and advances (net)	**630,594**	583,805	538,835	**563,491**	534,510	516,303

Credit quality

Loans and advances past due but not impaired

	Group 31 Dec 12	31 Dec 11	1 Jan 11	Bank 31 Dec 12	31 Dec 11	1 Jan 11
Past due up to 30 days	**9,791**	9,184	20,203	**3,670**	9,184	20,203
Past due by 30 – 60 days	**9,597**	3,917	8,617	**1,166**	3,917	8,617
Past due 60 – 90 days	**1,552**	5,500	12,101	**1,344**	5,500	12,101
	20,940	18,601	40,921	**6,180**	18,601	40,921
Portfolio allowance	**(604)**	(584)	–	**(160)**	(584)	–
Loans and advances (net)	**20,336**	18,017	40,921	**6,020**	18,017	40,921

Loans and advances individually impaired

	Group			Bank		
	31 Dec 12	31 Dec 11	1 Jan 11	**31 Dec 12**	31 Dec 11	1 Jan 11
Gross amount	**13,439**	16,936	36,527	**2,700**	2,567	18,709
Specific impairment	**(5,447)**	(13,131)	(25,487)	**(1,394)**	(2,567)	(18,709)
Net amount	**7,992**	3,805	11,040	**1,306**	–	–

Loans and advances to Banks

	Group			Bank		
In millions of Nigerian Naira	**31 Dec 12**	31 Dec 11	1 Jan 11	**31 Dec 12**	31 Dec 11	1 Jan 11
Carrying amount	**28,513**	41,564	11,226	**27,878**	41,564	11,226
Assets at amortised cost						
Individually impaired						
Moderately high risk	**–**	–	–	**–**	–	–
High risk	**–**	–	–	**–**	–	–
Very high risk	**–**	–	–	**–**	–	–
Gross amount	**–**	–	–	**–**	–	–
Allowance for impairment	**–**	–	–	**–**	–	–
Carrying amount	**–**	–	–	**–**	–	–
Neither past due nor impaired						
Low risk	**28,699**	42,107	11,432	**28,064**	42,107	11,432
Acceptable risk	**–**	–	–	**–**	–	–
Gross amount	**28,699**	42,107	11,432	**28,064**	42,107	11,432
Allowance for impairment	**(186)**	(543)	(206)	**(186)**	(543)	(206)
Carrying amount	**28,513**	41,564	11,226	**27,878**	41,564	11,226

Credit quality

Group

		Investment securities		
For the year ended 31 December *In millions of Nigerian Naira*	Notes	**31 Dec 12**	31 Dec 11	1 Jan 11
Carrying amount	24	**645,243**	656,224	447,793
Held to maturity (HTM)				
Neither past due nor impaired				
Low risk		**552,152**	625,564	368,935
Carrying amount – amortised cost		**552,152**	625,564	368,935
Available-for-sale assets (AFS)				
Neither past due nor impaired				
Low risk		**93,091**	30,660	78,858
Carrying amount – fair value		**93,091**	30,660	78,858
Total carrying amount		**645,243**	656,224	447,793
Assets at fair value through profit or loss (Trading assets)				
Carrying amount	21	**457**	1,303	2,594
Low risk		**457**	1,303	2,594
Total carrying amount		**457**	1,303	2,594

Bank		Investment securities		
For the year ended 31 December				
In millions of Nigerian Naira	Notes	**31 Dec 12**	31 Dec 11	1 Jan 11
Carrying amount	24	**492,865**	527,075	363,002
Held to maturity (HTM)				
Neither past due nor impaired				
Low risk		**401,348**	496,600	284,144
Carrying amount – amortised cost		**401,348**	496,600	284,144
Available-for-sale assets (AFS)				
Neither past due nor impaired				
Low risk		**91,517**	30,475	78,858
Carrying amount – fair value		**91,517**	30,475	78,858
Total carrying amount		**492,865**	527,075	363,002
Assets at fair value through profit or loss (Trading assets)				
Carrying amount	21	**456**	237	1,267
Low risk		**456**	237	1,267
Total carrying amount		**456**	237	1,267

Cash and bank balances

Group

For the year ended 31 December *In millions of Nigerian Naira*	Note	**31 Dec 12**	31 Dec 11	1 Jan 11
Carrying amount	20	**714,115**	434,218	385,397
Low risk		**714,115**	434,218	385,397
Total carrying amount		**714,115**	434,218	385,397

Bank

For the year ended 31 December *In millions of Nigerian Naira*	Note	**31 Dec 12**	31 Dec 11	1 Jan 11
Carrying amount	20	**629,481**	352,500	330,701
Low risk		**629,481**	352,500	330,701
Total carrying amount		**629,481**	352,500	330,701

Other assets

Group

For the year ended 31 December *In millions of Nigerian Naira*	Note	**31 Dec 12**	31 Dec 11	1 Jan 11
Carrying amount	25	**13,710**	8,956	21,252
Low risk		**13,710**	8,956	21,252
Total carrying amount		**13,710**	8,956	21,252

Bank

For the year ended 31 December *In millions of Nigerian Naira*	Note	**31 Dec 12**	31 Dec 11	1 Jan 11
Carrying amount	25	**8,497**	12,228	20,054
Low risk		**8,497**	12,228	20,054
Total carrying amount		**8,497**	12,228	20,054

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. 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:

(a) 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 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

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

During the year ended 31 December 2012, the Bank transferred an amount of N1,113 million to the Credit risk reserve. This amount represents the difference between the provisions for credit and other known losses as determined under the prudential guideline issued by the Central Bank of Nigeria (CBN), and the impairment reserve as determined in line with IAS 39 as at year end.

In line with the same directive of the CBN, the Bank compared the provision based on the prudential guidelines with impairment under IFRS for comparative periods and no transfers were made as the impairment balance under IFRS was higher for the years."

Bank	**31 Dec 12**	31 Dec 11	1 Jan 11
Total impairment based on IFRS	**8,769**	12,993	32,564
Total impairment based on the Central Bank of Nigeria's Prudential Guidelines	**9,882**	12,430	31,463
(Write-back)/charge	**(1,113)**	563	1,101

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 and graded 6 in the Group's internal credit risk grading system.

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.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when Group credit determines that the loans/securities 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.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets.

Group	**Loans and advances to customers**		**Loans and advances to banks**	
In millions of Nigerian Naira	**Gross**	**Net**	**Gross**	**Net**
31 December 2012				
Moderately high risk	**1,122**	**574**	**–**	**–**
High risk	**1,842**	**1,245**	**–**	**–**
Very high risk	**10,475**	**6,173**	**–**	**–**
Total	**13,439**	**7,992**	**–**	**–**
31 December 2011				
Moderately high risk	2,293	438	–	–
High risk	3,045	589	–	–
Very high risk	11,598	2,778	–	–
Total	16,936	3,805	–	–

Group *In millions of Nigerian Naira*	**Loans and advances to customers** Gross	**Loans and advances to customers** Net	**Loans and advances to banks** Gross	**Loans and advances to banks** Net
1 January 2011				
Moderately high risk	4,954	403	–	–
High risk	6,566	605	–	–
Very high risk	25,007	10,032	–	–
Total	36,527	11,040	–	–

Bank *In millions of Nigerian Naira*	**Loans and advances to customers** Gross	**Loans and advances to customers** Net	**Loans and advances to banks** Gross	**Loans and advances to banks** Net
31 December 2012				
Moderately high risk	**334**	**162**	**–**	**–**
High risk	**108**	**52**	**–**	**–**
Very high risk	**2,258**	**1,092**	**–**	**–**
Total	**2,700**	**1,306**	**–**	**–**
31 December 2011				
Moderately high risk	–	–	–	–
High risk	565	–	–	–
Very high risk	2,002	–	–	–
Total	2,567	–	–	–
1 January 2011				
Moderately high risk	–	–	–	–
High risk	4,115	–	–	–
Very high risk	14,594	–	–	–
Total	18,709	–	–	–

Account receivables (other asset) and cash and bank balances are neither past due nor impaired.

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 restructuring, 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.

Risk management and credit recovery division methodology

Steps	Description
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 – risk Management and Credit Recovery Division methodology – 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

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 generally are not updated except when a loan is individually assessed as impaired. 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 usually is not held against investment securities.

As at reporting date – 31 December 2012, the Bank took possession of property amounting to N21 billion (2011 – Nil) held as collateral against certain loans. Management evaluates such property from time to time to determine the most appropriate use to which they can be put.

Liquidity risk sometimes arises from shallow markets or from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Prudent management of liquidity contributes positively to earnings, with sound liquidity risk management being pivotal to the viability of UBA and the maintenance of overall banking stability. Accordingly all Nigerian banks are required by regulation to provide daily updates to the Central Bank of Nigeria ("CBN") evidencing compliance with the liquidity and cash reserve ratios.

Liquidity risk management focuses on a number of key areas including:

- the continuous management of net anticipated cumulative cash flows;
- the active participation in local money and capital markets required to support day-to-day funding needed to refinance maturities, meet customer withdrawals and growth in advances;
- the maintenance of a portfolio of highly liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- the monitoring and managing of liquidity costs;
- running of a liquidity strategy in each of the jurisdictions where each of the foreign offices are opened; and
- the ongoing assessment and evaluation of various funding sources designated to grow and diversify the Group's funding base in order to achieve an optimal funding profile and sound liquidity risk management.

Liquidity risk policy framework

In order to effectively manage liquidity risk, UBA measures, monitors and manages on-and off-balance-sheet liquidity mismatch risk, taking cognisance of business-as-usual liquidity conditions, stress liquidity scenarios, guidelines and limit as set by the regulatory requirements and requirements in terms of best practice liquidity contingency planning.

Liquidity risk management process

The Group has sufficient liquidity to meet obligations as they fall due in all the jurisdictions in which we operate. Liquidity risk is minimised to ensure that financial liabilities are duly settled regardless of currency or market conditions. Liquidity risk sometimes arises from shallow markets or from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.

Due to the negative consequence on the Group's reputation in the event of failure to fulfil its financial obligations as and when due; maximum attention is given to analysing the liquidity profile. UBA Group stress testing simulates the impact of changes in customer behaviour, market prices, default by important borrowers, and in particular, a deterioration of ratings via scenario-based analyses. In view of this, it evaluates the possibilities of forecasting future liquidity situations and rectifying liquidity squeezes at an early stage, thereby ensuring optimised liquidity management.

In recognition of the prevailing market conditions, UBA comprehensively reviewed its Contingency Funding Planning process to incorporate more severe stress scenarios as well as systemic liquidity freezes and has implemented contingency plans for extreme liquidity stress events, should they occur. A separate capital committee plans for strategic longer-term funding requirement over a 3 – 5 year time-frame.

Liquidity risk management process

Our long-term liquidity needs are managed strategically in three broad categories:

- 6 – 12 months for continuity and business as usual;
- 1 – 3 years for growth and capital expenditure; and
- 3 – 10 years for strategic positioning.

Group Treasury receives information from other business divisions/directorate regarding the liquidity profile of their financial assets and liability as well as details of other forecasted cash flows arising from projected future business. Group Treasury then maintains a portfolio of short-term liquid assets, such as short-term investment securities, placements/inter-bank facilities to other financial institutions to ensure that sufficient liquidity within the Group. When a subsidiary is subject to a liquidity limit imposed by its local regulator, the subsidiary is responsible for managing its overall liquidity within the regulatory limit in coordination with the Central Treasury for Africa. Market Risk together with the Group Treasury monitors compliance of all operating subsidiaries and foreign branches with local regulatory limit on a daily basis. The daily liquidity position is monitored and periodic liquidity stress testing is conducted under a variety of scenarios covering both normal and harsh market conditions.

All liquidity policies and procedures are subject to review by Market Risk Policy Committee subject to the approval by GALCO. Daily reports are prepared to cover not only the liquidity position of the Group but also to highlight any exceptions and remedial action taken is submitted daily to Group Executive Management.

Funding sources for the Group includes deposits from customers, medium-term borrowings from other financial institutions, issued debt securities and subordinated liabilities as its primary sources of funding. Although over 80% of deposits are available on demand, the behavioural pattern of these funding sources over time reveals that there is a core component that we have profiled and can rely upon as stable funding in a business as usual scenario. Our debt securities and subordinated liabilities have maturities of over one year, with the Tier 2 capital issued under the bank's medium-term note program falling due in 2017 and 2018.

The short-term nature of fixed term deposits means that the Group faces a frequent repricing and maturity profile, though liquidity risk is actively managed through maintaining competitive pricing, drive to enhance the customer base and constant monitoring of market trends.

Exposure to liquidity risk

There are two measures used across the Group for managing liquidity risk namely by positively gapping the maturity profile of assets and liabilities and through the liquidity ratio mechanism which is a statutory requirement from most Central Banks in order to protect third party deposits.

I. The table 1 below shows the ratio of net liquid assets to current liabilities at the reporting date and during the period under review.

II Table 2 below highlights maturity analysis for current liabilities.

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 the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulators (The Cental Bank of Nigeria).

Details for the Group ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	2012	2011
At 31 December	**63.4%**	60.0%
Average for the period	**59.7%**	46.4%
Maximum for the period	**63.4%**	60.0%
Minimum for the period	**57.3%**	41.3%

Maturity analysis for financial liabilities

Over 80% of deposits are available on demand, and the disclosed liquidity gap is based on the contractual maturities of both the assets and the liabilities. However, the behavioural pattern of our funding sources over time reveals that there is a core component that we have profiled and can rely upon as stable funding in a business-as-usual scenario. Our Tier 2 capital issued under the Bank's medium-term note program falls due in 2017 and 2018 and has provided support for risk asset growth in Nigeria.

The Group has sufficient liquidity to meet obligations as they fall due in all the jurisdictions in which we operate, and maturing assets available to fund maturing liabilities comprise cash, balances with Central Banks and other banks, interbank placements, short dated treasury bills and other risk assets as they are paid down.

Derivative contracts may be entered into as a part of our sales activities, if so, equal and opposite contracts are executed to fully eliminate market risk. UBA may invest in structured investment products, with embedded derivative components from time to time to optimally utilise surplus cash. Only principal guaranteed investment products are considered for this purpose. There were no nominal value of positions held in these products at year end.

The tables below show the undiscounted cash flow on the Group's financial liabilities and on the basis of their 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. Whilst the table below have been prepared based on the contractual maturities, the maturity profile based on the behavioral pattern of the assets and liabilities observed over a very long period (five years) presents management with a reliable basis to manage the inherent liquidity risks.

31 December 2012 *In millions of Nigerian Naira*	**Gross nominal inflow/(outflow)**	**Less than 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**More than 1 year**
Group						
Assets used to manage liquidity	**2,247,793**	**987,061**	**231,771**	**103,820**	**200,071**	**725,070**
Non-derivative liabilities						
Deposits from banks	**60,004**	**57,966**	**262**	**361**	**1,415**	**–**
Deposits from customers	**1,764,055**	**1,483,479**	**134,539**	**37,660**	**41,043**	**67,334**
Other liabilities	**68,385**	**12,437**	**–**	**–**	**55,948**	**–**
Subordinated liabilities	**61,157**	**–**	**3,719**	**–**	**3,719**	**53,719**
Borrowings	**118,035**	**4,560**	**4,762**	**33,380**	**10,798**	**64,535**
	2,071,636	**1,558,442**	**143,282**	**71,401**	**112,923**	**185,588**
Derivative liabilities						
Cross currency swap	**124**	**62**	**–**	**–**	**62**	**–**
GAP	**176,034**	**(571,443)**	**88,489**	**32,419**	**87,086**	**539,482**
Bank						
Non-derivative assets						
Assets used to manage liquidity	**1,729,031**	**840,901**	**190,662**	**64,515**	**94,452**	**538,501**
Non-derivative liabilities						
Deposits from banks	**23,962**	**22,967**	**22**	**148**	**825**	**–**
Deposits from customers	**1,499,711**	**1,322,391**	**121,314**	**29,257**	**26,749**	**–**
Other liabilities	**44,246**	**12,438**	**–**	**–**	**31,808**	**–**
Subordinated liabilities	**62,912**	**–**	**3,719**	**–**	**3,719**	**55,474**
Borrowings	**118,035**	**4,560**	**4,762**	**33,380**	**10,798**	**64,535**
	1,748,866	**1,362,356**	**129,817**	**62,785**	**73,899**	**120,009**
Derivative liabilities						
Cross currency swap	**124**	**62**	**–**	**–**	**62**	**–**
GAP	**(19,959)**	**(521,517)**	**60,845**	**1,730**	**20,491**	**418,492**

Notes to the consolidated and separate financial statements

continued …

31 December 2011 *In millions of Nigerian Naira*	**Gross nominal inflow/(outflow)**	**Less than 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**More than 1 year**
Group						
Assets used to manage liquidity	1,925,645	724,420	203,900	111,852	162,452	723,021
Non-derivative liabilities						
Deposits from banks	20,402	19,548	127	153	574	–
Deposits from customers	1,484,102	1,134,878	244,736	65,324	39,164	–
Managed funds	56,098	43,931	9,306	2,861	–	–
Other liabilities	58,146	21,175	–	–	36,971	–
Subordinated liabilities	60,938	–	3,719	–	3,719	53,500
Borrowings	137,254	3,868	349	505	9,227	123,305
	1,816,940	1,223,400	258,237	68,843	89,655	176,805
Derivative liabilities						
Cross currency swap	817	409	–	–	408	–
GAPS	107,888	(499,389)	(54,337)	43,009	72,389	546,216
Bank						
Assets used to manage liquidity	1,590,576	593,095	134,888	132,321	110,520	619,752
Non-derivative liabilities						
Deposits from banks	23,842	23,408	45	87	302	–
Deposits from customers	1,249,896	1,094,743	98,551	31,039	25,563	–
Other liabilities	49,860	18,661	–	–	31,199	–
Subordinated liabilities	62,692	–	3,719	–	3,719	55,254
Borrowings	139,318	3,868	349	2,569	9,227	123,305
	1,525,608	1,140,680	102,664	33,695	70,010	178,559
Derivative liabilities						
Cross currency swap	817	409	–	–	408	–
GAPS	64,151	(547,994)	32,224	98,626	40,102	441,193

1 January 2011 *In millions of Nigerian Naira*	Gross nominal inflow/(outflow)	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year
Group						
Assets used to manage liquidity	1,612,481	659,968	137,143	140,254	120,991	554,124
Non-derivative liabilities						
Deposits from banks	7,984	7,475	146	115	248	–
Deposits from customers	1,311,815	985,630	225,144	47,870	28,368	24,803
Other liabilities	41,558	34,078	5,586	1,895	–	–
Managed funds	41,316	15,756	–	–	–	25,560
Subordinated liabilities	20,913	–	1,289	–	1,289	18,335
Borrowings	64,192	7,923	809	1,268	858	53,334
	1,487,778	1,050,862	232,974	51,148	30,763	122,032
Derivative liabilities						
Commodities	9,310	–	1,472	7,838	–	–
GAPS	115,393	(390,894)	(97,303)	81,268	90,228	432,092
Bank						
Assets used to manage liquidity	1,404,002	570,239	128,678	113,731	112,586	478,767
Non-derivative liabilities						
Deposits from banks	751	63	146	171	371	–
Deposits from customers	1,158,083	982,163	115,076	27,786	20,972	12,086
Other liabilities	38,669	15,040	–	–	–	23,629
Subordinated liabilities	22,725	–	1,289	–	1,289	20,147
Borrowings	64,192	7,923	809	1,268	858	53,334
	1,284,420	1,005,189	117,320	29,225	23,490	109,196
Derivative liabilities						
Commodities	9,310	–	1,472	7,838	–	–
GAPS	110,272	(434,950)	9,886	76,668	89,096	369,571

Contingent liabilities

The tables that follow highlight those financial commitments not presented on the consolidated statement of financial position but are treated as off-balance sheets items.

These transactions represent third party obligations that can crystallise in future and are generally not directly dependent on the customers' credit worthiness.

These transactions include performance bonds and guarantees, letters of credit, and banker's acceptances. As stated earlier, these instruments are contingent in nature and carry the same credit risk as loans and advances. The Group ensures that off-balance sheet exposures are subjected to detailed credit analysis.

Notes to the consolidated and separate financial statements

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31 December 2012 *In millions of Nigerian Naira*	**Gross nominal inflow/(outflow)**	**Less than 1 month**	**1 – 3 Months**	**3 – 6 Months**	**6 – 12 Months**	**More than 1 year**
Group						
Performance bonds and guarantees	**312,181**	**3,697**	**415**	**8,857**	**130,724**	**168,488**
Letters of credits	**97,329**	**3,235**	**35,342**	**56,476**	**2,264**	**12**
	409,510	**6,932**	**35,757**	**65,333**	**132,988**	**168,500**
31 December 2011						
Performance bonds and guarantees	241,729	4,237	381	3,679	80,579	152,853
Letters of credits	128,032	5,148	55,821	60,854	6,183	26
Bankers acceptances	12,184	906	11,278	–	–	–
	381,945	10,291	67,480	64,533	86,762	152,879
1 January 2011						
Performance bonds and guarantees	145,147	506	1,154	11,350	25,084	107,053
Letters of credits	77,560	2,572	42,321	16,954	11,308	4,405
Bankers acceptances	10,319	4,310	6,009	–	–	–
	233,026	7,388	49,484	28,304	36,392	111,458
Bank						
31 December 2012						
Performance bonds and guarantees	288,302	3,344	375	8,009	118,212	158,362
Letters of credits	86,648	2,835	31,352	50,403	2,047	11
	374,950	6,179	31,727	58,412	120,259	158,373
31 December 2011						
Performance bonds and guarantees	231,822	3,696	332	4,209	78,276	145,309
Letters of credits	92,595	4,870	43,314	38,796	5,592	23
Bankers acceptances	12,416	929	11,487	–	–	–
	336,833	9,495	55,133	43,005	83,868	145,332
1 January 2011						
Performance bonds and guarantees	128,111	447	1,019	10,018	22,140	94,487
Letters of credits	64,894	2,270	33,958	14,798	9,980	3,888
Bankers acceptances	11,665	3,893	7,772	–	–	–
	204,670	6,610	42,749	24,816	32,120	98,375

Market risk profile

The Group's risk profile changes as the Group expands across geographies, taking into consideration the worldwide market turbulence, additional foreign exchange risks alongside interest rate risks open up in different countries where UBA operates. Other areas within market risk exposures include UBA subsidiaries within Nigeria that take-on equity positions as well as UBA Treasury which has the responsibility for managing the Group's risk taking positions and harmonising the operations of various countries. The main objective of market risk management is not only to manage measure and control market risk exposures but 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.

Market risk governance

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 GRMC and 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 (Group Asset and Liability Committee) and the Finance & General Purpose Committee (F& GPC) while the day to day management rests with the Executive Director, Risks and Non-Bank Subsidiaries. The Group Market Risk 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. These risk management policies are usually validated/approved by BRMC, GALCO or the full Board in accordance with the approval guidelines.

Market risk measurement

Market risk management in UBA relies on quantitative measures of risks, all of which aim to capture the variation of given target variable generated by uncertainty in market conditions. Measures used are a mix of "Volume methods", which base risk exposures on absolute positions such as portfolio size, and newer methods of risk measurement which measures value. The "value measures" are used for standardising results across products and countries as well as measuring financial risks in day-to-day business.

Market risk limits

UBA takes propriety trading positions in foreign exchange, money market and bonds, primarily in the Nigerian financial market. Market risk limits are based on recommendations by GALCO and approved by the Board, as may be required. Transaction size and portfolio volume limits are in place for each trading portfolios from the first quarter of 2009. UBA Group uses VaR limits for total market risk and specific foreign exchange, interest rate, equity and other price risks. The overall structure of VaR limits is subject to review and approval by GALCO. VaR limits are allocated to trading portfolios, and is measured daily for the actively traded portfolios. These reports are consolidated for review by GALCO. We believe that market risk is most effectively managed through a combination of VaR, Gap Analysis and volume limits (open position limit) and not VaR limits only due to some of the limitation of VaR. These limitations include:

– A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations in which there are severe general market illiquidity.

- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent chance that losses could exceed the VaR.
- VaR is calculated at the end of the business day and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, particularly those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if market price volatility declines and *vice versa.*

Market risk measurement

VaR on trading portfolio is measured at 99% confidence limit over a 10-day holding period. No diversification deductions to stand-alone VaR numbers are made for prudence sake, given that we operate in inefficient markets.

Exposure to interest rate risk – non-trading portfolio

The principal risk to which non-trading portfolio are exposed is the risk of loss from flunctuations in the future cashflows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and having preapproved limits for repricing bands. There will always be a mismatch 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 repricing 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 such as the occurrence in July and August 2012 when the Cash Reserve Ratio was increased by the Monetary Policy Committee (MPC) at very short notice from 8% to 12%.

GALCO has oversight for compliance with these limits and execution of gapping strategy is carried out by Group Treasury in its day-to-day activities, depending on their outlook for which direction rates will move.

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.

Analysis of the Group's sensitivity to an increase or decrease in market interest rates, asssuming no asymmetrical movement in yield curves and a constant financial position is as follows:

GROUP DECEMBER 2012 REPRICING GAP	Total	< 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year
EAR @ 200 bps rate rise	**(3,276)**	(18,651)	4,687	56	451	10,181
EAR @ 200 bps rate decline	**3,276**	18,651	(4,687)	(56)	(451)	(10,181)
BANK DECEMBER 2012 REPRICING GAP						
EAR @ 200 bps rate rise	**(3,141)**	(15,996)	3,018	32	379	9,425
EAR @ 200 bps rate decline	**3,141**	15,996	(3,018)	(32)	(379)	(9,425)
GROUP DECEMBER 2011 REPRICING GAP						
EAR @ 200 bps rate rise	**(1,894)**	(12,400)	170	257	348	9,731
EAR @ 200 bps rate decline	**1,894**	12,400	(170)	(257)	(348)	(9,731)
BANK DECEMBER 2011 REPRICING GAP						
EAR @ 200 bps rate rise	**(2,909)**	(13,124)	854	850	280	8,230
EAR @ 200 bps rate decline	**2,909**	13,124	(854)	(850)	(280)	(8,230)
GROUP JANUARY 2011 REPRICING GAP						
EAR @ 200 bps rate rise	**(385)**	(8,361)	(1,334)	710	273	8,327
EAR @ 200 bps rate decline	**385**	8,361	1,334	(710)	(273)	(8,327)
BANK JANUARY 2011 REPRICING GAP						
EAR @ 200 bps rate rise	**(996)**	(9,329)	171	666	291	7,205
EAR @ 200 bps rate decline	**996**	9,329	(171)	(666)	(291)	(7,205)

Exposure to interest rate risk

See table below for a summary of the Group's interest rate gap position as at 31 December 2012, 30 December 2011 and 1 January 2011 respectively using 200bps as the assumed linear change in the yield curve.

Group				Repricing period			
31 December 2012 *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**
Cash and cash equivalents	**714,115**	**349,670**	**216,694**	**–**	**–**	**–**	**147,751**
Financial assets held-for-trading	**457**	**457**	**–**	**–**	**–**	**–**	**–**
Loans and advances to banks	**28,513**	**8,491**	**5,082**	**14,940**	**–**	**–**	**–**
Loans and advances to customers	**658,922**	**215,064**	**98,835**	**39,452**	**21,329**	**284,242**	**–**
Investment securities	**680,817**	**35,895**	**96,989**	**11,620**	**97,770**	**402,969**	**35,574**
Other assets	**15,021**	**–**	**–**	**–**	**–**	**–**	**15,021**
	2,097,845	**609,577**	**417,600**	**66,012**	**119,099**	**687,211**	**198,346**
Derivative liability	**124**	**–**	**–**	**–**	**–**	**–**	**124**
Deposits from banks	**57,780**	**57,780**	**–**	**–**	**–**	**–**	**–**
Deposits from customers	**1,720,008**	**1,480,060**	**128,359**	**27,930**	**16,325**	**67,334**	**–**
Other liabilities	**81,438**	**–**	**–**	**–**	**–**	**–**	**81,438**
Subordinated liabilities	**53,719**	**–**	**3,719**	**–**	**3,719**	**46,281**	**–**
Borrowings	**114,520**	**4,275**	**4,320**	**32,451**	**8,939**	**64,535**	**–**
	2,027,589	**1,542,115**	**136,398**	**60,381**	**28,983**	**178,150**	**81,562**
GAPS	**70,256**	**(932,538)**	**281,202**	**5,631**	**90,116**	**509,061**	**116,784**
31 December 2011							
Cash and cash equivalents	434,218	254,404	69,877	–	–	–	109,937
Financial assets held-for-trading	1,303	237	–	–	–	–	1,066
Loans and advances to banks	41,564	12,051	8,501	4,609	5,566	10,837	–
Loans and advances to customers	605,627	247,904	133,686	16,126	47,968	159,943	–
Investment securities	722,308	20,897	41,691	61,912	46,612	485,112	66,084
Other assets	10,608	–	–	–	–	–	10,608
	1,815,628	535,493	253,755	82,647	100,146	655,892	187,695
Derivative liability	817	–	–	–	–	–	817
Deposits from banks	19,510	19,510	–	–	–	–	–
Deposits from customers	1,445,822	1,132,226	239,850	54,843	18,903	–	–
Other liabilities	58,210	–	–	–	–	–	58,210
Subordinated liabilities	53,500	–	3,719	–	3,719	46,062	–
Borrowings	137,040	3,770	–	2,064	7,901	123,305	–
	1,714,899	1,155,506	243,569	56,907	30,523	169,367	59,027
GAPS	100,729	(620,013)	10,186	25,740	69,623	486,525	128,668
1 January 2011							
Cash and cash equivalents	385,397	317,131	31,050	–	–	–	37,216
Financial assets held-for-trading	2,594	1,267	–	–	–	–	1,327
Loans and advances to banks	11,226	4,123	2,467	4,636	–	–	–
Loans and advances to customers	590,797	253,381	92,695	65,837	37,970	140,914	–
Investment securities	493,079	2,587	11,750	35,034	29,115	369,307	45,286
Other assets	26,370	–	–	–	–	–	26,370
	1,509,463	578,489	137,962	105,507	67,085	510,221	110,199

Group	Repricing period						
31 December 2012	Carrying	< 1	1 – 3	3 – 6	6 – 12	More than	Non-interest
In millions of Nigerian Naira	amount	month	months	months	months	1 year	bearing
Derivative liability	9,310	–	–	–	–	–	9,310
Deposits from banks	7,456	7,456	–	–	–	–	–
Deposits from customers	1,270,409	981,094	216,034	37,701	10,777	24,803	–
Other liabilities	41,671	–	–	–	–	–	41,671
Subordinated liabilities	18,335	–	1,289	–	1,289	15,756	1
Borrowings	63,327	7,837	700	1,074	382	53,334	–
	1,410,508	996,387	218,023	38,775	12,448	93,893	50,982
GAPS	98,955	(417,898)	(80,061)	66,732	54,637	416,328	59,217
Bank							
31 December 2012							
Cash and cash equivalents	629,481	336,067	157,627	–	–	–	135,787
Financial assets held-for-trading	456	456	–	–	–	–	–
Loans and advances to banks	27,878	8,295	4,965	14,618	–	–	–
Loans and advances to customers	570,714	179,776	84,042	36,687	17,275	252,933	1
Investment securities	527,994	22,142	58,361	5,238	76,223	330,901	35,129
Other assets	9,296	–	–	–	–	–	9,296
	1,765,819	546,736	304,995	56,543	93,498	583,834	180,213
Derivative liability	124	–	–	–	–	–	124
Deposits from banks	22,875	22,875	–	–	–	–	–
Deposits from customers	1,461,131	1,319,365	115,875	20,852	5,039	–	–
Other liabilities	57,299	–	–	–	–	–	57,299
Subordinated liabilities	55,474	–	3,719	–	3,719	48,036	–
Borrowings	114,520	4,275	4,320	32,451	8,939	64,535	–
	1,711,423	1,346,515	123,914	53,303	17,697	112,571	57,423
GAPS	54,396	(799,779)	181,081	3,240	75,801	471,263	122,790
31 December 2011							
Cash and cash equivalents	352,500	227,674	30,883	–	–	–	93,943
Financial assets held-for-trading	237	237	–	–	–	–	–
Loans and advances to banks	41,564	12,451	8,901	5,009	5,966	9,237	–
Loans and advances to customers	552,526	208,101	75,392	52,620	28,993	187,420	–
Investment securities	560,028	14,994	34,155	51,085	40,887	385,954	32,953
Other assets	13,695	–	–	–	–	–	13,695
	1,520,550	463,457	149,331	108,714	75,846	582,611	140,591
Derivative liability	817	–	–	–	–	–	817
Deposits from banks	23,408	23,408	–	–	–	–	–
Deposits from customers	1,216,511	1,092,466	94,342	21,636	8,067	–	–
Other liabilities	49,924	–	–	–	–	–	49,924
Subordinated liabilities	55,254	–	3,719	–	3,719	47,816	–
Borrowings	137,040	3,770	–	2,064	7,901	123,305	–
	1,482,954	1,119,644	98,061	23,700	19,687	171,121	50,741
GAPS	37,596	(656,187)	51,270	85,014	56,159	411,490	89,850

Notes to the consolidated and separate financial statements

continued …

Group ***1 January 2011*** *In millions of Nigerian Naira*	**Carrying amount**	**Repricing period** **< 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**More than 1 year**	**Non-interest bearing**
Cash and cash equivalents	330,701	290,881	13,725	–	–	–	26,095
Financial assets held-for-trading	1,267	1,267	–	–	–	–	–
Loans and advances to banks	11,226	4,122	2,467	4,637	–	–	–
Loans and advances to customers	557,224	220,383	91,017	42,293	35,995	167,536	–
Investment securities	391,461	2,587	11,750	43,825	29,115	275,725	28,459
Other assets	24,001						24,001
	1,315,880	519,240	118,959	90,755	65,110	443,261	78,555
Derivative liability	9,310	–	–	–	–	–	9,310
Deposits from banks	51	51	–	–	–	–	–
Deposits from customers	1,120,566	977,801	106,728	18,625	5,326	12,086	–
Other liabilities	38,782	38,782					
Subordinated liabilities	20,147	–	1,289	–	1,289	17,568	1
Borrowings	63,327	7,837	700	1,074	382	53,334	–
	1,252,183	985,689	108,717	19,699	6,997	82,988	48,093
GAPS	63,697	(466,449)	10,242	71,056	58,113	360,273	30,462

Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit and loss.
- Fair value reserves arising from increases or decreases in fair values of available-for-sale financial instruments reported directly in equity.

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.

Liabilities typically reprice much faster than assets due to the nature of most markets where the Group operates therefore most regions are susceptible to falling interest rates.

Exchange rate exposure limits

Exchange rate limits are volume based. UBA operates within the exchange controls defined by the CBN.

Equity risk

The Group did not undertake significant equity trading activity in 2012, though our legacy equity portfolio and the embedded price risk is still subject to regular monitoring by the Group Market Risk.

The legacy portfolio value as at 31 December 2012 had reduced to N131million, (down from N1.381million in 2011) which is not a significant risk to the Group, though it contains investments that are still quoted on the Nigerian Stock Exchange (NSE) and therefore exposed to price risk. In 2013 the investment bank and other areas of the business that undertake proprietary equity trading would have been spun off into a separate legal entity.

The NSE was the third most rewarding stock market globally in 2012 behind only Egypt and Kenya, as investors harvested 35.45% return on investment during the year. However, for the purpose of sensitivity analysis we have made a conservative assumption that the stocks could appreciate a further 5% or lose 10% in value. The Group has significant investments in AFC which is a non-quoted investment with a fair value of N32.251billion as at 31 December 2012. Full details are disclosed in Note 5 (c).

Level 1 Equity Sensitivities	Group 2012	Bank 2012	Group 2011	Bank 2011	Group 2010	Bank 2010
Impact on profit or loss:						
Favourable change @ 5% increase in indicative value	**–**	**–**	53	–	66	–
Unfavourable change @ 10% reduction in indicative value	**–**	**–**	(107)	–	(133)	–
Impact on Other comprehensive income:						
Favourable change @ 5% increase in indicative value	**7**	**7**	69	69	168	168
Unfavourable change @ 10% reduction in indicative value	**(13)**	**(13)**	(138)	(138)	(337)	(337)
Level 1 Equity Positions						
In million of Nigerian Naira						
Financial assets held-for-trading:	**–**	**–**	1,066	–	1,327	–
Available-for-sale investment securities:	**131**	**131**	1,381	1,381	3,369	3,369
Total	**131**	**131**	2,447	1,381	4,696	3,369
Level 2 Equity Sensitivities						
Impact on other comprehensive income:						
Favourable change @ 5% increase in indicative value	**81**	**81**	76	76	123	123
Unfavourable change @ 10% reduction in indicative value	**(162)**	**(162)**	(152)	(152)	(246)	(246)
Level 2 Equity Positions						
In million of Nigerian Naira						
Financial assets held-for-trading:	**–**	**–**	–	–	–	–
Available-for-sale investment securities:	**1,623**	**1,623**	1,516	1,516	2,461	2,461
Total	**1,623**	**1,623**	1,516	1,516	2,461	2,461

FCY Sensitivity Analysis on Foreign Exchange Rate

The Naira has fluctuated within a range of 5% over the past three years, depreciating in 2011 but closing 2012 with about 2% appreciation during the year. The Naira has been supported by strong earnings from crude oil sales and robust foreign direct investments, leading to a sustained increase in the level of foreign exchange reserves which currently stand close to $50 billion. UBA remains a top player in the foreign exchange market and accounts for 15% – 20% of total interbank volumes (excluding the CBN). UBA is also very active in third currency trading, with "enforcement of stop loss limits on position taking" acting as a primary risk mitigant.

The tables below shows the sensitivity of the net foreign currency (FCY) exposure to changes in the value of the Naira. Based on the past years behaviour, it is expected that the Naira will appreciate by a smaller quantum than it would depreciate.

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Group

In millions of Nigerian Naira	US Dollar	Euro	Pound	Others	Total
31 December 2012					
Cash and cash equivalents	**435,439**	**13,009**	**4,707**	**77,081**	**530,237**
Non-pledged trading assets	–	–	–	–	–
Loans and advances to banks	**21,545**	**18**	–	**6,950**	**28,513**
Loans and advances to customers	**156,855**	**4,563**	**97**	**94,122**	**255,638**
Investment securities	**39,812**	–	–	**154,595**	**194,407**
Total financial assets	**653,652**	**17,590**	**4,804**	**332,749**	**1,008,795**
Derivative liability	**124**	–	–	–	**124**
Deposits from banks	**10,653**	**2,131**	–	**39,976**	**52,760**
Deposits from customers	**556,219**	**9,759**	**3,471**	**242,093**	**811,542**
Subordinated liabilities	–	–	–	–	–
Other borrowed funds	**62,100**	–	–	–	**62,100**
Total financial liabilities	**629,096**	**11,890**	**3,471**	**282,069**	**926,526**
Net FCY Exposure	**24,556**	**5,700**	**1,333**	**50,680**	**82,269**
Sensitivity at 200 bps Naira appreciation	**(491)**	**(114)**	**(27)**	**(1,014)**	**(1,645)**
Sensitivity at 400 bps Naira depreciation	**982**	**228**	**53**	**2,027**	**3,291**
31 December 2011					
Cash and cash equivalents	167,084	30,114	6,830	60,592	264,620
Non-pledged trading assets	–	–	–	–	–
Loans and advances to banks	41,564	–	–	–	41,564
Loans and advances to customers	151,563	885	63	33,643	186,154
Investment securities	48,505	–	–	65,041	113,546
Total financial assets	408,716	30,999	6,893	159,276	605,884
Derivative liability	817	–	–	–	817
Deposits from banks	16,604	–	–	–	16,604
Deposits from customers	282,980	6,779	2,854	213,548	506,161
Managed funds	–	–	–	–	–
Subordinated liabilities	–	–	–	–	–
Other borrowed funds	56,276	–	–	–	56,276
Total financial liabilities	356,677	6,779	2,854	213,548	579,858
Net FCY Exposure	52,039	24,220	4,039	(54,272)	26,026
Sensitivity at 200 bps Naira appreciation	(1,041)	(484)	(81)	1,085	(521)
Sensitivity at 400 bps Naira depreciation	2,082	969	162	2,171	1,041

Group

In millions of Nigerian Naira	US Dollar	Euro	Pound	Others	Total
1 January 2011					
Cash and cash equivalents	4,244	1,956	902	24,138	31,240
Non-pledged trading assets	–	–	–	44,752	44,752
Loans and advances to banks	100,069	23,795	4,039	4,236	132,139
Loans and advances to customers	146,780	291	93	56,643	203,807
Investment securities	26,612	–	–	45,576	72,188
Total financial assets	277,705	26,042	5,034	175,345	484,126
Derivative liability	9,310	–	–	–	9,310
Deposits from banks	–	–	–	5,173	5,173
Deposits from customers	342,967	4,987	2,184	154,613	504,751
Subordinated liabilities	22,301	–	–	–	22,301
Other borrowed funds	22,574	–	–	–	22,574
Total financial liabilities	397,152	4,987	2,184	159,786	564,109
Net FCY Exposure	(119,447)	21,055	2,850	15,559	(79,983)
Sensitivity at 200 bps Naira appreciation	2,389	(421)	(57)	(311)	1,600
Sensitivity at 400 bps Naira depreciation	(4,778)	842	114	622	3,199
Bank					
31 December 2012					
Cash and cash equivalents	**414,852**	**6,181**	**4,489**	**2,875**	**428,397**
Non-pledged trading assets	**–**	**–**	**–**	**–**	**–**
Loans and advances to banks	**27,860**	**18**	**–**	**–**	**27,878**
Loans and advances to customers	**126,385**	**4,462**	**97**	**–**	**130,944**
Investment securities	**36,336**	**–**	**–**	**4,832**	**41,168**
Total financial assets	**605,434**	**10,661**	**4,586**	**7,707**	**628,387**
Derivative liability	**124**	**–**	**–**	**–**	**124**
Deposits from banks	**–**	**–**	**–**	**–**	**–**
Deposits from customers	**525,334**	**5,180**	**3,310**	**–**	**533,824**
Subordinated liabilities	**–**	**–**	**–**	**–**	**–**
Other borrowed funds	**63,969**	**–**	**–**	**–**	**63,969**
Total financial liabilities	**589,427**	**5,180**	**3,310**	**–**	**597,916**
Net FCY Exposure	**16,006**	**5,481**	**1,277**	**7,707**	**30,471**
Sensitivity at 200bps Naira appreciation	**(320)**	**(110)**	**(26)**	**(154)**	**(609)**
Sensitivity at 400bps Naira depreciation	**640**	**219**	**51**	**308**	**1,219**

Bank *In millions of Nigerian Naira*	**US Dollar**	**Euro**	**Pound**	**Others**	**Total**
31 December 2011					
Cash and cash equivalents	163,836	25,378	6,472	33,496	229,182
Non-pledged trading assets	–	–	–	–	–
Loans and advances to banks	41,564	–	–	–	41,564
Loans and advances to customers	122,409	880	62	–	123,351
Investment securities	48,504	–	–	5,835	54,339
Total financial assets	376,313	26,258	6,534	39,331	448,436
Derivative liability	817	–	–	–	817
Deposits from banks	21,158	–	–	–	21,158
Deposits from customers	245,894	5,414	2,721	770	254,799
Subordinated liabilities	–	–	–	–	–
Other borrowed funds	56,276	–	–	–	56,276
Total financial liabilities	324,145	5,414	2,721	770	333,050
Net FCY Exposure	52,168	20,844	3,813	38,561	115,386
Sensitivity at 200 bps Naira appreciation	(1,043)	(417)	(76)	(771)	(2,308)
Sensitivity at 400 bps Naira depreciation	2,087	834	153	1,542	4,615
1 January 2011					
Cash and cash equivalents	4,244	1,956	902	24,138	31,240
Non-pledged trading assets	–	–	–	44,752	44,752
Loans and advances to banks	100,069	23,795	4,039	4,236	132,139
Loans and advances to customers	146,780	291	93	56,643	203,807
Investment securities	26,612	–	–	45,576	72,188
Total financial assets	277,705	26,042	5,034	175,345	484,126
Derivative liability	9,310	–	–	–	9,310
Deposits from banks	–	–	–	5,173	5,173
Deposits from customers	342,967	4,987	2,184	154,613	504,751
Subordinated liabilities	22,301	–	–	–	22,301
Other borrowed funds	22,573	–	–	–	22,573
Total financial liabilities	397,151	4,987	2,184	159,786	564,108
Net FCY Exposure	(119,446)	21,055	2,850	15,559	(79,982)
Sensitivity at 200 bps Naira appreciation	2,389	(421)	(57)	(311)	1,600
Sensitivity at 400 bps Naira depreciation	(4,778)	842	114	622	3,199

Fixed income re-pricing gap

Price sensitivity analysis of fixed income securities

The sensitivity analysis of our fixed income securities highlights the likely impact of yield volatility on the portion of the Bonds and Bills portfolio that is exposed to price risk in 2013.

The price sensitivity analysis reflects the actual risks which the Bank faced in 2012 when yields in Nigeria were between 14 – 16.8% in January, yet closed the year in the range of 12 – 12.5% depending on the tenor involved. In some of the other markets where the Group operates, the differential in rates was even greater. For example Ghana fixed income securities returned 14.5% in January 2012 and 23% by December, thus guiding our decision to conduct the sensitivity analysis using a delta of 400 bps in a business as usual scenario.

GROUP DECEMBER 2012 REPRICING PROFILE	Total	< 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year
1 Year Sensitivity @ 400 bps rate rise	**(5,897)**	(1,454)	(3,233)	(232)	(978)	–
1 Year Sensitivity @ 400 bps rate decline	**5,897**	1,454	3,233	232	978	–
GROUP DECEMBER 2011 REPRICING PROFILE						
1 Year Sensitivity @ 400 bps rate rise	**(3,939)**	(845)	(1,390)	(1,238)	(466)	–
1 Year Sensitivity @ 400 bps rate decline	**3,939**	845	1,390	1,238	466	–
GROUP JANUARY 2011 REPRICING PROFILE						
1 Year Sensitivity @ 400 bps rate rise	**(1,624)**	(154)	(392)	(787)	(291)	–
1 Year Sensitivity @ 400 bps rate decline	**1,624**	154	392	787	291	–
BANK DECEMBER 2012 REPRICING PROFILE						
1 Year Sensitivity @ 400 bps rate rise	**(3,716)**	(904)	(1,945)	(105)	(762)	–
1 Year Sensitivity @ 400 bps rate decline	**3,716**	904	1,945	105	762	–
BANK DECEMBER 2011 REPRICING PROFILE						
1 Year Sensitivity @ 400 bps rate rise	**(3,177)**	(609)	(1,139)	(1,022)	(408)	–
1 Year Sensitivity @ 400 bps rate decline	**3,177**	609	1,139	1,022	408	–
BANK JANUARY 2011 REPRICING PROFILE						
1 Year Sensitivity @ 400 bps rate rise	**(1,624)**	(154)	(392)	(787)	(291)	–
1 Year Sensitivity @ 400 bps rate decline	**1,624**	154	392	787	291	–

Notes to the consolidated and separate financial statements

continued …

REPRICING PERIOD ANALYSIS

					Repricing period			
GROUP *In millions of Nigerian Naira*	**Gross amount**	**< 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**More than 1 year**	**Non-sensitive**
31 December 2012							
Financial assets held-for-trading	**457**	**457**	**–**	**–**	**–**	**–**	**–**
Investment securities	**680,817**	**35,895**	**96,989**	**11,620**	**97,770**	**402,969**	**35,574**
	681,274	**36,352**	**96,989**	**11,620**	**97,770**	**402,969**	**35,574**
31 December 2011							
Financial assets held-for-trading	1,303	237	–	–	–	–	1,066
Investment securities	722,308	20,897	41,691	61,912	46,612	485,112	66,084
	723,611	21,134	41,691	61,912	46,612	485,112	67,150
1 January 2011							
Financial assets held-for-trading	2,594	1,267	–	–	–	–	1,327
Investment securities	493,079	2,587	11,750	39,350	29,115	369,307	40,970
	495,673	3,854	11,750	39,350	29,115	369,307	42,297
BANK							
31 December 2012							
Financial assets held-for-trading	**456**	**456**	**–**	**–**	**–**	**–**	
Investment securities	**527,994**	**22,142**	**58,361**	**5,238**	**76,223**	**330,901**	**35,129**
	528,450	**22,598**	**58,361**	**5,238**	**76,223**	**330,901**	**35,129**
31 December 2011							
Financial assets held-for-trading	237	237	–	–	–	–	–
Investment securities	560,028	14,994	34,155	51,085	40,767	385,954	33,073
	560,265	15,231	34,155	51,085	40,767	385,954	33,073
1 January 2011							
Financial assets held-for-trading	1,267	1,267	–	–	–	–	
Investment securities	391,461	2,587	11,750	39,350	29,115	275,725	32,934
	392,728	3,854	11,750	39,350	29,115	275,725	32,934

The Group also uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market liquidity, on individual trading portfolios and the Group's overall position.

Capital management

Regulatory capital

The Group's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Bank. The Bank 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 analysed into two tiers:

Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and minority 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, which includes qualifying subordinated liabilities, collective impairment allowances 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. The qualifying tier 2 capital cannot exceed tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

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.

The Group's policy is to maintain a strong capital base so as to maintain 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.

The 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 authorisation with a minimum regulatory capital of N50 billion and a minimum capital adequacy ratio of 15%.

Capital management

		Group		Bank	
In millions of Nigeria naira	Notes	**31 December 2012**	31 December 2011	**31 December 2012**	31 December 2011
Tier 1 capital					
Ordinary share capital	37	**16,491**	16,168	**16,491**	16,168
Share premium	37	**107,932**	108,255	**107,932**	108,255
Retained earnings	37	**49,572**	16,034	**47,723**	21,474
Translation reserve		**(1,514)**	1,607	**–**	–
Other reserves	37	**16,625**	5,281	**48,171**	36,418
Non-controlling interests		**3,361**	3,595	**–**	–
Shareholders' fund		**192,467**	150,940	**220,317**	182,315
Less:					
Fair value reserve for available-for-sale securities	37	**(15,223)**	(11,460)	**(15,834)**	(12,300)
Non-controlling interests	37	**(3,361)**	(3,595)	**–**	–
Investment in subsidiaries and equity-accounted investee	26, 27	**–**	(10,356)	**(66,727)**	(67,538)
Total		**173,883**	125,529	**137,756**	102,477
Tier 2 capital					
Fair value reserve for available-for-sale securities	37	**15,223**	11,460	**15,834**	12,300
Debenture stock	35	**53,719**	53,500	**55,474**	55,254
Collective allowances for impairment	22	**10,358**	11,322	**7,189**	9,883
Non-controlling interests		**3,361**	3,595	**–**	–
Total		**82,661**	79,877	**78,497**	77,437
Total regulatory capital		**256,544**	205,406	**216,253**	179,914
Risk-weighted assets		**1,091,824**	945,279	**907,514**	828,321
Capital ratios					
Total regulatory capital expressed as a percentage of total risk-weighted assets		**23.5%**	21.7%	**23.8%**	21.7%
Total tier 1 capital expressed as a percentage of risk-weighted assets		**15.9%**	13.3%	**15.2%**	12.4%

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.

5. USE OF ESTIMATES AND JUDGEMENTS

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

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

(i) Key sources of estimation uncertainty

Allowances for credit losses
Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(j).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty'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 modelled 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.

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

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

Valuation of financial instruments
The Group's accounting policy on valuation of financial instruments is discussed under note 3(i).

In measuring credit risk of loans and advances to various counterparties, 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.

Increase/decrease	Probability of Default – PD Impact (N'000)	Loss Given Default – LGD Impact (N'000)
1% increase	73,742	73,745
1% decrease	(73,742)	(73,745)

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurments:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, 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 where all significant inputs are directly or indirectly observable from market data.

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

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:

(a) Group:

December 2012

In millions of Nigerian Naira	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading:	21				
Government bonds		**284**	**–**	**–**	**284**
Treasury bills		**173**	**–**	**–**	**173**
Equities		**–**	**–**	**–**	**–**
		457	**–**	**–**	**457**
Available-for-sale investment securities:	24				
Treasury bills		**93,091**	**–**	**–**	**93,091**
Bonds		**–**	**–**	**–**	**–**
Equity investments at fair value		**131**	**1,623**	**32,251**	**34,005**
		93,222	**1,623**	**32,251**	**127,096**
Derivative liability	31	**–**	**124**	**–**	**124**
		93,679	**1,747**	**32,251**	**127,677**

Bank:

December 2012

In millions of Nigerian Naira	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading:	21				
Government bonds		**284**	**–**	**–**	**284**
Treasury bills		**172**	**–**	**–**	**172**
Equities		**–**	**–**	**–**	**–**
		456	**–**	**–**	**456**
Available-for-sale investment securities:	24				
Treasury bills		**91,517**	**–**	**–**	**91,517**
Bonds		**–**	**–**	**–**	**–**
Equity investments at fair value		**131**	**1,623**	**32,251**	**34,005**
		91,648	**1,623**	**32,251**	**125,522**
Derivative liability	31	**–**	**124**	**–**	**124**
		92,104	**1,747**	**32,251**	**126,102**

(b) Group:

(i) December 2011

In millions of Nigerian Naira	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading:	21				
Government bonds		237	–	–	237
Equities		1,066	–	–	1,066
		1,303	–	–	1,303
Available-for-sale investment securities:	24				
Treasury bills		30,660	–	–	30,660
Bonds		–	–	–	–
Equity investments at fair value		8,732	1,516	29,718	39,966
		39,392	1,516	29,718	70,626
Derivative liability	31	–	817	–	817
		40,695	2,333	29,718	72,746

(ii) Bank:

December 2011

In millions of Nigerian Naira	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading:	21				
Government bonds		237	–	–	237
		237	–	–	237
Available-for-sale investment securities:	24				
Treasury bills		30,475	–	–	30,475
Equity investments at fair value		641	1,516	29,718	31,875
		31,116	1,516	29,718	62,350
Derivative liability	31	–	817	–	817
		31,353	2,333	29,718	63,404

(iii) Group:

January 2011

In millions of Nigerian Naira	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading:	25				
Government bonds		1,267	–	–	1,267
Equities		1,327	–	–	1,327
		2,594	–	–	2,594
Available-for-sale investment securities:	25				
Treasury bills		78,858	–	–	78,858
Equity investments at fair value		3,369	2,461	23,947	29,777
		82,227	2,461	23,947	108,635
Derivative liability	33	–	9,310	–	9,310
		84,821	11,771	23,947	120,539

(iv) Bank:

January 2011

In millions of Nigerian Naira	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading:	25				
Government bonds		1,267	–	–	1,267
Equities		–	–	–	–
		1,267	–	–	1,267
Available-for-sale investment securities:	25				
Treasury bills		78,858	–	–	78,858
Equity investments at fair value		3,369	2,461	23,947	29,777
		82,227	2,461	23,947	108,635
Derivative liability	33	–	9,310	–	9,310
		83,494	11,771	23,947	119,212

(c) Included in AFS equity investment at fair value is an investment in Africa Finance Corporation (AFC). The Group holds 116.72 million shares of AFC, whose fair value management has estimated using discounted cash flow valuation model. The cost of equity was determined by relevering the unlevered beta of similar companies using the forecasted debt to equity ratios of AFC. The cost of equity is assessed to be a significant input in the model. An analysis of the impact of changes in cost of equity to the fair value of AFC investment is as follows:

	% change in AFC value		
Change in cost of equity	**2012**	2011	2010
5% increase	**4.3% decrease**	6.2% decrease	6.2% decrease
5% decrease	**4.7% increase**	6.2% increase	6.2% increase

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Balance, beginning of period	**29,718**	23,947	**29,718**	23,947
Gain/(loss) recognised in other comprehensive income	**2,533**	5,771	**2,533**	5,771
Balance, end of period	**32,251**	29,718	**32,251**	29,718

(d) Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

Details of the Group's classification of financial assets and liabilities are given in note 7.

(e) Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

(f) Determination of impairment of property and equipment, and intangible assets, excluding goodwill

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash-generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

6. OPERATING SEGMENTS

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

Geographical segments

The Group operates in the following geographical regions:

- Nigeria
- Rest of Africa
- Rest of the world

Business segments

The Group operates the following main business segments:

Corporate Banking

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

Retail/Commercial banking

This business segment has presence in all major cities in Nigeria and in 18 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 Group 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.

(a) Geographical segments

(i) 31 December 2012

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Elimination	Total
External revenues	177,629	41,480	3,016	(1,996)	**220,129**
Total revenue	**177,629**	**41,480**	**3,016**	**(1,996)**	**220,129**
Profit before tax	**47,323**	**5,429**	**1,254**	**(1,996)**	**52,010**
Interest income	124,960	22,726	2,317	–	**150,003**
Interest expenses	(51,171)	(7,078)	(137)	–	**(58,386)**
Share of profit/(loss) in equity accounted investee	–	–	(54)	–	**(54)**
Impairment loss recognised in profit or loss	(2,652)	(1,907)	(1)	–	**(4,560)**
Income tax expenses	1,195	(1,728)	–	–	**(533)**
Profit/(loss) for the year from continuing operations	**48,518**	**3,701**	**1,254**	**(1,996)**	**51,477**
Profit for the year from discontinued operations	3,289	–	–	–	**3,289**
Profit/(loss) for the year	**51,807**	**3,701**	**1,254**	**(1,996)**	**54,766**
Total segment assets [1]	1,927,101	386,147	51,977	(92,302)	**2,272,923**
Total segment liabilities	1,725,643	340,410	42,944	(28,541)	**2,080,456**
[1] Includes:					
Investments in associate and joint venture accounted for by using the equity method	1,395	–	9,188	–	**10,583**
Expenditure for reportable segment:					
Non-current assets	5,087	3,892	–	–	**8,979**
Depreciation	7,832	1,919	24	–	**9,775**
Amortisation	1,037	76	–	–	**1,113**

(ii) 31 December 2011

	Nigeria	Rest of Africa	Rest of the World	Elimination	Total
External revenues	126,225	36,216	2,695	(1,404)	**163,732**
Total revenue	**126,225**	**36,216**	**2,695**	**(1,404)**	**163,732**
Profit before tax	**(30,533)**	**2,871**	**1,037**	**25**	**(26,600)**
Interest income	95,901	17,087	1,979	(1,377)	**113,590**
Interest expenses	(41,389)	(5,265)	(146)	1,377	**(45,423)**
Share of profit/(loss) in equity accounted investee	–	–	32	–	**32**
Impairment loss recognised in profit or loss	(34,855)	(4,628)	(14)	–	**(39,497)**
Income tax expenses	18,880	(40)	(905)	–	**17,935**
Profit/(loss) for the year from continuing operations	**(11,653)**	**2,831**	**132**	**25**	**(8,665)**
Profit for the year from discontinued operations	**1,864**	**–**	**–**	**–**	**1,864**
Profit/(loss) for the year	**(9,789)**	**2,831**	**132**	**25**	**(6,801)**
Total segment assets [1]	1,668,161	344,582	40,344	(132,652)	**1,920,435**
Total segment liabilities	1,504,446	304,013	39,258	(78,222)	**1,769,495**
[1] Includes:					
Investments in associate and joint venture accounted for by using the equity method	900	–	9,943	–	**10,843**
Expenditure for reportable segment:					
Non-current assets	3,109	2,949	–	–	**6,058**
Depreciation	7,331	1,969	48	–	**9,348**
Amortisation	1,089	31	32	–	**1,152**

(b) Business reporting

(i) 31 December 2012

In millions of Nigerian Naira	Corporate	Retail & commercial	Treasury and financial markets	Continuing operations
Revenue				
Derived from external customers	115,524	83,853	20,752	220,129
Derived from other business segments	(46,600)	42,441	4,159	–
Total revenue	**68,924**	**126,294**	**24,911**	**220,129**
Interest expenses	(23,923)	(31,388)	(3,075)	(58,386)
Fee and commission expense	(189)	(2,285)	(53)	(2,527)
	(24,112)	**(33,673)**	**(3,128)**	**(60,913)**
Net impairment loss on financial assets	(2,536)	(1,859)	(165)	(4,560)
Net operating income	**42,276**	**90,762**	**21,618**	**154,656**
Operating expenses	(16,308)	(67,833)	(7,564)	(91,704)
Depreciation and amortisation	(180)	(10,692)	(15)	(10,888)
	(16,488)	**(78,525)**	**(7,579)**	**(102,592)**
Share of profit of equity accounted investee	–	–	(54)	(54)
Profit before income tax	**25,788**	**12,237**	**13,985**	**52,010**
Taxation	(264)	(125)	(143)	(533)
Profit/(loss) for the year from continuing operations	**25,524**	**12,111**	**13,841**	**51,477**
Profit for the year from discontinued operations	**–**	**–**	**3,289**	**3,289**
Profit/(loss) for the year	**25,524**	**12,111**	**17,130**	**54,765**
Loans and advances	521,035	128,635	37,765	687,435
Deposits from customers and banks	638,333	1,036,994	102,461	1,777,788
Total segment assets [1]	910,851	974,345	324,164	2,209,360
Total segment liabilities	832,279	900,442	296,201	2,028,922
[1] Includes:				
Investments in associate and joint venture accounted for by using the equity method	–	–	10,583	10,583
Expenditure for reportable segment:				
Non-current assets	–	–	8,979	8,979

(ii) 31 December 2011

In millions of Nigerian Naira	Corporate	Retail & commercial	Treasury and financial markets	Total
Revenue				
Derived from external customers	91,064	56,310	16,358	163,732
Derived from other business segments	(46,601)	42,441	4,159	–
Total revenue	**44,463**	**98,752**	**20,517**	**163,732**
Interest expenses	(18,592)	(24,442)	(2,389)	(45,423)
Fee and commission expense	(723)	(456)	(26)	(1,205)
Net impairment loss on financial assets	(24,175)	(13,098)	(359)	(37,632)
Net operating income	**973**	**60,756**	**17,743**	**79,472**
Operating expenses	(17,965)	(65,909)	(11,730)	(95,604)
Depreciation and amortisation	(224)	(10,257)	(19)	(10,500)
	(18,188)	**(76,167)**	**(11,749)**	**(106,104)**
Share of profit of equity accounted investee	–	–	32	32
Profit before income tax	**(17,215)**	**(15,411)**	**6,026**	**(26,600)**
Taxation	7,174	12,555	(1,794)	17,935
Profit/(loss) for the year from continuing operations	(10,041)	(2,856)	4,232	(8,665)
Profit for the year from discontinued operations	–	–	1,864	1,864
Profit/(loss) for the year	**(10,041)**	**(2,856)**	**6,096**	**(6,801)**
Loans and advances	457,542	148,085	41,564	647,191
Deposits from customers and banks	525,737	855,447	84,148	1,465,332
Total segment assets [1]	765,906	881,950	272,579	1,920,435
Total segment liabilities	704,920	813,700	250,875	1,769,495
[1] Includes:				
Investments in associate and joint venture accounted for by using the equity method	–	–	10,843	10,843
Expenditure for reportable segment:				
Non-current assets	–	–	6,058	6,058

7. Financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

Group *In millions of Nigerian Naira*	**Held-for-trading**	**Derivatives at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities amortised cost**	**Total carrying amount**	**Fair value**
(a) ***31 December 2012***								
Cash and cash equivalents	–	–	–	714,115	–	–	**714,115**	714,115
Financial assets held-for-trading	457	–	–	–	–	–	**457**	457
Loans and advances to banks	–	–	–	28,513	–	–	**28,513**	21,350
Loans and advances to customers	–	–	–	658,922	–	–	**658,922**	704,497
Investment securities	–	–	552,152	–	128,665	–	**680,817**	651,547
Other assets	–	–	–	15,021	–	–	**18,598**	15,021
Derivative liabilities	–	124	–	–	–	–	**124**	124
Deposits from banks	–	–	–	–	–	57,780	**57,780**	57,780
Deposits from customers	–	–	–	–	–	1,720,008	**1,720,008**	1,720,008
Other liabilities	–	–	–	–	–	68,385	**81,438**	68,385
Subordinated liabilities	–	–	–	–	–	53,719	**53,719**	53,719
Borrowings	–	–	–	–	–	114,520	**114,520**	114,520
(b) ***31 December 2011***								
Cash and cash equivalents	–	–	–	434,218	–	–	434,218	434,218
Financial assets held-for-trading	1,303	–	–	–	–	–	1,303	1,303
Loans and advances to banks	–	–	–	41,564	–	–	41,564	41,564
Loans and advances to customers	–	–	–	605,627	–	–	605,627	654,699
Investment securities	–	–	625,564	–	96,744	–	722,308	604,300
Other assets	–	–	–	10,608	–	16,513	16,513	
Derivative liabilities	–	817	–	–	–	–	817	817
Deposits from banks	–	–	–	–	–	19,510	19,510	19,510
Deposits from customers	–	–	–	–	–	1,445,822	1,445,822	1,445,822
Managed funds	–	–	–	–	–	51,943	51,943	51,943
Other liabilities	–	–	–	–	–	58,146	58,210	58,146
Subordinated liabilities	–	–	–	–	–	53,500	53,500	53,500
Borrowings	–	–	–	–	–	137,040	137,040	137,040

Group *In millions of Nigerian Naira*	Held-for-trading	Derivatives at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities amortised cost	Total carrying amount	Fair value
(b) ***1 January 2010***								
Cash and cash equivalents	–	–	–	385,397	–	–	385,397	385,397
Financial assets held-for-trading	2,594	–	–	–	–	–	2,594	2,594
Loans and advances to banks	–	–	–	11,226	–	–	11,226	11,226
Loans and advances to customers	–	–	–	590,797	–	–	590,797	676,365
Investment securities	–	–	368,935	–	124,144	–	493,079	473,640
Other assets	–	–	–	26,370	–	–	30,290	30,290
Derivative liabilities	–	9,310	–	–	–	–	9,310	9,310
Deposits from banks	–	–	–	–	–	7,456	7,456	7,456
Deposits from customers	–	–	–	–	–	1,270,409	1,270,409	1,270,409
Managed funds	–	–	–	–	–	32,753	32,753	32,753
Other liabilities	–	–	–	–	–	41,558	41,671	41,558
Subordinated liabilities	–	–	–	–	–	18,335	18,335	18,335
Borrowings	–	–	–	–	–	63,327	63,327	63,327

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

Bank *In millions of Nigerian Naira*	**Held-for-trading**	**Derivative at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other amortised cost**	**Total carrying amount**	**Fair value**
31 December 2012								
Cash and cash equivalents	–	–	–	629,481	–	–	**629,481**	629,481
Financial assets held-for-trading	456	–	–	–	–	–	**456**	456
Loans and advances to banks	–	–	–	27,878	–	–	**27,878**	27,878
Loans and advances to customers	–	–	–	570,714	–	–	**570,714**	603,011
Investment securities	–	–	401,348	–	126,646	–	**527,994**	498,724
Other assets	–	–	–	9,296	–	–	**11,159**	9,296
Derivative liabilities	–	124	–	–	–	–	**124**	124
Deposits from banks	–	–	–	–	–	22,875	**22,875**	22,875
Deposits from customers	–	–	–	–	–	1,461,131	**1,461,131**	1,461,131
Other liabilities	–	–	–	–	–	44,246	**57,299**	44,246
Subordinated liabilities	–	–	–	–	–	55,474	**55,474**	55,474
Borrowings	–	–	–	–	–	114,520	**114,520**	114,520
31 December 2011								
Cash and cash equivalents	–	–	–	352,500	–	–	352,500	352,500
Financial assets held-for-trading	237	–	–	–	–	–	237	237
Loans and advances to banks	–	–	–	41,564	–	–	41,564	23,413
Loans and advances to customers	–	–	–	552,526	–	–	552,526	586,826
Investment securities	–	–	496,600	–	63,428	–	560,028	442,021
Other assets	–	–	–	13,695	–	–	16,891	13,695
Derivative liabilities	–	817	–	–	–	–	817	817
Deposits from banks	–	–	–	–	–	23,408	23,408	23,408
Deposits from customers	–	–	–	–	–	1,216,511	1,216,511	1,216,511
Other liabilities	–	–	–	–	–	49,860	49,924	49,860
Subordinated liabilities	–	–	–	–	–	55,254	55,254	55,254
Borrowings	–	–	–	–	–	137,040	137,040	137,040

Bank *In millions of Nigerian Naira*	Held-for-trading	Derivative at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
1 January 2010								
Cash and cash equivalents	–	–	–	330,701	–	237	330,938	330,938
Financial assets held-for-trading	1,267	–	–	–	–	–	1,267	1,267
Loans and advances to banks	–	–	–	11,226	–	–	11,226	11,226
Loans and advances to customers	–	–	–	557,224	–	–	557,224	603,037
Investment securities	–	–	284,144	–	107,317	–	391,461	372,022
Other assets	–	–	–	24,001	–	–	24,877	24,001
Derivative liabilities	–	9,310	–	–	–	–	9,310	9,310
Deposits from banks	–	–	–	–	–	51	51	51
Deposits from customers	–	–	–	–	–	1,120,566	1,120,566	1,120,566
Other liabilities	–	–	–	–	–	38,669	38,782	38,669
Subordinated liabilities	–	–	–	–	–	20,147	20,147	20,147
Borrowings	–	–	–	–	–	63,327	63,327	63,327

8. Net interest income

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Interest and similar income				
Cash and cash equivalents	**8,281**	6,555	**7,238**	7,576
Loans and advances to banks and customers	**83,291**	55,872	**71,983**	47,134
Investments securities	**58,431**	51,163	**46,926**	42,717
Total interest income	**150,003**	113,590	**126,147**	97,427
Interest and similar expense				
Deposits from banks	**(2,225)**	(1,039)	**(1,056)**	(434)
Deposits from customers	**(44,876)**	(37,449)	**(38,966)**	(33,834)
Borrowings	**(11,285)**	(6,935)	**(11,280)**	(6,935)
Total interest expense	**(58,386)**	(45,423)	**(51,302)**	(41,203)

Interest income includes accrued interest on impaired loans of N800.53 million (Bank: N210.95 million) and N2.2 billion (Bank: N1.3 billion) for the years ended 31 December 2012 and 31 December 2011, respectively.

9. Net fees and commission income

In millions of Nigerian Naira	Group December 2012	Group December 2011	Bank December 2012	Bank December 2011
Net fee and commission income	**45,108**	38,660	**34,212**	28,726
Fees and commsion income comprise:				
Credit-related fees and commissions	**9,515**	8,199	**6,045**	7,000
Commission on turnover	**15,631**	12,148	**15,062**	11,576
Other fees and charges	**22,489**	19,518	**15,005**	11,355
Total fee and commission income	**47,635**	39,865	**36,112**	29,931
Fees and commission expense comprise:				
Card services	**(2,088)**	(941)	**(1,889)**	(941)
Other expenses	**(439)**	(264)	**(11)**	(264)
Total fee and commission expense	**(2,527)**	(1,205)	**(1,900)**	(1,205)

Credit-related fees and commissions exclude any other fees used in calculating the effective interest rate on the financial instruments.

10. Net trading income/(loss)

In millions of Nigerian Naira	Group December 2012	Group December 2011	Bank December 2012	Bank December 2011
Fixed income securities	**775**	461	**618**	317
Foreign exchange gain	**8,227**	11,549	**7,943**	5,584
Loss on treasury trading (note (ii))	**693**	(8,464)	**693**	(8,464)
	9,695	3,546	**9,254**	(2,563)

(i) Net trading income includes the gains and losses arising from the purchase and sale of trading instruments.
(ii) Loss on treasury trading represents exceptional losses arising from the close out of trading positions in prior year.

11. Net gains/losses on investment securities

In millions of Nigerian Naira	Group December 2012	Group December 2011	Bank December 2012	Bank December 2011
Financial assets classified as available-for-sale				
– Exchange differences on monetary items	**48**	28	**47**	28
– Allowance for impairment	**(673)**	(1,723)	**(725)**	(1,318)
Financial assets classified as held-to-maturity				
– Exchange differences on monetary items	**6,328**	(170)	**129**	(170)
Net fair value gains/(losses)	**5,703**	(1,865)	**(549)**	(1,460)
Financial assets classified as available-for-sale				
Gain on disposal	**420**	–	**420**	–
	6,123	(1,865)	**(129)**	(1,460)

12. Other operating income

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Dividend income	**2,887**	427	**4,772**	407
Rental income	**490**	444	**448**	440
Others	**3,296**	7,725	**825**	1,916
	6,673	8,596	**6,045**	2,763

Included in dividend income is a sum of N1.58 billion (2011: Nil) being dividend received from some African subsidiaries.

13. Impairment loss on loans and receivables

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Impairment (losses)/gains on loans and advances to customers:				
– specific impairment	**(6,414)**	(28,670)	**(4,578)**	(10,741)
– portfolio impairment	**964**	3,761	**2,694**	3,766
Impairment gains/(losses) on loans and advances to banks:				
– portfolio impairment	**357**	(337)	**357**	(337)
Recoveries on loans and advances	**8,513**	16,195	**1,130**	8,045
Write-offs on loans and advances	**(7,859)**	(9,499)	**(2,910)**	(9,499)
Recoveries on other assets	**934**	1,531	**934**	1,258
Impairment loss on other assets	**(1,055)**	(719)	**(281)**	(672)
	(4,560)	(17,738)	**(2,654)**	(8,180)

14. Personnel expenses

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Wages and salaries	**(39,331)**	(42,524)	**(28,895)**	(35,240)
Retirement benefit costs	**(1,317)**	(1,345)	**(850)**	(861)
Other staff costs	**(2,804)**	(4,005)	**(3,254)**	(2,002)
	(43,452)	(47,874)	**(32,999)**	(38,103)

15. Depreciation and amortisation

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Depreciation of property and equipment (note 28)	**(9,775)**	(9,348)	**(6,043)**	(7,128)
Amortisation of intangible assets (note 29)	**(1,113)**	(1,152)	**(860)**	(1,111)
	(10,888)	(10,500)	**(6,903)**	(8,239)

16. Other operating expenses

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Auditors remuneration	**(309)**	(308)	**(179)**	(100)
Directors fees	**(37)**	(67)	**(37)**	(67)
Asset Management Corporation of Nigeria (AMCON) levy	**(4,966)**	(4,298)	**(4,966)**	(4,298)
Nigerian Deposit Insurance Corporation (NDIC) premium	**(5,685)**	(4,936)	**(5,685)**	(4,936)
Others	**(37,255)**	(38,121)	**(24,624)**	(26,341)
	(48,252)	(47,730)	**(35,491)**	(35,742)

17. Taxation

	Group		Bank	
Recognised in the profit or loss *In millions of Nigerian Naira*	**December 2012**	December 2011	**December 2012**	December 2011
(a) Current tax expense				
Current year	**(3,126)**	(2,185)	**(1,353)**	(784)
Prior year over provision	**–**	167	**–**	237
	(3,126)	(2,018)	**(1,353)**	(547)
(b) Deferred tax expense				
Origination and reversal of temporary differences (note 30)	**2,593**	19,953	**2,548**	19,049
Total income tax (expense)/credit	**(533)**	17,935	**1,195**	18,502
(c) Current tax liabilities				
Balance, beginning of year	**2,627**	2,869	**784**	1,185
Tax paid	**(4,479)**	(2,427)	**(812)**	(1,185)
Income tax charge	**3,126**	2,185	**1,353**	784
Balance, end of year	**1,274**	2,627	**1,325**	784
(d) Reconciliation of effective tax rate				
(i) 31 December 2012				
Profit before income tax	**52,010**		**46,180**	
Income tax using the domestic corporation tax rate	**15,603**		**13,854**	
Income tax payable for Bank is based on the minimum tax provisions in the Nigerian tax law, which is applicable to companies that do not have taxable profits				
Companies Income Tax	**1,173**		**–**	
Minimum tax	**894**		**894**	
Effect of tax rates in foreign jurisdictions	**(352)**		**–**	
Information Technology Levy	**459**		**459**	
Disallowed permanent differences	**403**		**350**	
Exempted permanent differences	**(17,647)**		**(16,752)**	
Total income tax expense in comprehensive income	**533**		**(1,195)**	

(ii) 31 December 2011

Loss before income tax	(26,600)	(26,468)
	Group	**Bank**
Recognised in the profit or loss *In millions of Nigerian Naira*	December 2011	December 2011
Income tax payable for Bank is based on the minimum tax provisions in the Nigerian tax law, which is applicable to companies that do not have taxable profits		
Companies Income Tax	1,352	–
Minimum tax	784	784
Effect of tax rates in foreign jurisdictions	(40)	–
Education tax levy	33	–
Information Technology Levy	16	–
Prior year over provision	(167)	(237)
Disallowed permanent differences	151	97
Exempted permanent differences	(12,084)	(11,206)
Total income tax expense in comprehensive income	(17,935)	(18,502)

18. Non-current assets held for distribution and discontinued operations

(a) Assets of disposal group held for distribution to owners are analysed below:

	Group	**Bank**
	December 2012	**December 2012**
Cash and cash equivalents	**18,406**	**–**
Financial assets held for trading	**427**	**–**
Loans and advances to customers	**11**	**–**
Investments in equity accounted investee	**1,398**	**900**
Investments in subsidiaries	**–**	**2,408**
Investment securities	**39,796**	**–**
Property and equipment	**2,773**	**2,500**
Intangible assets	**16**	**–**
Deferred tax assets	**225**	**–**
Other assets	**511**	**–**
Total	**63,563**	**5,808**
(b) Liabilities of disposal group held for distribution to owners are analysed below:		
Managed funds	**48,700**	**–**
Current tax liabilities	**513**	**–**
Other liabilities	**2,321**	**–**
Total	**51,534**	**–**

Non-current asset held for distribution and discontinued operations relate to investment banking businesses of the Group.

(c) Analysis of the result of discontinued operations is as follows:

	Group December 2012	Group December 2011
Revenue	**5,208**	4,974
Expenses	**(1,598)**	(2,963)
Share of profit of equity accounted investee	**254**	206
Profit before tax of discontinued operations	**3,864**	2,217
Tax	**(575)**	(353)
Profit for the year from discontinued operations	**3,289**	1,864
(d) Summarised cash flow of disposal group is presented below:		
Operating cash flows	**(14)**	4,923
Investing cash flows	**3,307**	3,698
Financing cash flows	**(1,335)**	(746)
Total cash flows	**1,958**	7,875

Non-current assets held for distribution represent assets and liabilities relating to certain subsidiaries of the Group namely: UBA Assets Management Limited; UBA Capital Plc; and UBA Insurance Brokers Limited; as well as the Group's joint venture, UBA Metropolitan Life Insurance Limited, spun off by United Bank for Africa Plc to eligible shareholders effective January 1, 2013. This was pursuant to Central Bank of Nigeria's circular (Regulation on Scope of Banking Activities and Ancillary Matters No. 3, 2010) repealing universal banking regime under which Nigerian banks operated . These assets have therefore been presented as assets held for distribution to shareholders.

The scheme of arrangement for the spin off was approved by the shareholders of UBA Plc at a court ordered meeting held on 13 December, 2012. Under this plan, the Bank transferred its 499,999,998 ordinary shares of N1.00 each in UBA Asset Management Limited, 4,500,000 shares of N1.00 each in UBA Insurance Brokers Limited and 500,000,000 ordinary shares of N1.00 each in UBA Metropolitan Life Insurance Limited (an associated company) to UBA Capital Limited which also acquired another indirect subsidiary namely UBA Trustees Limited.

The Bank also transferred its excess realties with book value of N2.5 billion to Afriland Properties Plc under the scheme of arrangement. Subsequent to year end, UBA Capital Limited was listed on the Nigerian Stock Exchange and changed its name to UBA Capital Plc.

In consideration for the above transfers, 3,999,999,998 ordinary shares representing 100% of the share capital of UBA Capital Plc and 1,000,000,000 ordinary shares representing 100% of the share capital of Africa Prudential Registrars Plc (formerly owned by UBA Capital Plc) were allotted to eligible shareholders of UBA Plc. In addition, 1,000,000,000 ordinary shares representing 100% of the share capital of Afriland Properties Plc were alloted to the eligible Shareholders of UBA Plc.

For every 33 ordinary shares held in UBA Plc, eligible shareholders received 4 ordinary shares in UBA Capital Plc and 1 ordinary share each in Africa Prudential Registrars Plc, respectively.

Arising from the spin off, the Bank's Accumulated Reserves were reduced by an amount equal to N11.9 billion being the aggregate value of (a) the Bank's investment in UBA Capital Africa Limited, UBA Insurance Brokers Limited, UBA Asset Management Limited and UBA Metropolitan Life Insurance Limited; and (b) the excess realty transferred to Afriland Properties Plc.

The fair value of the dividend payable in respect of assets and liabilities held for distribution has been disclosed in note 34.

19. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of N51,477 million (Bank: N47,375 million) and weighted average number of ordinary shares outstanding of 30,973,642,991 (Bank: 32,981,387,565), excluding treasury shares held by the Bank's Staff Share Investment Trust. There was a net addition of 592 million units to the Bank's shares held by Staff Share Investment Trust during the year.

	Group		Bank	
	December 2012	December 2011	**December 2012**	December 2011
In millions of Nigerian Naira				
Profit/(loss) from continuing operations attributable to owners of the Bank	**51,477**	(8,665)	**47,375**	(7,966)
Profit from discontinued operations attributable to owners of the Bank	**3,289**	1,864	**–**	–
Total	**54,766**	(6,801)	**47,375**	(7,966)
Weighted average number of ordinary shares outstanding	**30,974**	30,382	**32,982**	32,982
Basic earnings/(loss) per share (Naira)				
From continuing operations	**1.66**	(0.29)	**1.44**	(0.24)
From discontinued operations	**0.11**	0.06	**–**	–
From profit for the year	**1.77**	(0.23)	**1.44**	(0.24)
Diluted earnings/(loss) per share (Naira)				
From continuing operations	**1.66**	(0.29)	**1.44**	(0.24)
From discontinued operations	**0.11**	0.06	**–**	–
From profit for the year	**1.77**	(0.23)	**1.44**	(0.24)

20. Cash and bank balances

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Cash and balances with banks	**162,353**	173,221	172,238	**140,673**	135,130	149,218
Unrestricted balances with central bank	**82,395**	52,249	25,352	**35,829**	17,746	10,216
Money market placements	**349,670**	126,959	175,345	**336,067**	125,378	163,008
Cash and cash equivalents	**594,418**	352,429	372,935	**512,569**	278,254	322,442
Mandatory reserve deposits with the Central Bank (note (i) below)	**119,697**	81,789	12,462	**116,912**	74,246	8,259
	714,115	434,218	385,397	**629,481**	352,500	330,701

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

(ii) Cash and bank balances include N12.69 billion (2011: N21.37 billion) Group and N12.69 billion (2011: N18.85 billion) Bank, which represent the Naira value of foreign currency bank balances held on behalf of customers in respect of letters of credit transactions. The corresponding liability is included in other liabilities (see note (34)).

21. Financial assets held-for-trading

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Government bonds	**284**	237	1,267	**284**	237	1,267
Treasury bills	**173**	–	–	**172**	–	–
Equities	**–**	1,066	1,327	**–**	–	–
	457	1,303	2,594	**456**	237	1,267
Current	**457**	237	2,594	**456**	237	1,267
Non-current	**–**	1,066	–	**–**	–	–
	457	1,303	2,594	**456**	237	1,267

22. Loans and advances to banks

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Gross amount	**28,699**	42,107	11,432	**28,064**	42,107	11,432
Portfolio impairment	**(186)**	(543)	(206)	**(186)**	(543)	(206)
	28,513	41,564	11,226	**27,878**	41,564	11,226
Current	**28,513**	30,727	11,226	**27,878**	32,327	11,226
Non-current	**–**	10,837	–	**–**	9,237	–
	28,513	41,564	11,226	**27,878**	41,564	11,226

22b. Impairment allowance on loans and advances to banks

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Portfolio impairment				
Balance, beginning of year	**543**	206	**543**	206
Impairment charge for the year	**(357)**	337	**(357)**	337
Balance, end of year	**186**	543	**186**	543

23. Loans and advances to customers

(a) 31 December 2012

(i) Group

In millions of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	**111,372**	**(1,556)**	**(1,130)**	**(2,686)**	**108,686**
Loans to corporate entities and other organisations	**563,355**	**(3,891)**	**(9,228)**	**(13,119)**	**550,236**
	674,727	**(5,447)**	**(10,358)**	**(15,805)**	**658,922**

(ii) Bank

In millions of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	**82,353**	**(1,049)**	**(447)**	**(1,496)**	**80,857**
Loans to corporate entities and other organisations	**496,944**	**(345)**	**(6,742)**	**(7,087)**	**489,857**
	579,297	**(1,394)**	**(7,189)**	**(8,583)**	**570,714**

(b) 31 December 2011

In millions of Nigerian Naira	Gross amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
(i) Group					
Loans to individuals	91,233	(2,649)	(506)	(3,155)	88,078
Loans to corporate entities and other organisations	538,847	(10,482)	(10,816)	(21,298)	517,549
	630,080	(13,131)	(11,322)	(24,453)	605,627
(ii) Bank					
Loans to individuals	70,467	(2,158)	(506)	(2,664)	67,803
Loans to corporate entities and other organisations	494,509	(409)	(9,377)	(9,786)	484,723
	564,976	(2,567)	(9,883)	(12,450)	552,526
(c) 1 January 2011					
(i) Group					
Loans to individuals	116,932	(14,329)	(2,322)	(16,651)	100,281
Loans to corporate entities and other organisations	514,435	(11,158)	(12,761)	(23,919)	490,516
	631,367	(25,487)	(15,083)	(40,570)	590,797
(ii) Bank					
Loans to individuals	101,460	(13,372)	(2,695)	(16,067)	85,393
Loans to corporate entities and other organisations	488,122	(5,337)	(10,954)	(16,291)	471,831
	589,582	(18,709)	(13,649)	(32,358)	557,224

	Group		**Bank**	
	December 2012	December 2011	**December 2012**	December 2011
(d) Current	**374,680**	445,684	**317,781**	365,106
Non-current	**284,242**	159,943	**252,933**	187,420
	658,922	605,627	**570,714**	552,526
(e) Impairment allowance on loans and advances to customers				
Specific impairment				
Balance, beginning of year	**13,131**	25,487	**2,567**	18,709
Impairment charge for the year	**6,414**	28,670	**4,578**	10,741
Reversal for the year	**(8,513)**	(16,195)	**(1,130)**	(8,045)
Write-offs	**(5,585)**	(24,831)	**(4,621)**	(18,838)
Balance, end of year	**5,447**	13,131	**1,394**	2,567
Portfolio impairment				
Balance, beginning of year	**11,322**	15,083	**9,883**	13,649
Impairment reversal for the year	**677**	(5,102)	**(2,945)**	(3,766)
Charge for the year	**(1,641)**	1,341	**251**	–
Balance, end of year	**10,358**	11,322	**7,189**	9,883

24. Investment securities

In millions of Nigerian Naira	Group December 2012	Group December 2011	Group January 2011	Bank December 2012	Bank December 2011	Bank January 2011
Investment securities	**680,817**	722,308	493,079	**527,994**	560,028	391,461
Available-for-sale investment securities comprise (see note (i)):						
Treasury bills	**93,091**	30,660	78,858	**91,517**	30,475	78,858
	93,091	30,660	78,858	**91,517**	30,475	78,858
Equity investments at cost (see note (ii))	**2,941**	30,511	17,825	**2,345**	2,299	2,364
Less: Specific allowance impairment (see note (vi))	**(1,372)**	(4,393)	(4,374)	**(1,221)**	(1,221)	(1,221)
	1,569	26,118	13,451	**1,124**	1,078	1,143
Equity investments at fair value	**34,005**	39,966	31,835	**34,005**	31,875	27,316
	128,665	96,744	124,144	**126,646**	63,428	107,317
Held-to-maturity investment securities comprise(see note (i)):						
Treasury bills	**69,390**	137,396	45,937	**–**	67,814	–
Promissory	**79**	120	651	**79**	120	651
Bonds (*note (iii and iv)*)	**482,683**	488,048	322,347	**401,269**	428,666	283,493
	552,152	625,564	368,935	**401,348**	496,600	284,144
Current	**197,264**	171,112	82,802	**206,974**	141,001	82,802
Non-current	**483,553**	551,196	410,277	**321,020**	419,027	308,659
	680,817	722,308	493,079	**527,994**	560,028	391,461

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

In millions of Nigerian Naira	Group December 2012	Group December 2011	Group January 2011	Bank December 2012	Bank December 2011	Bank January 2011
Pledged assets:						
Treasury bills	**8,031**	17,150	8,250	**8,031**	17,150	8,250
Bonds	**123,000**	52,254	27,900	**123,000**	52,254	27,900
	131,031	69,404	36,150	**131,031**	69,404	36,150

(ii) Certain unquoted investments for which fair values could not be reliably estimated have been carried at cost less impairment. These include investments by the Bank under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS). These investments were made in compliance with the regulatory requirement in force as at the time of the investment (Monetary Policy Cicular No. 35). However, this regulatory requirement has been abolished.

(iii) Included in bonds held-to-maturity are bonds issued by the Asset Management Company of Nigeria (AMCON). These bonds were received as consideration for non-performing loans sold by the Bank. These bonds are fully guaranteed by the Federal government of Nigeria and are zero coupon bonds with annual yield ranging from 13.5% to 14.3%.

(iv) Included in bonds held to maturity are Federal Government of Nigeria bonds amounting to 2012: N187 billion; 2011: N223 billion; 2010: N211 billion. The bonds are stated at amortised cost.

Notes to the consolidated and separate financial statements

continued …

25. Other assets

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Accounts receivables	**15,003**	6,856	19,252	**9,296**	10,417	16,883
Prepayments	**4,888**	7,557	9,038	**2,662**	4,663	4,823
Deposit for shares	**–**	3,132	7,118	**–**	3,132	7,118
Others	**18**	620	–	**–**	146	–
Impairment loss on other assets	**(1,311)**	(1,652)	(5,118)	**(799)**	(1,467)	(3,947)
	18,598	16,513	30,290	**11,159**	16,891	24,877
(a) Movement in impairment loss for other assets						
At start of year	**1,652**	5,118		**1,467**	3,947	
Charge for the year	**1,055**	719		**281**	672	
Provision no longer required	**(934)**	(1,531)		**(934)**	(1,258)	
Write-off	**(462)**	(2,654)		**(15)**	(1,894)	
	1,311	1,652		**799**	1,467	
(b) Current	**16,930**	15,032	27,573	**10,158**	15,376	22,645
Non-current	**1,668**	1,481	2,717	**1,001**	1,515	2,232
	18,598	16,513	30,290	**11,159**	16,891	24,877

26. Investment in equity accounted investee

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Total investment in associate and joint venture	**–**	10,356	10,118	**–**	10,843	10,843
(a) Associates						
Balance, beginning of year	**9,211**	9,179		**9,943**	9,943	
Fair value of previously held interest in associate	**31**	–		**31**	–	
Share of current year result	**(54)**	32		**–**	–	
Reclassification to investment in subsidiaries (note 27(vii))	**(9,188)**	–		**(9,974)**	–	
Balance, end of year	**–**	9,211		**–**	9,943	

The Bank's only Associate was UBA Capital Europe Limited, a UK-based investment banking company primarily engaged in brokerage, trade finance and wealth management businesses. During the year, the Group increased its stake in the Company from 49% to 100%. Accordingly, this has been reclassified to investments in subsidiaries (note 27).

Prior to the Group's acquisition of controlling stake in UBA Capital Europe Limited, there were no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends, or repayment of loans and advances. This remains the case post-acquisition.

In millions of Nigerian Naira	Group December 2012	Group December 2011	Bank December 2012	Bank December 2011
(b) Joint venture				
Balance, beginning of year	**1,145**	939	**900**	900
Share of current year result	**250**	206	**–**	–
Reclassification to non-current assets held for disposal (note 18(a))	**(1,395)**	–	**(900)**	–
Balance, end of year	**–**	1,145	**–**	900

The investment in Joint Venture (JV) is represented by the Bank's 50% holding in UBA Metropolitan Life Insurance Limited. Following the approval by Shareholders at an extra-ordinary general meeting held in December 2012, UBA Metropolitan Life Insurance Limited has been spun-off from the Group post-year-end. Accordingly, the investment has been reclassified to non-current assets held for distribution. See note 18.

There are no contingent liabilities relating to the Group's interest in joint venture and no contingent liabilities of the venture itself.

(c) Summarised financial information of the Group's associate and joint venture accounted for using the equity method are as follows:

In millions of Nigerian Naira	Assets	Liabilities	Revenues	Profit/(Loss)
2010				
Joint venture	3,740	1,386	1,246	138
Associates	14,248	6,129	408	(152)
	17,988	7,515	1,654	(14)
2011				
Joint venture	4,122	1,832	1,819	(64)
Associates	11,676	3,082	578	66
	15,798	4,914	2,397	2
2012				
Joint venture	**5,383**	**2,474**	**3,249**	**560**
Associates	**10,966**	**3,160**	**493**	**(84)**
	16,349	**5,634**	**3,742**	**476**

27. Investment in subsidiaries

In millions of Nigerian Naira					**Bank December 2012**	Bank December 2011	Bank January 2011
Bank subsidiaries (see note (i) below):	**Year of acquisition/ commence-ment**	**Holding**	**Country**	**Industry**			
UBA Ghana Limited	2004	91%	Ghana	Banking	**8,048**	8,048	8,048
UBA Cameroun SA Limited	2007	100%	Cameroun	Banking	**1,845**	1,845	1,845
UBA Cote d'Ivoire	2008	100%	Cote d'Ivoire	Banking	**5,995**	4,850	4,850
UBA Liberia Limited	2008	100%	Liberia	Banking	**2,330**	1,795	1,784
UBA (SL) Limited	2008	100%	Sierra Leone	Banking	**1,269**	1,269	1,160
UBA Uganda Limited	2008	100%	Uganda	Banking	**2,718**	2,718	2,070
Banque International Du Burkina Faso	2008	64%	Burkina Faso	Banking	**5,352**	5,352	3,832
Continental Bank Benin	2008	76%	Benin Republic	Banking	**6,726**	6,726	6,726
UBA Kenya Bank Limited	2009	100%	Kenya	Banking	**1,770**	1,770	1,770
UBA Chad SA)	2009	100%	Chad	Banking	**2,440**	2,210	2,210
UBA Senegal (SA)	2009	100%	Senegal	Banking	**2,400**	2,400	2,400
UBA Zambia Limited	2010	100%	Zambia	Banking	**1,770**	1,770	1,770
UBA Tanzania Limited	2010	100%	Tanzania	Banking	**1,770**	1,770	1,770
UBA Gabon Limited	2010	100%	Gabon	Banking	**2,760**	1,996	1,996
UBA Guinea Limited	2010	100%	Guinea	Banking	**1,475**	1,475	1,475
UBA Congo DRC Limited	2011	100%	Congo DRC	Banking	**1,690**	1,346	–
UBA Congo Brazaville Limited	2011	100%	Congo Brazzaville	Banking	**3,024**	3,024	–
UBA Mozambique Limited	2011	100%	Mozambique	Banking	**869**	754	–
UBA Retail Financial Services Limited (RFS)	2008	100%	Nigeria	Banking	**–**	667	1,739
Non-bank subsidiaries:							
UBA Asset Management Limited (see (ii) below)	1964	100%	Nigeria	Asset management	**–**	403	403
UBA Pensions Custodian Limited (see (iii) below)	2004	100%	Nigeria	Pension custody	**2,000**	2,000	2,000
UBA Capital (Africa) Limited (see (iv) below)	2005	100%	Nigeria	Investment banking	**–**	2,000	2,000
UBA Insurance Brokers Limited (see (v) below)	2006	100%	Nigeria	Insurance brokerage	**–**	5	5
UBA FX Mart Limited (see (vi) below)	2008	100%	Nigeria	Banking	**502**	502	502
UBA Capital Holding Mauritius (see (vii) below)	2012	100%	Mauritius	Investment banking	**–**	–	–
UBA Capital Europe Limited (see (vii) below)	2012	98%	United Kingdom	Investment banking	**9,974**	–	–
					66,727	56,695	50,355

In millions of Nigerian Naira	**Bank December 2012**	Bank December 2011
The movement in investment in subsidiaries during the year is as follows:		
Balance, beginning of year	**56,695**	50,355
Additional investments during the year	**3,133**	7,412
Reclassification from investment in associates (note 26(a))	**9,974**	–
Reclassification of non-current assets held for distribution (note 18(a))	**(2,408)**	–
Impairment loss	**(667)**	(1,072)
Balance, end of year	**66,727**	56,695

(i) UBA Ghana, UBA Cameroon SA, UBA Cote d'ivoire, UBA Liberia, UBA Uganda, Banque International Du Burkina Fasso, UBA Retail Financial Services, UBA Chad SA, UBA Senegal SA, Continental Bank Benin, UBA Kenya, UBA Zambia, UBA Tanzania, UBA Gabon, UBA Guinea, UBA Sierra Leone, UBA Mozambique, UBA Congo DRC and UBA Congo Brazaville are engaged in the business of banking and provide corporate, commercial, consumer and international banking, trade services, cash management and treasury services.

(ii) UBA Asset Management Limited is engaged in the business of management and administration of funds, trusteeship business; receivership/ liquidation; agency business; property management; mortgage; capital raising; royalty; venture capital fund activities; corporation registration; wholesale portfolio and other financial services to individuals, corporate bodies and the Government. It was incorporated on 1 June 1964 and commenced operations on same day. Following the approval by Shareholders at an extra-ordinary general meeting held in December 2012, UBA Asset Management Limited has been spun-off from the Group post-year-end. Accordingly, the investment has been reclassified to non-current assets held for distribution.

(iii) UBA Pensions Custodian Limited was incorporated on 30 September 2005. It obtained an operating license on 20 February 2006 and commenced operations on 3 May 2006. It principal 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 National Pension Commission in conformity with the Pensions Reforms Act 2004.

(iv) UBA Capital Limited was incorporated on 19 August 2005. It engages principally in investment banking activities, IPO underwriting, securities trading, issuing house functions, mergers and acquisitions advisory and general corporate finance. It also does securities registrarship business through its subsidiary – African Prudential Registrars and strockbroking business through another subsidiary – UBA Stockbrokers Limited. Following the approval by Shareholders at an extra-ordinary general meeting held 13 December 2012, UBA Capital Limited has been spun-off from the Group in 2013. Accordingly, the investment has been reclassified to non-current assets held for distribution in the statement of financial position.

(v) UBA Insurance Brokers Limited was incorporated 1 September 2006 and commenced operations on 1 April 2007. It operates as an insurance broker as well as general insurance advisory services. Following the approval by Shareholders at an extra-ordinary general meeting held 13 December 2012, UBA Insurance Brokers Limited has been spun-off from the Group in 2013. Accordingly, the investment has been reclassified to non-current assets held for distribution in the statement of financial position.

(vi) UBA FX Mart was incorporated on 30 January 2008 and commenced operations 22 May 2008. It operates as a licenced bureau de change dealing in foreign currency and traveller's cheques.

(vii) UBA Capital Europe Limited is a London-based investment banking company which was incorporated on 25 September 1995. It is primarily engaged in brokerage, trade finance and wealth management businesses. UBA Plc acquired additional stake of 49% in the company in the current year, and this increased the Bank's stake in UBA Capital Europe Limited from 49% to 98% thereby making it a subsidiary of the Bank. The remaining 2% is held by UBA Capital Holding Mauritius (formerly Afrinvest Holdings Mauritius), a fully owned non-operating subsidiary of the Bank. Subsequent to year-end, the Bank commenced liquidation of UBA Capital Holdings Limited and upon liquidation, existing holdings of UBA Capital Holdings Limited in UBA Capital Europe Limited will be transferred to the Bank.

(viii) There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Group in the form of cash dividends, or repayment of loans and advances.

28. Property and equipment

(a) (i) Group

As at 31 December 2012

In millions of Nigerian Naira	Land	Buildings and leasehold improve-ment	Other transport-ation equipment	Motor vehicles	Furniture and office equipment	Work in progress	Total
Cost							
Balance at 1 January 2012	13,715	30,669	3,723	10,490	46,707	2,557	107,861
Additions	18,250	4,916	55	316	3,216	3,119	29,872
Disposals	–	(1,317)	–	(1,312)	(1,077)	(775)	(4,481)
Transfers	–	384	99	51	397	(931)	–
Transfer to non-current assets held for distribution	(1,422)	(370)	–	–	–	(708)	(2,500)
Exchange difference	–	(13)	–	(14)	(8)	(2)	(37)
Balance at 31 December 2012	30,543	34,269	3,877	9,531	49,235	3,260	130,715
Accumulated depreciation							
Balance at 1 January 2012	–	10,661	1,019	7,644	32,919	–	52,243
Charge for the year	–	1,490	193	1,133	6,959	–	9,775
Disposals	–	(644)	(88)	(477)	(799)	–	(2,008)
Exchange difference	–	(19)	–	(7)	(15)	–	(41)
Balance at 31 December 2012	–	11,488	1,124	8,293	39,064	–	59,969
Carrying amounts							
Balance at 31 December 2012	30,543	22,781	2,753	1,238	10,171	3,260	70,746
Balance at 31 December 2011	13,715	20,008	2,704	2,846	13,788	2,557	55,618

(ii) Bank

	Land	Buildings and leasehold improve-ment	Other transport-ation equipment	Motor vehicles	Furniture and office equipment	Work in progress	Total
Cost							
Balance at 1 January 2012	13,715	23,009	3,723	8,016	40,137	2,169	90,769
Additions	18,250	3,740	55	146	825	2,954	25,970
Disposals	–	(961)	–	(290)	(295)	(448)	(1,994)
Transfers	–	384	99	51	397	(931)	–
Transfer to non-current assets held for distribution	(1,422)	(370)	–	–	–	(708)	(2,500)
Balance at 31 December 2012	30,543	25,802	3,877	7,923	41,064	3,036	112,245
Accumulated depreciation							
Balance at 1 January 2012	–	7,218	1,018	6,429	29,038	–	43,703
Charge for the year	–	658	193	765	4,427	–	6,043
Disposals	–	(44)	–	(262)	(313)	–	(619)
Balance at 31 December 2012	–	7,832	1,211	6,932	33,152	–	49,127
Carrying amounts							
Balance at 31 December 2012	30,543	17,970	2,666	991	7,912	3,036	63,118
Balance at 31 December 2011	13,715	15,791	2,705	1,587	11,099	2,169	47,066

(b) (i) **Group**

As at 31 December 2011

In millions of Nigerian Naira	**Land**	**Buildings and leasehold improve-ment**	**Other transport-ation equipment**	**Motor vehicles**	**Furniture and office equipment**	**Work in progress**	**Total**
Cost							
Balance at 1 January 2011	13,715	30,490	3,185	10,543	45,615	3,022	106,570
Additions	–	1,539	288	349	1,669	2,097	5,942
Disposals	–	(994)	–	(318)	(1,820)	(2,005)	(5,137)
Transfers	–	(449)	250	(138)	906	(569)	–
Exchange difference	–	83	–	54	337	12	486
Balance at 31 December 2011	13,715	30,669	3,723	10,490	46,707	2,557	107,861
Accumulated depreciation							
Balance at 1 January 2011	–	9,459	555	6,600	27,947	–	44,561
Charge for the year	–	1,295	464	1,249	6,340	–	9,348
Disposals	–	(148)	–	(160)	(1,520)	–	(1,828)
Transfers	–	–	–	(70)	70	–	–
Exchange difference	–	55	–	25	82	–	162
Balance at 31 December 2011	–	10,661	1,019	7,644	32,919	–	52,243
Carrying amounts							
Balance at 31 December 2011	13,715	20,008	2,704	2,846	13,788	2,557	55,618
Balance at 1 January 2011	13,715	21,031	2,630	3,943	17,668	3,022	62,009

(ii) **Bank**

	Land	**Buildings and leasehold improve-ment**	**Other transport-ation equipment**	**Motor vehicles**	**Furniture and office equipment**	**Work in progress**	**Total**
Cost							
Balance at 1 January 2011	13,715	23,676	3,185	8,268	38,394	2,719	89,957
Additions	–	262	287	89	676	1,806	3,120
Disposals	–	(460)	–	(91)	(47)	(1,710)	(2,308)
Transfers	–	(469)	251	(250)	1,114	(646)	–
Balance at 31 December 2011	13,715	23,009	3,723	8,016	40,137	2,169	90,769
Accumulated depreciation							
Balance at 1 January 2011	–	6,526	554	5,748	23,866	–	36,694
Charge for the year	–	708	464	755	5,201	–	7,128
Disposals	–	(16)	–	(74)	(29)	–	(119)
Balance at 31 December 2011	–	7,218	1,018	6,429	29,038	–	43,703
Carrying amounts							
Balance at 31 December 2011	13,715	15,791	2,705	1,587	11,099	2,169	47,066
Balance at 1 January 2011	13,715	17,150	2,631	2,520	14,528	2,719	53,263

29. Intangible assets

In millions of Nigerian Naira	Goodwill	Purchased software	Total
(a) (i) Group			
Cost			
Balance at 1 January 2012	3,479	9,086	12,565
Additions	2,194	558	2,752
Exchange difference	–	(8)	(8)
Balance at 31 December 2012	5,673	9,636	15,309
Amortisation and impairment losses			
Balance at 1 January 2012	–	6,635	6,635
Amortisation for the period	–	1,113	1,113
Exchange difference	–	(7)	(7)
Balance at 31 December 2012	–	7,741	7,741
Carrying amounts			
Balance at 31 December 2012	5,673	1,895	7,568
Balance at 31 December 2011	3,479	2,451	5,930
(ii) Bank			
Cost			
Balance at 1 January 2012		7,661	7,661
Additions		339	339
Balance at 31 December 2012		8,000	8,000
Amortisation and impairment losses			
Balance at 1 January 2012		5,562	5,562
Amortisation for the period		860	860
Balance at 31 December 2012		6,422	6,422
Carrying amounts			
Balance at 31 December 2012		1,578	1,578
Balance at 31 December 2011		2,099	2,099

29. Intangible assets *continued …*

In millions of Nigerian Naira	Goodwill	Purchased software	Total
As at 31 December 2011			
(b) (i) Group			
Cost			
Balance at 1 January 2011	3,479	8,630	12,109
Additions	–	456	456
Balance at 31 December 2011	3,479	9,086	12,565
Amortisation and impairment losses			
Balance at 1 January 2011	–	5,483	5,483
Amortisation for the period	–	1,152	1,152
Balance at 31 December 2011	–	6,635	6,635
Carrying amounts			
Balance at 31 December 2011	3,479	2,451	5,930
Balance at 1 January 2011	3,479	3,147	6,626
(ii) Bank			
Cost			
Balance at 1 January 2011	–	7,403	7,403
Additions	–	258	258
Balance at 31 December 2011	–	7,661	7,661
Amortisation and impairment losses			
Balance at 1 January 2011	–	4,451	4,451
Amortisation for the period	–	1,111	1,111
Balance at 31 December 2011	–	5,562	5,562
Carrying amounts			
Balance at 31 December 2011	–	2,099	2,099
Balance at 1 January 2011	–	2,952	2,952

The Bank (Parent Company) increased the stake in UBA Capital Europe Limited to 100% with an effective date of 31 August 2012. The previously held percentage holding of 49% was increased by the conversion of existing preference shares to equity and by the issue of additional shares to the former equity holders. This increased the Bank's stake to 98% with the remaining 2% owned by UBA Capital Holdings Mauritius (a wholly owned non-operating subsidiary of the Bank). Subsequent to year-end, the Bank commenced liquidation of UBA Capital Holdings Limited and upon liquidation, existing holdings of UBA Capital Holdings Limited in UBA Capital Europe Limited will be transferred to the Bank.

Goodwill arising on the acquisition of UBA Capital Europe Limited is shown below:

Fair value of assets acquired as at 31 August 2012

In millions of Nigerian Naira	**Total**
Assets	
Cash and cash equivalents	2,865
Loans and advances to banks	4,445
Investment securities	2,913
Other assets	114
Total assets	10,337
Creditors and accruals	1,893
Other current liabilities	12
Total liabilities	1,905
Fair value of net assets as at 31 August 2012	8,432
Fair value of previously held interest	626
Consideration for additional stake (Preference shares converted to equity)	10,000
Total consideration	10,626
Goodwill on acquisition (note 29 (a))	2,194

The profit made on the measurement of the previously held interest in UBA Capital Europe Limited is N31.7 million and it is included as part of other income.

The post-acquisition profit included in the statement of comprehensive income is N26 million. The total revenue made by UBA Capital Europe Limited during the year is N487 million, while the loss for the year is N84 million.

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). The recoverable amounts of the CGUs have been determined based on the value-in-use calculations; using cash flow projections based on the financial budgets approved by senior management covering a period of five years.

The calculation of value-in-use was based on the following key assumptions:

- the value of the CGUs for Continental Bank Du Benin and UBA Capital Europe Limited are N8.2 billion and N10.6 billion, respectively;
- the carrying amounts of the Goodwill in Continental Bank Du Benin and UBA Capital Europe Limited is N3.48 billion and N2.19 billion, respectively;
- the cash flows were projected based on the Bank's approved budget. The cash flows were based on past experiences and were adjusted to reflect expected future performances of the company putting into consideration the country's gross domestic product;
- a terminal growth rate of 3% and 1% were applied in determining the terminal cash flows;
- discount rates of 16.8% and 11% were applied in determining the value in use of UBA Benin and UBA Capital Europe, respectively.
- the Group acquired UBA Capital Europe Limited by exercising the option to convert the existing preference shares to equity. Upon exercise of the option, the Group gained control of UBA Capital Europe Limited; and
- the Group expects that through this acquisition, it would create synergy that enhances its ability to tap into opportunities in the European market.

30. DEFERRED TAX ASSETS AND LIABILITIES

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**	**Assets**	**Liabilities**
(a) 31 December 2012				
Property, equipment, and software	**7,452**	**59**	**5,980**	**–**
Allowances for loan losses	**2,213**	**–**	**2,213**	**–**
Other assets	**240**	**–**	**240**	**–**
Tax losses carried forward	**19,352**	**–**	**19,352**	**–**
Others	**367**	**–**	**367**	**–**
Net tax assets/liabilities	**29,624**	**59**	**28,152**	**–**

Deferred tax assets and liabilities

Movements in temporary differences during the year

Group *In millions of Nigerian Naira*	**Opening**	**Recognised in profit or loss**	**Recognised in equity**	**Closing balance**
Property, equipment and software	**5,935**	**1,459**	**–**	**7,394**
Allowances for loan losses	**1,909**	**303**	**–**	**2,212**
Other assets	**440**	**(200)**	**–**	**240**
Tax losses carried forward	**17,308**	**2,044**	**–**	**19,352**
Others	**1,380**	**(1,013)**	**–**	**367**
	26,972	**2,593**	**–**	**29,565**
Deferred tax assets:				
To be recovered within 12 months				**7,651**
To be recovered after more than 12 months				**28,200**
Deferred tax liabilities				
To be recovered within 12 months				**(53)**
To be recovered after more than 12 months				**(6,233)**
				29,565

Bank *In millions of Nigerian Naira*	**Opening**	**Recognised in profit or loss**	**Recognised in equity**	**Closing balance**
Property, equipment and software	**4,566**	**1,414**	**–**	**5,980**
Allowances for loan losses	**1,909**	**303**	**–**	**2,212**
Other assets	**440**	**(200)**	**–**	**240**
Tax losses carried forward	**17,308**	**2,044**	**–**	**19,352**
Others	**1,381**	**(1,013)**	**–**	**368**
	25,604	**2,548**	**–**	**28,152**
Deferred tax assets:				
To be recovered within 12 months				**7,710**
To be recovered after more than 12 months				**26,728**
Deferred tax liabilities				
To be recovered within 12 months				**(53)**
To be recovered after more than 12 months				**(6,233)**
				28,152

30. DEFERRED TAX ASSETS AND LIABILITIES *continued …*

In millions of Nigerian Naira	Group Assets	Group Liabilities	Bank Assets	Bank Liabilities
(b) 31 December 2011				
Property, equipment and software	5,961	26	4,567	–
Allowances for loan losses	1,909	–	1,909	–
Other assets	440	–	440	–
Tax losses carried forward	17,308	–	17,308	–
Others	1,380	–	1,380	
Net tax assets/liabilities	26,998	26	25,604	–

Deferred tax assets and liabilities

Movements in temporary differences during the year

Group *In millions of Nigerian Naira*	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment and software	2,062	3,873	–	5,935
Allowances for loan losses	2,221	(312)	–	1,909
Mark to market loss on valuation of securities	2,805	(2,805)	–	–
Other assets	–	440	–	440
Tax losses carried forward	–	17,308	–	17,308
Others	(69)	1,449	–	1,380
	7,019	19,953	–	26,972
Deferred tax assets:				
To be recovered within 12 months				9,380
To be recovered after more than 12 months				26,258
Deferred tax liabilities				
To be recovered within 12 months				(1,350)
To be recovered after more than 12 months				(7,316)
				26,972
Bank				
Property, equipment and software	1,598	2,968	–	4,566
Allowances for loan losses	2,220	(311)	–	1,909
Mark to market loss on valuation of securities	2,805	(2,805)	–	–
Other assets	–	440	–	440
Tax losses carried forward	–	17,308	–	17,308
Others	(68)	1,449	–	1,381
	6,555	19,049	–	25,604
Deferred tax assets:				
To be recovered within 12 months	–	–	–	9,406
To be recovered after more than 12 months	–	–	–	24,864
Deferred tax liabilities				
To be recovered within 12 months	–	–	–	(1,350)
To be recovered after more than 12 months	–	–	–	(7,316)
				25,604

30. DEFERRED TAX ASSETS AND LIABILITIES *continued …*

In assessing the recoverability of deferred tax assets, management considers whether there is any doubt that some portion or all of the deferred tax assets will not be recovered. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the projected future taxable income in making this assessment and believes that the Bank will realise the benefits of these deductible differences. The amount of the deferred tax asset considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

31. DERIVATIVE LIABILITIES

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Instrument type:						
Commodities	**–**	–	9,310	**–**	–	9,310
Cross-currency swap	**124**	817	–	**124**	817	–
	124	817	9,310	**124**	817	9,310
The movement in derivatives liability is as follows:						
Balance, beginning of year	**817**	9,310		**817**	9,310	
Fair value losses	**–**	7,647		**–**	7,647	
Fair value (gain)/loss on cross-currency swap	**(693)**	817		**(693)**	817	
Payment on maturity	**–**	(16,957)		**–**	(16,957)	
Balance, end of year	**124**	817		**124**	817	

32. DEPOSITS FROM BANKS

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Money market deposits	**51,596**	16,154	7,456	**16,844**	22,803	51
Items in the course of collection	**6,184**	3,356	–	**6,031**	605	–
	57,780	19,510	7,456	**22,875**	23,408	51
Current	**57,780**	19,510	7,456	**22,875**	23,408	51
Non-current	**–**	–	–	**–**	–	–
	57,780	19,510	7,456	**22,875**	23,408	51

33. DEPOSITS FROM CUSTOMERS

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Retail customers:						
Term deposits	**98,274**	95,111	83,572	**83,483**	74,001	68,165
Current deposits	**101,211**	134,857	118,496	**87,544**	111,395	102,608
Savings deposits	**285,369**	247,201	217,209	**224,780**	216,979	199,867
Domiciliary deposits	**30,837**	15,425	13,554	**26,196**	15,005	13,822
Corporate customers:						
Term deposits	**249,077**	217,845	191,415	**225,329**	191,136	176,061
Current deposits	**414,416**	507,971	446,342	**354,373**	396,141	364,898
Domiciliary deposits	**540,824**	227,412	199,854	**459,426**	211,854	195,145
	1,720,008	1,445,822	1,270,409	**1,461,131**	1,216,511	1,120,566
Current	**1,652,674**	1,445,822	1,245,606	**1,461,131**	1,216,511	1,108,480
Non-curent	**67,334**	–	24,803	**–**	–	12,086
	1,720,008	1,445,822	1,270,409	**1,461,131**	1,216,511	1,120,566

34. OTHER LIABILITIES

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Liability for defined contribution obligations (note (i))	**600**	665	674	**600**	665	674
Creditors	**48,983**	24,411	19,972	**26,847**	24,734	20,303
Accruals	**6,108**	11,704	5,830	**4,105**	5,608	3,326
Customers' deposit for foreign trade (note (ii))	**12,694**	21,366	15,082	**12,694**	18,853	14,366
Provisions	**146**	64	113	**146**	64	113
Dividend in specie (note (iii))	**12,907**	–	–	**12,907**	–	–
	81,438	58,210	41,671	**57,299**	49,924	38,782
Current	**81,438**	58,210	41,671	**57,299**	49,924	38,782
Non-current	**–**	–	–	**–**	–	–
	81,438	58,210	41,671	**57,299**	49,924	38,782

(i) The Bank and its employees each contributes a minimum of 7.5% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominal pension fund administrators. The amount not yet transferred as at period-end of N600 million (December 2011: N665 million) was settled subsequent to reporting date.

34. OTHER LIABILITIES *continued …*

The movement in liability for defined contribution obligations is as follows:

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Balance, beginning of the year	**665**	674	**665**	674
Charge to profit or loss	**1,317**	1,345	**850**	861
Contributions remitted	**(1,382)**	(1,354)	**(915)**	(870)
Balance, end of the year	**600**	665	**600**	665

(ii) Customers' deposit for foreign trade represents the naira value of foreign currencies held on behalf of customers in various foreign accounts to cover letter of credit transactions. The corresponding balance is included in cash and balances with banks. See note 20.

(iii) This represents estimated fair value of the assets to be distributed to owners as of the end of the reporting period. Level 2 of the fair value hierarchy has been used to determine these estimated fair values; further explanations regarding the Group's Level 2 valuation hierarchy is contained in note 5 of the financial statements, while additional information regarding assets held for distribution to owners is contained in note 18 of the financial statements.

35. SUBORDINATED LIABILITIES

	Group			Bank		
	December 2012	December 2011	January 2011	**December 2012**	December 2011	January 2011
Medium term notes – series 1	**18,555**	18,501	18,335	**20,310**	20,255	20,147
Medium term notes – series 2	**35,164**	34,999	–	**35,164**	34,999	–
	53,719	53,500	18,335	**55,474**	55,254	20,147
Current	**–**	–	–	**–**	–	–
Non-current	**53,719**	53,500	18,335	**55,474**	55,254	20,147
	53,719	53,500	18,335	**55,474**	55,254	20,147

(i) Subordinated liabilities represent medium-term bonds issued by the Bank. In 2010, the Bank offered for subscription N20 billion fixed rate subordinated unsecured notes, maturing in 2017 with a coupon of 13%. In prior year, the Bank also offered N35 billion fixed rate subordinated unsecured notes, maturing in 2018 with a coupon of 14%. These represent the first and second issuance, respectively under the Bank's N400 billion medium-term note programme. Coupon on the note is payable semi-annually.

36. BORROWINGS

	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
On-lending facilities:						
– African Development Bank (AfDB) (note 36.1)	**23,707**	23,662	22,574	**23,707**	23,662	22,573
– Central Bank of Nigeria (note 36.2)	**36,612**	38,756	35,157	**36,612**	38,756	35,158
– Bank of Industries (BoI) (note 36.3)	**13,869**	42,063	5,596	**13,869**	42,063	5,596
– Afrexim (note 36.4)	**14,452**	15,537	–	**14,452**	15,537	–
– SCB (note 36.5)	**25,093**	15,923	–	**25,093**	15,923	–
– HSBC (note 36.6)	**787**	1,099	–	**787**	1,099	–
	114,520	137,040	63,327	**114,520**	137,040	63,327
Current	**53,500**	13,949	10,858	**53,500**	16,013	10,858
Non-current	**61,020**	123,091	52,469	**61,020**	121,027	52,469
	114,520	137,040	63,327	**114,520**	137,040	63,327

36. BORROWINGS *continued …*

36.1 This represents the amount drawn down under the African Development Bank (AfDB) long-term unsecured loan facilities. The AfDB borrowing comprises an unsecured emergency liquidity funding (ELF) and an unsecured trade finance initiative facility (TFI). Interest rate on the ELF is six (6) months USD LIBOR plus 500 basis points. Interest rate on the TFI is six (6) months USD LIBOR plus 450 basis points. Interest on both the ELF and TFI loans are payable semi-annually.

36.2 Amount represents on-lending facilities provided by the Central Bank of Nigeria (CBN) with the sole purpose of granting loans, at subsidised rates, to companies engaged in agriculture. The funds are at concessionary rates.

36.3 Amount represents on-lending facilities provided by the Bank of Industry (BoI) with the sole purpose of granting loans, at subsidised rates, to companies engaged in manufacturing, power and aviation industries. The funds are at concessionary rates.

36.4 This represents the amount drawn down under a secured term loan facility granted by Afrexim and amount drawn down under a guaranteed note purchase. Interest rate on the term loan facility is three (3) months USD LIBOR plus 430 basis points while Interest rate on the guaranteed note purchase facility is three (3) months USD LIBOR plus 475 basis points. Interests on the loans are payable quarterly.

36.5 This represents the amount drawn down under a secured term loan facilities granted by Standard Chartered Bank. The borrowing comprises a term loan facility of USD55 million and a term loan facility of NGN equivalent of USD45 million. Interest rate on the USD55 million term loan facility is six (6) months USD LIBOR plus 450 basis points. Interest rate on the USD45 million term loan is six (6) months USD LIBOR plus 530 basis points. Interest on both term loans are payable semi-annually.

36.6 This represents the amount drawn down under a HSBC Export Credit Agency-backed framework agreement facility. Interest rate on the facility is six (6) months USD LIBOR plus 125 basis points. Interest on the loan is payable semi-annually.

37. CAPITAL AND RESERVES

(a) Share capital

Share capital comprises: *In millions of Nigerian Naira*	Group **December 2012**	Group December 2011	Group January 2011	Bank **December 2012**	Bank December 2011	Bank January 2011
(i) Authorised:						
45,000,000,000 ordinary shares of 50k each	**22,500**	22,500	17,500	**22,500**	22,500	17,500
(ii) Issued and fully paid:						
32,981,387,565 ordinary shares of 50k each	**16,491**	16,168	12,934	**16,491**	16,168	12,934
Number of shares in issue, at start of the year	**32,982**	32,336	25,868	**32,982**	32,336	25,868
Transfer from share premium	**–**	646	6,468	**–**	646	6,468
On issue, at year-end	**32,982**	32,982	32,336	**32,982**	32,982	32,336

(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.

37. CAPITAL AND RESERVES *continued …*

(d) Other reserves

Other reserves include the following:	Group			Bank		
	December 2012	December 2011	January 2011	**December 2012**	December 2011	January 2011
Translation reserve (note (i))	**(1,514)**	1,607	–	**–**	–	–
Statutory reserve (note (ii))	**33,120**	26,014	25,214	**31,224**	24,118	24,118
Fair value reserve (note (iii))	**15,223**	11,460	7,387	**15,834**	12,300	8,088
Regulatory risk reserve (note (iv))	**1,113**	–	–	**1,113**	–	–
Treasury shares (note (v))	**(32,831)**	(32,193)	(32,591)	**–**	–	–
	15,111	6,888	10	**48,171**	36,418	32,206

(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% (2011: Nil) 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. The Bank has suspended further appropriation to SMEEIS reserves (now known as Microcredit Fund) reserve account in line with the decision reached at the Banker's Committee meeting and approved by CBN.

(iii) ***Fair value reserve***

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

(iv) ***Regulatory credit risk reserve***

The regulatory credit risk reserve warehouses the difference between the impairment on loans and advances determined using the Central Bank of Nigeria prudential guidelines, compared with the incurred loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the Central Bank of Nigeria prudential guidelines is higher 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 Bank.

(vi) ***Treasury shares***

Treasury shares represent the Bank's shares held by the Staff Investment Trust as at 31 December 2012.

38. DIVIDENDS

A dividend in respect of the year ended 31 December 2012 of N0.5 per share (2011: Nil) amounting to a total dividend of N16.491billion is has been proposed for Approval at the Annual General Meeting. The amount is not reflected in these financial statements.

39. CONTINGENCIES

(i) Litigation and claims

There were contingent liabilities in respect of legal actions against the Group for amounts totalling N74.5 billion (2011: N229 million) for which provisions amounting to N146 million (2011: N64 million) have been made. The Directors having sought the advice of professional legal counsel are of the opinion that based on the advice received, no significant liability will crystallise from these cases beyond the provision made in the financial statements.

(ii) Contingent liabilities

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

(iii) Capital commitments

At the balance sheet date, the Group had capital commitments amounting to N1.3 billion in respect of authorised and contracted capital projects.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given to third parties as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk:

Contingent liabilities:	Group			Bank		
In millions of Nigerian Naira	**December 2012**	December 2011	January 2011	**December 2012**	December 2011	January 2011
Performance bonds and guarantees	**305,492**	239,014	139,653	**284,359**	228,852	124,602
Letters of credits	**95,820**	121,874	73,524	**78,543**	84,465	62,468
Bankers acceptances	**–**	11,159	9,227	**–**	11,159	9,227
	401,312	372,047	222,404	**362,902**	324,476	196,297

40. RELATED PARTIES

United Bank for Africa Plc (UBA Plc) is the ultimate Bank/controlling party of the Group. The shares of UBA Plc is 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.

(b) Key management personnel

Key management personnel is defined as members of the Board of Directors of the Bank, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in the dealings with UBA Plc and its subsidiaries.

Key management personnel and their immediate relatives engaged in the following transactions with the Bank during the year:

In millions of Nigerian Naira	**December 2012**	December 2011
Loans and advances to key management personnel		
Loans and advances as at end of year	**1,245**	571
Interest income earned during the year	**108**	74

Loans and advances to key management personnel's related persons and entities as at end of year.

In millions of Nigerian Naira

Name of company/ individual	**Relationship**	**Name of Director**	**Facility type**	**Security**	**Status**	**December 2012**	December 2011	Rate	Currency
Bridge House College	Director-related	Mrs. Foluke Abdulrazaq	Term loan	Real Estate Legal ownership over assets secured	Performing	**24**	32	18%	NGN
Vine Foods Limited	Director-related	Mr. Emmanuel Nnorom	Overdraft	Real Estate Legal ownership over assets secured	Performing	**3**	4	27%	NGN
Vine Foods Limited	Director-related	Mr. Emmanuel Nnorom	Term loan	Otherwise	Performing	**–**	27	18%	NGN
Paki International Motors Limited	Director-related	Alhaji Ja'afaru Paki	Term loan	Secured	Performing	**1**	3	24%	NGN
Sahara Energy Resources	Director-related	Ms. Angela Aneke	Term loan	Cash	Performing	**2,723**	3,631	8%	USD
Sahara Energy Resources	Director-related	Ms. Angela Aneke	Overdraft	Cash	Performing	**15,703**	22,113	6%	USD
The Regent School	Director-related	Mrs. Foluke Abdulrazaq	Term loan	Real Estate	Performing	**643**	924	8%	USD
Nigeria Pipes Limited	Director-related	Mr. Abdulqadir Bello	Bankers' acceptance	Mortgage Debenture	Performing	**31**	76	19%	NGN
Cole Uyi Sylvia	Director-related	Ms. Angela Aneke	Mortgage	Real Estate	Performing	**4**	5	8%	GBP
Heirs Holdings Limited	Ex-Director	Mr. Tony Elumelu	Term loan	Real Estate Legal ownership	Performing	**6,492**	7,211	10%	NGN
						25,624	34,026		
Interest income earned during the year						**1,298**	1,518		

40. RELATED PARTIES *continued …*

Loans to key management personnel are granted on the same terms and conditions as loans to other employees. Interest charged on loans to close members of family of key management personnel as well as entities in which they exercise control were charged at commercial and market rates. Related party loans are secured over real estate, equity and other assets of the respective borrowers. No specific impairment losses (2011: Nil) have been recorded against related party loans.

Deposit liabilities

In millions of Nigerian Naira	**December 2012**	December 2011
Deposits as at end of year	**782**	650
Interest expense during the year	**7**	6

Compensation

Aggregate remuneration paid to key management staff during the year is as follows:

In millions of Nigerian Naira	**December 2012**	December 2011
Executive compensation	**614**	694
Retirement benefit costs	**13**	89
Short-term employee benefits	**627**	783

41. COMPENSATION TO EMPLOYEES AND DIRECTORS

(i) The number of persons in the employment of the Group as at year-end is as follows:

	Group		**Bank**	
(In absolute units)	**December 2012**	December 2011	**December 2012**	December 2011
Group Executive Directors	**8**	9	**8**	9
Management	**355**	796	**244**	275
Non-management	**11,174**	12,173	**8,791**	9,569
	11,537	12,978	**9,043**	9,853
Compensation for the above staff (excluding Executive Directors):				
In millions of Nigerian Naira				
Salaries and wages	**42,135**	46,529	**32,149**	37,242
Retirement benefit costs:				
Defined contribution plans	**1,317**	1,345	**850**	861
	43,452	47,874	**32,999**	38,103

41. COMPENSATION TO EMPLOYEES AND DIRECTORS

(ii) The number of employees of the Group, other than Directors, who received emoluments in the following ranges (excluding pension contributions) were:

	Group		Bank	
(In absolute units)	**December 2012**	December 2011	**December 2012**	December 2011
N300 001 – N2 000 000	**7,281**	8,144	**6,260**	6,998
N2 000 001 – N2 800 000	**586**	588	**4**	4
N2 800 001 – N3 500 000	**262**	406	**–**	–
N3 500 001 – N4 000 000	**959**	976	**807**	675
N4 000 001 – N5 500 000	**666**	741	**472**	456
N5 500 001 – N6 500 000	**592**	749	**528**	607
N6 500 001 – N7 800 000	**449**	510	**378**	425
N7 800 001 – N9 000 000	**222**	285	**190**	235
N9 000 001 – above	**512**	570	**396**	444
	11,529	12,969	**9,035**	9,844

	Group		Bank	
In millions of Nigerian Naira	**December 2012**	December 2011	**December 2012**	December 2011
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	**37**	67	**37**	67
Executive compensation	**614**	694	**614**	694
Retirement benefit costs	**13**	89	**13**	89
	664	850	**664**	850
Fees and other emoluments disclosed above including amounts paid to:				
The Chairman	**3**	4	**3**	4
The highest paid Director	**116**	63	**116**	63
The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:				
(In absolute units)				
Below N1 000 000	**–**	2	**–**	2
N1 000 001 – N2 000 000	**2**	1	**2**	1
N2 000 001 – N3 000 000	**2**	–	**2**	–
N3 000 001 – N5 000 000	**5**	4	**5**	4
N5 500 001 and above	**9**	12	**9**	12
	18	19	**18**	19

42. SUBSEQUENT EVENTS

There are no post-balance sheet events that could materially affect either the reported state of affairs of the Bank and the Group as at 31 December 2012 or the profit/(loss) for the year ended on the same date which have not been adequately provided for or disclosed.

43. COMPLIANCE WITH BANKING REGULATIONS

The Bank contravened the Banks and Other Financial Institutions Act CAP B3 LFN 2004 during the period and was penalised a total sum of N6.65 million for delayed response on ATM complaints; wrong crediting of FEM winnings by our correspondent bank; and wrong filing of rating reports in credit files.

44. EXPLANATION OF TRANSITION TO IFRS

(A) Implementation of IFRS

As stated in note 1 (a), these are the Group's and Bank's first financial statements prepared in accordance with IFRS. The Group and Bank have applied IFRS 1 in preparing these consolidated and separate financial statements and the accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011, and in the preparation of an opening IFRS statement of financial position at 1 January 2011(the date of the Bank's transition to IFRS).

In preparing its opening IFRS statement of financial position, the Group and the Bank have adjusted amounts reported previously in financial statements prepared in accordance with Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria, previously the Nigerian Accounting Standards Board ("Nigerian GAAP"). An explanation of how the transition from Nigerian GAAP to IFRS has affected the Group's and the Bank's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The most significant IFRS impact for the Group and the Bank resulted from the implementation of IAS 39 *Financial Instruments – Recognition and Measurement*. IAS 39 requires financial assets and liabilities to be measured at fair value or at amortised cost (using the effective interest method) depending on their classification. The impairment principles of IAS 39 require the impairment of financial assets only in cases where there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (referred to as an 'incurred loss' model).

In preparing these consolidated and separate financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions from full retrospective application of IFRS.

(i) Exceptions from full retrospective application – followed by the Group and the Bank

The Group and the Bank applied the following mandatory exceptions from retrospective application:

Estimates exception

Estimates under IFRS at 1 January 2011 are consistent with estimates made for the same date under Nigerian GAAP, unless there is evidence that those estimates were in error.

Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 1 January 2004 are not rerecognised under IFRS.

Hedge accounting exception

This exception requires the Group and the Bank to use hedge accounting only if the hedge relationship meets all the hedge accounting criteria under IAS 39. The Group and the Bank have not used hedge accounting under IFRS.

44. EXPLANATION OF TRANSITION TO IFRS *continued …*

Non-controlling interests exception

The Group elected not to restate business combinations that occurred prior to the date of transition to IFRS. Therefore, the guidance contained in IFRS on accounting for the loss of control of a subsidiary, the attribution of total comprehensive income between non-controlling interests and the owners of the Bank and changes in ownership interests without loss of control are applied prospectively from 1 January 2011.

Classification and measurement of financial assets exception

The assessment of whether the Group's financial assets meet the requirements to be measured at amortised cost, as set out in IFRS 9, was performed at 1 July 2007.

(ii) Exemptions (elections) made by the Group

The Group has applied the following transition exemptions (elections) to full retrospective application of IFRS:

(a) Cumulative translation adjustment

(b) Business combination

Cumulative translation adjustment

In accordance with IFRS transitional provisions, the Group has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS.

Business combination

In accordance with IFRS transitional provisions, the Group elected to apply IFRS relating to business combinations prospectively from 1 January 2011. As such, Nigerian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment.

Reconciliation of equity

In millions of Nigerian Naira **Group**	Notes	**Previous GAAP**	**Effect of transition to IFRS 1 January 2011**	**IFRS**
Assets				
Cash and cash equivalents	k	68,056	317,341	385,397
Due from other banks and financial institutions	k	302,272	(302,272)	–
Trading assets	l	–	2,594	2,594
Loans and advances to banks	a, c, m	–	11,226	11,226
Loans and advances to customers	a, c, m	628,811	(38,014)	590,797
Treasury bills and government bonds	j	123,455	(123,455)	–
Investment in equity accounted investees		10,118	–	10,118
Investment securities	b c, j, n	384,453	108,626	493,079
Property and equipment	e, o	65,200	(3,191)	62,009
Intangible assets	o p	3,479	3,147	6,626
Deferred tax assets	f	3,341	3,708	7,049
Other assets	i	28,511	1,779	30,290
Total assets		**1,617,696**	**(18,511)**	**1,599,185**
Liabilities				
Derivative liabilities	h	–	9,310	9,310
Deposits from banks	d, r	–	7,456	7,456
Deposits from customers	d, r	1,267,171	3,238	1,270,409
Due to other banks	d, r	7,456	(7,456)	–
Liability on investment contracts	s	33,090	(33,090)	–
Managed funds	s	–	32,753	32,753
Current tax liabilities		2,794	75	2,869
Deferred tax liabilities	f	30	–	30
Other liabilities	d, t	45,585	(3,914)	41,671
Subordinated liabilities	d, u	–	18,335	18,335
Borrowings	d, u	82,144	(18,817)	63,327
Total liabilities		**1,438,270**	**7,890**	**1,446,160**
Equity				
Share capital and share premium		124,423	–	124,423
Retained earnings and other reserves		52,106	(26,401)	25,705
Total equity attributable to equity holders of the Bank		176,529	(26,401)	150,128
Non-controlling interest		2,897	–	2,897
Total equity		179,426	(26,401)	153,025
Total liabilities and equity		**1,617,696**	**(18,511)**	**1,599,185**

Reconciliation of equity

In millions of Nigerian Naira **Bank**	Notes	**Previous GAAP**	**Effect of transition to IFRS 1 January 2011**	**IFRS**
Assets				
Cash and cash equivalents	k	39,819	290,882	330,701
Due from other banks and financial institutions	k	290,735	(290,735)	–
Trading assets	l	–	1,267	1,267
Loans and advances to banks	a, c, m	–	11,226	11,226
Loans and advances to customers	a, c, m	569,312	(12,088)	557,224
Treasury bills and government bonds	j	78,703	(78,703)	–
Investment in subsidiaries		50,355	–	50,355
Investment in equity-accounted investees		10,843	–	10,843
Investment securities	b c, j, n	313,659	77,802	391,461
Property and equipment	e, o	56,216	(2,953)	53,263
Intangible assets	o p	–	2,952	2,952
Deferred tax assets	f	3,131	3,424	6,555
Other assets	i	19,859	5,018	24,877
Total assets		**1,432,632**	**8,092**	**1,440,724**
Liabilities				
Derivative liabilities	h	–	9,310	9,310
Deposits from banks	d, r	–	51	51
Deposits from customers	d, r	1,119,063	1,503	1,120,566
Due to other banks	d, r	51	(51)	–
Current tax liabilities		1,148	37	1,185
Other liabilities	d, t	40,684	(1,902)	38,782
Subordinated liabilities	d, u	–	20,147	20,147
Borrowings	d, u	83,956	(20,629)	63,327
Total liabilities		**1,244,902**	**8,466**	**1,253,368**
Equity				
Share capital and share premium		124,423	–	124,423
Retained earnings and other reserves		63,307	(374)	62,933
Total equity attributable to equity holders of the Bank		187,730	(374)	187,356
Total liabilities and equity		**1,432,632**	**8,092**	**1,440,724**

Reconciliation of equity

In millions of Nigerian Naira **Group**	Notes	**Previous GAAP**	**Effect of transition to IFRS 31 December 2011**	**IFRS**
Assets				
Cash and cash equivalents	k	178,295	255,923	434,218
Due from other banks and financial institutions	k	251,514	(251,514)	–
Financial assets held-for-trading	l	–	1,303	1,303
Loans and advances to banks	a m	–	41,564	41,564
Loans and advances to customers	a	689,625	(83,998)	605,627
Treasury bills and government bonds	j	175,525	(175,525)	–
Investment in equity-accounted investees		10,356	–	10,356
Investment securities	b, c, j, n	525,975	196,333	722,308
Property and equipment	e	52,852	2,766	55,618
Intangible assets	o p	9,658	(3,728)	5,930
Deferred tax assets	f	25,062	1,936	26,998
Other assets	i	23,931	(7,418)	16,513
Total assets		**1,942,793**	**(22,358)**	**1,920,435**
Liabilities				
Derivative liabilities	h	–	817	817
Deposits from banks	r	–	19,510	19,510
Deposits from customers	r	1,444,988	834	1,445,822
Due to other banks	r	17,201	(17,201)	–
Liability on investment contracts	u	41,996	(41,996)	–
Managed funds	s	–	51,943	51,943
Current tax liabilities		2,005	622	2,627
Deferred tax liabilities	f	26	–	26
Other liabilities	t	74,421	(16,211)	58,210
Subordinated liabilities	u	–	53,500	53,500
Borrowings	u	192,123	(55,083)	137,040
Total liabilities		**1,772,760**	**(3,265)**	**1,769,495**
Equity				
Share capital and share premium		124,423	–	124,423
Retained earnings and other reserves		42,038	(19,116)	22,922
Total equity attributable to equity holders of the Bank		166,461	(19,116)	147,345
Non-controlling interest		3,572	23	3,595
Total equity		170,033	(19,093)	150,940
Total liabilities and equity		**1,942,793**	**(22,358)**	**1,920,435**

Reconciliation of equity

In millions of Nigerian Naira **Bank**	Notes	**Previous GAAP**	**Effect of transition to IFRS 31 December 2011**	**IFRS**
Assets				
Cash and cash equivalents	k	124,826	227,674	352,500
Due from other banks and financial institutions	k	227,582	(227,582)	–
Financial assets held-for-trading	l	–	237	237
Loans and advances to banks	a, c, m	–	41,564	41,564
Loans and advances to customers	a, c, m	596,457	(43,931)	552,526
Treasury bills and government bonds	j	98,289	(98,289)	–
Investment in subsidiaries		56,695	–	56,695
Investment in equity accounted investees		10,843	–	10,843
Investment securities	b, c, j, n	446,408	113,620	560,028
Property and equipment	e, o	44,225	2,841	47,066
Intangible assets	o p	5,855	(3,756)	2,099
Deferred tax assets	f	24,585	1,019	25,604
Other assets	i	19,700	(2,809)	16,891
Total assets		**1,655,465**	**10,588**	**1,666,053**
Liabilities				
Derivative liability	h	–	817	817
Deposits from banks	d, r	–	23,408	23,408
Deposits from customers	d, r	1,216,464	47	1,216,511
Due to other banks	d, r	21,763	(21,763)	–
Current tax liabilities		784	–	784
Other liabilities	d, t	52,518	(2,594)	49,924
Subordinated liabilities	d, u	–	55,254	55,254
Borrowings	d, u	193,878	(56,838)	137,040
Total liabilities		**1,485,407**	**(1,669)**	**1,483,738**
Equity				
Share capital and share premium		124,423	–	124,423
Other reserves		45,635	12,257	57,892
Total equity attributable to equity holders of the Bank		170,058	12,257	182,315
Total liabilities and equity		**1,655,465**	**10,588**	**1,666,053**

Reconciliation of equity

In millions of Nigerian Naira **Group**	Notes	**Nigerian GAAP**	**Effect of transition to IFRS 31 December 2011**	**IFRS**
Interest and discount income	a v	121,422	(7,832)	113,590
Interest expense	w	(46,125)	702	(45,423)
Net interest income (Interest margin)		75,297	(7,130)	68,167
Net fees and commission income	x	41,613	(2,953)	38,660
Net trading income	y	–	3,546	3,546
Other operating income	z	21,798	(13,202)	8,596
		63,411	(12,609)	50,802
Operating income		138,708	(19,739)	118,969
Operating expenses	ab	(130,344)	(15,257)	(145,601)
Net impairment loss on financial assets	aa	(22,628)	3,025	(19,603)
Loss on loans sold to Asset Management Corporation of Nigeria – AMCON		–	(19,894)	(19,894)
Personnel expenses	ab	(37,153)	(10,721)	(47,874)
Depreciation and amortisation	ab	(10,386)	(114)	(10,500)
Other expenses	ab	(60,177)	12,447	(47,730)
Exceptional charges		(36,851)	36,851	–
Share of profit in associate and Joint venture		(9)	41	32
Profit before income tax		(28,496)	1,896	(26,600)
Income tax expense		18,849	(914)	17,935
Profit for the year from discontinued operations		–	1,864	1,864
Profit for the year		(9,647)	2,846	(6,801)
Non controlling Interest		827	23	850
Attributable to:				
Equity holders of the Bank		(10,474)	2,823	(7,651)
		(9,647)	2,846	(6,801)
Basic loss per share (Naira)		(32)		(22)

Reconciliation of equity

In millions of Nigerian Naira **Bank**	Notes	**Nigerian GAAP**	**Effect of transition to IFRS 31 December 2011**	**IFRS**
Interest and discount income	a v	102,784	(5,357)	97,427
Interest expense	w	(40,862)	(341)	(41,203)
Net interest income (Interest margin)		61,922	(5,698)	56,224
Net fees and commission income	x	30,065	(1,339)	28,726
Net trading income	y	–	(2,563)	(2,563)
Other operating income	z	8,658	(5,895)	2,763
		38,723	(9,797)	28,926
Operating income		100,645	(15,495)	85,150
Operating expenses	ab	(101,086)	(10,532)	(111,618)
Net impairment loss on financial assets	aa	(18,116)	8,476	(9,640)
Loss on loans sold to Asset Management Corporation of Nigeria – AMCON		–	(19,894)	(19,894)
Personnel expenses		(26,716)	(11,387)	(38,103)
Depreciation and amortization	ab	(8,180)	(59)	(8,239)
Other expenses		(48,074)	12,332	(35,742)
Exceptional charges	ab	(36,851)	36,851	–
Profit before income tax		(37,292)	10,824	(26,468)
Income tax expense		20,907	(2,405)	18,502
Profit for the year		(16,385)	8,419	(7,966)
Attributable to:		–		
Equity holders of the Bank		(16,385)	8,419	(7,966)
		(16,385)	8,419	(7,966)
Basic loss per share (Naira)		(50)		(24)

44. EXPLANATION OF TRANSITION TO IFRS *continued …*

(B) An explanation of how the transition from Nigerian GAAP (NGAAP) to IFRSs has affected the Bank and Group's financial position, financial performance and cashflows is set out in the accompanying notes and tables:

Material adjustments reconciling the equity under NGAAP to IFRS:

	Group		**Bank**	
In millions of Nigerian Naira	December 2011	January 2011	December 2011	January 2011
Shareholders' equity under NGAAP	170,033	179,426	170,058	187,730
(a) Loan loss provision				
(i) Impairment	(3,033)	(6,301)	(3,133)	(11,504)
(ii) Interest in suspense/interest income on impaired loans	2,905	10,773	2,556	10,399
(b) Available-for-sale financial instruments	12,601	7,860	13,227	8,561
(c) Financial assets at amortised cost	(238)	(982)	9	(1,597)
(d) Financial liabilities at amortised cost	(71)	226	(12)	226
(e) Restatement of landed property and componentisation	(105)	(44)	(59)	
(f) Deferred tax	1,313	3,602	1,019	3,424
(g) Treasury shares	(31,067)	(31,542)	–	
(h) Derivative liabilities	(817)	(9,310)	(817)	(9,310)
(i) Other provisions on non-financial assets	(583)	(683)	(534)	(573)
Shareholders' equity under IFRS	150,940	153,025	182,315	187,356

Material adjustments reconciling the profit before tax (PBT) under NGAAP to IFRS:

	Group	Bank
In millions of Nigerian Naira	December 2011	December 2011
Loss before tax under NGAAP	(9,647)	(16,385)
Loan loss impairment	3,068	8,371
Interest in suspense/interest income on impaired loans	(8,832)	(7,843)
Available-for-sale financial instruments	459	458
Financial assets at amortised cost	724	1,416
Financial liabilities at amortised cost	(70)	(12)
Restatement of landed property and componentisation	(61)	(59)
Derivative	8,493	8,493
Other provisions on non-financial assets	(1,886)	–
Taxation	(914)	(2,405)
Loss before taxation for the year from continuing operations	(8,665)	(7,966)
Profit for the year from discontinued operations	1,864	–
Loss for the year	(6,801)	(7,966)
Other comprehensive income:		
Foreign currency translation differences	1,607	–
Fair value gains on available-for-sale investments	4,073	4,212
Total comprehensive loss for the year	(1,121)	(3,754)

Material adjustments reconciling the consolidated statement of cash flows under previous GAAP to IFRS:

Under the previous GAAP, treasury bills are classified as cash and cash equivalents. Under IFRS, treasury bills have been classified under their respective financial asset classes. On transitioning to IFRS, the net effect of IFRS on the cash flow statements are as follows:

In millions of Nigerian Naira	Group Previous GAAP December 2011	Effect of transition to IFRS	Group IFRS December 2011	Bank Previous GAAP December 2011	Effect of transition to IFRS	Bank IFRS December 2011
Net cash from operating activities	(20,647)	(2,890)	(23,537)	(92,115)	(11,083)	(103,198)
Net cash from investing activities	(108,168)	2,809	(105,359)	(71,425)	22,736	(48,689)
Net cash from financing activities	103,564	4,502	108,066	103,564	3,969	107,533
Decrease in cash and cash equivalents	(25,251)	4,421	(20,830)	(59,976)	15,622	(44,354)
Effects of exchange rate changes on cash and cash equivalents	–	324	324	–	166	166
Cash and cash equivalents at beginning of year	373,908	(973)	372,935	338,138	(15,696)	322,442
Cash and cash equivalents at end of year	348,657	3,772	352,429	278,162	92	278,254

44. EXPLANATION OF TRANSITION TO IFRS *continued …*

(a) Loan loss provision

(i) Impairment

Specific impairment:

The provision under NGAAP is determined using the prudential guidelines. A specific provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. The prudential guidelines specify the percentage provision to made on each loan depending on the classification (substandard – 10%; doubtful – 50%; lost – 100%). The objective criteria for classifying loans under prudential guidelines is dependent on the number of days the due and unpaid balance has been outstanding. Under IFRS, a loan is assessed for impairment if there is objective evidence that an impairment has occurred after initial recognition. The Group assess all significant loans for impairment trigger. An impairment is recognised when the present value of the estimated future cashflows, discounted using the original effective interest rate, is lower than the carrying balance of the loan.

Collective impairment:

Under NGAAP a provision of at least 1% is made for all performing accounts to recognise losses in respect of risks inherent in any credit portfolio. Under IFRS an impairment loss can only be recognised if there is objective evidence that a loss has occurred after the initial recognition but before the balance sheet date. The Group performs a collective impairment evaluation of all insignificant loans and all significant loans that are not impaired. The collective impairment was determined using the 'Incurred loss model' and the inputs into the model are Probability of Default (PD), Loss given default (LGD) and Emergence period (EP).

(ii) Interest in suspense/interest income on impaired loans:

Under NGAAP, interest is accrued on loans and advances using the contractually agreed rates and such interest is suspended and included as part of specific impairment on loans and advances. Under IFRS, interest is accrued on impaired loans using the original effective interest rate and recognised as part of interest income on loans and advances. However, the interest income recognised on impaired loans and advances are disclosed in the financial statements.

(b) Financial assets classified as availabe-for-sale:

Under NGAAP, investment securities are classified either as short-term or long-term investments. Short term investments are investments that management intends to hold for less than one year. These investments are carried at the lower of cost and market value. Long-term investments are investments that management intend to hold for more than one year and include all other investments other than short-term investments. These investments are carried at cost less impairment or revalued amounts. Under IFRS, financial assets are categorised into four:

– held-for-tading: measured at fair value through profit or loss. There is no gap between this and the NGAAP;

– available-for-sale: measured at fair value through equity;

– held-to-maturity: measure at amortised cost; and

– loans and receivables: measured at amortised cost.

(c) Financial assets at amortised cost:

Under NGAAP, premium and discounts arising on the purchase of financial instruments are amortised on a straight-line basis and reported as part of other income/other expenses. Fees integral to loans and advances are recognised immediately in the income statement and reported as part of commission and fee income. IFRS requires financial assets carried at amortised cost to be measured using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(d) Financial liabilities at amortised cost

Under NGAAP, fees on long-term borrowings are charged directly to the profit or loss and the corporate bond issue costs are not recognised using the effective interest rate. Under IFRS, long-term borrowings are carried at amortised cost and the bond issue expenses and fees on long-term borrowings are amortised using the original effective interest rate.

44. EXPLANATION OF TRANSITION TO IFRS *continued …*

(e) Restatement of landed property and componentisation

Under NGAAP, the cost of land was not separated from buildings and was depreciated along with buildings. Aircraft frame/engine/other body parts included in other transportation equipment were depreciated using one estimate while strong rooms were depreciated as part of furniture and office equipment. Under IFRS, the cost of land is separated from the cost of building and is not depreciated along with the building. The air craft frame/engine/other body parts were depreciated using separate accounting estimates that reflect their useful lives. The strong rooms were depreciated separately from office equipment.

(f) Deferred tax

The defered tax implications arising on the application of IFRS was recognised in the books.

(g) Treasury shares

Under NGAAP, the financial statements of Staff Share Investment Trust Scheme (The 'Scheme'); a special purpose entity (SPE) was not consolidated. Under IFRS, SPEs are consolidated. The shares issued to the SPE was accounted for as treasury shares and were backed out of equity, as the bank was deemed to have control based on guidance from Standing Interpretations Committee (SIC 12) on 'Consolidation – Special Purpose Entities'.

(h) Derivative

Under NGAAP, there was no accounting standard for derivatives. The estimated or probable losses that may arise on transactions that are derivative in nature are recognised as off balance sheet transactions while under IFRS, such derivatives are accounted for on-balance sheet and recognised at fair value through the profit or loss.

(i) Other provisions on non-financial assets

Under NGAAP, non-financial assets (excluding goodwill) are assessed by management for impairment and any impairment losses recognised in profit or loss. The assessment by management is highly subjective. Under IFRS, the carrying amount of non-financial assets is compared to the higher of value-in-use and the fair value less costs to sale and an impairment loss is recognised when the carrying amount is found to be higher.

(j) Treasury bills

Treasury bills were reclassified to investment securities under IFRS.

(k) Cash and cash equivalents

Placements and other balances with Banks were reclassified to cash and cash equivalents.

(l) Financial assets held-for-trading

Non-pledged trading assets were reclassified out of short term investments.

(m) Loans and advances to banks

Loans and advances to banks were presented separately from loans to other entities.

(n) Investment securities

Investment securities under NGAAP comprised financial assets currently classified as held-for-trading, available-for-sale (AFS), and those held-to-maturity (HTM). Under IFRS, each class of investment security has been properly classified and accorded their respective treatments under IAS 39.

(o) Property and equipment

The difference arose from the reclassification of intangible assets from property and equipment. Under NGAAP, Property and equipment and Intangible asset items were classified together as a class of assets – property and equipment. Under the IFRS, intangible assets were reclassified from property and equipment as appropriate.

(p) Intangible assets

The difference is as a result of the intangible assets reclassified from property and see (o) above.

44. EXPLANATION OF TRANSITION TO IFRS *continued …*

(q) Other assets

The difference comprises interest receivables on various financial assets reclassified to the principal portion of the assets and the impact of below market rate loans carried as prepayments in other assets.

(r) Deposit from banks and customers

The difference is as a result of interest payables on customers deposit liabilities reclassified from other liabilities and balances due from other banks reclassified to deposit liabilities.

(s) Managed funds

Represents a reclassification of liability on investment contracts.

(t) Other liabilities

The difference in other liabilities is accounted for by the interest payables reclassified out of Other liabilities to the principal portion of the liabilities.

(u) Subordinated liabilities

The difference arose from the restatement of the liabilities at amortised cost and a reclassification from borrowings.

(v) Interest income

The difference is as a result of interest in suspense reclassified to interest income and changes arising from the restatement of financial assets at amortised cost. It is also affected by the unwinding of staff loans issued at below market rates.

(w) Interest expense

The difference is as a result of the restatement of financial liabilities at amortised cost.

(x) Net fee and commision income

The difference is accounted for by the deferred fees arising from the restatement of loans and advances at amortised cost and the reclassification of fee expenses from other expenses.

(y) Net trading income

The net trading income comprise foreign exchange gain under NGAAP and derivative gains and losses under IFRS.

(z) Other operating income

This comprises mostly of the other income under NGAAP.

(aa) Net impairment loss on loans and receivables and net gains/(losses) on investment securities

The balances under these captions represent the diminution in asset values arising from the impairment of loans and advances under IFRS as well as the impairment of investment securities and other assets arising from the application of IAS 36.

(ab) Other operating expenses

The depreciation and amortisation, personnel expenses and fee and commission expenses were reclassified out of operating expenses under NGAAP to their respective lines under IFRS.

(ac) Other comprehensive income

This is made up of foreign currency translation differences arising from the consolidation of foreign subsidiaries and fair value gains or losses arising from the fair valuation of available for sale financial instruments.

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Statement of value added

For the Year Ended 31 December

UBA

	2012		2011	
	N'million	%	N'million	%
Group				
Gross revenue	**220,129**		163,732	
Interest paid	**(58,386)**		(45,423)	
	161,743		118,309	
Administrative overheads:				
– local	**41,358**		40,759	
– foreign	**(6,186)**		(8,239)	
Value added	**114,199**	100	69,311	100
Distribution				
Employees				
– Salaries and benefits	**43,452**	38	47,874	70
Providers of funds				
– Proposed dividend	**–**	–	–	–
Government				
– Taxation	**533**	–	–	–
The future				
– Asset replacement (depreciation and amortisation)	**10,888**	9	10,500	16
– Asset replacement (provision for losses)	**4,560**	4	17,738	26
– Expansion (transfer to reserves and non-controlling interest)	**54,766**	49	(6,801)	(12)
	114,199	100	69,311	100

Statement of value added

For the Year Ended 31 December

	2012		2011	
	N'million	%	N'million	%
Bank				
Gross revenue	**177,429**		126,098	
Interest paid	**(51,302)**		(41,203)	
	126,127		84,895	
Administrative overheads:				
– local	**36,748**		37,737	
– foreign	**(643)**		(602)	
Value added	**88,736**	100	46,556	100
Distribution				
Employees				
– Salaries and benefits	**32,999**	37	38,103	82
Providers of funds				
– Proposed dividend	**–**	–	–	
Government				
– Taxation	**(1,195)**	(2)	–	–
The future				
– Asset replacement (depreciation and amortisation)	**6,903**	8	8,239	17
– Asset replacement (provision for losses)	**2,654**	2	8,180	18
– Expansion (transfer to reserves and non-controlling interest)	**47,375**	55	(7,966)	(17)
	88,736	100	46,556	100

Five-Year Financial Summary

	IFRS			NGAAP	
Group In millions of Nigerian Naira	**31 December 2012**	31 December 2011	1 January 2011	31 December 2009	30 September 2008
ASSETS					
Cash and cash equivalents	**714,115**	434,218	385,397	68,225	120,088
Treasury bills and other eligible bills	**–**	–	–	42,035	174,005
Financial assets held for trading	**457**	1,303	2,594		
Due from other banks	**–**	–	–	470,195	654,869
Loans and advances to banks	**28,513**	41,564	11,226	–	–
Loans and advances to customers	**658,922**	605,627	590,797	606,616	431,410
Investment securities	**–**	–	–	188,407	126,895
– Available-for-sale investments	**128,665**	96,744	124,144	–	–
– Held to maturity investments	**552,152**	625,564	368,935	–	–
Investments in equity accounted investee	**–**	10,356	10,118	9,506	1,488
Goodwill	**–**	–	–	2,983	–
Investment property	**–**	–	–	269	589
Property and equipment	**70,746**	55,618	62,009	73,042	61,553
Intangible assets	**7,568**	5,930	6,626	–	–
Deferred tax assets	**29,624**	26,998	7,049	–	–
Other assets	**18,598**	16,513	30,290	87,003	102,436
Non-current assets held for distribution	**63,563**	–	–	–	–
TOTAL ASSETS	**2,272,923**	1,920,435	1,599,185	1,548,281	1,673,333
LIABILITIES					
Derivative liabilities	**124**	817	9,310	–	–
Deposits from banks	**57,780**	19,510	7,456	15,807	32,000
Deposits from customers	**1,720,008**	1,445,822	1,270,409	1,245,650	1,333,289
Managed funds	**–**	51,943	32,753	22,138	40,558
Current tax liabilities	**1,274**	2,627	2,869	3,385	5,606
Dividend payable	**–**	–	–	20	42
Deferred tax liabilities	**59**	26	30	2	993
Subordinated liabilities	**53,719**	53,500	18,335	–	–
Borrowings	**114,520**	137,040	63,327	14,760	–
Other liabilities	**81,438**	58,210	41,671	58,187	65,564
Retirement benefit obligations	**–**	–	–	1,503	–
Liabilities held for distribution	**51,534**	–	–	–	–
TOTAL LIABILITIES	**2,080,456**	1,769,495	1,446,160	1,361,452	1,478,052
EQUITY					
Share capital and share premium	**124,423**	124,423	124,423	124,423	122,658
Reserves	**64,683**	22,922	25,705	57,090	70,802
EQUITY ATTRIBUTABLE TO EQUITY – HOLDERS OF THE BANK	**189,106**	147,345	150,128	181,513	193,460
Non-controlling interest	**3,361**	3,595	2,897	5,316	1,821
TOTAL EQUITY	**192,467**	150,940	153,025	186,829	195,281
TOTAL LIABILITIES AND EQUITY	**2,272,923**	1,920,435	1,599,185	1,548,281	1,673,333

Five-Year Financial Summary *continued …*

	IFRS			NGAAP	
Group In millions of Nigerian Naira	**31 December 2012**	31 December 2011	1 January 2011	31 December 2009	30 September 2008
Net operating income	**153,039**	119,001	153,936	187,066	128,151
Operating expenses	**(102,592)**	(125,998)	(126,037)	(135,228)	(68,720)
Write-back/provision for losses	**1,563**	(19,603)	(30,824)	(38,176)	(2,616)
Profit/(loss) before taxation and exceptional items	**52,010**	(26,600)	(2,925)	13,662	56,815
Exceptional items	**–**	–	–	(7,025)	(8,786)
Taxation	**(533)**	17,935	981	(4,262)	(7,204)
Profit/(loss) after taxation and exceptional items	**51,477**	(8,665)	(1,944)	2,375	40,825
Profit from discontinued operations	**3,289**	1,864	–	–	–
Profit/(loss) for the period	**54,766**	(6,801)	(1,944)	2,375	40,825
– Non-controlling interest	**102**	850	70	262	(414)
– Equity holders of the Bank	**54,664**	(7,651)	(2,014)	2,113	41,239
Other comprehensive income for the period	**764**	5,680	8,088	–	–
Total comprehensive income for the period	**55,530**	(1,121)	6,144	2,375	40,825

Bank In millions of Nigerian Naira	IFRS **31 December 2012**	IFRS 31 December 2011	IFRS 31 December 2010	NGAAP 31 December 2009	NGAAP 30 September 2008
ASSETS					
Cash and cash equivalents	**629,481**	352,500	330,701	38,972	95,733
Treasury bills and other eligible bills	**–**	–	–	15,945	171,401
Financial assets held for trading	**456**	237	1,267		
Due from other banks	**–**	–	–	459,829	591,791
Loans and advances to banks	**27,878**	41,564	11,226	–	–
Loans and advances to customers	**570,714**	552,526	557,224	543,289	405,540
Investment securities	**–**	–	–	150,565	96,397
– Available-for-sale investments	**126,646**	63,428	107,317	–	–
– Held to maturity investments	**401,348**	496,600	284,144	–	–
Investments in subsidiaries	**66,727**	56,695	50,355	37,753	13,562
Investments in equity accounted investee	**–**	10,843	10,843	10,843	1,495
Property and equipment	**63,118**	47,066	53,263	63,497	56,165
Intangible assets	**1,578**	2,099	2,952	–	–
Deferred tax assets	**28,152**	25,604	6,555	–	–
Other assets	**11,159**	16,891	24,877	80,186	88,007
Non-current assets held for distribution	**5,808**	–	–	–	–
TOTAL ASSETS	**1,933,065**	1,666,053	1,440,724	1,400,879	1,520,091
LIABILITIES					
Derivative liabilities	**124**	817	9,310	–	–
Deposits from banks	**22,875**	23,408	51	10,080	32,000
Deposits from customers	**1,461,131**	1,216,511	1,120,566	1,151,086	1,258,036
Current tax liabilities	**1,325**	784	1,185	1,416	3,443
Dividend payable	**–**	–	–	42	42
Deferred tax liabilities	**–**	–	–	–	991
Subordinated liabilities	**55,474**	55,254	20,147	–	–
Borrowings	**114,520**	137,040	63,327	14,760	–
Other liabilities	**57,299**	49,924	38,782	34,273	37,424
Retirement benefit obligations	**–**	–	–	1,503	–
TOTAL LIABILITIES	**1,712,748**	1,483,738	1,253,368	1,213,160	1,331,936
EQUITY					
Share capital and share premium	**124,423**	124,423	124,423	124,423	122,658
Reserves	**95,894**	57,892	62,933	63,296	65,497
TOTAL EQUITY	**220,317**	182,315	187,356	187,719	188,155
TOTAL LIABILITIES AND EQUITY	**1,933,065**	1,666,053	1,440,724	1,400,879	1,520,091

Five-Year Financial Summary *continued ...*

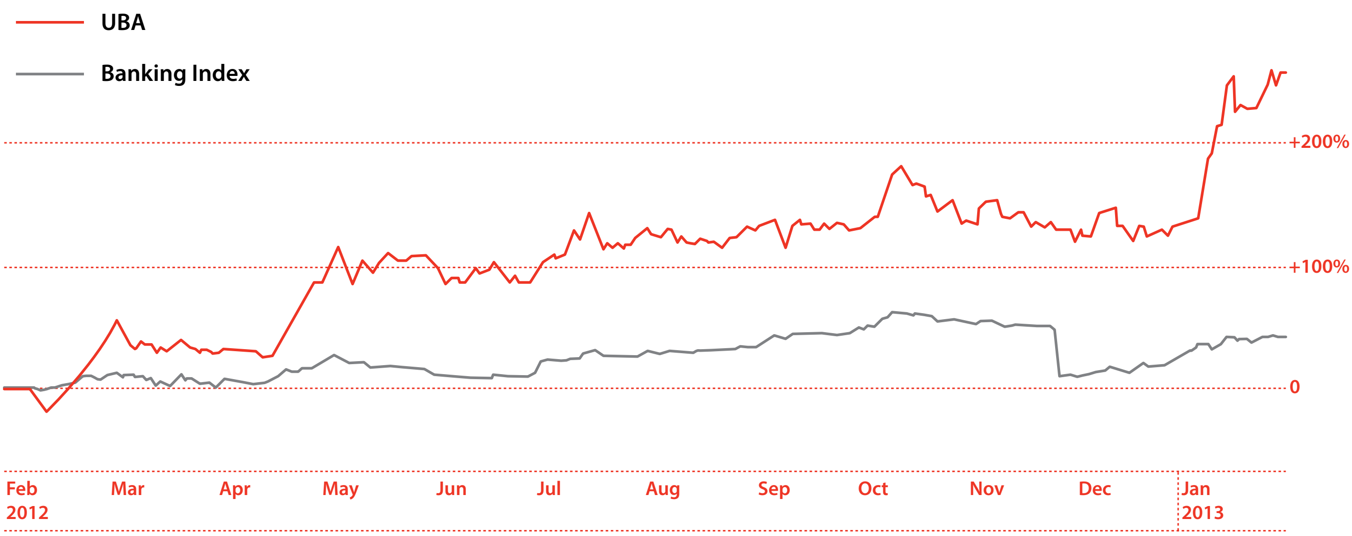
Bank In millions of Nigerian Naira	IFRS **31 December 2012**	 31 December 2011	 31 December 2010	NGAAP 31 December 2009	 30 September 2008
Net operating income	**124,356**	85,150	122,986	165,547	114,530
Operating expenses	**(75,393)**	(101,978)	(104,419)	(111,653)	(58,345)
Provision for losses	**(2,783)**	(9,640)	(26,761)	(30,905)	(1,548)
Profit/(loss) before taxation and exceptional items	**46,180**	(26,468)	(8,194)	22,989	54,637
Exceptional items	**–**	–	–	(7,025)	(8,786)
Taxation	**1,195**	18,502	1,898	(3,075)	(5,849)
Profit/(loss) for the period	**47,375**	(7,966)	(6,295)	12,889	40,002
Other comprehensive income for the period	**3,534**	4,212	8,088	–	–
Total comprehensive income/(loss) for the period	**50,909**	(3,754)	1,793	12,889	40,002

UBA is one of the largest financial services groups in Nigeria with operations in 18 other African countries. Its shares have been listed on the Nigerian Stock Exchange since 1970. The Bank's current number of shares outstanding is 32,981,387,565 with an average daily trading volume of 30 million shares. A summary of its key share data is shown below.

Share data as of the last trading day in 2012

Year	2012	2011
NSE ticker	**UBA**	UBA
Bloomberg ticker	**UBA NL**	UBA NL
Share price (N)	**4.59**	2.59
Shares outstanding (million)	**32,981**	32,334
Market capitalisation (N' billion)	**151,383**	83,745
Market capitalisation (US$' million)	**962.99**	536.14
12-month average trading volume (million)	**30**	30
52-week high share price (N)	**5.65**	11.70
52-week low share price (N)	**1.64**	2.42

Share price performance, last one year – UBA versus Banking Index



Source: Financial Times

Share Capital (Authorised and Fully Paid)

The Bank's Authorised Share Capital as of 31 December 2012 amounted to N22,500,000,000 consisting 45,000,000,000 shares of 50 kobo each. Of this amount, 32,981,387,565 shares have been issued and fully paid for – and are listed on the Nigerian Stock Exchange for trading.

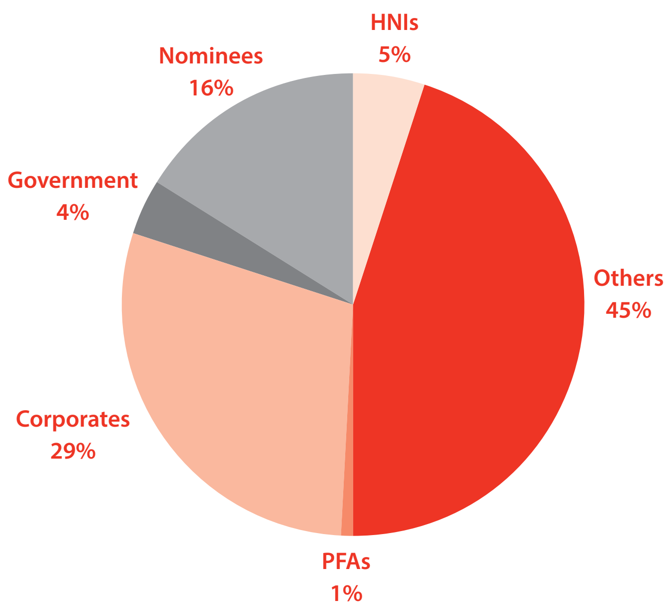
Investor Information *continued …*

Shareholders

As at the end of 2012, UBA's shares were held by a total of 282,432 shareholders as analysed in the table below:

Shareholding	Number of shares held	% of total shareholding	Number of shareholders	% of total shareholders
1 – 1,000	11,334,642	0.03%	23,110	8.19
1,001 – 5,000	313,293,402	0.95%	122,974	43.47
5,001 – 10,000	337,456,711	1.02%	46,689	17.26
10,001 – 50,000	1,321,120,644	4.01%	62,145	22.03
50,001 – 100,000	843,793,334	2.56%	12,497	4.43
100,001 – 500,000	2,034,724,924	6.17%	10,168	3.60
500,001 – 1,000,000	58,717,987	2.91%	1,413	0.50
1,000,001 & above	27,160,945,924,	82.35%	1,436	0.51
Total	**32,981,387,565**	**100.00%**	**282,432**	**100.00**

Shareholding structure (Investor type)



Top ten shareholders as at 31 December 2012

Shareholder	Shareholding	% holding
Stanbic Nominees Nigeria Limited (SNNL)	3,637,413,911	11.03%
UBA Staff Investment Trust Scheme	2,506,439,842	7.60%
Consolidated Trust Funds Limited	1,549,571,533	4.70%
The Bank of New York Mellon	1,458,100,028	4.42%
Heirs Holdings Limited	1,113,569,770	3.38%
STH Limited	867,127,500	2.63%
Bank of America Merrill Lynch	743,540,657	2.25%
International Finance Corporation	592,396,875	1.80%
Poshville Investments Limited	571,064,834	1.73%
African Development Bank	517,563,476	1.57%
Totals	**13,556,788,426**	**41.10%**

(SNNL holds these shares on behalf of several investors under a nominee arrangement)

Ten-year history of share capitalisation

Date	Authorised (N)	Issued and fully paid capital (N)	Consideration
3 August 2002	2,000,000,000	1,275,000,000	Bonus (1:2)
30 September 2004	6,000,000,000	1,530,000,000	Bonus (1:5)
1 August 2005	6,000,000,000	3,530,000,000	Merger with STB
22 February 2007	6,000,000,000	4,236,000,000	Bonus (1:5)
4 May 2007	6,000,000,000	4,290,214,285.5	Foreign loan stock conversion
25 September 2007	6,000,000,000	5,645,139,990	Cash [rights & public offering]
18 January 2008	7,500,000,000	5,645,139,990	–
18 June 2008	12,500,000,000	8,622,584,985	Bonus (1:2) (interim)
5 January 2009	12,500,000,000	10,778,231,231	Bonus (1:4) (final)
2 October 2009	17,500,000,000	10,778,231,231	–
13 May 2010	17,500,000,000	12,933,877,477	Bonus (1:5) (final)
13 May 2011	17,500,000,000	16,167,346,850	Bonus (1:4) (final)
18 May 2012	22,500,000,000	16,490,693,782	Bonus (1:50) (final)

Ten-year dividend payment history

Dividend number	Year ended	Date declared	Total amount (N' million)	Dividend per share (N)	% of issued capital
49	31 March 2002	1 August 2002	510	0.30	60
50	31 March 2003	8 August 2003	1,148	0.45	90
51	31 March 2004	30 September 2004	1,530	0.60	120
52	31 March 2005	22 July 2005	1,836	0.60	120
53	30 September 2006	31 January 2007	7,060	1.00	200
54	30 September 2007	18 January 2007	13,796	1.20	244
55	30 September 2008	18 June 2008	2,874	0.25	51
56	30 September 2008	8 January 2009	12,934	0.75	150
57	31 December 2009	13 May 2010	2,113	0.10	20
58	31 December 2011	13 May 2011	1,293	0.05	10

Record of unclaimed dividends as at 31 December 2012

Dividend year	Number of years	Amount declared	Amount claimed to date	Unclaimed and returned to the Company	Paid out in current period
1994	18	27,000,000.00	26,398,761.02	601,238.98	–
1995	17	68,200,000.00	67,562,054.01	637,945.99	–
1996	16	200,000,000.00	199,726,170.44	273,829.56	–
1997	15	32,400,000.00	31,365,013.08	1,034,986.92	596.20
1998	14	272,100,000.00	271,555,696.03	544,303.97	28,868.40
1999	13	580,000,000.00	579,579,446.60	420,553.40	59,352.51
2000	12	770,950,000.00	770,904,748.75	45,251.25	2,130.44
2001	11	382,500,000.00	381,601,299.74	898,700.26	208,046.53
2002	10	462,570,000.00	462,568,451.60	1,548.40	–
2003	9	1,040,782,500.00	1,040,767,299.78	15,200.22	251.68
2004	8	1,387,710,000.00	1,385,804,889.80	1,905,110.20	82,975.46
2005	7	1,665,252,000.00	1,665,111,749.67	140,250.33	64,092.74
2007	6	6,986,560,000.00	6,976,279,394.00	10,280,606.00	896,739.08
2008	4	13,796,000,000.00	27,525,523,587.90	32,625,680.10	1,085,021.74
2008	3	2,874,194,995.00	2,859,686,930.75	14,508,064.25	805,710.38
2009	3	12,933,877,477.50	12,893,876,972.50	40,000,505.02	3,117,571.45
2010	2	2,155,646,246.20	1,954,639,236.18	201,007,010.02	336,817.71
2011	1	1,293,387,748.00	1,112,400,373.49	180,987,374.51	8,673,632.35

Credit rating summary

As of 31 December 2012	Fitch	GCR	Agusto
Short-term rating	B	A1 + (NG)	A
Long-term rating	B+	BB-	–
Previous rating	Unchanged	Changed	Changed
Outlook	Stable	Stable	–

2013 Financial Calendar

Date	Event
Early May 2013	Full year 2012 results are released to Nigerian Stock Exchange (NSE) published
Mid-May 2013	Notice of Annual General Meeting is published
Mid-May 2013	Full year 2012 and first quarter 2013 results' investor/analyst briefing holds
Mid-June 2013	Full year 2012 Annual General Meeting holds
Mid-July 2013	Half-year 2013 results are released to the NSE
End of July 2013	Half-year 2013 results' investor/analyst briefing holds
Mid-October 2013	Nine months 2013 results are released to the NSE
End of October 2013	Nine months 2013 results' Investor/Analyst Briefing holds

Shareholder information

The Bank maintains an investor relations section on its website (www.ubagroup.com/ir), which allows access to share price data, management biographies, copies of annual reports, presentation on interim reports, credit rating reports and other useful investor information.

Contact us:

For all enquiries on shareholding, financial and business update, please contact our investor relations desk as follows:

Kayode Fadahunsi
Director, Investor Relations

UBA House (14th Floor)
57 Marina, Lagos
Tel: +234 1 2808 349
Email: kayode.fadahunsi@ubagroup.com

Bili Odum
Group Company Secretary

UBA House (18th Floor)
57 Marina, Lagos
Tel: +234 1 2807 012
Email: bili.odum@ubagroup.com

You can also visit the investor relations section of our website for more information. www.ubagroup.com/ir.

Ratios and formula

Key Ratio	Formula
Yield on earning assets	Interest income
	Average interest earning assets ((opening + closing balances)/2)
Yield on loans	Interest income on loans
	Average total loans
Net interest margin	Net interest income
	Average interest earning assets ((opening + closing balances)/2)
Cost of risk	Loan loss expense
	Average gross loans
Cost to income ratio	Operating expenses
	Operating income
Cost of deposits	Interest expense on deposits
	Average deposit (ie opening + closing balance)/2
Basic earnings per share	Profit attributable to ordinary shareholders (after interest and tax)
	Weighted average no of shares in issue
Cost of funds	Interest expense
	Average interest bearing liabilities (opening + closing)/2
Return on equity	Profit attributable to equity holders
	Average total equity (opening + closing)/2
Return on assets	Profit after tax
	Average total assets (opening + closing)/2
Loan-to-deposit ratio	Total loans
	Total deposits
Liquidity ratio	Liquid assets
	Deposit liabilities
NPL ratio	Total NPL
	Average gross loans
Debt to equity (gearing) ratio	Total long-term debt
	Total equity
Debt to capital ratio	Total long-term debt
	Total long-term capital (Total debt + equity)
NPL coverage ratio	Total provisions (LLP + suspended interest)
	Total NPL

Key Ratio	Formula
Capital adequacy ratio	Total qualifying capital / Risk weighted assets
Tier 1 capital adequacy ratio	Total equity capital / Risk weighted assets
Total asset leverage ratio	Total assets / Total equity
Risk asset leverage	Total Loans / Total equity

Important Notes

Key Ratio	Formula
Net revenue	Operating income (net interest income + other income)
Net revenue from funds	Net interest income less loan loss expense
Risk weighted assets	Addition of (each asset class multiplied by their respective risk weighting), as prescribed by the CBN
Interest earning assets	Cash and short-term funds (excl. mandatory deposit with the CBN) + interbank placements and loans & advances + investment securities (excluding equity)
Average of balance sheet items	Average of opening and closing balances of the item

Notice of AGM

NOTICE IS HEREBY GIVEN that the 51st Annual General Meeting of United Bank for Africa Plc will hold at the Transcorp Hilton Hotel, Abuja on Friday the 7th day of June 2013 at 10:00am to transact the following business:

Ordinary business

1. To receive the audited accounts for the year ended December 31, 2012 together with the reports of the Directors, Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To elect/re-elect Directors.
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

Notes

1. PROXY

A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. To be valid, a proxy form must be duly stamped at the Stamp Duties office and returned to the Registrar, Africa Prudential Registrars Plc, 220B Ikorodu Road, Palmgrove, Lagos, Nigeria, not less than 48 hours prior to the time of the Meeting.

2. DIVIDEND WARRANTS

If the dividend recommended by the Directors is approved, dividend warrants will be posted on Monday, June 10, 2013 to all shareholders whose names appear in the Company's Register of Members at the close of business on May 21, 2013.

3. CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from May 22, 2013 to May 24, 2013, both dates inclusive, for the purpose of paying a dividend.

4. AUDIT COMMITTEE

The Audit Committee consists of three shareholders and three Directors. Any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting.

Dated this 10th day of May 2013

By Order of the Board.

Bili A Odum
Group Company Secretary

57 Marina, Lagos

Shareholder Data Form

UBA
United Bank for Africa Plc
RC: 2457

Africa Prudential Registrars Plc
RC NO: 649007

SHAREHOLDER DATA FORM

(*=Compulsory fields)

1. SURNAME/COMPANY NAME*
2. FIRST NAME*
3. OTHER NAMES
4. SPOUSE'S NAME
5. MOTHER'S MAIDEN NAME
6. EMAIL*
7. ALTERNATE E-MAIL
8. MOBILE NO.
9. PHONE NO. (HOME)
10. POSTAL ADDRESS
11. SEX: MALE ☐ FEMALE ☐
12. CSCS CLEARING HOUSE NO.*
13. OCCUPATION
14. NATIONALITY
15. NEXT OF KIN

DECLARATION

"I declare that the information I have provided is true and correct."

Signature: ____________________

Signature: ____________________

for joint/corporate accounts only

LAGOS
220B, Ikorodu Road
Palmgrove
Tel: 01-893150, 01-7450427, 01-8401153
Email: info@africaprudentialregistrars.com
Website: www.africaprudentialregistrars.com

ABUJA
11, Lafia Close,
Area 8
Garki
Tel: 09-8701645, 09-2348562

PORT-HARCOURT
Plot 137, Olu Obasanjo Road
(2nd Floor)
Tel: 08-4803171

E-Share Registration Form

UBA

United Bank for Africa Plc

RC: 2457

Africa Prudential Registrars Plc

RC NO: 649007

E-SHARE REGISTRATION FORM

(*=Compulsory fields)

1. SURNAME/COMPANY NAME*
2. FIRST NAME*
3. OTHER NAMES
4. SPOUSE'S NAME
5. MOTHER'S MAIDEN NAME
6. EMAIL*
7. ALTERNATE E-MAIL
8. MOBILE NO.
9. PHONE NO. (HOME)
10. POSTAL ADDRESS
11. SEX: MALE ☐ FEMALE ☐
12. CSCS CLEARING HOUSE NO.*
13. OCCUPATION
14. NATIONALITY
15. NEXT OF KIN
16. TEST QUESTIONS (answer one)*

    I. FATHER'S MIDDLE NAME

    ii. PLACE OF BIRTH

DECLARATION

"I declare that the information I have provided is true and correct."

Signature:

for joint/corporate accounts only

DISCLAIMER

"In no event shall Africa Prudential Registrars be liable for any damages , losses or liabilities including without limitation, direct or indirect, special, incidental, consequential damages, losses or liabilities, in connection wit your use of this form or your inability to use the information, materials, or in connection with any failure, error, omission, defect, delay in operation or transmission, or system failure, even if you advice us of the possibility of such damages, losses of expenses, whether express or implied in respect of such. information."

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E-Share Allotment Mandate Form

UBA
United Bank for Africa Plc
RC: 2457

Africa Prudential Registrars Plc
RC NO: 649007

e - SHARE ALLOTMENT MANDATE FORM

To:
The Registrar,
Africa Prudential Registrars Plc
220B, Ikorodu Road,
Palmgrove,
Lagos

I/We hereby request that from now on, all my/our shares (Bonus, Right Issue, Public Offer and Reconstructed Shares) due to me/us from my/our holdings in the companies ticked below be credited directly to my/our CSCS account as per the details provided below.

(*= Compulsory fields)

SHAREHOLDER'S NAME*:
Surname
First name
Other name

MOBILE NUMBER*:

E-MAIL*:

CSCS CLEARING HOUSE NO*:

Signature*: ....

Joint Shareholders'

Signature : 2. ....

If Company,
Authorised Signatories: 1. ....

2. ....

Shareholder to affix ₦50:00 stamp and sign across

Company Seal: ....

The provision of information on your CSCS Clearing House Number, and Mobile Number is very important to enable us process your mandate.

NAME OF STOCKBROKER*: ....

....

ADDRESS OF STOCKBROKER*: ....

....

....
Authorised signature and stamp of stockbroking firm

Please tick against the company(ies) where you have shareholding

CLIENTELE

1. ABBEY BUILDING SOCIETY PLC ☐
2. A & g INSURANCE PLC ☐
3. ALUMACO PLC ☐
4. ARM PROPERTIES PLC ☐
5. BECO PETROLEUM PRODUCT LTD ☐
6. CAPPA AND D'ALBERTO PLC ☐
7. CEMENT COY OF NORTHERN NIG. ☐
8. CHAMPION BREWERIES PLC ☐
9. COMPUTER WAREHOUSE ☐
10. CRYSTALIFE ASSUARANCECOY PLC ☐
11. DORMAN LONG ☐
12. GOLDEN SECURITIES PLC ☐
13. INTERNATIONAL BREWERIES PLC ☐
14. INVESTMENT & ALLIED ASSURANCE ☐
15. JAIZ INTERNATIONAL PLC ☐
16. NEM INSURANCE PLC ☐
17. PERSONAL TRUST & SAVINGS LTD ☐
18. P.S MANDRIES PLC ☐
19. POLY PRODUCT ☐
20. PORTLAND PAINTS & PRODUCTS ☐
21. PREMIER BREWERIES PLC ☐
22. RESORT SAVINGS & LOANS LTD ☐
23. ROADS NIGERIA PLC ☐
24. SCOA NIGERIA PLC ☐
25. UBA BALANCE FUND ☐
26. UBA BOND FUND ☐
27. UBA EQUITY FUND ☐
28. UBA MONEY MARKET ☐
29. UNITED BANK FOR AFRICA PLC ☐
30. UTC NIGERIA PLC ☐
31. WEST AFRICAN GLASS IND PLC ☐
32. TRANSCORP PLC ☐

☐

Other(s) specify...

....

- Please attach a copy of your CSCS statement to this form as evidence that a CSCS account has been opened for you.
- For other enquiries, kindly contact us via our e-mail: **info@africaprudentialregistrars.com**

E-Dividend Mandate/Replacement Form

UBA
United Bank for Africa Plc
RC: 2457

Africa Prudential Registrars Plc
RC NO: 649007

E-DIVIDEND MANDATE/REPLACEMENT FORM

Dear Shareholder,

We are pleased to advise you of our new e-dividend service, which enables direct credit of your dividend(s) [new dividend payments/lost/misplaced/ stale/unclaimed dividend warrants to your bank account regardless of the bank or account type, i.e Current/Savings Accounts.

Should you prefer this service, kindly fill the spaces provided below and return to us.

Please use the name(s) in which your shares are held, with the signature on your Application or Transfer Form.

Thank you.

The Managing Director/Registrar
Africa Prudential Registrars Plc
220B, Ikorodu Road, Palmgrove
Lagos.

Company(ies) where share is held (please tick appropriate boxes like this ☑

- ☐ UBA Plc
- ☐ UTC Nigeria Plc
- ☐ SCOA Nigeria Plc
- ☐ NEM Insurance Plc
- ☐ Jaiz International Plc
- ☐ ALUMACO
- ☐ Resort Savings and Loans Plc
- ☐ Transcorp Plc
- ☐ Computer Warehouse
- ☐ Poly Product
- ☐ West African Glass Industries Plc
- ☐ Cement Company of Northern Nig. Plc
- ☐ Cappa & D'Alberto Plc
- ☐ Champion Breweries Plc
- ☐ International Breweries Plc
- ☐ Roads Nigeria Plc
- ☐ ARM Properties Plc
- ☐ Portland Paints & Products

☐ Others *(please specify in the boxes provided)* ____ ____ ____ ____ ____

Please take this as authority to credit my/our under mentioned account with any dividend payment(s)/lost/misplaced/stale/unclaimed dividend warrants due on my/our shareholding in the aforementioned company(ies) the particulars of which are stated below from the date hereof:

Shareholder's Name*: ____________________
(Surname) (Other Names)

Shareholder's Account No. (if Known): ____

Address*: ____________________

Mobile Number*: ____

Fax Number: ____ e-mail Address*: ____

Bank Name*: ____ Branch*: ____

Bank Account No*: ____ Account Type*: ____

Dated this* ____ day of ____ 20 __

Bank Stamp & Authorized Signatories

Shareholder(s) Signatories

Note:
The provision of information on your Bank Name, Bank Account No., E-mail address and Mobile number are very important to enable us process your request.
All asterisked fields (*) are compulsory.

Shareholders in the North and South-south region of the country are advised to contact our Abuja or Port-Harcourt Liaison Office for all enquiries concerning shareholding in any of our client companies (see addresses below).

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PORT-HARCOURT
Plot 137, Olu Obasanjo Road
(2nd Floor)
Tel: 08-4803171

Admission Form

UBA
United Bank for Africa Plc
RC: 2457

PLEASE RETAIN THIS SECTION TO FACILITATE YOUR ADMISSION TO THE MEETING

ADMISSION FORM

Annual General Meeting

United Bank for Africa Plc RC 2457

Please admit the shareholder named on this admission form or his/her duly appointed proxy to the Annual General Meeting of the company to be held as follows:

DATE: June 7, 2013

TIME: 10:00 am

VENUE: Transcorp Hilton Hotel, Abuja

Name of Shareholder:

Address:

Account Number

Number of shares held:

Proxy ☐ Shareholder ☐

Please tick appropriate box before Admission to the meeting

Bili A. Odum
Company Secretary

Shareholder's signature:

This card is to be signed at the venue in the presence of the Registrar.

Africa Prudential Registrars Plc Africa Prudential Registrars Plc 220B, Ikorodu Road, Palmgrove Lagos, Nigeria	**Registrars' Stamp**

UBA

United Bank for Africa Plc

RC: 2457

Proxy Form

Proxy Form

51st Annual General Meeting of United Bank for Africa Plc

I/We,

Shareholder's Name: ______________________

Address: ______________________

____

No. of Shares held: ______________________

being the registered holder(s) of the ordinary shares of **United Bank for Africa Plc**
hereby appoint** ______________________

____

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the holders of the ordinary shares of the Company to be held at the Transcorp Hilton Hotel, Abuja on Friday the 7th day of June 2013 or at any adjournment thereof.

Signed this ……………….……..………day of ……………………….. 2013

Shareholder's Signature:……………………………..……………...……….

Proxy's Signature:………………………………………..…………………..….

NOTE:

1. *Please sign this form and deliver or post it to reach the Registrar Africa Prudential Registrars Plc, 220B, Ikorodu Road, Palmgrove, P.O. Box 6492, Lagos, not later than 48 hours before the meeting and ensure that the proxy form is dated, signed and stamped by the Commissioner for Stamp Duties.*
2. *Provision has been made on this form for the Chairman of the meeting to act as a proxy, but if you wish, you may insert in the blank space on the form (marked)** the name of any person, whether a member of the Company or not, who will attend the meeting and vote on your behalf instead of the Chairman of the meeting.*
3. *If the shareholder is a Corporation, this form must be under its common seal or under the hand of a duly authorised officer or attorney.*

This proxy form is solicited on behalf of the Board of Directors and is to be used at the 51st Annual General Meeting to be held on Friday, 7th June 2013.

ORDINARY BUSINESS	For	Against	Abstain
1. To receive the audited Accounts for the year ended December 31, 2012 together with the reports of the Directors, Auditors and the Audit Committee thereon			
2. To declare a dividend			
3. To elect/re-elect Directors			
4. To authorise the Directors to fix the remuneration of the Auditors			
5. To elect members of the Audit Committee			

Please indicate by marking "X" in the appropriate space, how you wish your votes to be cast on the resolutions set out above, unless otherwise instructed, the proxy will vote or abstain from voting at his or discretion.

ADMISSION CARD

Before posting the above form, please tear off this part and retain for admission at the meeting

ANNUAL GENERAL MEETING

United Bank for Africa Plc RC 2457

Please admit the shareholder named on this admission form or his/her duly appointed proxy to the annual general meeting of the company to be held at Transcorp Hilton Hotel, Abuja at 10.00a.m on Friday, June 7, 2013.

Name and address of Shareholder: ______________________

____

Account number: Number of shares held: ______________________

Please tick appropriate box before Admission to the meeting ☐ *Proxy* ☐ *Shareholder*

Bili A. Odum
Company Secretary

Shareholder's signature: ______________________

This card is to be signed at the venue in the presence of the Registrar.

Corporate Information

Registered office

UBA House
57 Marina
Lagos, Nigeria

Company registration

RC: 2457

Company Secretary

Bili Odum

Auditors

PricewaterhouseCoopers
Plot 252E, Muri Okunola Street
Victoria Island
Lagos, Nigeria

Registrars

Africa Prudential Registrars Limited
220B IKorodu Road
Palmgrove Bus Stop
Palmgrove, Lagos, Nigeria
Phone +234-1- 8752604
www.africaprudentialregistrars.com

UBA businesses

UBA PENSIONS CUSTODIAN

30 Adeola Hopewell Street
Victoria Island
Lagos, Nigeria
Phone +234-1-271- 8000-4
Fax +234-1-271-8009
www.ubapensions.com

UBA CAPITAL (EUROPE)

3rd floor, 2-4 King Street
London SW1Y 6QL
United Kingdom
Phone +44-20 7766 4606
Fax +44-20 7766 4601
www.ubacapital.com

UBA FX MART LIMITED

11th Floor
UBA House
57 Marina
Lagos
Phone +2341-2808-446
Fax +2341-2808-677

Subsidiaries with Contact Details

NAME OF COUNTRY	HEAD OFFICE ADDRESS	TELEPHONE NUMBERS
Ghana	Heritage Towers Near Cedi House Ambassadorial Enclave Off Liberia Road, West Ridge, Accra, Ghana	Office: +233 21 683526-30 +233 21 672727 683509-12 68944
Liberia	Bushrod Island Freeport of Monrovia, Monrovia	+231 77448000 / 6448000/ 5448000
Sierra Leone	15 Charlotte Street, Freetown Sierra Leone	+232-22-225508, +232-22-227990
Cote d'Ivoire	Abidjan Plateau Boulevard Botreau-Roussel Immeuble Kharrat 2è Etage, 17 BP 808, Abidjan 17	Office: +225-20-312221-2; 312225; +225-07464092
Burkina Faso	Banque Internationale du Burkina (BIB) 1340 Avenue Dimdolobsom 01 BP 362, Ouagadougou	Office : +226 50 49 33 29 226 50 49 33 06 226 50 49 33 02
Cameroon	Boulevard De la Liberté 2088 Douala, Cameroon	Office: +237-33-433638; 433707 +237-33-433636; 334-336-38
Benin Republic	Continental Bank du Benin (CBB) Boulevard Inter-Etrat Carrefour des Irois Banques Avenue Pape Jean-Paul II Cotonou	+229 21 31 24 24 +229 21 31 20 35
Uganda	Spear House, 22A Jinja Rd PO Box 7396, Kampala, Uganda	Office: +256 417 715102 +256 417 715138
Senegal	Zone 12, Lot D, Route des Almadies Dakar, Senegal	Office : +221 33 820 34 46 +221 33 859 51 12; +221 33 859 51 40
Kenya	1st floor, Apollo Center Ring Road, Vale Close, Westlands	Office: +254-20-3673686/87 +254-20 361 2000; +254-30 361 2007
TChad	UBA Tchad Avenue Charles de Gaulle PO Box 1148, N'djamena, Tchad	Office: +235 252 19 53 +235 252 19 54
Tanzania	30C/30D Nyerere Road Dar es Salaam, Tanzania	Office: +255 222 86 3459 +255 222 86 3452-3
Gabon	282 Avenue Marquis de Compiegne BP 12035, Libreville, Gabon	Office: +241 014 0624 +241 0572 9898
Zambia	Stand 22768, Thabo Mbeki Road Lusaka, Zambia	Office: +260 211 255 951-3
Guinea Conakry	BP 1198 Conakry Rue chateau d'eau , Marché Niger - Kaloum	Office: +224-65800800
Gabon	8th Floor, Imm. Panoramique, 228 av Marquis de Compiègne, Libreville, Gabon	Office: +241 07 68 03 63
Mozambique	UBA Moçambique, SA Praça 16 Junho-Malanga-Maputo Moçambique	Office: + 258-848623703
Congo DRC	1853 Avenue de la liberation Kinshasa Gombe DR Congo	Office: +243992006651

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