UBA

United Bank for Africa
RC: 2457

2013
ANNUAL REPORTS AND ACCOUNT

Nigeria Ghana Cameroun 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

■ Africa • New York • London • Paris

Africa's global bank

Contents

About UBA

Group profile

UNITED BANK FOR AFRICA (UBA) PLC IS ONE OF THE LEADING FINANCIAL SERVICES INSTITUTIONS IN AFRICA.

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

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 in1970. 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.

It is a publicly quoted company listed on the Nigerian Stock Exchange (NSE) and has a well-diversified shareholder base.

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

With the Bank's migration from universal banking to monoline commercial banking in line with regulatory requirement, UBA provides commercial banking, pension custody and other financial services to its more than 7.2 million corporate, commercial and retail customers through its channels, strategically located in the 19 African countries, United States of America, United Kingdom and France.

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, spread across 22 countries, consisting of Nigeria, 18 other African countries, United States of America, United Kingdom and France.

Channels

UBA has one of the largest distribution networks in Nigeria. As at 31 December 2013, there were 605 branches and retail outlets, 1,590 ATMs and 8,897 POS machines fully deployed.

Staff

As at 31 December 2013, the Group had 12,837 members of staff.

Global footprint

Directors

Israel Ogbue, *Chairman (till November 21, 2013)*

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). He has served as a Director on the board of NAL Bank (now Sterling Bank Plc). He retired from the Board on November 21, 2013.

Joseph Keshi, OON, *Chairman (effective – November 21, 2013)*

Appointed Non-Executive Director in 2010, Vice Chairman in 2011 and Chairman of the Board in 2013

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 Internal 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 Nigeria Public Service in 1975 and has over 37 years' working experience, some of 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.

Rose Okwechime, *Vice Chairperson*

Appointed Non-Executive Director in 2005 and Vice Chairperson of the Board in 2013.

She holds a Masters Degree in Business Administration (Banking and Finance). She is 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.

She is a fellow of several professional bodies which include Fellow Chartered Institute of Banks of Nigeria (FCIB), Fellow Institute of Directors Nigeria (FIoD), Fellow Institute of Brand Management (FIBM) and Fellow Chartered Institute of Direct Marketing of Nigeria (FCIM).

Phillips Oduoza, *Group Managing Director/CEO*

Appointed Executive Director in 2005 and Group Managing Director/CEO in 2010.

He 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 ("STB") in 2004. He has attended numerous banking, management and leadership programmes. He is also known for strong execution and talent management.

Kennedy Uzoka, ***Deputy Managing Director (Resources)***

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

He holds a BSc degree in Mechanical engineering from the University of Benin and an MBA from the University of Lagos. An alumnus of Harvard Business School in Boston, USA; International Institute of Management Development (IMD) in Lausanne, Switzerland, and the London Business School, UK. His banking career spans over two decades in marketing, business strategy, finance, and resource management. Before the merger of STB with UBA Plc in 2005, he was the General Manager, North Bank covering all the states in the Northern part of Nigeria including the Federal Capital Territory.

Apollos Ikpobe, ***Deputy Managing Director (Domestic Bank)***

Appointed Deputy Managing Director in 2013.

He holds a Masters in Banking and Finance from the University of Lagos and a Higher National Diploma (Distinction) in Accounting from Yaba College of Technology. Before joining UBA Plc, he was an Executive Director at Zenith Bank Plc. He has work experience spanning audit and internal control, financial control, business development and relationship management with over two decades in the banking industry.

He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN). He has attended numerous management and leadership programmes which include: The Corporate Leader – Harvard Business School, the Advanced Management Programme – Insead, Leadership and Team Effectiveness – Yale Business School, and the Advanced Management Programme – Lagos Business School.

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

Appointed Executive Director in 2008.

A graduate of Oxford University Templeton College, he 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). He previously worked with ANZ Merchant Bank (now part of Stanbic IBTC Bank Plc), Diamond Bank Plc, STB Plc and since joining UBA Plc, has been involved in several functions including financial control, operations and regulatory affairs.

He retired from the Board on December 31, 2013.

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

Appointed Executive Director in 2009.

Holds a BSc (Accounting) degree from Bayero University, Kano. He is an Associate Membership of the Institute of Chartered Accountants of Nigeria (ICAN). He has over two decades 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.

He retired from the Board on May 22, 2013.

Directors *(Continued)*

Femi Olaloku, ***Executive Director (Treasury and International Banking)***

Appointed Executive Director in 2010.

Holds a BSc (Civil Engineering) and MBA degrees from the University of Lagos. He has over two decades of work experience in the banking sector, holding several management positions in treasury, international banking, operations and information technology.

Dan Okeke, ***Executive Director (UBA Nigeria, East)***

Appointed Executive Director in 2011.

Holds a BSc (Geography and Planning) degree from the University of Nigeria Nsukka and an MBA 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 18 years banking experience, garnering capabilities in domestic and international operation, credit and marketing.

Emeke E. Iweriebor, ***Executive Director (CEO, UBA Central, East and Southern Africa)***

Appointed Executive Director in 2013.

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 Programme.

He has about two decades experience in banking and financial services 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 the pioneer MP/CEO of UBA Cameroon.

Obi Ibekwe, ***Executive Director (Human Resource Management and Customer Service)***

Appointed Executive Director in 2013.

She holds a BSc degree in International Relations from Tufts University, Boston and a law degree from the University of Lagos. She was called to the Nigerian Bar in 1986. She has over two decades experience in banking and consulting working in key areas including Consumer and Commercial Banking, Credit Risk Management, Human Resources and Customer Service.

She practiced with the law firm of Olaniwun Ajayi & Co., before joining Universal Trust Bank (now Union Bank) in 1988 as a Legal Adviser. She obtained an MBA from the prestigious Ross School of Business of the University of Michigan, Ann Arbor, U.S.A.

She was also at Accenture where she led various comprehensive planning, organisational and resources management improvement projects in the private and public sectors. She moved to Zenith Bank Plc in 2007 as General Manager and Group Head Human Resources. While there she also led Customer Service and Credit Risk Management before joining UBA Plc in July 2013.

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).

Directors *(Continued)*

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 and 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 Industrialisation Board, African Petroleum, and Stallion Property and Development Company. He was Special Assistant on Petroleum Matters to Nigeria's President Olusegun Obasanjo (2003 – 2007). He 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. She resigned from the Board on 11 December 2013..

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).

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 and Development (UNCTAD) Private Sector Support Initiative to help Nigerians achieve higher levels of productivity and competitiveness among Small and Medium-Scale Enterprises SMEs.

Management Team

Oliver Alawuba, *CEO UBA West Africa*

He holds a BSc degree in Food Science and Technology from Abia State University, Uturu, MSc in Food Technology from University of Ibadan and an MBA in Banking and Finance from Olabisi Onabanjo University, Ago-Iwoye. He has over two decades experience in retail, commercial and corporate banking, academics and research.

He was a key foundation staff of Standard Trust Bank now (UBA Plc), rising to Assistant General Manager before his employment with Finbank Plc (now First City Monument Bank, Plc) where he rose to the position of Executive Director in 2009.

He was appointed the Managing Director/CEO of UBA (Ghana) Limited in March, 2011 and after a successful stint in UBA Ghana as MD/CEO he was elevated to the position of CEO, UBA West Africa with effect from 1 January 2014.

He has attended numerous foreign and local courses and is an alumnus of the Senior Executive Programme (SEP'66) of London Business School, United Kingdom and the Advanced Management Programme (AMP) of INSEAD Business School, France.

He's a member of the Nigerian Institute of Management, the Nigerian Institute of Directors and Association of Bank Directors of Nigeria.

Emem Etuk, *Regional Bank Head (Abuja and CRA Bank)*

She holds a BSc (Biochemistry) and MBA from the Obafemi Awolowo University, Ile Ife. She is also an alumnus of the Lagos Business School and Harvard Business School.

She has over 15 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 the Bank's Victoria Island region.

Rasheed Adegoke, *Director Information Technology*

He is a graduate of the University of Ibadan with First-Class Honours in Computer Science and a merit award as the best graduate in the faculty of science. He also holds an Executive MBA from the International Graduate School of Management (IESE), University of Navarra, Barcelona, Spain. Rasheed is a professional Fellow of both the Nigerian Computer Society (FNCS) and the British Computer Society (FBCS CITP), member Nigerian Institute of Management and Honorary member of the Chartered Institute of Bankers. He has over two decades professional experience, over 14 of which he spent as Transformational CIO in various banks. This includes a four-and-half-year (Febuary 2009 – July 2013) with First Bank Plc.

He had previously worked in the Strategy and Business Transformation directorate of UBA where he led the establishment of UBA's Group Shared Services between February 2008 and January 2009 for which he bagged the CEO Award in December 2008. He had also previously worked at Unity Bank Plc, NNB International Bank, FCMB, PricewaterhouseCoopers, Computer Systems Associates and Fidelity Bank.

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), a fellow of the Institute of Credit Administration 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.

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.

Udochi A Nwaodu, *Group Chief Internal Auditor*

Holds a BSc (First Class) degree in Accounting and Management from Obafemi Awolowo University, Ile-Ife, and MBA, from University of Navarra, IESE, Barcelona, Spain. He is a fellow of the Institute of Chartered Accountants of Nigeria (ICAN), Associate Member, Chartered Institute of Bankers of Nigerian and an alumnus of Oxford University, United Kingdom.

He has over two decades of strategic business development and high level change leadership experience with expansive skill set in banking operations, strategic planning, mergers and acquisitions, start-up and business integration, enterprise risk management, project management, audit and control. As the Chief Internal Auditor, he provides strategic direction and risk-based audit oversight over the group's operations in Nigeria, the 18 African countries of presence, Europe and America and coordinates the internal audit functions.

Feyi Ogoji – *Head, Group Operations*

Holds a BSc Accounting and MBA both from the University of Lagos. He is a Chartered Accountant and a member of the Institute of Chartered Accountants of Nigeria (ICAN), with over two decades post professional qualification experience in professional accounting practice and banking.

He had functioned in various senior management capacities, which include: Deputy Group Chief Operating Officer, Regional Bank CEO, Mid West, pioneer Regional Director, West – post UBA/STB merger. As a pioneer turnaround staff member of the Standard Trust Bank Plc in 1997, he variously functioned as Divisional Head, Operations, and Divisional Director, Customer Services. He had also worked as pioneer Head, Internal Control and Reconciliation of the then Oceanic Bank Plc (Now part of Ecobank Plc) among other management responsibilities held.

Ayodeji Adigun – *Head, Strategy & Business Transformation*

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

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

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

Management Team *(Continued)*

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 two decades 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, he lectured at the Ambrose Alli University where he was the Acting Head of Department for Commercial Law Department of the Faculty of Law.

He was appointed Company Secretary/Legal Adviser of Standard Trust Bank (STB) Plc in 1997. Following the merger of STB Plc 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.

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.

Strategy and Business Review

Chairman's statement

"THE GROUP RECORDED GROSS EARNINGS OF N264,7 BILLION FOR THE PERIOD UNDER REVIEW. THIS REPRESENTED AN INCREASE OF 20% OVER THE N220 BILLION EARNED IN 2012."

INTRODUCTION

Distinguished shareholders, it is my pleasure to present to you our Bank's financial performance for the year 2013.

2013 marked the commencement of our Bank's three-year industry leadership agenda, the Bank successfully sustained its profitability momentum, despite the adverse impacts of unforeseen regulatory guidelines that redefined the entire Nigerian banking landscape and the sluggish growth trend that characterised the global financial landscape during the financial year.

I will highlight some of the key global and local events which characterised the year, their impacts on our businesses, as well as our Bank's major achievements within the operating year.

GLOBAL ECONOMIC GROWTH REMAINED WEAKENED IN 2013

The world economy in 2013 continued to experience subdued growth, with the underperformance cutting across all the major regions and economic groups. With majority of the developed economies during the year grappling with the lingering effects of the financial crises and the associated challenges of selecting the most appropriate fiscal and monetary policy actions required to improve the economy, World Gross Product (WGP) grew only by an estimated 2.9% in 2013, down from the baseline 3.2% forecast for the year (IMF).

In the Euro-zone area, despite a number of policy initiatives adopted by the ECB since late 2012, which have significantly reduced sovereign risks and the risk of a euro-area break-up, the region still remains a significant risk factor to the world economy. Considerable banking and fiscal risks still remains as a significant number of banks within the region are still largely constrained by weak balance sheets made up of sovereign debt, making them highly vulnerable to future sovereign instability.

In the US, the economy is estimated to grow at a meager 1.6% in 2013 as against 2.8% growth recorded in 2012, with planned tightening of monetary easing measures and a series of political gridlocks over budgetary issues weighing heavily on the country's growth during the year. While expansionary monetary policies adopted has been extremely accommodative, the effect has been more pronounced on boosting equity prices than on stimulating the real economy. Also, likely effects of the tapering of quantitative easing, which commenced in January, have also continued to cause jitters in financial markets, pushing up long-term interest rates and eroding the moderate improvement in housing and employment growth rates experienced earlier in the year.

For the Asia Pacific economies, after a notable slowdown in 2011/2012, economic growth stabilised at a moderate level in 2013. The region continues to be adversely affected by relatively weak external demand from developed economies, as well as an adjustment to slower growth in China. The average growth of the region is estimated to average 6.0% in 2013, almost the same pace as 2012, with a moderate pickup to 6.1% forecast for 2014. The Chinese economy, which slowed down from 9.3% in 2011 to 7.8% in 2012, is estimated to grow by about 7.7% in the year, riding on strong economic reforms and increased domestic demand which has helped to sustain current growth momentum.

Despite the gloomy turn of event in the global arena, oil prices has remained relatively stable, hovering around the $100/barrel mark despite increasing shale oil production in US and the relative level of peace in the Middle East. Overall, while a very marginal dip in oil price may be likely in 2014 as a result of increasing supply from OPEC members, price is expected to remain around the $100/barrel range in the short-term, pending the conclusion of ongoing discussions on the possible lifting of sanction on Iran, in exchange for discontinuation of its nuclear weapon programme.

SUB-SAHARAN AFRICAN GROWTH REMAINS POSITIVE THROUGHOUT THE YEAR

Sub-Saharan Africa continued in its very positive growth trajectory while most developed economies continue to struggle with the groaning effect of prior year economic constraints. The region is projected to grow by about 5% in 2013, from 4.9% in 2012 but expected to increase to 6% in 2014, riding on the back of improvements in regional business environment, relative high commodity prices, easing infrastructural constraints, investment ties with emerging economies and increasing intra-Africa trade. In the medium term, increasing domestic demand arising from the emerging growing class of new consumers associated with urbanisation, rising income levels and improvements in economic governance and management will sustain the region.

For the Nigerian economy, riding on the back of relatively stable oil prices and increased investment in the key power, infrastructure and agric sector, the economy grew by 6.87% as at Q3 2013, though well below the 7.37% recorded same time in prior year. While the economy continued to grapple with the effects of declining oil output, falling foreign reserves and heightened political tension, the CBN maintained monetary tightening policies, focusing on achieving relative economic stability. Total foreign reserves increased marginally from about $44.26 billion in January 2013 to $44.56 billion as at December 2013, after reaching a peak of about $48.73 billion in April 2013.

Overall, with feeble growth rate characterising the developed economies, Africa remains the mainstay of global economic growth.

CORPORATE SOCIAL RESPONSIBILITY

In line with our objective of giving back to the community, our Bank within the year executed the "Read Africa" initiative, the annual essay competition targeted at promoting academic excellence within the community and providing scholarships for successful participants.

In addition, the bank during the year also collaborated with the Lagos State Government to promote a greener environment through the Greener Lagos initiatives, thereby providiing gainful employments opportunities, while also enhancing environmental ambience.

UBA FINANCIAL PERFORMANCE

I am pleased to present a satisfactory performance for the financial year ended December 2013, against all odds; we were able to consistently deliver value to our shareholders further authenticating our resilient business model.

The Group recorded gross earnings of N264.7 billion for the period under review. This represented an increase of 20% over the N220.1 billion recorded in 2012. The headline performance was majorly buoyed growth in interest income and non-interest revenue. Loan growth and improved pricing boosted interest income which grew by 24%, whilst Non-interest income grew by a modest 15%, it was adversely affected by the reduction in Commission on Turnover (CoT) charges.

Profit before income tax was up by 8% to N56.1 billion compared to N52.0 billion in the prior year (2012). However, the Group's profit for the year (after tax) declined by 14%, this can be majorly attributed to the prior year under provision of about N3.63 billion which should have been charged in our FY2012 accounts due to the dividends that were paid in 2013.

The Board of Directors has proposed that a cash dividend of 50 kobo per ordinary share of 50 kobo each be paid to shareholders, which is subject to shareholders' approval

Given the headwinds in the banking sector in 2013, both Gross Earnings and profit growth for the Group as a whole came in somewhat slower (especially given the low base in 2011). We believe the bank is better poised to deliver better performance in 2014 as the underlying momentum of the Group's business continues to be robust.

Chairman's statement *(Continued)*

BOARD APPOINTMENTS

In line with the Bank's corporate governance policy as regards the appointment and tenure of its board members, three members of the board resigned their appointments during the year as follows:

- **Chief Israel C Ogbue**, retired his chairmanship role after serving the statutory 12-years tenure for non-executive director as stipulated by the CBN.
- **Ms Angela Aneke** who joined the Board as a non-executive director in 2010 also resigned her appointment.
- **Mr Emmanuel Nnorom** resigned as an executive director after serving the statutory years in service.

In the same vein, the Board unanimously elected me to the Board chairmanship position, being the erstwhile Vice-Chairman, and Mrs Rose Okwechime has been appointed as the vice chairperson in my stead.

We are indeed proud of the seamless board transition, which is expected to guarantee sustained value for our various stakeholders.

OUTLOOK

Despite the sluggish growth rate witnessed in 2013, economic activities in the developed economies is expected to improve in the coming year, contributing significantly to improved global economic growth rate in 2014.

In the Eurozone, concerted efforts by policy makers across the region, which has largely reduced the sovereign risks across the Euro-area is expected to start yielding commendable results in the coming year, even as individual countries within the zone are already beginning to record marked improvements in their economic activities. Noted improvements in the US economy which has seen the country exceed its 2% projected Q3 2013 GDP growth rate with an actual of 2.8%, is also expected to continue into the new year, even as the Federal Reserves commences on a guided tapering of the QE measures, thus sustaining an appropriate level of buffers for the economy to expand in the short to medium term.

Activities in the Asia-Pacific region is expected to improve in the coming year as increased demands from the key economies continues to increase in the new year and ongoing government effort to stimulate internal demands within the economy continues to pick up.

Overall, with commodity prices expected to remain stable in the short to medium term, Africa's economy is expected to continue in its superior growth pace, riding on the back of stable political environment, increasing pace of reforms within the region and strong demand driven by the rising middle class. In addition, development in the Asia-Pacific region will also continue to drive strong demand for commodities in 2014.

In Nigeria, the pace of reforms in the power, agriculture, infrastructure and telecom sector is expected to intensify in 2014. Specifically, the formal handing over of the power infrastructures to private operators is expected to start yielding significant benefits in the coming year, with multiplier effects on the real sector. Overall, governments' ability to maintain a disciplined fiscal policy, coupled with increased security as the 2015 election draws closer may significantly affect the growth prospect for the country in 2014.

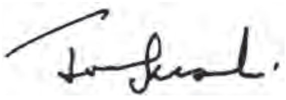
As a proactive Bank, we have adequately resourced and re- aligned our structures to optimise emerging opportunities arising across all the regional blocs, while also adopting appropriate risk management frameworks to mitigate likely exposures in our operations both within the local and global environment.

APPRECIATION

I would like to extend our sincere gratitude to all our stakeholders including our customers who have reposed great trust in us and in our services; I also want to appreciate our esteemed shareholders for their unwavering support.

To our employees, your dedication and utmost commitment to the vision of the Bank is highly commendable and we appreciate you. To my fellow board members, your strong leadership competence in overseeing the affairs of the Bank and keeping management focused on the shared vision cannot be over-emphasised.

I congratulate us all in advance as we await a very laudable result in 2014.



AMB Joseph Keshi OON
Chairman

Chief Executive Officer's report

"WITH PAINSTAKING IMPLEMENTATION OF OUR STRATEGIC INITIATIVES, WHICH REFLECTED IN AN IMPROVED BALANCE SHEET AND DIVERSIFIED EARNINGS STREAM, OUR BANK ENDED THE FINANCIAL YEAR WITH A PBT OF N56.1 BILLION REINFORCING A VIABLE PLATFORM FOR A MUCH STRONGER PERFORMANCE IN THE COMING YEARS"

DISTINGUISHED SHAREHOLDERS

It is my honour to present to you our Bank's performance during the 2013 financial year. Being the first year of implementation of our three-year (2013 – 2015) "PROJECT ALPHA" plan to regain industry leadership, we succeeded in reinforcing our profitability momentum, even in the face of a difficult operating and regulatory environment particularly in our largest market.

With painstaking implementation of our strategic initiatives, which reflected in an improved balance sheet and diversified earnings stream, our Bank ended the financial year with a PBT of N56.1 billion, reinforcing a viable platform for a much stronger performance in the coming years.

2013 STRATEGIC IMPERATIVES

We set out in 2013 with the implementation of the strategic imperatives arising from "PROJECT ALPHA". These imperatives, which are expected to drive our rapid growth in the short to medium term, included:

- aggressive deposit mobilisation;
- aggressive account acquisition and dormant account re-activation;
- effective leverage of our balance sheet to participate in emerging growth sectors including Agric, Power, Infrastructure, etc;
- driving value chain banking;
- consolidating our African business for market share growth; and
- increasing our focus on African trade.

However, two key regulatory pronouncements in the course of the year, had and will continue to have significant impact on the Nigerian banking industry. The Revised Guide to Bank Charges released in April 2013 negatively affected the earning capacity of Nigerian banks, and the increase in the Cash Reserve Ratio on Public Sector Deposits from 12% to 50% in August 2013 affected the liquidity position of Nigerian banks thereby limiting earning capacities. It is, however, comforting to note that about 25% of our revenue streams (coming out of the rest of Africa) is shielded from this. Further reinforcing our geo-diversification strategy.

Chief Executive Officer's report *(Continued)*

Notwithstanding these challenges, the Bank, through the disciplined execution of our "Project Alpha" initiatives, recorded significant improvements in its operations and key market parameters. The financial position of the bank recorded significant improvement with a 25.0% growth in the deposit base and 40.2% growth in the loan book. On the Income Statement side, cost-to-income ratio improved to 60.9% from 64.8% in 2012 while overall Net Interest Margin improved from 5.8% in 2012 to 5.9% in 2013.

During the year, we also embarked on a deliberate enhancement of our leadership cadre and organisational arrangements with strategic hires. A new Deputy Managing Director was appointed to provide strategic oversight for our domestic businesses in Nigeria. In addition, an Executive Director was also appointed to head the Human Resources and Customer Service functions. In addition, leadership structures in some of our African countries were enhanced to drive our market penetration strategies and position the Bank to optimise emerging opportunities in the coming years.

Overall, these initiatives, coupled with the admirable dedication and resilience of our employees, resulted in the Bank's improved performance within the financial year.

MAJOR AWARDS

Also within the year, in continuous recognition of our Bank's leadership role in various countries we operate in, the Bank received the following major awards:

- The "Best Bank of the Year 2013" In Cameroun, for the third year running.
- The "Best Bank of the Year 2013" in Senegal, for the second year running.

Both awards were received from "The Banker", a magazine published by London-based Financial Times.

FINANCIAL PERFORMANCE EXTRACT

Our balance sheet recorded a robust growth of 17% over the previous year. This consistent growth in our balance sheet over the years helps us to maintain our position as one of the strongest bank in Africa. The dedication and commitment of our workforce in the 22 countries we currently operate in contributes to this growth through the deepening of market penetration in all aspects of the banking spectrum we participate in these markets.

Gross earnings grew by 20% to N264.7 billion in 2013 compared to N220.12 billion in 2012, driven by impressive growth in all income lines.

We were able to optimise our balance sheet despite the extensive regulatory policy reviews during the year. Our net interest margin improved from 5.8% to 5.9% while cost to income ratio recorded a decline from 64.8% to 60.9% in 2013, which is consistent with our long-term aspiration to extract value from our existing investment in all markets we operate in.

Profit before tax increased to N56.1 billion in 2013 from N52.0 billion in 2012, a growth of 8% year on year.

Our return on Equity of 21.8% is in line with our guidance for 2013 and I am happy to report that the board has proposed a dividend of 50 kobo per share.

AFRICAN CONTRIBUTION

The Group has subsidiaries in 18 African countries and revenue growth within this region is highly diversified, with most of the countries in profitable positions.

Overall revenue growth rate in the African subsidiaries was 22% in 2013, an increase to N49.9 billion, from N41.5 billion in 2012. The revenue growth rate in 2013 surpassed the 18% growth in the previous year.

Also, the equity base attributable to the African subsidiaries remained strong at N55.2 billion, from N45.7 billion in 2012. We look forward to present much better performance from our African subsidiaries in the coming year.

2014: CONSOLIDATING ON PROJECT ALPHA

While the key strategic imperatives as defined in 2013 remains the major thrust for the actualisation of our "PROJECT ALPHA" corporate goals, we will leverage on the viable platform established in 2013 to further consolidate on the current growth momentum. We will adopt a very aggressive approach to market and ensure focused implementation of our strategic priorities, to drive achievement of our corporate targets. Our key priorities for 2014 therefore include:

- growing low cost non-Public Sector deposits;
- consolidating the competitiveness of our African subsidiaries;
- becoming the leading bank in trade in Africa;
- increasing our market share through increased participation in emerging growth sectors;
- profitably leading in the e-banking space;
- enhancing customer service orientation and practice; and
- and above all, enhancing our cultural values.

It is my conviction that through the disciplined execution of these strategic priorities and the demonstration of a stronger shared sense of ownership to deliver superior performance, reclaiming our industry leadership position in 2015, will be very well achieved.

CONCLUSION

On behalf of the Board, I want to specially appreciate our valued customers who have continued to stand by us and have provided us the opportunity to continue to deliver value to them, our shareholders for their unwavering support and above all, our employees for their commitment, resilience and dedication to our Bank.

Thank you

Phillips Oduoza
GMD/CEO

Overview of Group Strategy

UBA'S MARKET POSITION

UBA Plc continues to operate as a fully fledged commercial bank with international authorisation.

Operating in 19 African countries and three international financial centres, the Bank provides tailored products and services to different customer segments and industry sectors:

Wholesale	Middle Markets	SME	Consumer
• Multinational Corporates • Local Corporates • Public Sector	• Commercial	• Enterprise	• HNI • Mass Affluent • Mass Market

- ✔ Oil & Gas: Upstream; Midstream; Downstream (majors only); oil Trading & Oil services;
- ✔ Power: Generation; Transmission & Distribution
- ✔ Agriculture
- ✔ Manufacturing
- ✔ General commerce
- ✔ Financial Institutions
- ✔ Public Sector
- ✔ Aviation
- ✔ Hospitality and Tourism
- ✔ Telecoms
- ✔ Mining etc

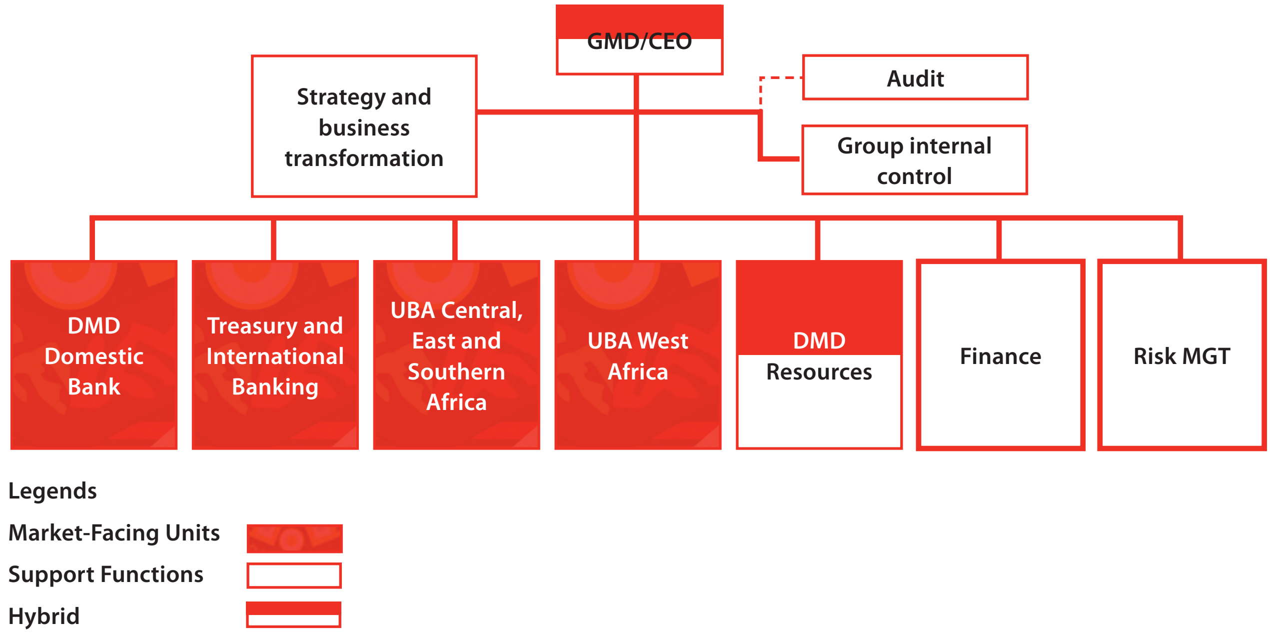
MEDIUM-TERM STRATEGIC PLAN (2013 – 2015): PROJECT ALPHA

"Project Alpha" is UBA Plc's Medium-Term Plan (2013 – 2015) designed to propel the Bank to industry leadership position by 2015. This medium-term plan is broadly guided by the long-term three-tier strategic Intent of the Bank:

Three-Tier Strategic Intent	Key Project Alpha Objectives
Dominant and clear leadership in Nigeria	• Market share dominance • Enhanced balance sheet yield • High E-Banking profitability • Cost Optimisation
Leading African bank	• Market share growth in all countries of operations • Dominance in intra-regional trade and remittances
Maintain Global presence	• Leadership in multilateral trade • Major conduit for Africa-targeted capital flows

MANAGEMENT STRUCTURE REVIEW

In order to enhance the Bank's market drive under Project Alpha and further increase its leadership capacity, the management structure of the Bank was reviewed.



There are two market-facing Deputy Managing Directors in the current management structure:

- **DMD Resources** who is now market-facing by overseeing the Bank's business in the FCT, Corporate Branch, Treasury, Human Resources, e-banking along with the Resources functions.
- **DMD Domestic Bank** overseeing all the Nigerian businesses except for the Federal Capital Territory (FCT) and the Corporate Branch in the Head Office.

The Bank's African businesses have been separated into two for improved supervisory oversight:

- **UBA West Africa** comprising the Bank's eight West African subsidiaries.
- **UBA Central, East and Southern Africa** comprising the Bank's 10 subsidiaries across East, Central and Southern Africa.

In addition, the Treasury & International Banking Directorate continues to report to the Bank's GMD/CEO.

The Finance and Risk Management Directorates are the main support functions in addition to those under the DMD, Resources.

Group Financial Performance Review

INCOME STATEMENT ANALYSIS

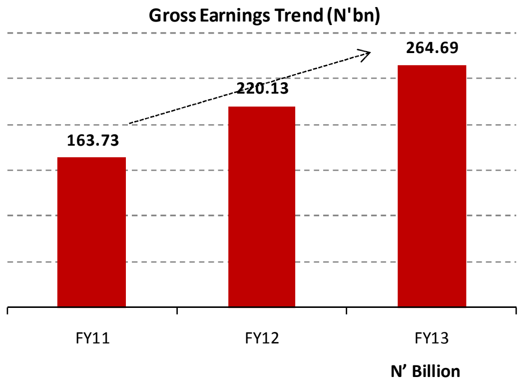
(1) GROSS EARNINGS

The bank recorded a gross earnings of N264.7 billion for the year ended 31 December 2013, which represents an increase of 20% over the N220 billion earned in 2012, driven by strong growth of 5% and 13% in fee & commission income and net interest income respectively. This is in spite of the challenging operating environment in Nigeria in 2013 in which we saw further monetary policy tightening by the CBN. The CBN also issued a circular revising its guidelines on bank charges, with the aim of reducing the cost of banking services to its customers. The key impacts of the regulatory actions on revenues were as follows:

- Commission on Turnover ("CoT") – The Apex bank directed all banks to reduce Commission (CoT) from N5 per mile to N3 per mile in 2013, N2 per mile by 2014, N1 per mile by 2015 and Banks are not expected to charge CoT on current account transactions from 2016.
- Short Message Service (SMS) alerts now at N4 each from N10 each
- The fixed cost on electronic transfer, (N70 charged on transactions below N500,000, N100 charged on transactions between N500,000 and N1m. Transaction above N1m attracts N500).

UBA's mix of revenue streams and focused expense management enabled us to react positively to the operating environment. We recorded good transaction volume growth and favorable credit performance. Going forward, the bank has plans to adopt creative and innovative methods to shore up operating income and improve profitability. We shall continue to invest in profitable sectors and platforms in the future.

In millions of Nigerian Naira	**2013**	2012	%
Gross earnings	**264,687**	220,129	20
Interest and similar income	**185,700**	150,003	24
Interest and similar expense	**(82,469)**	(58,386)	41
Net interest income	**103,231**	91,617	13

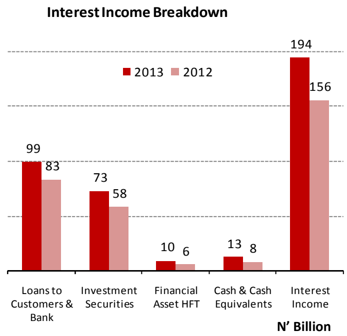


(2) INTEREST INCOME

Interest income grew by 24% YoY, due to increase in overall earning assets and improvement in overall pricing. Interest from financial assets held for trading and cash and cash equivalents though relatively smaller, recorded strong growth at 66% and 61% YoY respectively. Interest in investment securities at 22% growth reflected improved portfolio pricing as well as volume growth. Furthermore, interest from loans to customers and banks was up 18% in the period under review, buoyed by the 40% growth in risk assets.

It is key to note that the increase in the Public sector Cash Reserve Ratio (CRR) in 2013 to 50% moderated the amount of interest income earned by the bank as significant deposits were sterilized with the CBN.

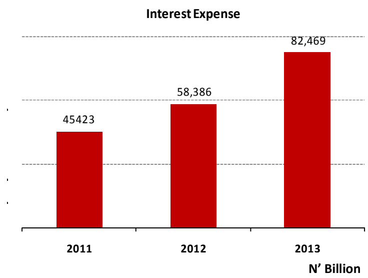
In millions of Nigerian Naira	**2013**	2012	% Change
Interest Income from			
Loans to Customers and Bank	**98,657**	83,291	18
Investment Securities	**64,161**	52,670	22
Financial Asset HFT	**9,545**	5,761	66
Cash and Cash Equivalents	**13,337**	8,281	61
Interest income	**185,700**	150,003	24



(3) INTEREST EXPENSE

The bank's interest expense was up 41% YoY at N82.5billion relative to N58.4 billion in the previous year. This increase can be attributed to the 25% increase in deposit volume and new interest rate paid on savings deposits as directed by the CBN. Interest on savings deposits was increased from 1% per annum to the minimum of 30% of Monetary Policy Rate (MPR), which was 12% per annum during of the year.

In millions of Nigerian Naira	**2013**	2012	% Change
Interest Expense from			
Deposits from banks	**2,737**	2,225	23
Deposits from customers	**70,229**	44,876	56
Borrowings	**9,503**	11,285	(16)
Interest Expense	**82,469**	58,386	41

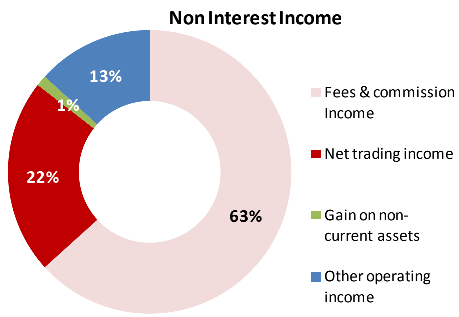


Group Financial Performance Review *(Continued)*

(4) FEES AND COMMISSION INCOME

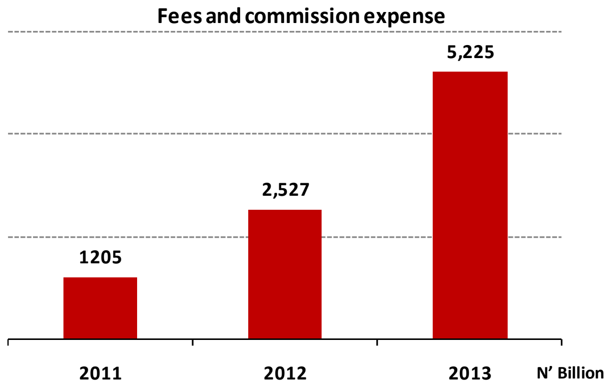
The growth in Fees and commission was up 5% in the period under review, in spite of the reduction in fees and charges by the CBN. The bank was able to grow transaction volumes to offset the decrease in banks' charges and fees following CBN's revision to banks' charges in 2013. Credit related fees & commissions and other charges grew by 33% and 15% YoY respectively; whilst CoT specifically was down by 25% YoY compared to a 29% growth in 2012. Growth in net trading income was driven by significant improvement of 345% in fair value gains on derivatives whilst other operating income was buoyed by recoveries.

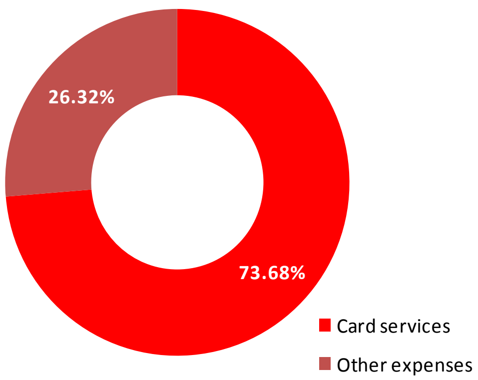
	GROUP		
In millions of Nigerian Naira	**2013**	2012	% Change
Non-interest income from			
Fees and commission income	**50,099**	47,635	5
Net trading income	**17,650**	14,841	19
Gain on non-current assets	**950**	–	
Other operating income	**10,513**	6,673	31
Non-interest income	**79,212**	69,149	15



(5) FEES AND COMMISSION EXPENSE

Fees and Commission expense grew 108% in 2013, source of the increase include; Automated Teller Machine charges which is now borne by the banks, whilst Card Services expense was up by 85% due to increase in card issuance

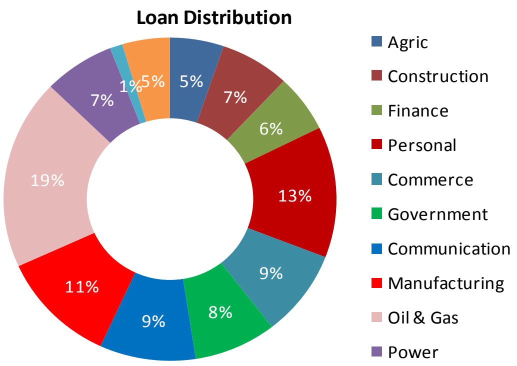


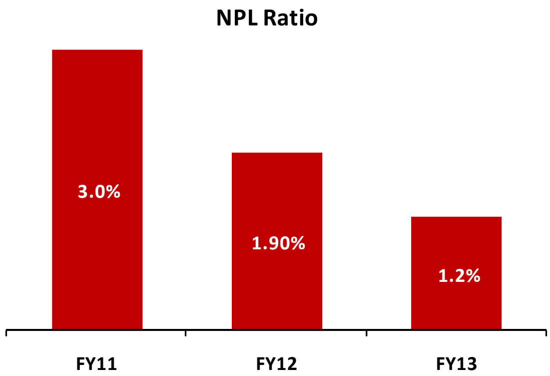


FINANCIAL POSITION ANALYSIS

(6) LOANS AND ADVANCES

UBA Plc's loan book grew aggressively by 40% YoY, driven mainly by credits advanced to large corporate in growth sectors such as Power (over US$700million), Manufacturing, Information & Communication, and Upstream Oil & Gas. Asset quality continued to improve despite sustained growth in risk assets and as a result, the ratio of non-performing loans to total loans reduced from 1.9% in 2012 to 1.2% in 2013.

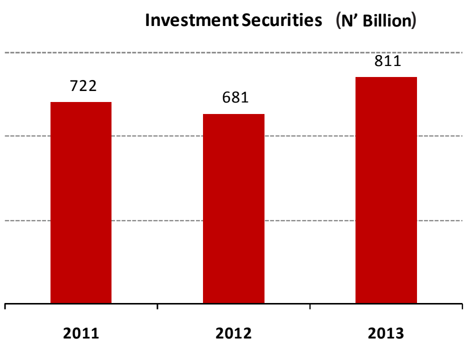




(7) INVESTMENT SECURITIES

Investment securities grew 19% driven by growth in the treasury bills portfolio. Treasury bills and other eligible bills increased by N110 billion (a significant 159%) to N179.81 billion in the period under review. The increase in treasury bills was predominately driven by the higher treasury yields on offer in key markets during 2013 and the need to reposition our portfolio in the face of a volatile business environment.

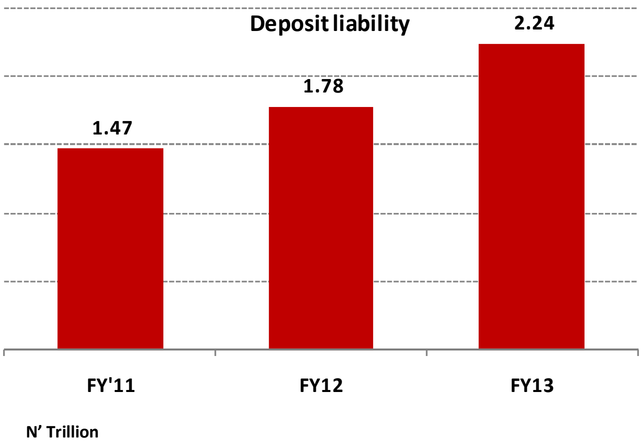
	GROUP		
In millions of Nigerian Naira	**2013**	2012	% Change
Treasury bills	**179,815**	69,390	159
Bonds	**377,512**	482,693	(22)
Equirt Investments	**253,834**	128,665	97
Promissory Notes	**45**	79	(100)
Investment Securities	**811,206**	69,149	19

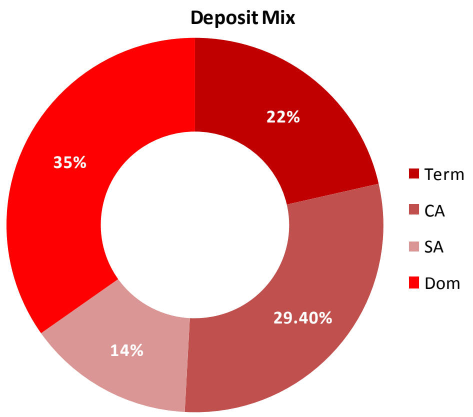


Group Financial Performance Review *(Continued)*

(8) DEPOSITS FROM CUSTOMERS & BANKS

Total deposits grew from N1.78 billion in 2012 to N2.22 billion in 2013, a growth of 25% YoY. Corporate Banking deposit portfolio was up 29% with Retail Banking closing with a growth of 18% compared with last year. We have sustained our funding mix with low cost deposit constituting 78% of the group total deposit.





(9) CAPITAL

Shareholders' funds amounted to N235 billion in 2013, the Group's total equity was up 22% YoY. The capital is deemed sufficient to support business risks and contingencies and will enable the bank to continue to pursue growth opportunities in the African market. One of the major strengths of the UBA brand is its large balance sheet size, a total asset size of N2.64 trillion. The Group continued to monitor capital adequacy in its businesses to ensure compliance with local regulation.

In millions of Nigerian Naira	2013	2012	% Change
Equity			
Share capital	**16,491**	16,491	0
Share premium	**107,932**	107,932	0
Retained earnings	**70,480**	49,572	42
Other reserves	**32,746**	15,111	217
Equity attributable to owners	**227,649**	189,106	20
Non-controlling interests	**7,387**	3,361	120
Total Equity/SHF	**235,036**	192,467	22

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 selfservice 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 affl uent 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 fl exible 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 off ers 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.

LEFT BLANK
INTENTIONALLY

Responsibility and Sustainability

Sustainability and Corporate Social Responsibility report

"UBA GROUP IS COMMITTED TO THE PRINCIPLES AND BEST PRACTICES OF CORPORATE SOCIAL RESPONSIBILITY AND PRIDES ITSELF AS BEING A MODEL CORPORATE CITIZEN IN EVERY COUNTRY WHERE IT HAS ITS FOOTPRINTS"

In UBA, we are committed to running our business in the 21 countries we are present in a socially responsible and environmentally friendly manner.

We will make positive impacts to people's lives through creating access to affordable financial services.

We are mindful of the fact that Environmental and Social (E&S) risks could crystallise into financial, franchise, legal and/or reputational risks to banks through credit facilities given to Customers as such, it is pertinent to assess and analyse the risks during the loan appraisal process in order to mitigate the Bank's overall risk exposure.

Running a sustainable business requires a firm commitment from the Bank. UBA has adopted the Nigerian Sustainable Banking Principles (NSBP) and acknowledges that a sustainable approach to business is increasingly material to businesses doing well.

Whilst we realise that building sustainability into our DNA is a long-term mission involving understanding the linkages between our own operations, the communities where we have a presence and global pressures, the journey to achieving the same is being achieved by:

- the appointment of a Chief Sustainability Officer responsible for implementing the NSBP;
- developing an Environmental and Social Governance Framework which details roles and responsibilities including monitoring the Bank's progress in imbibing the principles;
- incorporating Environmental and Social considerations into our business operations and activities through the development of policies and procedures. This is best demonstrated in relation to our Credit Process … the mind-set of the Bank has moved from Profit only to the triple P … Profit-People-Planet;
- integrating environmental aspects in the Bank's risk management processes in line with leading practices and to ensure adherence to regulatory requirements;
- continually investing in the communities in which we have a presence through the Corporate Social Responsibility Arm of the Bank – UBA Foundation. Annual projects like the READ AFRICA initiative, UBA Foundation National Essay Competition (Nigeria), Walk, Jog and Cycle for Prostate Cancer were executed in the year 2013;
- engaging in capacity building of all our stakeholders to create awareness of environmental and social issues. A Sustainability module has been incorporated into our annual Compliance training which is mandatory for all members of staff;
- collaborating with other Banks and developmental institutions like the IFC through our participation in regular meetings and capacity building workshops; and
- providing periodic reports to the Board on the implementation of the NSBP.

The Sustainability Policy has been ratified by the Board. Whilst the Sustainability Team is responsible for the implementation of a sustainability culture in the Bank, the Bank is aiming to ensure that every member of staff becomes a Sustainability Champion.

All hands are on deck with regards to ensuring that UBA is a Sustainable Bank and the tone is set from the top.

CORPORATE SOCIAL RESPONSIBILITY

UBA Group is committed to the principles and best practices of corporate social responsibility and prides itself as being a model corporate citizen in every country where it has its footprints.

UBA Group pursues its corporate social responsibility goals through UBA Foundation. UBA Foundation plays this role by contributing actively to four strategic areas that are of immense importance to community development, namely: Education, Environment, Economic Empowerment and Special Projects.

UBA Foundation draws its inspiration from the Group's intrinsic values of Humility, Empathy, Resilience and Integrity, H.E.I.R. Its mission statement is to be a role model for African businesses and connotes amongst other things, the responsibility of abiding by the utmost professional and ethical standards, and creating an enduring institution.

UBA Group recognises that doing business in a sustainable manner means doing business in a way that empowers the present generation of Africans without compromising the future.

As in previous years, UBA Foundation in 2013 continued to intervene in the critical areas of the socio-economic environment that has the biggest potential to improve the livelihood and long-term sustainability of the countries in which it operates.

EDUCATION

The future of Africa is hinged on a highly educated and well-informed youth. Quality education is important in developing quality manpower for the future to productively exploit the emerging opportunities in Africa's economy. UBA Foundation is therefore actively involved in facilitating educational initiatives and projects that will not only bridge the literacy gap but also facilitate the development of quality manpower for Africa's growth.

Read Africa Initiative

An important aspect of UBA Foundation's education focus is the "Read Africa" project, a major initiative carried out by the UBA Foundation since 2011. The ability to read is considered fundamental to the quest for knowledge, hence the Read Africa project of the UBA Foundation is to encourage African students to read and reverse an observed decline in reading culture across the continent.

In 2012, under the "Read Africa" initiative, UBA Foundation partnered with renowned Kenyan author, Ngugi Wa Thiong'O. 21,850 copies of his book "Weep not child" were bought and distributed free to students in African schools.

Also, as part of the initiative, Management staff of UBA visited selected schools to mentor and serve as role models, leading reading sessions with students. Ngugi Wa Thiong'O also visited Nigeria as part of the initiative to kick start the project, holding reading sessions with students and interviews with the media.

In 2013, UBA Foundation gave out the literature classic "Things Fall Apart" by Chinua Achebe to students across Africa. A total of 23,970 copies of the book were distributed across English speaking countries of Africa where the UBA Group has its operations.

For the French speaking countries where the UBA Group has its operations, 9,690 copies of the book "L' Aventure Ambique" by Cheikh Hamidou were distributed among schools. Top Executives of the Bank held reading sessions with students in selected secondary schools across the 19 countries, reading and sharing their life experiences with students.

Sharing the writings of these great African writers is UBA Group's modest effort to get students interested in reading. The mentorship sessions with top Executives are meant to inspire students to understand that the path to success for these Senior Executives started with imbibing the culture of discipline and industry from youthful ages.

So far, under the "Read Africa" initiative, nearly 100,000 copies of African literature classics have been distributed to public schools since 2011 when the programme started.

Prize winner, Ezenwa Joseph Okonkwo (middle) 1st Runner-up, Miss Toluwase Adeagbo (2nd left) and ; 2nd Runner up, Miss Koni Ijeoma Jenniffer (right) with DMD Kennedy Uzoka (3rd left); MD/CEO UBA Foundation, Ms Ijeoma Aso (left) and President, Institute of Chartered Accountants of Nigeria (ICAN), Alhaji Kabir Alkali Mohammed.

Sustainability and Corporate Social Responsibility report *(Continued)*

National Essay Competition

The National Essay Competition complements the "Read Africa" initiative of the UBA Foundation. It is an annual competition where students in senior secondary schools across Nigeria are invited to write essays on given topics. In 2013, the topic was "How reading has impacted on my knowledge". Nearly 2,000 entries were received when entries closed on 1 November 2013.

Twelve students with the best essays were invited to write a supervised essay in November from which the best three essays were picked. In the keenly contested competition, Master Ezenwa Joseph Okonkwo, a 15-year old student of Ambol Comprehensive High School, Akesan-Igando, Lagos, won the coveted first prize of N1m educational grant. Toluwase Adeagbo of Sharon Rose Schools College, Saki and Korie Ijeoma Jennifer of Air Force Secondary School, Port Harcourt emerged first and second runner ups, winning the sum of N750,000 and N500,000 respectively as educational grants.

Left to right: Group Managing Director/CEO, UBA Plc, Mr. Philips Oduoza, President African University of Science and Technology Prof. Wole Soboyejo, Visitor, AUST and Cordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala and Managing Director, UBA Foundation, M Ijeoma Aso. During the unveiling ceremony of ICT Centre, donated by UBA Foundation to the University in Abuja.

All three students will be able to draw on their grants to attend any university of their choice anywhere in Africa. All the 12 finalists were also given laptops. The National Essay Competition is in its third year now, and has become a great incentive for students to improve their writing skills.

Donation of ICT Centre

Modern Information and Communication infrastructure is important for all educational institutions seeking to take advantage of advancement in technology. The UBA Foundation, under its educational focus area, considers it important to improve Information and Communication Technology (ICT) infrastructure in African schools. In 2013, the Foundation continued in its quest to equip schools with the best in modern ICT. It donated a fully equipped ICT centre to the African University of Science and Technology, Abuja, Nigeria. The ICT centre is to boost the University's science and technology based courses and help students access the latest and current knowledge in their field of studies. The African University of Science and Technology (AUST) is the first of the Nelson Mandela Institutions (NMIs). It was established in Abuja, Nigeria, in 2007, as a centre of excellence in science and technology with a focus on African development.

SPECIAL PROJECTS

Prostate Cancer Awareness

Annually, UBA organises the Prostate Cancer campaign to raise awareness on this sensitive male health issue, providing free prostate cancer screening. In 2013, UBA Foundation organised a mini marathon starting from the Bank's Head Office to Nigeria's National Stadium in Surulere Lagos, to raise awareness on prostate cancer.

GMD, Philips Oduoza officially flagging off the Mini-Marathon for prostate cancer.

Men being screened for prostate cancer at the National Stadium, Surulere, Lagos.

Simultaneously, the Foundation sponsored free prostate cancer screening for male employees of UBA Nigeria and the general public. The campaign has helped demystify a disease that males are often reluctant to discuss or be screened for.

Reducing infant mortality through incubator donations

With a high incidence of infant mortality across most African countries, UBA Foundation in 2013 focused its strategic intervention in the healthcare sector on reducing infant mortality. The Foundation's intervention programme involves the donation of incubators to major hospitals across Nigeria. Hospitals that have already benefited from this gesture include: University of Nigeria Teaching Hospital (UNTH) Enugu, the Aminu Kano Teaching Hospital (AKTH), Kano, University of Benin Teaching Hospital (UBTH), Benin, Ahmadu Bello University Teaching Hospital (ABUTH), Zaria, and the University of Port Harcourt Teaching Hospital (UPTH), Port Harcourt.

The Foundation's aim is to intervene in the most vulnerable segments of the needs that have little chance of government intervention so as to make maximum impact in its intervention efforts. The Incubator donation to Teaching Hospitals is an on-going project of the Foundation with many more hospitals across the country expected to benefit.

Partnerships with Law Enforcement Agencies

"Don't Text and Drive" campaign

With increasing incidence of road accidents arising from unsafe habits of attempting to text and drive at the same time, in 2013, the UBA Foundation partnered with Federal Road Safety Commission (FRSC) to launch a campaign against the dangerous trend of texting and driving on Nigerian roads. The awareness campaign programme was tagged "Don't Text and Drive" and was flagged off on Tuesday, 25 June 2013 in Abuja with the donation of 60 Elite Pad 900 hand-held tablet devices to the FRSC for tracking and enforcing traffic laws. The campaign has equipped FRSC with the capacity to book offenders and reduce this dangerous trend on Nigerian roads.

Sustainability and Corporate Social Responsibility report *(Continued)*

Partnership with the Police on anti-crime sensitisation campaign

With the rising level of insecurity creating a tough business environment for Nigerian businesses, UBA partnered with the Nigerian Police to launch an electronic anti-crime campaign jingle on national radio stations aimed at raising the awareness of Nigerians on how to tackle insecurity around them. The radio jingle airs in both Standard English and Pidgin English versions. Targeted at Nigerians from all walks of life, it ran simultaneously in several radio stations across the nation.

Sustainable Support to 19 African Country Economies

In its 19 countries of operation across Africa as well as in New York, Paris and the UK, the UBA Group remains an important part of the economies of the individual countries providing jobs to thousands of citizens in each of the countries. The Bank also supports the economies of the countries of operations through direct credit support to individuals, businesses, institutions and governments in the various countries.

UBA subsidiaries have also gone into strategic partnership in their different countries to enhance economic development. For example, UBA Kenya in 2013 helped the Kenyan government to automate its tax collection system, to create a more efficient and transparent system to boost the Kenyan government's revenues from tax collections. The innovation by UBA Kenya won it the "Distinguished Tax Payer Award-Facilitation Automation Category for facilitating the automation of integrated tax collection system in collaboration with the Kenya Revenue Authority (KRA). The award was personally presented to the Bank in Nairobi on Tuesday, 22 October 2013 by His Excellency, President Uhuru Kenyatta at the opening ceremony of the Kenya annual Tax prayer's appreciation day.

UBA Sierra Leone hosted students of Martilie International School, Hill Station on Wednesday, 27 November 2013 at the Head Office of UBA Sierra Leone. During the visit, the Bank presented copies of the literature classic "Weep Not Child" by Ngugi Wa Thiong 'O to the students. The books were donated in line with the UBA Group's "Read Africa" initiative geared towards rekindling reading culture in African youths. For the second consecutive year, UBA Senegal won the "The Bank of the Year" award in Senegal. The Bank of the Year awards, which is in its 14th year, is organised by the "The Banker" a magazine published by London-based Financial Times. The award is in recognition of the significant impact UBA Senegal is making in the Senegalese Banking system.

It is the conviction of the UBA Group that we must have a positive impact on the economy no matter our location by not only providing people, businesses, institutions and governments with the financial services they need to enable them achieve their ambitions, but it is also critical that we "Do good while doing our business."

Governance

Directors' report

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2013.

1. RESULTS

	Group		Bank	
	2013 N'million	2012 N'million	**2013 N'million**	2012 N'million
Profit before income tax	**56,058**	52,010	**51,841**	46,180
Taxation (change)/credit	**(9,457)**	(533)	**(5,358)**	1,195
Profit from continuing operations	**46,601**	51,477	**46,483**	47,375
Profit from discontinued operations	**–**	3,289	**–**	–
Other comprehensive Income	**7,101**	764	**9,167**	3,534
Total comprehensive income	**53,702**	**55,530**	**55,650**	**50,909**
Total comprehensive income attributable to owners of parent	**53,445**	55,530	**55,650**	50,909
Non-compliant interest	**257**	224	**–**	–
Profit/(loss) for the year	**53,702**	**55,530**	**55,650**	**50,909**

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 N16.5 billion to 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 April 7, 2014 to April 14, 2014, both dates inclusive.

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 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 also 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 services and electronic banking products. Bureau de change and Pension Custodian 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 Managing Director's report.

6. DIRECTORS

The names of the Directors who served during the year ended 31 December 2013 are as shown on pages 51 and 52.

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. Chief Kola Jamodu, OFR; and
2. Mr Adekunle A Olumide

Mr Apollos Ikpobe, Mr Emeke Iweriebor and Ms Obi ibekwe were newly appointed to the Board in 2013.

During the course of the year, Chief Israel Ogbue retired after completing his tenure as Chairman, Board of Directors, Mr Ifeatu Onejeme also retired from the Board during the year, while Ms Angela Aneke resigned from the Board. Mr Abdulkadir J Bello and Mr Emmanuel Nnorom also retired from the Board as Executive Directors.

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 of the profit or loss for that period and which comply with the provisions of the companies and Allied Matters Act, Cap 20 Laws of the Federation of Nigeria 2004 and the Banks and Other Financial Institutions Act, CAP B_3 Laws of the Federation of Nigeria 2004, in so doing they ensure that:

- proper accounting records are maintained;
- applicable accounting standards are followed;
- suitable accounting policies are adopted and consistently applied;
- judgements and estimates made are reasonable and prudent;
- the going concern basis is used, unless it is inappropriate to presume that the Bank will continue in business; and
- internal control procedures are instituted which as far as reasonably possible, safeguard the assets of the Bank and also 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 2013 as follows:

		LIST OF DIRECTORS' SHAREHOLDING			
		31 December 2013		31 December 2012	
S/N	Names of directors	Direct	Indirect	Direct	Indirect
1	Chief IC Ogbue (Retired effective 22 November 2013)	**826,200**	**66,812,728**	1,277,936	66,812,728
2	Amb Joseph Keshi, OON	**127,500**	**Nil**	127,500	Nil
3	Rose A Okwechime [Mrs]	**Nil**	**20,133,851**	Nil	40,133,851
4	Phillips Oduoza	**101,452,499**	**17,254,234**	97,306,259	17,254,234
5	Kennedy Uzoka	**35,403,723**	**Nil**	32,295,910	Nil
6	Apollos Ikpobe	**12,851,100**	**Nil**	N/A	N/A
7	Emmanuel Nnorom	**14,367,126**	**847,605**	10,482,360	1,031,855
8	Femi Olaloku	**7,943,391**	**Nil**	4,376,578	Nil
9	Ifeatu Onejeme (Resigned effective 1 August 2013)	**N/A**	**N/A**	6,908,943	Nil
10	Dan Okeke	**10,352,146**	**Nil**	6,344,873	Nil
11	Emeke Iweriebor	**1,626,627**	**Nil**	N/A	N/A
12	Obi Ibekwe	**267,510**	**Nil**	N/A	N/A
13	Jaafaru Paki	**Nil**	**22,950,000**	Nil	22,950,000
14	Foluke K Abdulrazaq	**3,000,000**	**6,120,000**	3,000,000	6,120,000
15	Yahaya Zekeri	**11,704**	**Nil**	11,704	Nil

Directors' report *(Continued)*

		LIST OF DIRECTORS' SHAREHOLDING			
		31 December 2013		31 December 2012	
16	Angela Aneke (Resigned effective 11 December 2013)	**N/A**	**N/A**	5,923,971	Nil
18	Kolawole B Jamodu, OFR	**484,015**	**53,811**	484,015	53,811
19	Abdulqadir J Bello	**3,576,573**	**Nil**	3,576,573	Nil
20	Adekunle A Olumide, OON	**2,635,014**	**Nil**	2,635,014	Nil

9. ANALYSIS OF SHAREHOLDING

UNITED BANK FOR AFRICA PLC

Range analysis as at 31 December 2013

Range	Holders	% Holders	Holding (cumulative)	Units	Units %	Units (cumulative)
1 – 1,000	24,967	8.92	24,967	12,064,944	0.04	12,064,944
1,001 – 5,000	122,833	43.84	147,800	307,596,584	0.93	319,661,528
5,001 – 10,000	47,851	17.08	19,5651	326,543,576	0.99	646,205,104
10,001 – 50,000	60,326	21.53	255,977	1,266,748,648	3.84	1,912,953,752
50,001 – 100,000	12,028	4.29	268,005	807,514,569	2.45	2,720,468,321
100,001 – 500,000	9,477	3.38	277,482	1,898,953,202	5.76	4,619,421,523
500,001 – 1,000,000	1,318	0.47	278,800	901,494,768	2.73	5,520,916,291
1,000,001 and above	1,356	0.49	280,156	27,460,471,274	83.26	32,981,387,565
	280,156	**100.00**		**32,981,387,565**	**100.00**	

10. 10% AND ABOVE HOLDINGS

There is no shareholder with 10% and above holding.

11. SUMMARY OF DEALING IN UBA SHARES AS AT 31 DECEMBER 2013

Quarter	Total volume traded	Daily average
March Quarter	2,197,868,078	35,449,485
June Quarter	1,880,710,323	30,831,317
September Quarter	1,571,407,827	24,553,247
December Quarter	946,590,444	15,517,876

12. ACQUISITION OF OWN SHARES

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

13. DONATIONS

In order to identify with the aspirations of the community and the environment within which the Group operates a total sum of N421.1 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:

S/N	Beneficiary	Purpose	Amount (Naira)
1	Presidential Committee on Flood Disaster & Relief	Flood Relief Support	300,000,000
2	Nigerian Police Force	Support towards National Sensitisation Campaign	45,000,000
3	Ebonyi State Government	Donation of 5 vehicles to support the improvement of security in the State	27,450,850
4	Nigerian Economic Summit Group (NESG)	Sponsorship of the 19th Economic Summit	10,000,000
5	Federal Road Safety Commission	Donation of HP Elite Pad for the Don't Text & Drive Campaign	9,486,750
6	Akwa Ibom State Govt	Support towards provision of houses for widows and homeless persons	3,000,000
7	Financial Reporting Council	Support towards the 10th Annual Corporate Financial Reporting Summit	3,000,000
8	Institute of Chartered Accountants of Nigeria (ICAN)	Support towards 43rd Annunal Accountants Conference	2,000,000
9	Nigerian Immigration Service	Support towards the renovation of the children's ward	1,700,000
10	Ahmadu Bello University Teaching Hospital, Zaria	Purchase of two incubators for children's ward	1,491,000
11	Bayero University Teaching Hospital, Kano	Purchase of two incubators for children's ward	1,491,000
12	Federal Medical Centre, Owerri	Purchase of two incubators for children's ward	1,491,000
13	Jos University Teaching Hospital, Jos	Purchase of two incubators for children's ward	1,491,000
14	Obafemi Awolowo Teaching Hospital, Ife	Purchase of two incubators for children's ward	1,491,000
15	Uinversity of Nigeria Teaching Hospital, Enugu	Purchase of two incubators for children's ward	1,491,000
16	Univerity of Benin Teaching Hospital, Benin	Purchase of two incubators for children's ward	1,491,000
17	University College Hospital, Ibadan	Purchase of two incubators for children's ward	1,491,000
18	University of Calabar Teaching Hospital, Calabar	Purchase of two incubators for children's ward	1,491,000
19	University of Port-Harcourt Teaching Hospital	Purchase of two incubators for children's ward	1,491,000
20	National Youth Service Corps (NYSC)	Support towards orientation camp exercises	1,240,100
21	Abia State Govt	Donation of 10 units of computers	869,400
22	Institute of Chartered Secretaries and Admininstrators of Nigeria (ISCAN)	Support towards 37th Annual Conference	500,000
23	Kaduna State Government	Support towards first convocation ceremony	500,000
24	West African College of Surgeons	Support towards the College's Annual Conference	450,000

Directors' report *(Continued)*

S/N	Beneficiary	Purpose	Amount (Naira)
25	Federal University of Technology, Owerri	Support towards youth empowment project	380,000
26	University of Benin	Support towards Trade Mission to Canada.	300,000
27	Federal University Dutsinma	Sponsorship of Maiden Sport Competition	220,800
28	Lagos State Grassroot Soccer Development Association	Support towards Lagos State 2013 Youth Football competition	50,000
29	Pinefield School	Support towards end-of-year and prize-giving ceremony	50,000
	Total		**421,107,900**

14. PROPERTY AND EQUIPMENT

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.

15. 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.

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 training

iv. 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.

v. Research and development

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

15. EMPLOYMENT AND EMPLOYEES (continued)

vi. Demographics of our workforce

During the 2013 financial year, the Group employed 12,815 staff across the different businesses and geographies we operate.

Group staff distribution by nationality and location during 2013 financial year:

Nationality	Location	Head count	% of total
Nigerians	Nigeria	10,303	80.40
	USA	5	0.04
	Europe (London)	5	0.04
Francophone (Africa)	Nigeria	5	0.04
	Other 18 Africa countries	1,563	12.20
Anglophone (Africa)	Nigeria	7	0.05
	Other 18 Africa countries	889	6.94
	Europe (London)	4	0.03
South Africans	Nigeria	1	0.01
Indians	Nigeria	7	0.05
Americans/US	New York	18	0.14
Canadians	NIgeria	1	0.01
Europeans	Europe (London)	7	0.05
Total		**12,815**	**100.00**

Staff distribution by gender during 2013 financial year:

	Gender	Head count	% of total
Group	Male	7,060	55
	Female	5,755	45
Total		**12,815**	**100**
Bank	Male	5,670	55
	Female	4,633	45
Total		**10,303**	**100**

Directors' report *(Continued)*

Average gender analysis of the Bank's Board of Directors and top management during 2013 financial year:

Description	Gender	Head count	% of total
Board of Directors	Male	14	73.7
	Female	5	26.3
Total		19	100.0
Top management	Male	70	76.1
	Female	22	23.9
Total		92	100.0

Detailed average gender analysis for Board of Directors and top management staff during the 2013 financial year:

	Male		Female		Total
Classification	**Count**	**%**	**Count**	**%**	
Non-Executive Directors	6	60.0	4	40.0	10
Executive Directors	8	88.9	1	11.1	9
General Managers	21	80.8	5	19.2	26
Deputy General Managers	22	84.6	4	15.4	26
Assistant General Managers	27	67.5	13	32.5	40
Total	84		27		111

16. POST-BALANCE SHEET EVENTS

There are no post-balance sheet events which could have had material effect on the financial state of affairs as at 31 December 2013 and the profit for the period ended that date.

17. AUDIT COMMITTEE

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

3. Mr Matthew Esonanjor – Chairman/shareholder
4. Mr Oyewale Ariyibi (resigned) – Shareholder
5. Alhaji Umar Al-Kassim – Shareholder
6. Mrs Foluke Abdulrazaq (resigned) – Non-Executive Director
7. Ms Angela Aneke – Non-Executive Director
8. Amb Joe 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.

18. AUDITORS

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

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

By the order of the Board

Bili A Odum
Company Secretary

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 enquiries, requests or complaints. These platforms include:

- **Customer Fulfilment Centre (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.
- **Hotlines 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 (PO 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.

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, is stated hereunder:

		NUMBER		AMOUNT CLAIMED =N=		AMOUNT REFUNDED =N=	
S/N	**DESCRIPTION**	**2013**	2012	**2013 (N'million)**	2012 (N'million)	**2013 (N'million)**	2012 (N'million)
1.	Pending complaints B/F	**7,676**		**19,559**		**–**	–
2.	Received complaints	**152,561**	80,919	**118,550**	70,178	**–**	–
3.	Resolved complaints	**157,391**	73,243	**89,454**	50,619	**234**	695
4.	Unresolved complaints escalated to CBN for intervention	**23**	1	**4,344**	91	**–**	–
5.	Unresolved complaints pending with the Bank C/F	**2,846**	7,676	**48,655**	19,559	**–**	–

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

The Board is of the opinion that UBA Plc has in all material respects, complied with the requirements of the CBN code, the SEC code and its own governance charters, during the 2013 financial year.

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

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

As at 31 December 2013, the Board comprised a Non-Executive Chairman, a Non-Executive Vice Chairman, four (4) Non-Executive Directors, two (2) Independent Non-Executive Directors and eight (8) Executive Directors, all of whom bring a wide range of skills and experience to the Board.

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

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

A. THE BOARD

The Board presently consists of 16 members, eight of whom, inclusive of the GMD/CEO are Executive Directors and eight Non-Executive Directors. The Non-Executive Directors have the requisite integrity, skills and experience to bring independent judgement to bear on Board deliberations and discussions.

Responsibility

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

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

The Board meets quarterly and additional meetings are convened as the need arises. In 2013 the Board met six 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 Chief Israel C Ogbue retired after the expiration of his tenure as Chairman, Board of Directors. Mr Abdulkadir J Bello retired from the Board as an Executive Director and was appointed a Non-Executive Director pending the approval of the Central Bank of Nigeria. Mr Ifeatu Onejeme also retired from the board, while Ms Angela Aneke resigned from the Board. Ambassador Joe Keshi was appointed Chairman, Board of Directors while Mrs Rose Okwechime was appointed Vice-Chairman, Board of Directors. Mr Apollos Ikpobe, Mr Emeke Iweriebor and Ms Obi Ibekwe were also appointed to the Board.

Professional independent advice

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

B. ACCOUNTABILITY AND AUDIT

Financial reporting

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

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

PricewaterhouseCoopers acted as external auditors to the Group during the 2013 financial year.

Internal controls

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

C. CONTROL ENVIRONMENT

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

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. SHAREHOLDERS RIGHTS

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

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

E. BOARD COMMITTEES

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

Corporate governance report *(Continued)*

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 Kennedy Uzoka – Member
5. Mrs Rose Okwechime – Member
6. 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	6	6
2.	Mrs Foluke Abdulrazaq	6	5
3.	Chief Kola Jamodu	6	4
4.	Mr Kennedy Uzoka	6	4
5.	Mrs Rose Okwechime	6	5
6.	Mrs Owanari Duke	6	3

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 (Ceased to be a member from March 2013)
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 or 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	1
5.	Femi Olaloku	4	4
6.	Yahaya Zekeri	4	4
7.	Rose Okwechime	4	4

*Emmanuel Nnorom ceased to be a member of the committee in March 2013.

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

S/N	Members	Number of meetings held	Number of meetings attended
1.	Mrs Foluke Abdulrazaq	13	12
2.	Alh Ja'afaru A Paki	13	10
3.	Ms Angela Aneke	13	13
4.	Mr Yahaya Zekeri	13	13
5.	Amb Joe C Keshi, OON	13	8
6.	Owanari Duke	13	12

Corporate governance report *(Continued)*

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	9	9
2.	Ms Angela Aneke	9	9
3.	Mr Yahaya Zekeri	9	9
4.	Mrs Foluke Abdulrazaq	9	7
5.	Mrs Rose Okwechime	9	6
6.	Mrs Owanari Duke	9	7

Finance and General Purpose Committee

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

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

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

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

Statutory Audit Committee

The Statutory Board Committee: The Statutory Audit Committee was set up in accordance with the provisions of the Companies and Allied Matters Act, CAP 20, 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 2013 are as follows:

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

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[1]	6	5
2.	Joe C Keshi, OON	6	6
3.	Phillips Oduoza	6	6
4.	Kennedy Uzoka	6	6
5.	Emmanuel Nnorom	6	6
6.	Femi Olaloku	6	6

Corporate governance report *(Continued)*

S/N	Members	Number of meetings held	Number of meetings attended
7.	Ifeatu Onejeme[2]	6	1
8.	Apollos Ikpobe[3]	6	3
9.	Emeke Iweriebor[4]	6	4
10.	Obi Ibekwe[5]	6	3
11.	Chief Kola Jamodu, OFR	6	3
12.	Alhaji Ja'afaru Paki	6	6
13.	Adekunle Olumide	6	6
14.	Angela Aneke[6]	6	5
15.	Yahaya Zekeri	6	6
16.	Foluke Abdulrazaq	6	6
17.	Dan Okeke	6	6
18.	Rose Okwechime	6	6
19.	Owanari Duke	6	6
20.	Abdulqadir J Bello[7]	6	2

1. *Chief Israel C Ogbue retired from the Board effective 21 November 2013.*
2. *Ifeatu Onejeme retired from the Board effective 1 August 2013.*
3. *Apollos Ikpobe was appointed to the Board effective 22 May 2013 (approved by CBN on 27 August 2013).*
4. *Emeke Iweriebor was appointed to the Board effective 22 May 2013 (approved by CBN on 16 July 2013).*
5. *Obi Ibekwe was appointed to the Board effective 22 May 2013 (approved by CBN on 27 August 2013).*
6. *Angela Aneke resigned from the Board effective 11 December 2013.*
7. *Abdulqadir J Bello retired from the Board effective 22 May 2013.*

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), the IT Steering Committee, the Group Risk Management Committee (GRMC) and the Executive Management Committee (EMC).

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, CAP 20 Laws of the Federation of Nigeria 2004, we the members of the Audit Committee hereby report as follows:

- we confirm that we have seen the audit plan and scope, and the management letter on the audit of the accounts of the Bank and the responses to the said letter;
- in our opinion, the plan and scope of the audit for the period ended 31 December 2013 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 2013.

Matthew Esonanjor
Chairman

Audit Committee

Members of the Audit Committee are:

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

Board evaluation report

Akintola Williams Deloitte
235 Ikorodu Road, Ilupeju
PO Box 965, Marina
Lagos
Nigeria
Tel: +234 (1) 271 7800
Fax: +234 (1) 271 7801
www.deloitte.com/ng

17 March 2014

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 of Africa Plc ("UBA or the Bank") as at 31 December 2013, in compliance with the requirements of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria Post Consolidation – 2012 (the Code). The Code requires that there should be annual Board and Directors' review/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 mandate letter of 28 January 2014 as well as identify areas of improvement for the Board to address in its commitment to continuous improvement 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 improvement in its corporate government practices.

Yours faithfully

Joseph Olofinsola
Partner, Consulting
Akintola Williams Deloitte

Statement of Directors' responsibilities in relation to the Financial Statements

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 2013 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 31 December 2013. 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 judgements 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.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conforming with the international Annual Report Standards, the requirements of the Companies and Allied Matters Act. Cap 20 Laws of the Federation of Nigeria 2004, the Bank's and other Financial institutions Act, Cap B, Laws of the Federation of Nigeria 2004, the Central Bank of Nigeria prudential guideline and other relevant circulars issued by the Central Bank.

The Directors are of the opinion that the 2013 financial statements give a true and fair view of the state of the financial affairs of the Bank and Group.

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

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

Signed on behalf of the Directors

Phillips Oduoza
GMD/CEO

Financial Statements

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

pwc

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 2013 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 of the bank are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and 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.

Auditor's responsibility

Our responsibility is to express an independent 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 that the financial statements are free from material misstatement.

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.

PricewaterhouseCoopers Chartered Accountants, 252E Muri Okunola Street, Victoria Island, Lagos, Nigeria

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

pwc

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 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

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, statement of comprehensive income and statement of changes in equity are in agreement with the books of account;

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 41 to the financial statements;

v) except for the contraventions disclosed in Note 44 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
Engagement Partner: Daniel Asapokhai
FRC/2013/ICAN/00000000946

26 March 2014

Consolidated and Separate Statements of Comprehensive Income

for the year ended 31 December 2013

In millions of Nigerian Naira	Notes	Group 2013	Group 2012	Bank 2013	Bank 2012
Gross earnings		**264,687**	220,129	**214,273**	177,429
Interest income	7	**185,700**	150,003	**147,702**	126,147
Interest expense	8	**(82,469)**	(58,386)	**(71,526)**	(51,302)
Net interest income		**103,231**	91,617	**76,176**	74,845
Net impairment loss on loans and receivables	14	**(13,078)**	(4,560)	**(181)**	(2,654)
Net interest income after impairment on loans and receivables		**90,153**	87,057	**75,995**	72,191
Fees and commission income	9	**50,099**	47,635	**36,731**	36,112
Fees and commission expense	10	**(5,225)**	(2,527)	**(4,803)**	(1,900)
Net trading income	11	**17,650**	14,841	**12,662**	9,254
Gain on non-current assets distributed to owners	19(e)	**950**	–	**7,098**	–
Other operating income	13	**10,513**	6,673	**10,305**	6,045
Net (losses)/gains on investment securities	12	**(225)**	977	**(225)**	(129)
Personnel expenses	15	**(50,655)**	(43,452)	**(37,987)**	(32,999)
Depreciation and amortisation	16	**(6,169)**	(10,888)	**(3,759)**	(6,903)
Other operating expenses	17	**(51,027)**	(48,252)	**(44,176)**	(35,491)
Share of loss of equity-accounted investee	27(c)	**(6)**	(54)	**–**	–
Profit before income tax		**56,058**	52,010	**51,841**	46,180
Taxation (charge)/credit	18	**(9,457)**	(533)	**(5,358)**	1,195
Profit for the year from continuing operations		**46,601**	51,477	**46,483**	47,375
Profit for the year from discontinued operations	19(c)	**–**	3,289	**–**	–
Profit for the year		**46,601**	54,766	**46,483**	47,375
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Foreign currency translation differences		**(2,066)**	(2,999)	**–**	–
Fair value gains on available-for-sale investments		**9,167**	3,763	**9,167**	3,534
Other comprehensive income[1]		**7,101**	764	**9,167**	3,534
Total comprehensive income for the year		**53,702**	55,530	**55,650**	50,909
Profit attributable to:					
Owners of Parent		**45,917**	54,664	**46,483**	47,375
Non-controlling interest		**684**	102	**–**	–
Profit for the year		**46,601**	54,766	**46,483**	47,375
Total comprehensive income attributable to:					
Owners of Parent		**53,445**	55,306	**55,650**	50,909
Non-controlling interest		**257**	224	**–**	–
Total comprehensive income for the year		**53,701**	55,530	**55,650**	50,909
Total comprehensive income attributable to equity shareholders arises from:					
– Continuing operations		**53,445**	52,017	**55,650**	50,909
– Discontinued operations		**–**	3,289	**–**	–
Total comprehensive income for the year		**53,445**	55,306	**55,650**	50,909
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year					
Basic and diluted earnings per share (Naira)					
From continuing operations	20	**1.52**	1.66	**1.41**	1.44
From discontinued operations	20	**–**	0.11	**–**	–
Total comprehensive income for the year		**1.52**	1.77	**1.41**	1.44

[1] *Items disclosed in other comprehensive income do not have tax effects based on relevant tax regulations.*

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

Consolidated and Separate Statements of Financial Position

as at 31 December 2013

In millions of Nigerian Naira	Notes	Group		Bank	
		31December 2013	31December 2012	**31December 2013**	31December 2012
ASSETS					
Cash and bank balances	21	**716,803**	714,115	**620,426**	629,481
Financial assets held for trading	22	**784**	457	**777**	456
Derivative assets	32(a)	**3,265**	–	**3,265**	–
Loans and advances to banks	23	**26,251**	28,513	**26,251**	27,878
Loans and advances to customers	24	**937,620**	658,922	**796,942**	570,714
Investment securities	25	**811,206**	680,817	**585,445**	527,994
Other assets	26	**30,436**	18,598	**19,069**	11,159
Investment in equity-accounted investee	27	**2,977**	–	**1,770**	–
Investments in subsidiaries	28	**–**	–	**65,767**	66,727
Property and equipment	29	**75,409**	70,746	**67,661**	63,118
Intangible assets	30	**7,356**	7,568	**1,401**	1,578
Deferred tax assets	31	**30,189**	29,624	**28,643**	28,152
		2,642,296	2,209,360	**2,217,417**	1,927,257
Non-current assets held for distribution	19(a)	**–**	63,563	**–**	5,808
TOTAL ASSETS		**2,642,296**	2,272,923	**2,217,417**	1,933,065
LIABILITIES					
Derivative liabilities	32(b)	**31**	124	**31**	124
Deposits from banks	33	**60,582**	57,780	**–**	22,875
Deposits from customers	34	**2,161,182**	1,720,008	**1,797,376**	1,461,131
Other liabilities	35	**78,071**	81,438	**54,351**	57,299
Current tax liabilities	18	**2,861**	1,274	**1,602**	1,325
Borrowings	36	**48,866**	114,520	**48,866**	114,520
Subordinated liabilities	37	**55,653**	53,719	**55,653**	55,474
Deferred tax liabilities	31	**14**	59	**–**	–
		2,407,260	2,028,922	**1,957,879**	1,712,748
Liabilities directly attributable to non-current assets held for distribution	19(b)	**–**	51,534	**–**	–
TOTAL LIABILITIES		**2,407,260**	2,080,456	**1,957,879**	1,712,748
EQUITY					
Share capital	38	**16,491**	16,491	**16,491**	16,491
Share premium	38	**107,932**	107,932	**107,932**	107,932
Retained earnings	38	**70,480**	49,572	**67,443**	47,723
Other reserves	38	**32,746**	15,111	**67,672**	48,171
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**227,649**	189,106	**259,538**	220,317
Non-controlling interests		**7,387**	3,361	**–**	–
TOTAL EQUITY		**235,036**	192,467	**259,538**	220,317
TOTAL LIABILITIES AND EQUITY		**2,642,296**	2,272,923	**2,217,417**	1,933,065

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

The consolidated and separate financial statements were approved by the directors on 24 February 2014

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

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

Ambassador Joe Keshi
Chairman, Board of Directors
FRC/2013/CIBN/00000003064

Consolidated and Separate Statements of Changes in Equity

for the year ended 31 December 2013

	Group										
In millions of Nigerian Naira	Share capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	16,491	107,932	(1,514)	1,113	15,223	(32,831)	33,120	49,572	189,106	3,361	192,467
Profit for the year	–	–	–	–	–	–	–	45,917	45,917	684	46,601
Other regulatory reserves	–	–	–	3,300	–	–	–	(3,300)	–	–	–
Other comprehensive income											
Foreign currency translation difference	–	–	(1,639)	–	–	–	–	–	(1,639)	(427)	(2,066)
Fair value change in (available-for-sale) financial assets	–	–	–	–	9,167	–	–	–	9,167	–	9,167
Net loss transferred from equity on disposal of available-for-sale instruments	–	–	–	–	63	–	–	–	63	–	63
Other comprehensive income for the year	–	–	(1,639)	–	9,229	–	–	–	7,591	(427)	7,163
Total comprehensive income for the year	–	–	(1,639)	3,300	9,229	–	–	42,617	53,507	257	53,764
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Bonus shares issued											
Increase in treasury shares	–	–	–	–	–	(165)	–	–	(165)	–	(165)
Increase in non-controlling interest	–	–	–	–	–	–	(64)	733	670	4,038	4,708
Transfer to statutory reserves	–	–	–	–	–	–	6,972	(6,972)	–	–	–
Dividends to equity/non-controlling holders	–	–	–	–	–	–	–	(15,470)	(15,470)	(268)	(15,738)
Total contribution and distributions to owners	–	–	–	–	–	(165)	6,908	(21,709)	(14,965)	3,770	(11,195)
Balance at 31 December 2013	16,491	107,932	(3,153)	4,413	24,452	(32,996)	40,028	70,480	227,648	7,387	235,036

In millions of Nigerian Naira	Bank						
	Share capital	Share premium	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
Balance at 1 January 2013	16,491	107,932	1,113	15,834	31,224	47,723	220,317
Profit for the year	–	–	–	–	–	46,483	46,483
Other regulatory reserves	–	–	3,300	–	–	(3,300)	–
Other comprehensive income							
Fair value change in (available-for-sale) financial assets	–	–	–	9,167	–	–	9,167
Net loss transferred from equity on disposal of available-for-sale instruments	–	–	–	63	–	–	63
Other regulatory reserve	–	–	–	–	–	–	–
Net amount transferred to profit or loss							
Other comprehensive income for the year	–	–	–	9,229	–	–	9,229
Total comprehensive income for the year	–	–	3,300	9,229	–	43,183	55,712
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfer for the year	–	–	–	–	6,972	(6,972)	–
Dividends to equity holders	–	–	–	–	–	(16,491)	(16,491)
Total contribution and distributions to owners	–	–	–	–	6,972	(23,463)	(16,491)
Balance at 31 December 2013	16,491	107,932	4,413	25,063	38,196	67,443	259,538

Consolidated and Separate Statements of Changes in Equity *(Continued)*

for the year ended 31 December 2012

	Group										
In millions of Nigerian Naira	Share capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 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)	122	(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)	–	(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

In millions of Nigerian Naira	Share capital	Share premium	Regulatory credit risk reserve	Fair value reserve	Statutory reserve	Retained earnings	Total
	Bank						
Balance at 1 January 2012	16,168	108,255	–	12,300	24,118	21,474	182,315
Profit and loss	–	–	–	–	–	47,375	47,375
Other comprehensive income							
Fair value change in (available-for-sale) financial assets	–	–	–	3,534	–	–	3,534
Net loss transferred from equity on disposal of available-for-sale instruments	–	–	–	63	–	–	63
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)	–
Dividend-in-specie	–	–	–	–	–	(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 Statements of Cash Flows

for the year ended 31 December 2013

In millions of Nigerian Naira	Notes	Group 2013	Group 2012	Bank 2013	Bank 2012
Cash flows from operating activities					
Profit/(loss) before income tax, including discontinued operations		**56,058**	55,874	**51,841**	46,180
Adjustments for:					
Depreciation of property and equipment	16	**5,255**	9,775	**3,025**	6,043
Amortisation of intangible assets	16	**914**	1,113	**734**	860
Net impairment loss on investment securities	12	**181**	673	**181**	725
Net impairment loss on loans and advances	14	**11,093**	5,093	**(264)**	1,527
Write-off of loans and advances	14	**1,471**	7,859	**123**	2,910
Net impairment charge on other assets	14	**514**	1,055	**322**	281
Foreign exchange (gains)/losses		**64**	(5,979)	**64**	247
Fair value (gain)/loss on derivative financial instruments	11	**(3,358)**	(693)	**(3,358)**	(693)
Fair value gain on previously held interest in equity-accounted investee		**(2,422)**	(31)	**–**	(31)
Gain on non-current assets held for distribution		**(950)**	–	**(7,099)**	–
Dividend income		**(1,101)**	(3,104)	**(7,622)**	(4,772)
Gain on disposal of property and equipment		**(821)**	(34)	**(821)**	(34)
Gain on disposal of investment securities		**20**	–	**20**	–
Net interest income	7	**(103,231)**	(91,617)	**(76,176)**	(74,845)
Share of loss/(profit) of equity-accounted investee		**6**	(196)	**–**	–
		(36,306)	(20,212)	**(39,030)**	(21,602)
Change in financial assets held for trading		**(118)**	600	**345**	(219)
Change in cash reserve balance		**(126,565)**	(37,908)	**(127,154)**	(42,666)
Change in loans and advances to banks		**2,262**	5,992	**1,627**	(6,851)
Change in loans and advances to customers		**(291,262)**	(71,435)	**(226,087)**	(54,876)
Change in other assets		**(12,352)**	(20,228)	**(2,651)**	5,451
Change in deposits from banks		**2,802**	40,792	**(22,875)**	(533)
Change in deposits from customers		**441,174**	235,178	**336,245**	246,325
Change in placement with banks		**(139,007)**	(14,481)	**(139,007)**	(14,481)
Change in managed fund		**–**	(3,243)	**–**	–
Interest received		**185,700**	150,427	**147,702**	126,041
		26,328	265,482	**(70,855)**	236,589
Interest paid		**(78,794)**	(49,295)	**(69,606)**	(42,057)
Change in other liabilities and provisions		**(3,367)**	9,040	**9,959**	(5,579)
Income tax paid	18(c)	**(8,368)**	(4,479)	**(5,572)**	(812)
Net cash from operating activities		**(64,201)**	220,748	**(136,105)**	188,141
Cash flows from investing activities					
Proceeds of investment securities		**39**	14,075	**39**	35,744
Acquisition of investment securities		**(105,552)**	–	**(48,270)**	–
Acquisition of property and equipment		**(10,772)**	(8,979)	**(7,930)**	(5,087)
Acquistion of interest in a subsidiary		**–**	(652)	**(810)**	(3,133)
Dividend received		**1,101**	3,104	**2,041**	4,772
Proceeds from the sale of property and equipment		**1,406**	2,513	**1,183**	1,409
Acquisition of intangible assets	30	**(702)**	(558)	**(557)**	(339)
Net cash used in investing activities		**(114,480)**	9,503	**(54,304)**	33,366
Cash flows from financing activities					
Proceeds from borrowings		**3,529**	28,436	**3,529**	28,436
Repayments of borrowings		**(69,183)**	(18,736)	**(69,183)**	(18,736)
Interest paid on long term borrowings		**(1,741)**	(10,950)	**(1,741)**	(10,950)
Dividend paid to owners of the parent	39	**(15,470)**	–	**(16,491)**	–
Dividend paid to non-controlling interests		**(268)**	(458)	**–**	–
Acquisition of treasury shares		**(165)**	(638)	**–**	–
Net cash from financing activities		**(83,298)**	(2,346)	**(83,886)**	(1,250)
Net increase/(decrease) in cash and cash equivalents		**(261,979)**	227,905	**(274,295)**	220,257
Effects of exchange rate changes on cash and cash equivalents		**(238)**	(397)	**(255)**	(423)
Cash and cash equivalents at beginning of year	21	**579,937**	352,429	**498,088**	278,254
Cash and cash equivalents at end of year	21	**317,720**	579,937	**223,538**	498,088

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

for the year ended 31 December 2013

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 31 December 2013 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

2. BASIS OF PREPARATION

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standard and IFRIC interpretations applicable to companies reporting under IFRS.

(b) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Nigerian Naira (N) which is the bank's functional currency and the Group's presentation currency.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

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

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

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

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

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

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

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

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

(iii) Loss of control

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

(iv) Acquisitions under common control

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

(v) Transactions eliminated on consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 average rates.

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

(c) Interest

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

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

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

(d) Fees and commissions

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

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

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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Net trading income

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

(f) Dividends

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

(g) Income tax

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

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the forseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

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

(h) Financial instruments

Initial recognition and measurement

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

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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Subsequent measurement (continued)

(i) Held-to-maturity

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

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

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

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

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

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

- the designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- a group of financial assets is managed and its performance evaluated on a fair value basis; 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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iv) Loans and receivables (continued)

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

(v) Financial liabilities

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

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

Surbodinated liabilities are included as part of financial liabilities measured at amortised cost.

Fair value measurement

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

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

Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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

(ii) Available-for-sale financial assets

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

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

Write-off policy

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

De-recognition of financial instruments

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

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

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

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

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

Reclassification of financial assets

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

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

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

The Group makes transfers between levels of fair value hierarchy when reliable market information becomes available (such as an active market or observable market input) to the Group. This transfer is done on the date in which the market information becomes available.

(i) Cash and bank balances

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

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

(j) 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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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 improvement	Over the shorter of the useful life of item or lease period
Buildings	50 years
Computer hardware	5 years
Furniture and fittings	5 years
Equipment	5 years
Motor vehicles	5 years
Other transportation equipment*	Over the useful life of the specific asset
Capital work in progress	Not depreciated
Land	Not depreciated

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

**Other transportation equipment include major components with different useful lives. They are accounted for as separate major components and are depreciated over the respective useful lives of twenty (20) and sixteen (16) years.*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property and equipment (continued)

(iv) De-recognition

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

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

(ii) Software

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

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life not exceeding five years, from the date that it is available for use. The amortisation method and useful life of software are reassessed at each financial year end and adjusted if appropriate.

(n) Repossessed collateral

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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) 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.

(q) 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.

(r) Employee benefits

Post-employment benefits

Defined contribution plans

The Group operates defined contribution pension scheme. A defined contribution plan is a pension plan under which the Group makes fixed contributions on contractual basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

(s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.

(v) Segment reporting

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

(w) Standards, amendments and interpretations effective on or after 1 January 2013

The following standards, amendments and interpretations, which became effective in 2013, are relevant to the Group:

(i) Amendment to IAS 1, 'Financial statement presentation'

The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Theamendments do not address which items are presented in OCI.

(ii) Amendment to IFRS 1, 'First time adoption' on government loans

This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

(iii) Amendment to IFRS 7, 'Financial Instruments: Disclosures' – Asset and Liability offsetting

This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

(iv) IAS 27 (revised 2011), 'Separate financial statements'

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

(v) IAS 28 (revised 2011), 'Associates and joint ventures'

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

(vi) IFRS 10, 'Consolidated financial statements'

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Standards, amendments and interpretations effective on or after 1 January 2013 (continued)

(vii) IFRS 12, 'Disclosures of interests in other entities'

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

(viii) IFRS 13, 'Fair value measurement'

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.

(ix) IAS 32, 'Financial instruments: Presentation' – Amended

The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

Another amendment to IAS 32: Financial instrument seeks to clarify some of the requirements for offsetting financial assets and financial liabilities on the Statement of Financial Position.

(x) IAS 16, 'Property, plant and equipment' – Amended

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

(xi) IAS 34, 'Interim financial reporting' – Amended

The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the Chief Operating Decision Maker (CODM) and there has been a material change in those measures since the last annual financial statements.

The following standard and amendment, which became effective in 2013 is not relevant to the Group:

(xii) 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.

(xiii) IAS 19, 'Employee benefits'

The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group does not have defined benefit plans.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standard and interpretations not yet adopted

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

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

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

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

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

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

This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Group until 1 January 2014.

IFRIC 21 Levies (effective on or after 1 January 2014).

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

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(y) 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; and
- 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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Intangible assets and property and equipment once classified as held for sale or distribution are not amortised 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

4.1 Introduction and overview

Given the scale and scope of its operations as well as the diversity of the geographies within which it operates, United Bank for Africa Plc (UBA) 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:

KEY ACTIVITIES			
Risk Governance	**Risk Assessment**	**Risk Monitoring**	**Risk Mitigation**
• Risk committee structure • Policies and framework • Set risk appetite • Corporate governance • Compliance rule book	• Credit default measurement • Operational risk assessment • Policy compliance self assessment • Trading loss elimination • Recovery risk	• Effective reporting • Early warning • Event tracking • Compliance dashboard • Key risk indicator tracking • BCP testing and scenario planning	• Effective controls • Debt restructuring • Maximised recoveries • Limit concentration • Risk appetite management • Hedging • Data recovery management and alternate site arrangement

OUTPUTS
Optimised Risk Profile
Market risk Credit risk Operational risk
Minimised compliance cost
• Effective compliance process • Reduced non-compliance costs • Reduced reputational risk

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. We also have the Group Managing Director/ Chief Executive Officer (GMD/CEO) and the executive committees which include the Group Assets and Liabilities Committee (GALCO), Executive Managment Committee (EMC) and Executive Credit Committee (ECC). This is illustrated in the diagram below.

RISK POLICIES AND PROCESSES	RESPONSIBILITY
SETTING AND APPROVAL OF • Risk Philosophy • Risk Management Principles • Risk appetite and tolerance	• UBA Board • Board Committees – Credit. Risk Management. Fin and General Purpose. Nomination and Governance. Audit and Statutory Audit
IMPLEMENTATION OF • Risk Management Principles	• GMD/CEO, EMC. GCRO
APPROVAL OF • Risk Policies • Risk Limits	**MANAGEMENT COMMITTEES** • GALCO, EMC, ECC
OVERSIGHT OF • Risk Profile of the group • Risk Limits per business unit/subsidiaries and risk type • Control and Compliance Environment	• GCRO • Business unit heads
MANAGEMENT OF • All risk exposures in the business unit/subsidiaries	Business unit heads and country • CRO

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report

(a) Enterprise risk overview

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 and GPC through the EMC.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(a) Enterprise risk overview (continued)

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 is a management committeee which 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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(a) Enterprise risk overview (continued)

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, assess, control, report and manage the Group's material risks and optimise 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.

The committees, responsibilities, processes and controls are replicated at the subsidiary levels to ensure standardisation group-wide.

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 overleaf.

IDENTITY	ASSETS	CONTROL	REPORT	MANAGE AND CHALLENGE
• 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 framework	• Build accurate and consistent risk assessment • Establish risk and implement measurement reporting standards/methods • Build a risk profile for the Banks	• Establish key control processes, practices and reporting requirements. • Ensure all the Bank's exposures are adequately identified, measured and managed in accordance with the Board approved frameworks	• Report areas of stress where crystallisation of risk is imminent • Present remedial actions to reduce and/or mitigate such risk • Communicate with relevant parties	• Review and challenge all aspects of the Bank's risk profile • Advise on optimising and improving the Bank's risk profile • Review and challenge risk management practice

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(a) Enterprise risk overview (continued)

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

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

RISK MANAGEMENT STRUCTURE

The key functional areas and their responsibilities are highlighted below:

Credit Support 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 (CRM)

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

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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(a) Enterprise risk overview (continued)

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;
- limit determination based on market volatility;
- stop loss limit utilisation monitoring;
- position monitoring;
- new trading products risk assessment;
- P&L attribution analysis;
- pricing model validation and sign off;
- trading portfolio stress testing;
- regulatory limit monitoring;
- position data extraction and Internal limit monitoring;
- contingency funding plan maintenance and testing; and
- risk profile reporting to GALCO.

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.

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.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(a) Enterprise risk overview (continued)

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.

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

The Group ensures that:

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

The Group 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 fail to perform on their payment, guarantee and/or other obligations as contracted.

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 market risk factors and affect the Group's income or the value of its holdings of financial instruments.

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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(a) Enterprise risk overview (continued)

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 Group Risk Management Committee (GRMC) and Group Asset and Liability Management Committee (GALCO). GALCO has Group oversight and is charged with ensuring that market risks are managed homogeneously in all areas of operation. Further to the above, oversight of market risk is vested in BRMC, GALCO and the Finance & General Purpose Committee (F & GPC) while the day to day management rests with the Group Chief Risk Officer (GCRO). 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 and qualitative 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 sise, and newer methods of risk measurement which measure value. The 'value measures' are used for standardising results across products and countries as well as measuring financial risks in day-to-day business. The major measurement techniques used to measure and control market risk are; Earnings at Risk (EaR), Stress Testing, Scenario analysis, Duration analysis, GAP analysis/Maturity Ladder, regulatory & internal limits monitoring, risk profile reporting, contingency funding plan, pricing model validation, new trading products risk assesement, stop loss limits etc.

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.

The Group's liquidity risk measurement is approached from two angles; the development of cash flow projections and ratio analysis. The Balance Sheet Management team uses a combination of both techniques to measure the bank's exposure to liquidity risk.

The cash flow technique is applied through the use of maturity ladder by assessing all the Bank's cash inflows against outflows to identify the potential for net shortfalls or net funding requirements (i.e. a cumulative net excess or deficit of funds) at selected maturity dates. The maturity ladder is monitored on a day to day basis and stress testing is undertaken on a quarterly basis by applying different scenarios to the maturity ladder and assessing the bank's funding requirements under each scenario

All UBA countries and subsidiaries also construct their maturity ladder and compile reports based on agreed assumptions which is consolidated into a global report for Group ALCO review. The country treasurer for each subsidiary/Group Head Balance Sheet Management also documents the appropriate actions and includes the same into the Contingency Funding Plan (CFP) for implementation.

The Balance Sheet Management team uses liquidity ratios to quantify liquidity. Ratios are usually expressed as either a percentage or an equivalent amount. Liquidity ratios are not interpreted on their own but in conjunction with the outcome of the maturity ladder scenarios. The middle office monitors the various internal as well as market risk indicators for potential liquidity problems. The middle office also monitors compliance with set internal and regulatory limit.

Country ALCO and Group ALCO control the Group's exposure to liquidity risk by ensuring that limits are set and that Contingency Funding Plan are in place across the Group and are based on realistic assumptions.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk

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 estimates the following parameters:

(i) Probability of Default (PD)
(ii) Loss Given Default (LGD)
(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) 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.

(ii) 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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

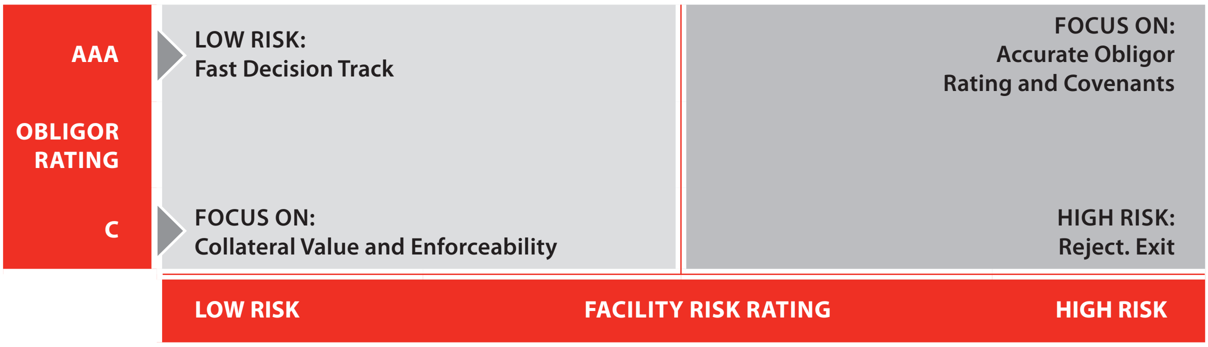
4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

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

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

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

The risk ratings are a primary tool in the review and decision making in the credit process and this is done annually for each obligor, except where a shorter period is required. The integrity of the bank's portfolio management process is dependent on accurate and timely risk ratings. Deterioration in credit risks is quickly identified and communicated to facilitate prompt action. The rating is reviewed when there is a default and this is reflected in the management of such portfolio. The default also leads to prevention of further drawdown while steps are taken to recover the oustanding balance and/or realise the collateral.

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

- ratings downgrade;
- missed payments;
- non-compliance with loan covenants; and
- deterioration of quality/value of collateral.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Credit Rating of Counterparty/Obligor

All risk rating processes are reviewed and validated periodically to ensure relevance to business realities, and relate to loans and advances to customers, loans and advances to banks, financial assets held for trading and investment securities. External ratings may also be obtained where such is available. 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. There are no changes to the risk rating process in the financial year. 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 – 6.99	50% – 59%	
High risk	B	6.00 – 6.99	40% – 49%	High risk range
Very high risk	CCC	7.00 –7.99	30% – 39%	
Extremely high risk	CC	8.00 – 8.99	0% – 29%	Unacceptable risk range
High likelihood of Default	C	9.00 – 9.99	Below 0%	
Default	D	Above 9.99	Below 0%	

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

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 longer-term payment relief – adjusting interest rates or payment frequency;
- Ageing/Extension: Modifying the length of the loan;
- Cash Out: Refinancing a loan at a higher principal amount in order to get additional funds for other uses;
- 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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

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;
- achieve uniformity in recovery process, methodology and consolidate similar functions in all locations where the Group operates.

Exposure to credit risk

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

Credit risk exposure relating to on-balance sheet

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

	Maximum exposure Group		Maximum exposure Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Cash and bank balances	**693,716**	714,115	**605,304**	629,481
Loans and advances to banks:				
Term loan	**26,251**	28,513	**26,251**	27,878
Loans to individuals				
Overdraft	**10,645**	16,764	**5,169**	10,758
Term loan	**129,273**	91,922	**97,923**	70,100
Loans to corporate entities and others				
Overdraft	**143,002**	127,033	**112,454**	89,359
Term loan	**654,349**	412,264	**579,723**	389,559
Others	**351**	10,939	**1,673**	10,939
Trading assets	**784**	457	**777**	456
Investment securities:	**766,215**	645,243	**541,422**	492,865
Treasury bills	**388,658**	162,481	**244,719**	91,517
Bonds	**377,512**	482,683	**296,658**	401,269
Promissory note	**45**	79	**45**	79
Account receivable	**17,759**	13,692	**12,711**	8,497
Total	**2,442,345**	2,060,942	**1,983,408**	1,729,892
Loans exposure to total exposure	**39%**	33%	**42%**	35%
Debt securities exposure to total exposure	**31%**	31%	**26%**	28%
Other exposures to total exposure	**29%**	35%	**31%**	37%

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

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

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Performance bonds and guarantees	**281,176**	305,492	**240,830**	284,359
Letters of credits	**202,806**	95,820	**99,765**	78,543
	483,982	401,312	**340,595**	362,902
Bonds and guarantee exposure to total exposure	**58%**	76%	**71%**	78%
Letters of credit exposure to total exposure	**42%**	24%	**29%**	22%
Credit risk exposures relating to loan commitment are as follows:				
Loan commitment to corporate entities and others				
Overdraft	**2,695**	–	**2,695**	–
Term loan	**37,051**	6,766	**37,051**	6,766
	39,746	6,766	**39,746**	6,766

There are no loan commitments to individuals.

Exposure to credit risk

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.

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

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

All items pledged, as security for credit facilities are insured with the Bank noted as the first loss payee. The Bank also keeps all documents required for perfection of collateral title.

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

1. Cash

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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

2. Treasury bills/Certificate

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

3. Stock and shares

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

4. Legal mortgage

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

5. Debenture

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

6. Life insurance policies

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

7. Guarantees

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

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

8. Negative pledge

Lending on the basis of negative pledges are restricted to only clients with an investment grade or 'A' risk rating. A negative pledge is a mere commitment given by the borrower to the bank not to charge its assets in favour of a third party for as long as the loan remains outstanding.

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

Repossessed collateral

As at reporting date – 31 December 2013, the Group took possession of property amounting to N354 million (2012 – N235 million) 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.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Repossessedt Collateral (continued)

The Group obtained assets by taking possession of collateral held as security as follows:

	Loans and advances to customers			
	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Property	**312**	224	**42**	177
Equities	**1**	9	**1**	9
Others	**41**	2	**41**	2
	354	235	**84**	188

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. Collateral usually is not held against investment securities.

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

Loans to individuals

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Against individually impaired				
Property	**2,086**	1,525	**2,086**	1,500
Equities	**–**	300	**–**	300
Others	**2,169**	664	**376**	664
	4,255	2,489	**2,462**	2,464
Against neither past due nor impaired				
Property	**25,977**	25,247	**25,977**	25,246
Equities	**–**	1,032	**–**	1,033
Others	**131,889**	121,865	**94,358**	102,017
	157,866	148,144	**120,335**	128,296
	162,121	150,633	**122,797**	130,760

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Loans to corporate entities and others

In millions of Nigerian Naira	Group		Bank	
	December 2013	December 2012	**December 2013**	December 2012
Against individually impaired				
Property	**–**	–	**–**	–
Equities	**–**	5 300	**–**	5 300
Others	**42,485**	5,833	**518**	1,636
	42,485	11,133	**518**	6,936
Against neither past due nor impaired				
Property	**272,111**	247,490	**271,297**	245,774
Equities	**31,769**	34,752	**31,768**	29,151
Others	**433,283**	299,285	**320,501**	203,414
	737,163	581,527	**623,566**	478,339
	779,648	592,660	**624,084**	485,275

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.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Credit concentration (continued)

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		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Carrying amount (net)	**937,620**	658,922	**796,942**	570,714	**26,251**	28,513	**26,251**	27,878
Concentration by market segment (net)								
Corporate	**797,702**	550,236	**693,850**	489,857	**26,251**	28,513	**26,251**	27,878
Individual	**139,918**	108,686	**103,092**	80,857	**–**	–	**–**	–
	937,620	658,922	**796,942**	570,714	**26,251**	28,513	**26,251**	27,878
Concentration by location (net)								
Nigeria	**825,433**	554,586	**796,942**	570,714	**–**	–	**–**	–
Rest of Africa	**112,187**	104,336	**–**	–	**–**	–	**–**	–
Rest of the World	**–**	–	**–**	–	**26251**	28,513	**26251**	27,878
	937,620	658,922	**796,942**	570,714	**26,251**	28,513	**26,251**	27,878
Concentration by nature (net) – Loans to individuals								
Term loans	**129,274**	91,922	**97,923**	70,100				
Overdrafts	**10,644**	16,764	**5,169**	10,757				
	139,918	108,686	**103,092**	80,857				
Collateral value – Loans to individuals								
Term loans	**108,291**	85,965	**108,291**	62,578				
Overdrafts	**19,528**	64,668	**14,505**	68,182				
Others	**34,301**	–	**–**	–				
	162,120	150,633	**122,796**	130,760				
Over/(under) collaterisation	**22,203**	41,947	**19,705**	49,903				
Concentration by nature (net) – Loans to corporate entities and others								
Term loans	**654,350**	412,264	**579,724**	389,559	**26,251**	28,513	**26,251**	27,878
Overdrafts	**143,002**	127,033	**112,454**	89,359	**–**	–	**–**	–
Others	**350**	10,939	**1,672**	10,939	**–**	–	**–**	–
	797,702	550,236	**693,850**	489,857	**26,251**	28,513	**26,251**	27,878
Collateral value – Loans to corporate entities and others								
Term loans	**601,646**	373,915	**508,308**	319,910				
Overdrafts	**172,784**	157,950	**110,559**	104,571				
Others	**5,217**	60,795	**5,217**	60,795				
	779,647	592,660	**624,084**	485,276				
Over/(under) collaterisation	**(18,054)**	42,424	**(69,766)**	(4,581)				

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Credit concentration (continued)

	Investment securities				Financial assets held for trading			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Carrying amount (net)	**766,215**	645,243	**541,422**	492,865	**784**	457	**777**	456
Concentration by location (net)								
Nigeria	**529,523**		**529,523**	476,192	**777**	457	**777**	456
Rest of Africa	**231,988**		**7,195**	12,019	**7**	–	**–**	–
Rest of the World	**4,704**	4,654	**4,704**	4,654	**–**	–	**–**	–
	766,215	645,243	**541,422**	492,865	**784**	457	**777**	456
Concentration by nature (net)								
Available-for-sale investment securities								
Treasury bills	**208,843**	93,091	**200,444**	91,517				
Held-to-maturity investment securities								
Treasury bills	**179,815**		**44,275**	–				
Bonds	**377,512**		**296,658**	401,269				
Other eligible bills	**45**	79	**45**	79				
	766,215	645,243	**541,422**	492,865				
Available-for-sale investment securities								
Concentration by location (net)								
Nigeria	**200,444**	91,517	**200,444**	91,517				
Rest of Africa	**8,399**	1,574	**–**	–				
Rest of the World	**–**	–	**–**	–				
	208,843	93,091	**200,444**	91,517				
Held-to-maturity investment securities								
Concentration by location (net)								
Nigeria	**329,130**	532,966	**329,130**	387,402				
Rest of Africa	**223,588**	11,650	**7,194**	8,468				
Rest of the World	**4,654**	7,536	**4,654**	5,478				
	557,372	552,152	**340,978**	401,348				
	Financial assets held for trading							
Concentration by nature (net)								
Treasury bills	**49**	173	**42**	172				
Government Bonds	**735**	284	**735**	284				
	784	457	**777**	456				
Concentration by location (net)								
Nigeria	**777**	456	**777**	456				
Rest of Africa	**7**	1	**–**	–				
Rest of the World	**–**	–	**–**	–				
	784	457	**777**	456				

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Credit concentration (continued)

	Cash and bank balances				Account receivable			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Carrying amount (net)	**693,716**	714,115	**605,304**	629,481	**17,759**	13,710	**12,711**	8,497
Concentration by location (net)								
Nigeria	**579,596**	629,481	**579,393**	629,481	**13,290**	8,497	**12,711**	8,497
Rest of Africa	**81,817**	84,634	**–**	–	**4,469**	5,213	**–**	–
Rest of the World	**32,303**	–	**25,911**	–	**–**	–	**–**	–
	693,716	714,115	**605,304**	629,481	**17,759**	13,710	**12,711**	8,497
					Off-balance sheet			
Concentration by location (net)								
Nigeria					**335,457**	362,902	**335,457**	362,902
Rest of Africa					**140,853**	38,410	**–**	–
Rest of the World					**7,672**	–	**5,138**	–
					483,982	401,312	340,595	362,902

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 equity instruments.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Credit concentration – Industry (continued)

	Loans and advances to customers				Loans and advances to banks			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Support service activities	**23,062**	826	**22,412**	–	**–**	–	**–**	–
Agriculture, forestry and fishing	**51,812**	44,718	**39,935**	37,995	**–**	–	**–**	–
Construction	**67,753**	45,312	**65,808**	43,736	**–**	–	**–**	–
Education	**3,943**	4,248	**3,621**	3,875	**–**	–	**–**	–
Finance and insurance	**30,362**	–	**22,746**	–	**26,251**	28,513	**26,251**	27,878
General	**108,998**	135,373	**71,480**	129,404	**–**	–	**–**	–
General commerce	**86,575**	55,662	**79,755**	43,015	**–**	–	**–**	–
Governments	**78,955**	64,114	**72,817**	64,003	**–**	–	**–**	–
Human health and social work activities	**822**	2,118	**483**	2,106	**–**	–	**–**	–
Information and communication	**93,315**	69,967	**79,128**	62,040	**–**	–	**–**	–
Manufacturing	**113,090**	83,759	**106,235**	79,125	**–**	–	**–**	–
Oil and gas	**192,784**	131,491	**154,549**	100,381	**–**	–	**–**	–
Power and energy	**67,695**	15,357	**60,973**	32	**–**	–	**–**	–
Professional, scientific and technical activities	**1,608**	3,261	**1,390**	2,877	**–**	–	**–**	–
Real estate activities	**12,510**	698	**12,426**	698	**–**	–	**–**	–
Transportation and atorage	**4,335**	2,007	**3,187**	1,427	**–**	–	**–**	–
Water apply aewage, waste management and remediation activities	**–**	11	**–**	–	**–**	–	**–**	–
	937,620	658,922	**796,942**	570,714	**26,251**	28,513	**26,251**	27,878

	Investment securities				Financial assets held for trading			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Finance and insurance	**46,813**	137,586	**30,374**	25,166	**–**	–	**–**	–
General	**–**	–	**–**	–	**–**	–	**–**	–
General commerce	**–**	–	**–**	–	**–**	–	**–**	–
Governments	**706,884**	498,976	**458,651**	459,555	**784**	457	**777**	456
Information and communication	**–**	154	**–**	–	**–**	–	**–**	–
Manufacturing	**12,518**	8,527	**8,122**	8,144	**–**	–	**–**	–
Oil and gas	**–**	–	**–**	–	**–**	–	**–**	–
	766,215	645,243	**497,147**	492,865	**784**	457	**777**	456

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Credit concentration – Industry (continued)

Group	Other assets				Cash and bank balances			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Finance and Insurance	**17,759**	13,710	**12,711**	8,497	**693,716**	714,115	**605,304**	629,481
	17,759	13,710	**12,711**	8,497	**693,716**	714,115	**605,304**	629,481
Credit quality								
Loans to corporate entities and others								
Neither past due nor impaired	**904,278**	640,348	**769,372**	570,417	**26,308**	28,699	**26,308**	28,064
Past due but not impaired	**40,972**	20,940	**31,045**	6,180	**–**	–	**–**	–
Individually impaired	**11,697**	13,439	**4,841**	2,700	**–**	–	**–**	–
Gross	**956,947**	674,726	**805,259**	579,297	**26,308**	28,699	**26,308**	28,064
Less: Allowance for impairment	**(19,327)**	(15,805)	**(8,317)**	(8,583)	**(57)**	(186)	**(57)**	(186)
Net	**937,620**	658,921	**796,942**	570,714	**26,251**	28,513	**26,251**	27,878
Allowance for impairment is broken down as follows:								
Specific allowance	**(4,634)**	(5,447)	**(2,067)**	(1,394)	**–**	–	**–**	–
Portfolio allowance	**(14,693)**	(10,358)	**(6,250)**	(7,189)	**(57)**	(186)	**(57)**	(186)
Total	**(19,327)**	(15,805)	**(8,317)**	(8,583)	**(57)**	(186)	**(57)**	(186)

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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Credit Quality (continued)

	Loans and advances to customers				Loans and advances to banks			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Loans and advances to individuals								
Grades:								
Extremely low risk	**37**	1,897	**37**	160	**–**	–	**–**	–
Very low risk	**32**	16,184	**25**	2,052	**–**	–	**–**	–
Low risk	**938**	1,133	**938**	1,133	**26,308**	28,699	**26,308**	28,064
Acceptable risk	**121,412**	112,196	**81,235**	58,503	**–**	–	**–**	–
Moderately high risk	**14,106**	17,899	**14,106**	17,899	**–**	–	**–**	–
Total	**136,525**	149,308	**96,341**	79,747	**26,308**	28,699	**26,308**	28,064
Portfolio allowance	**(2,377)**	(2,957)	**(757)**	(2,923)	**(57)**	(186)	**(57)**	(186)
	134,148	146,351	**95,585**	76,824	**26,251**	28,513	**26,251**	27,878
Loans to corporate entities and others								
Grades:								
Extremely low risk	**6,026**	21,542	**6,026**	21,542				
Very low risk	**76,486**	42,290	**62,805**	42,290				
Low risk	**107,813**	48,611	**103,505**	48,611				
Acceptable risk	**528,444**	370,221	**451,711**	370,221				
Moderately high risk	**48,984**	8,375	**48,984**	8,006				
Total	**767,753**	491,040	**673,031**	490,670				
Portfolio allowance	**(11,989)**	(6,797)	**(5,282)**	(4,106)				
	755,764	484,243	**667,749**	486,564				
Loans and advances to customer – past due but not impaired								
Loans and advances to individuals								
Past due up to 30 days	**1,599**	95	**89**	95				
Past due by 30 – 60 days	**1,807**	871	**1,756**	170				
Past due by 60 – 90 days	**42**	930	**–**	162				
	3,447	1,896	**1,845**	427				
Portfolio allowance	**(58)**	(39)	**(6)**	(8)				
	3,389	1,857	**1,840**	419				

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Credit Quality (continued)

	Loans and advances to customers				Loans and advances to banks			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Loans to corporate entities and others								
Past due up to 30 days	**12,482**	3,575	**4,846**	3,575				
Past due by 30 – 60 days	**24,882**	6,631	**24,354**	996				
Past due by 60 – 90 days	**161**	8,838	**–**	1,182				
	37,525	19,044	**29,200**	5,753				
Portfolio allowance	**(270)**	(565)	**(206)**	(152)				
Loans and advances (net)	**37,255**	18,479	**28,994**	5,601				
Loans and advances individually impaired								
Loans and advances to individuals								
Gross amount	**4,092**	11,763	**2,811**	2,549	**–**			
Specific impairment	**(2,988)**	(5,255)	**(1,307)**	(1,243)				
Net amount	**1,104**	6,508	**1,504**	1,306				
Loans to corporate entities and others								
Gross amount	**7,605**	1,676	**2,030**	151				
Specific impairment	**(1,646)**	(192)	**(759)**	(151)				
Net amount	**5,959**	1,484	**1,271**	–				

	Investment securities				Financial assets held for trading			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Carrying amount	**766,215**	645,243	**541,422**	492,865	**784**	457	**777**	456
Held-to-maturity								
Neither past due nor impaired								
Low risk	**557,372**	552,152	**340,978**	401,348	**–**	–	**–**	–
Carrying amount – amortised cost	**557,372**	552,152	**340,978**	401,348	**–**	–	**–**	–

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Credit Quality (continued)

	Available for sale				Held for trading			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Neither past due nor impaired								
Low risk	**208,843**	93,091	**200,444**	91,517	**784**	457	**777**	456
Carrying amount – fair value	**208,843**	93,091	**200,444**	91,517	**784**	457	**777**	456
Total carrying amount	**766,215**	645,243	**541,422**	492,865	**784**	457	**777**	456

	Account receivables				Cash and bank balances			
	Group		Bank		Group		Bank	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Carrying amount	**17,759**	13,692	**12,711**	8,497	**693,716**	714,115	**605,304**	629,481
Low risk	**17,759**	13,692	**12,711**	8,497	**693,716**	714,115	**605,304**	629,481
Carrying amount	**17,759**	13,692	**12,711**	8,497	**693,716**	714,115	**605,304**	629,481

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

During the year ended 31 December 2013, the difference between the Prudential provision and IFRS impairment was N4,413 million requiring additional transfer of N3,300 million (2012: N1,113 million) to the Credit risk reserve as disclosed in the statement of changes in equity. This amount represents the difference between the provisions for credit and other known losses as determined under the prudential guideline issued by the Central Bank of Nigeria (CBN), and the impairment reserve as determined in line with IAS 39 as at year-end.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Statement of Prudential Adjustments (continued)

	Bank	
	December 2013	December 2012
Total impairment based on IFRS	**8,374**	8,769
Total impairment based on the Central Bank of Nigeria's Prudential Guidelines	**12,787**	9,882
	(4,413)	(1,113)

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.

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

	Loans and advances to customers				Loans and advances to banks			
	Group		Bank		Group		Bank	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2013								
Moderately high risk	**1,103**	**353**	**68**	**68**	**–**	**–**	**–**	**–**
High risk	**971**	**493**	**270**	**270**	**–**	**–**	**–**	**–**
Very high risk	**9,623**	**6,217**	**4,503**	**968**	**–**	**–**	**–**	**–**
Total	**11,697**	**7,063**	**4,841**	**1,306**	**–**	**–**	**–**	**–**
31 December 2012								
Moderately high risk	1,122	574	334	162	–	–	–	–
High risk	1,842	1,245	108	52	–	–	–	–
Very high risk	10,475	6,173	2,258	1,092	–	–	–	–
Total	13,439	7,992	2,700	1,306	–	–	–	–

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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(b) Credit Risk (continued)

Work out and recovery

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

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

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

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

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

Risk Management and Credit Recovery Division methodology

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(c) Liquidity Risk

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 minimise 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; 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 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 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 sufficient liquidity exists 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 co-ordination 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. 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.

Primary funding sources for the Group include deposits from customers, medium term borrowings from other financial institutions, issued debt securities and subordinated liabilities. 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 programme falling due in 2017 and 2018.

The short-term nature of fixed term deposits means that the Group faces a frequent re-pricing 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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(c) Liquidity Risk (continued)

Exposure to liquidity risk

There are two measures used across the Group for managing liquidity risk namely: funding gap analysis of assets and liabilities and 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 one month.

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:

	2013	2012
At 31 December	**67.0%**	63.4%
Average for the period	**57.7%**	59.7%
Maximum for the period	**69.2%**	63.4%
Minimum for the period	**50.8%**	57.3%

Maturity analysis for financial liabilities

Using the behavioral pattern of our funding sources over time, the Group's expected cash flows on some financial assets and liabilities to vary significantly from the contractual cash flows. For example, demand deposit from customers are expected to remain stable and loan commitments are not expected to be drawn down immediately. As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, government securities and other securities which are readily acceptable in repurchase agreements in the market and can be readily sold to meet liquidity requirements. In addition the Group maintains agreed lines of credit and holds unencumbered assets eligible to be used as collateral.

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.

Our funding mix targets are structured in such a way as to ensure that there is adequate diversification of funding sources at all times by currency, geography, provider, product, term, etc.

The tables below show the undiscounted cash flow on the Group's financial liabilities and on the basis of the earliest possible contractual maturity. The Gross nominal inflow/outflow disclosed in the table is the contractual, undiscounted cash flows on the financial liabilities or commitments. 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.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(c) Liquidity Risk (continued)

Maturity analysis for financial liabilities (continued)

31 December 2013 *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						
Non-derivative financial liabilities						
Deposits from banks	68,534	68,534	–	–	–	–,
Deposits from customers						
Retail customers:						
Term deposits	150,126	29,386	8,506	33,626	32,624	45,983
Current deposits	113,186	11,317	33,967	22,634	22,634	22,634
Savings deposits	316,372	46,597	46,830	32,023	79,212	111,710
Domiciliary deposits	41,757	6,264	6,264	4,176	10,439	14,615
Corporate customers:						
Term deposits	321,945	112,454	18,756	54,626	30,820	105,288
Current deposits	521,400	52,140	126,420	134,280	104,280	104,280
Domiciliary deposits	706,349	105,955	105,955	70,620	176,591	247,228
Other liabilities	78,071	78,071	–	–	–	–,
Borrowings	51,196	1,757	241	605	1,159	47,434
Subordinated liabilities	62,500	–	3,750	–	3,750	55,000
	2,431,436	512,475	350,689	352,590	461,510	754,172
Derivative liabilities						
Cross Currency Swap	31	31	–	–	–	–,
Performance bonds and guarantees	281,176	32,094	34,148	53,009	90,773	71,151
Letters of credit	202,806	72,844	98,968	28,459	2,188	347
Loan commitments	39,746	14,276	19,396	5,577	429	68
Assets used to manage liquidity						
cash and bank balances	525,748	419,431	71,756	34,561	–	–,
Financial assets held for trading	784	659	10	–	–	115
Loans and advances to banks	26,610	21,628	4,982	–	–	–,
Loans and advances to customers						
Individual	148,086	59,804	19,113	5,438	4,730	59,002
Corporates	849,082	135,552	159,806	191,679	244,801	117,244
Investment securities						
Available for sale						
Treasury bills	208,843	51,053	85,561	69,843	2,386	
Held to maturity						
Treasury bills	180,015	95,319	15,507	9,986	44,275	14,928
Promissory note	45	–	45	–	–	–,
Bonds	377,357	21,103	12,128	47,685	134,805	161,636
Account receivable	17,759	17,759		–	–	–,
Derivative asset	3,265	3,265	–	–	–	–,
	2,337,594	825,573	368,908	359,192	430,997	352,925
GAP	(577,855)	208,129	(114,898)	(74,867)	(123,473)	(472,744)

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(c) Liquidity Risk (continued)

Maturity analysis for financial liabilities (continued)

31 December 2013 *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
Bank						
Non-derivative liabilities						
Deposits from banks	–	–	–	–	–	–
Deposits from customers						
Retail customers:						
Term deposits	131,782	5,188	24,042	60,537	27,275	14,740
Current deposits	70,336	70,336	–	–	–	–
Savings deposits	269,223	269,223	–	–	–	–
Domiciliary deposits	38,919	38,919	–	–	–	
Corporate customers:						
Term deposits	195,708	26,390	33,482	75,327	35,701	24,808
Current deposits	490,798	490,798	–	–	–	–
Domiciliary deposits	613,292	613,292	–	–	–	–
Other liabilities	21	21	–	–	–	–
Borrowings	51,196	1,757	241	605	1,159	47,434
Subordinated liabilities	62,500	–	3,750	–	3,750	55,000
	1,923,775	1,515,924	61,515	136,469	67,885	141,982
Derivative liabilities						
Cross Currency Swap	31	31	–	–	–	–
Performance bonds and guarantees	238,778	20,135	28,628	52,530	88,235	49,251
Letters of credit	135,032	46,988	61,805	24,801	1,241	197
Loan commitments	39,746	13,831	18,192	7,300	365	58
Assets used to manage liquidity						
Cash and bank balances	380,133	330,987	33,893	15,253	–	–
Financial assets held for trading	777	652	10	–	–	115
Loans and advances to banks	26,610	21,628	4,982	–	–	–
Loans and advances to customers						
Individual	113,277	9,131	12,391	1,866	112	89,777
Corporates	740,064	101,207	186,533	118,488	109,747	224,088
Investment securities						
Available for sale						
Treasury bills	200,442	48,679	83,692	66,851	1,220	–
Held to maturity						
Treasury bills	44,275	–	–	–	44,275	–
Promissory note	45	–	45	–	–	–
Bonds	296,675	–	5,271	4,479	114,715	172,210
Account receivable	12,711	12,711	–	–	–	–
Derivative asset	3,265	3,265	–	–	–	–
	1,818,274	528,260	326,818	206,937	270,069	486,190
GAP	(479,340)	(1,054,817)	174,870	(6,862)	112,709	294,761

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(c) Liquidity Risk (continued)

Maturity analysis for financial liabilities (continued)

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						
Non-derivative liabilities						
Deposits from banks	57,780	57,780	–	–	–	–
Deposit from customers						
Retail customers:						
Term deposits	98,274	14,543	19,876	54,324	9,531	–
Current deposits	101,211	101,211	–	–	–	–
Savings deposits	285,369	285,369	–	–	–	–
Domiciliary deposits	30,837	30,837	–	–	–	–
Corporate customers:						
Term deposits	249,077	26,765	55,326	76,546	56,900	33,540
Current deposits	414,416	414,416	–	–	–	–
Domiciliary deposits	540,824	540,824	–	–	–	–
Other liabilities	62,277	62,277	–	–	–	–
Borrowings	114,520	4,560	4,762	33,380	10,798	61,020
Subordinated liabilities	53,719	–	–	–	–	53,719
	2,008,304	1,538,582	79,964	164,250	77,229	148,279
Derivative liabilities						
Cross Currency Swap	124	62	–	–	62	–
Performance bonds and guarantees	305,495	3,697	415	8,857	124,038	168,488
Letters of credit	95,820	3,235	35,342	54,967	2,264	12
Loan commitments	6,766	228	2,496	3,881	160	1
Assets used to manage liquidity						
Cash and bank balances	594,418	594,418		–	–	–
Financial assets held for trading	457	–	457	–	–	–
Loans and advances to banks	28,513	12,569	15,944	–	–	–
Loans and advances to customers						
Individual	108,686	9,755	20,878	13,321	21,838	42,895
Corporates	550,236	154,809	78,736	25,598	49,745	241,347
Investment securities						
Available for sale						
Treasury bills	93,091	8,033	17,193	10,970	17,984	38,911
Held to maturity						
Treasury bills	69,390	18,769	13,273	8,469	13,883	14,996
Promissory note	79	–	79	–	–	–
Bonds	482,683	130,557	92,328	58,908	96,575	104,316
Account receivable	13,710	–	13,710	–	–	–
	1,941,263	928,910	252,598	117,265	200,025	442,465
GAP	(468,480)	(616,666)	136,877	(110,809)	(3,568)	125,686

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(c) Liquidity Risk (continued)

Maturity analysis for financial liabilities (continued)

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
Bank						
Non-derivative liabilities						
Deposits from banks	22,875	22,875	–	–	–	–
Deposit from customers						
Retail customers:						
Term deposits	83,483	10,153	12,475	52,324	8,531	–
Current deposits	87,544	87,544	–	–	–	–
Savings deposits	224,780	224,780	–	–	–	–
Domiciliary deposits	26,196	26,196	–	–	–	–
Corporate customers:						
Term deposits	225,329	17,845	54,998	72,046	55,972	24,468
Current deposits	354,373	354,373	–	–	–	–
Domiciliary deposits	459,426	459,426	–	–	–	–
Other liabilities	40,141	12,438	–	–	27,703	–
Subordinated liabilities	55,474	–	–	–	–	55,474
Borrowings	114,520	4,560	4,762	33,380	10,798	61,020
	1,694,141	1,220,190	72,235	157,750	103,004	140,962
Derivative liabilities						
Cross Currency Swap	124	62	–	–	62	–
Performance bonds and guarantees	284,359	3,344	375	8,009	114,269	158,362
Letters of credit	78,543	2,835	23,247	50,403	2,047	11
Loan commitments	6,766	244	2,003	4,342	176	1
Assets used to manage liquidity						
cash and bank balances	512,569	512,569	–	–	–	–
Financial assets held for trading	456	–	456	–	–	–
Loans and advances to banks	27,878	9,318	18,560	–	–	–
Loans and advances to customers						
Individual	80,857	9,402	14,614	9,193	5,328	42,320
Corporates	489,857	135,662	49,843	11,760	45,770	246,823
Investment securities						
Available for sale						
Treasury bills	91,517	7,933	17,165	10,853	17,567	37,999
Held to maturity						
Promissory note	79	–	79	–	–	–
Bonds	401,269	114,329	92,009	27,995	48,682	118,254
Account receivable	8,497	–	8,497	–	–	–
	1,612,979	789,213	201,223	59,801	117,347	445,396
GAPS	(444,188)	(437,218)	105,366	(156,361)	(102,035)	146,061

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(c) Liquidity Risk (continued)

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.

In millions of Nigerian Nairar	Gross nominal inflow/ (outflow)	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year
Group						
31 December 2013						
Performance bonds and guarantees	**279,123**	**30,042**	**34,148**	**53,009**	**90,773**	**71,151**
Letters of credits	**238,073**	**82,844**	**108,968**	**43,727**	**2,188**	**347**
	517,196	**112,886**	**143,116**	**96,736**	**92,961**	**71,498**
31 December 2012						
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
Bank						
31 December 2013						
Performance bonds and guarantees	**238,778**	**20,135**	**28,628**	**52,530**	**88,235**	**49,251**
Letters of credits	**135,032**	**46,988**	**61,805**	**24,801**	**1,241**	**197**
	373,809	**67,122**	**90,433**	**77,331**	**89,476**	**49,448**
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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks

Trading activities are centralised in our Group Treasury office in Head office. The subsidiaries have treasury departments that reports to Group Treasury. The Group's risk profile has been changing as the Group expands across geographies, taking into consideration the world-wide market turbulence, additional foreign exchange risks alongside interest rate risks that manifest in different countries where UBA operates. 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 objectives, 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 Group Chief Risk Officer (GCRO). 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 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 portfolio. UBA Group sets various limits for total market risk and specific foreign exchange, interest rate, equity and other price risks. The overall structure of limits is subject to review and approval by GALCO. Various 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 sensitivity analysis, gap analysis and volume limits (open position limit).

The Bank augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables. Consistent stress-testing methodology is applied to trading and non trading books. The stress testing scenarios include market and credit scenarios, portfolio specific scenarios and macro economic scenarios.

(i) Exposure to interest rate risk – non-trading portfolio

The principal risk to which non-trading portfolios 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 pre-approved limits for re-pricing bands. There will always be a mis-match between maturing assets and maturing liabilities, and changes in interest rates means that the Net Interest Margin (NIM) is affected on a daily basis by maturing and re-pricing activities. This change is measured through calculation of Earnings at Risk (EaR) on a portfolio over the life of its assets and liabilities.

EaR is usually calculated at various levels of change to simulate the likely change in the course of normal business or the expected risk where there is an unusual market event.

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued

(i) Interest rate risk

See table below for a summary of the Group's interest rate gap position as at 31 December 2013 and 31 December 2012 respectively using 200 bps

31 December 2013	Re-pricing period						
In millions of Nigerian Naira	Carrying amount	< 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year	Non-interest bearing
Group							
Cash and bank balances	693,716	476,574	71,756	34,561	–	–	110,825
Financial assets held for trading	784	659	10	–	–	115	–
Loans and advances to banks	26,251	13,725	4,837	7,689	–	–	–
Loans and advances to customers:							
Individual	139,917	59,212	18,556	5,130	4,339	52,680	–
Corporates	797,703	434,210	5,151	29,071	24,588	304,682	–
Investment securities:							
Treasury bills	379,509	197,493	49,601	52,108	80,307	–	–
Bonds	386,661	–	60,295	29,864	89,591	206,911	–
Promissory notes	45	–	–	–	–	45	–
Equity	44,991	–	–	–	–	–	44,991
Derivative assets	3,265	3,265	–	–	–	–	–
Accounts receivable	17,759	–	–	–	–	–	17,759
	2,490,601	1,185,137	210,206	158,423	198,826	564,433	173,575
Derivative liability	31	31	–	–	–	–	–
Deposits from banks	60,582	68,469	–	–	–	–	(7,887)
Deposits from customers	2,161,182	1,155,271	740,119	52,025	12,375	197,278	4,113
Other liabilities	78,071	–	–	–	–	–	78,071
Subordinated liabilities	55,653	–	–		–	55,653	–
Borrowings	48,866	1,366	–	2,447	–	45,053	–
	2,404,385	1,225,137	740,119	54,472	12,375	297,984	74,297
GAPS	86,216	(40,000)	(529,913)	103,951	186,450	266,449	99,278

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued

(i) Interest rate risk (continued)

31 December 2012

In millions of Nigerian Naira	**Carrying amount**	**Re-pricing period** < 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year	Non-interest bearing
Group							
Cash and bank balances	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							
Individual	154,187	25,808	77,360	5,918	3,199	41,901	–
Corporates	504,735	189,256	21,475	33,534	18,130	242,341	–
Investment securities							
Treasury bills	162,481	35,895	55,261	11,620	59,705	–	–
Bonds	482,683	–	41,728		38,065	402,890	–
Promissory notes	79	–	–	–	–	79	–
Equity	35,574	–	–	–	–	–	35,574
Account receivable	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	1,542,239	136,398	60,381	28,983	178,150	81,438
GAPS	70,256	(932,662)	281,202	5,631	90,116	509,061	116,908

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued

(i) Interest rate risk (continued)

31 December 2013

In millions of Nigerian Naira	Carrying amount	Re-pricing period < 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year	Non-interest bearing
Bank							
Cash and bank balancess	**605,304**	490,319	33,893	15,253			65,839
Financial assets held for trading	**777**	652	10	–	–	115	–
Loans and advances to banks	**26,251**	13,725	4,837	7,689			–
Loans and advances to customers:	**796,942**	88,253	54,844	51,440	316,297	286,108	–
Individual	**103,092**	11,416	7,095	6,654	40,916	37,011	–
Corporates	**693,850**	320,366	45,447	37,637	40,916	249,484	–
Investment securities:	**585,445**	200,328	63,463	28,495	124,528	80,333	88,298
Treasury bills	**200,444**	79,045	41,675	14,512	65,212	–	–
Bonds	**340,933**		21,788	13,983	59,316	245,846	–
Promissory notes	**45**	–	–	–	–	45	–
Equity	**44,023**	–	–	–	–	–	44,023
Derivative assets	**3,265**	3,265	–	–	–	–	–
Account receivable	**12,711**	–	–	–	–	–	12,711
	2,030,695	918,788	154,745	95,728	206,360	532,501	122,573
Derivative liability	**31**	31	–	–	–	–	–
Deposits from banks	**–**	7,886		–	–	–	(7,886)
Deposits from customers	**1,793,263**	939,185	576,875	52,025	12,375	212,803	–
Other liabilities	**54,351**	–	–	–	–	–	54,351
Subordinated liabilities	**55,653**	–	–		–	55,653	–
Borrowings	**48,866**	1,432	–	2,447	–	44,987	–
	1,952,164	948,534	576,875	54,472	12,375	313,443	46,465
GAPS	**78,531**	(29,746)	(422,130)	41,256	193,984	219,058	76,108

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued

(i) Interest rate risk (continued)

31 December 2012	Re-pricing period						
In millions of Nigerian Naira	**Carrying amount**	< 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year	Non-interest bearing
Bank							
Cash and bank balances	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	1,00
Individual	80,857	25,470	11,907	5,198	2,447	35,835	–
Corporates	489,857	154,306	72,135	31,489	14,828	217,098	1
Investment securities	527,994	22,142	58,361	5,238	76,223	330,901	35,129
Treasury bills	91,467	22,142	36,559	5,238	27,528	–	–
Bonds	401,269	–	21,802	–	48,645	330,822	–
Promissory notes	79	–	–	–	–	79	–
Equity	35,179	–	–	–	–	–	35,179
Account receivable	9,296						9,296
	1,765,819	546,736	304,995	56,543	93,448	583,834	180,263
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	1,346,639	123,914	53,303	17,697	112,571	57,299
GAPS	54,396	(799,903)	181,081	3,240	75,751	471,263	122,964

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; and
- 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.

Current maturity mis-match profile

Over the years, the Nigerian yield curve has lengthened significantly with much longer tenors being available for investors. This is a significant change from being a predominantly 90-day economy. There are available tenors of up to ten years, with much activity in the three to five year tenor buckets.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(ii) Equity risk

The Group did not undertake in equity trading activity in 2013. 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 2013 had reduced to N9million, (down from N131 million in 2012) 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 were spun off into a separate legal entity.

The NSE was the most rewarding stock market in Africa, as investors harvested 47.2% 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 investments in African Finance Corporation (AFC) which is a non-quoted investment with a fair value of N39.93 billion as at 31 December 2013 (2012: N32.251 billion). Full details are disclosed in note 5(ii).

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Level 1 Equity Sensitivities				
Impact on profit or loss:				
Favourable change at 5% increase in indicative value	**–**	–	**–**	–
Unfavourable change at 10% reduction in indicative value	**–**	–	**–**	–
Impact on Other comprehensive income:				
Favourable change at 5% increase in indicative value	**1**	7	**1**	7
Unfavourable change at 10% reduction in indicative value	**(1)**	(13)	**(1)**	(13)
Level 1 Equity Positions				
Financial assets held for trading:	**–**	–	**–**	–
Available-for-sale investment securities:	**9**	131	**9**	131
Total	**9**	131	**9**	131
Level 2 Equity Sensitivities				
Impact on Other comprehensive income:				
Favourable change at 5% increase in indicative value	**100**	81	**100**	81
Unfavourable change at 10% reduction in indicative value	**(201)**	(162)	**(201)**	(162)
Level 2 Equity Positions				
Financial assets held for trading:	**–**	–	**–**	–
Available-for-sale investment securities:	**2,008**	1,623	**2,008**	1,623
Total	**2,008**	1,623	**2,008**	1,623
Level 3 Equity Sensitivities				
Impact on Other comprehensive income:				
Favourable change at 5% increase in indicative value	**2,087**	1,613	**2,087**	1,613
Unfavourable change at 10% reduction in indicative value	**(4,173)**	(3,225)	**(4,173)**	(3,225)
Level 3 Equity Positions				
In million of Nigerian Naira				
Financial assets held for trading:	**–**	–	**–**	–
Available-for-sale investment securities:	**41,731**	32,251	**41,731**	32,251
Total	**41,731**	32,251	**41,731**	**32,251**

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(iii) Fixed income instruments re-pricing gap

Price sensitivity analysis of fixed rate financial instruments

The tables below shows the impact of interest rate changes (increase/decrease) on our various fixed income portfolios and the effect on income statement and the other comprehensive income (OCI). However, for the purpose of sensitivity analysis we have made a conservative assumption of 200 basis point change on the instruments with other variables remaining constant and also assuming there is no asymmetrical movement in yield curve.

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 illiquidity, on individual trading portfolios and the Group's overall position.

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

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Decrease	**7,506**	9,162	**8,196**	8,910
Asset	**(24,282)**	(16,478)	**(16,630)**	(12,422)
Liability	**(31,788)**	(25,640)	**(24,826)**	(21,332)
Increase	**(7,506)**	(9,162)	**(8,196)**	(8,910)
Asset	**24,282**	16,478	**16,630**	12,422
Liability	**31,788**	25,640	**24,826**	21,332

The aggregate figures presented above are further segregated into their various components as shown below:

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Cash and bank balances	**582,891**	566,364	**539,465**	493,694
Impact on income statement:				
Favourable change at 2% increase in indicative value	**11,658**	11,327	**10,789**	9,874
Unfavourable change at 2% reduction in indicative value	**(11,658)**	(11,327)	**(10,789)**	(9,874)
Financial assets held for trading				
Treasury bills	**49**	174	**42**	172
Government bonds	**735**	283	**735**	284
	784	457	**777**	456
Impact on income statement:				
Favourable change at 2% increase in indicative value	**(16)**	(9)	**(16)**	(9)
Unfavourable change at 2% reduction in indicative value	**16**	9	**16**	9
Loans and advances to banks				
Term loans	**26,251**	27,878	**26,251**	27,878
	26,251	27,878	**26,251**	27,878

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(iii) Fixed income instruments re-pricing gap (continued)

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Impact on income statement:				
Favourable change at 2% increase in indicative value	**(525)**	(558)	**(525)**	(558)
Unfavourable change at 2% reduction in indicative value	**525**	558	**525**	558
Loans and advances to customers				
Individual	**139,917**	154,187	**103,092**	80,857
Corporates	**797,703**	504,735	**693,850**	489,856
	937,620	658,922	**796,942**	570,713
Impact on income statement:				
Favourable change at 2% increase in indicative value	**(18,752)**	(13,178)	**(15,939)**	(11,414)
Unfavourable change at 2% reduction in indicative value	**18,752**	13,178	**15,939**	11,414
Available-for-sale investment securities:				
Treasury and similar bills	**208,843**	93,091	**200,444**	91,517
Total	**208,843**	93,091	**200,444**	91,517
Impact on other comprehensive income statement:				
Favourable change at 2% increase in indicative value	**(4,177)**	(1,862)	**(4,009)**	(1,830)
Unfavourable change at 2% reduction in indicative value	**4,177**	1,862	**4,009**	1,830
Held-to-maturity investment securities:				
Debt Securities	**377,557**	482,762	**296,703**	401,348
Treasury and similar bills	**179,815**	69,390	**44,275**	–
Total	**557,372**	552,152	**340,978**	401,348
Impact on income statement:				
Favourable change at 2% increase in indicative value	**(11,147)**	(11,043)	**(6,820)**	(8,027)
Unfavourable change at 2% reduction in indicative value	**11,147**	11,043	**6,820**	8,027
Derivative assets	**3,265**	–	**3,265**	
Impact on income statement:				
Favourable change at 2% increase in indicative value	**(111)**	–	**(111)**	–
Unfavourable change at 2% reduction in indicative value	**112**	–	**112**	–
Derivative liabilities	**31**	124	**31**	124

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(iii) Fixed income instruments re-pricing gap (continued)

In millions of Nigerian Naira	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Impact on income statement:				
Favourable change at 2% increase in indicative value	**(1)**	(4)	**(1)**	(4)
Unfavourable change at 2% reduction in indicative value	**1**	4	**1**	4
Deposit from banks				
Money market deposits	**59,682**	51,596	**–**	16,844
Due to other banks	**900**	6,184	**–**	6,031
Total	**60,582**	57,780	**–**	22,875
Impact on income statement:				
Favourable change at 2% increase in indicative value	**(1,212)**	(1,156)	**–**	(458)
Unfavourable change at 2% reduction in indicative value	**1,212**	1,156	**–**	458
Deposit from customers				
Retail customers:				
Term deposits	**141,618**	98,274	**125,026**	83,483
Savings deposits	**310,437**	285,369	**268,552**	224,780
Corporate customers:				
Term deposits	**322,322**	249,077	**186,340**	225,329
Domiciliary deposits	**709,400**	540,824	**616,342**	459,426
	1,483,777	1,173,544	**1,196,260**	993,018
Impact on income statement:				
Favourable change at 2% increase in indicative value	**(29,676)**	(23,471)	**(23,925)**	(19,860)
Unfavourable change at 2% reduction in indicative value	**29,676**	23,471	**23,925**	19,860
Borrowings				
On-lending facilities:				
– Central Bank of Nigeria (note 36.2)	**31,812**	36,612	**31,812**	36,612
– Bank of Industry (BoI) (note 36.3)	**13,175**	13,869	**13,175**	13,869
	44,987	50,481	**44,987**	50,481
Impact on income statement:				
Favourable change at 2% increase in indicative value	**(900)**	(1,010)	**(900)**	(1,010)
Unfavourable change at 2% reduction in indicative value	**900**	1,010	**900**	1,010

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(iv) Floating rate financial instruments re-pricing gap

Price sensitivity analysis of floating rate financial instruments

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

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Borrowings				
On-lending facilities:				
– African Development Bank (AfDB) (note 36.1)	**–**	23,707	**–**	23,707
– Afrexim (note 36.4)	**–**	14,452	**–**	14,452
– Standard Chartered Bank (note 36.5)	**1,432**	25,093	**1,432**	25,093
– HSBC (note 36.6)	**–**	787	**–**	787
– European Investment Bank (EIB) (note 36.7)	**2,447**	–	**2,447**	–
	3,879	64,039	**3,879**	64,039
Impact on income statement:				
Favourable change at 0.5% increase in indicative value	**57**	260	**57**	260
Unfavourable change at 0.5% reduction in indicative value	**(57)**	(260)	**(57)**	(260)

(v) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

The Naira fluctuated in 2013 but however recovered from its 2013 lows of around N164.00 in September to trade at N160/US$ in December in the interbank market. This recovery has come at the cost of declining foreign exchange reserves. Nigeria's external reserves decreased to a 13-month low of $43.51 billion as at 31 December 2013 with a peak of $48.87 billion during the year. UBA remains a top player in the foreign exchange market and also very active in third currency trading, with "enforcement of stop loss limits on position taking" acting as a primary risk mitigant.

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

The tables below shows the sensitivity of the net foreign currency (FCY) exposure to changes in the value of the Naira, based on the past years behaviour. The bank believes that for each foreign currency exposure, it is reasonable to assume 200 bps appreciation and 400 bps depreciation of the Naira holding all other variables constant.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(v) Exchange rate exposure limits (continued)

In millions of Nigerian Naira	US Dollar	Euro	Pound	Others	Total
Group					
31 December 2013					
Cash and bank balances	**401,537**	**71,923**	**44,563**	**12,098**	**530,237**
Non-pledged trading assets	–	–	–	–	–
Derivative assets	**109**	**4**	–	–	**113**
Loans and advances to banks	**26,251**	–	–	–	**26,251**
Loans and advances to customers	**281,982**	**40,617**	**31**	–	**322,630**
Account receivables	–	–	–	**12,364**	**12,364**
Investment securities	**126,433**	–	–	–	**126,433**
Total financial assets	**836,312**	**112,544**	**44,594**	**24,462**	**1,018,028**
Derivative liability	**31**	–	–	–	**31**
Deposits from banks	**60,582**	–	–	–	**60,582**
Deposits from customers	**688,818**	**68,762**	**43,654**	–	**801,234**
Other liabilities	**11,581**	**834**	**204**	**19,064**	**31,684**
Other borrowed funds	**3,585**	–	–	–	**3,585**
Total financial liabilities	**764,596**	**69,596**	**43,858**	**19,064**	**897,115**
Net FCY Exposure	**71,716**	**42,948**	**736**	**5,398**	**120,913**
Sensitivity at 200 bps Naira appreciation	**1,434**	**(859)**	**(15)**	**(108)**	**(2,416)**
Sensitivity at 400 bps Naira depreciation	**2,869**	**1,718**	**29**	**216**	**4,832**
31 December 2012					
Cash and bank balances	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
Account receivables	–	–	–	7,948	7,948
Investment securities	39,812	–	–	154,595	194,407
Total financial assets	653,652	17,590	4,804	340,697	1,016,743
Derivative liability	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
Other borrowed funds	62,100	–	–	–	62,100
Other borrowed funds	629,096	11,890	3,471	282,069	926,526
Net FCY Exposure	24,556	5,700	1,333	58,628	90,217
Sensitivity at 200 bps Naira appreciation	(491)	(114)	(27)	(1,173)	(1,804)
Sensitivity at 400 bps Naira depreciation	982	228	53	2,345	3,609

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(v) Exchange rate exposure limits (continued)

In millions of Nigerian Naira	US Dollar	Euro	Pound	Others	Total
Bank					
31 December 2013					
Cash and bank balances	**305,859**	**8,029**	**4,266**	**1,303**	**319,457**
Non-pledged trading assets	**–**	**–**	**–**	**–**	**–**
Derivative assets	**109**	**4**	**–**	**–**	**113**
Loans and advances to banks	**26,251**	**–**	**–**	**–**	**26,251**
Loans and advances to customers	**278,825**	**3,766**	**31**	**–**	**282,622**
Account receivables	**2,089**	**–**	**–**	**1,302**	**3,391**
Investment securities	**77,493**	**–**	**–**	**–**	**77,493**
Total financial assets	**690,626**	**11,799**	**4,297**	**2,605**	**709,327**
Derivative liability	**31**	**–**	**–**	**–**	**31**
Deposits from banks	**–**	**–**	**–**	**–**	**–**
Deposits from customers	**594,058**	**7,571**	**3,719**	**–**	**605,348**
Other liabilities	**11,582**	**834**	**204**	**–**	**12,620**
Other borrowed funds	**3,879**	**–**	**–**	**–**	**3,879**
Total financial liabilities	**609,550**	**8,405**	**3,923**	**–**	**621,878**
Net FCY Exposure	**81,076**	**3,394**	**374**	**2,605**	**87,488**
Sensitivity at 200 bps Naira appreciation	**(1,622)**	**(68)**	**(7)**	**–**	**(1,749)**
Sensitivity at 400 bps Naira depreciation	**3,243**	**136**	**15**	**–**	**3,498**
31 December 2012					
cash and bank balances	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
Account receivables	1,203	–	–	750	1,953
Investment securities	36,336	–	–	4,832	41,168
Total financial assets	606,636	10,661	4,586	8,457	630,340
Derivative liability	124	–	–	–	124
Deposits from banks	–	–	–	–	–
Deposits from customers	525,334	5,180	3,310	–	533,824
Other borrowed funds	63,969	–	–	–	63,969
Total financial liabilities	589,427	5,180	3,310	–	597,916
Net FCY Exposure	17,209	5,481	1,277	8,457	32,424
Sensitivity at 200 bps Naira appreciation	(344)	(110)	(26)	(169)	(648)
Sensitivity at 400 bps Naira depreciation	688	220	52	338	1,296

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(f) Capital management

There is a risk that the Group may not have adequate capital in relation to its risk profile and/or to absorb losses when they arise. There is also a risk that the capital may fall below the required regulatory minimum. Capital management is overseen by the Board of Directors who have overall responsibility for ensuring adequate capital is maintained for the Group.

The Group has therefore put in place a process of ensuring adequate capital is maintained and this process includes:

- Capital planning
- Prudent portfolio management
- Maintaining adequate capital across all jurisdictions
- Capital adequacy stress testing
- Contingency Planning

The objective of the capital management process is to:

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

Regulatory capital

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

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

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

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

The Group's regulatory capital is 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.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(f) Capital management (continued)

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

Capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. UBA Plc operates under an international banking authorisation with a minimum regulatory capital of N50 billion and a minimum capital adequacy ratio of 15%. During the year, the Group complied with all external capital requirements to which it is subject.

		Group		Bank	
In millions of Nigeria naira	Notes	**December 2013**	December 2012	**December 2013**	December 2012
Tier 1 capital					
Ordinary share capital	38	**16,491**	16,491	**16,491**	16,491
Share premium	38	**107,932**	107,932	**107,932**	107,932
Retained earnings	38	**70,480**	49,572	**67,443**	47,723
Translation reserve		**(3,153)**	(1,514)	**–**	–
Other reserves	38	**35,878**	16,625	**67,672**	48,171
Non-controlling interests		**7,387**	3,361	**–**	–
Shareholders' fund		**235,035**	192,467	**259,538**	220,317
Less:					
Fair value reserve for available-for-sale securities	38	**(24,452)**	(15,223)	**(25,063)**	(15,834)
Non-controlling interests	38	**(7,387)**	(3,361)	**–**	–
Less: Investment in subsidiaries and equity-accounted investee	26, 27	**–**	–	**(67,537)**	(66,727)
Total		**203,196**	173,883	**166,938**	137,756
Tier 2 capital					
Fair value reserve for available-for-sale securities	38	**24,452**	15,223	**25,063**	15,834
Debenture stock	37	**55,653**	53,719	**55,653**	55,474
Collective allowances for impairment	23, 24	**14,750**	10,358	**6,307**	7,189
Non-controlling interests		**7,387**	3,361	**–**	–
Total		**102,242**	82,661	**87,023**	78,497
Total regulatory capital		**305,438**	256,544	**253,961**	216,253
Risk-weighted assets		**1,352,161**	1,091,824	**1,157,847**	907,514
Capital ratios					
Total regulatory capital expressed as a percentage of total risk-weighted assets		**22.6%**	23.5%	**21.9%**	23.8%
Total tier 1 capital expressed as a percentage of risk-weighted assets		**15.0%**	15.9%	**14.4%**	15.2%

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(f) Capital management (continued)

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.

(g) Fair value measurement

Fair values of financial instruments

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

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

Valuation models

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(g) Fair value measurement (continued)

Specific valuation techniques used to value financial instruments include:

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

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

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

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

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

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

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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(g) Fair value measurement (continued)

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

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads and relevant risk premiums. These significant assumptions to these valuations have been disclosed in note 5.

Valuation framework

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

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

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(g) Fair value measurement (continued)

Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

In millions of Nigerian Naira	Notes	Level 1	Level 2	Level 3	Total
Group					
31 December 2013					
Assets					
Financial assets held for trading:					
Government bonds	22	49	–	–	49
Treasury bills		735	–	–	735
Derivative assets measured at fair value through profit and loss:	32(a)	–	3,265	–	3,265
Available-for-sale investment securities:	25				
Treasury bills		208,843	–	–	208,843
Equity investments at fair value					–
Financial services		–	–	41,731	41,731
Insurance		3	–	–	3
Information Technology		7	2,008	–	2,014
Total assets		209,637	5,273	41,731	256,640
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	32	–	31	–	31
Bank					
31 December 2013					
Assets					
Financial assets held for trading:	22				
Government bonds		42	–	–	42
Treasury bills		735	–	–	735
Derivative assets measured at fair value through profit and loss:	32(a)	–	3,265	–	3,265
Available-for-sale investment securities:	25				
Treasury bills		200,444	–	–	200,444
Bonds		–	–	–	–
Equity investments at fair value					
Financial services		–	–	41,731	41,731
Insurance		3	–	–	3
Information Technology		7	2,008	–	2,014
		201,231	5,273	41,731	248,234
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	32	–	31	–	31

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(g) Fair value measurement (continued)

In millions of Nigerian Naira	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Group					
31 December 2012					
Assets					
Financial assets held for trading:	22				
Government bonds		284	–	–	284
Treasury bills		173	–	–	173
Equities		–	–	–	–
Available-for-sale investment securities:	25				
Treasury bills		93,091	–	–	93,091
Bonds		–	–	–	–
Equity investments at fair value					
Financial services		11	–	32,251	32,262
Insurance		3	–	–	3
Information Technology		117	1,623	–	1,740
Total assets		93,679	1,623	32,251	127,553
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	32	–	124	–	124
Bank					
31 December 2012					
Assets					
Financial assets held for trading:	22				
Government bonds		284	–	–	284
Treasury bills		172	–	–	172
Available-for-sale investment securities:	25				
Treasury bills		91,517	–	–	91,517
Equity investments at fair value					
Financial services		11	–	32,251	32,262
Insurance		3	–	–	3
Information Technology		117	1,623	–	1,740
		92,104	1,623	32,251	125,978
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	32	–	124	–	124

There were no transfers between levels during the year.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(g) Fair value measurement (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2013. Level 3 instruments are all investment securities (unquoted equites)

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Balance, beginning of period	**32,251**	29,718	**32,251**	29,718
Addition to level 3 (see (i) below)	**1,804**	–	**1,804**	–
Gain recognised in other comprehensive income (under fair value gain on available for sale)	**7,676**	2,533	**7,676**	2,533
Balance at end of period	**41,731**	32,251	**41,731**	32,251

(i) Addition to Level 3 relates to some unquoted equity instruments classified as available for sale were carried at cost less impairment in prior year but measured at fair value in the current year. The change in measurement was due to the availability of unobservable inputs to measure the instruments.

(ii) Level 2 fair value measurements

The Group's Level 2 unquoted equities were valued using last trading prices obtained from over-the-counter (OTC) trades that were done as at reporting date. These prices are a reflection of actual fair value of the investments, as transactions consummated under the OTC trades were arm's length transactions.

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

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

The table below sets out information about significant unobservable inputs used as at 31 December 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 31 December 2013 (Group and Bank) N'million	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities	40,951	Discounted cashflow	Cost of equity	10.9% – 28.5%	Significant increases in cost of equity, in isolation, would result in lower fair values. Signiicant reduction would result in higher fair values
			Terminal growth rate	3.90%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Signiicant reduction would result in lower fair values
	780	Dividend discount model	Cost of equity	16% – 22%	Significant increases in cost of equity, in isolation, would result in lower fair values. Signiicant reduction would result in higher fair values
			Terminal growth rate	7.0% – 9.2%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Signiicant reduction would result in lower fair values

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

(d) Market risks (continued)

(g) Fair value measurement (continued)

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

Significant unobservable inputs are developed as follows:

Discounted cashflow

- The Group used the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year-end.
- The risk free rate was determined using the yield on Federal Government of Nigeria eurobond (for unquoted securities denominated in USD) and longest tenored Federal Government of Nigeria bond (for unquoted securities denominated in Nigerian naira).
- Equity risk premium was determined using market returns computed from the Nigerian All Share Index and Standards and Poors (S&P) 500 Stock Price Index, for similar business sectors.
- Beta estimates were obtained from Damodaran Online.

Dividend discount model

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

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

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

	Effect on other comprehensive income (OCI)			
	2013		2012	
In millions of Nigerian Naira	**5% Increase**	**5% Decrease**	5% Increase	5% Decrease
Key assumption				
Cost of equity	**(3,285)**	**3,845**	(1,742)	1,516
Terminal growth rate	**1,415**	**(1,337)**	1,806	(1,387)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(g) Fair value measurement (continued)

Financial instruments not measured at fair value

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

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total air value	Carrying amount
Group					
31 December 2013					
Cash and bank balances	**–**	**716,803**	**–**	**716,803**	**716,803**
Loans and advances to banks	**–**	**26,014**	**–**	**26,014**	**26,251**
Loans and advances to customers					
– individual	**–**	**–**	**144,453**	**144,453**	**139,918**
– corporate	**–**	**823,556**		**823,556**	**797,702**
Held to maturity – Investment securities	**318,665**	**167,558**	**–**	**486,223**	**557,372**
Other assets	**–**	**19,202**	**–**	**19,202**	**19,202**
Deposits from banks	**–**	**60,582**	**–**	**60,582**	**60,582**
Deposits from customers	**–**	**2,161,182**	**–**	**2,161,182**	**2,161,182**
Subordinated liabilities	**–**	**53,388**	**–**	**53,388**	**55,653**
Borrowings	**–**	**48,866**	**–**	**48,866**	**48,866**
31 December 2012					
Cash and bank balances	–	714,115	–	714,115	714,115
Loans and advances to banks	–	21,350	–	21,350	28,513
Loans and advances to customers					
– individual	–	–	116,203	116,203	108,686
– corporate	–	588,294	–	588,294	550,236
Held to maturity – Investment securities	346,316	182,097	–	528,414	552,152
Other assets	–	15,003	–	15,003	15,003
Deposits from banks	–	57,780	–	57,780	57,780
Deposits from customers	–	1,720,008	–	1,720,008	1,720,008
Subordinated liabilities	–	53,719	–	53,719	55,653
Borrowings	–	114,520	–	114,520	48,866

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(g) Fair value measurement (continued)

In millions of Nigerian Naira	Level 1	Level 2	Level 3	Total air value	Carrying amount
Bank					
31 December 2013					
Cash and bank balancess	**–**	**620,426**	**–**	**620,426**	**620,426**
Loans and advances to banks	**–**	**26,014**	**–**	**26,014**	**26,251**
Loans and advances to customers					
– individual	**–**	**–**	**106,433**	**106,433**	**103,092**
– corporate	**–**	**716,338**	**–**	**716,338**	**693,850**
Held to maturity – Investment securities	**194,947**	**102,505**	**–**	**297,452**	**340,978**
Other assets	**–**	**13,793**	**–**	**13,793**	**13,793**
Deposits from banks	**–**	**–**	**–**	**–**	**–**
Deposits from customers	**–**	**1,797,376**	**–**	**1,797,376**	**1,797,376**
Subordinated liabilities	**53,388**	**–**	**–**	**53,388**	**55,653**
Borrowings	**–**	**48,866**	**–**	**48,866**	**48,866**
31 December 2012					
Cash and bank balancess	–	629,481	–	629,481	629,481
Loans and advances to banks	–	27,878	–	27,878	27,878
Loans and advances to customers					
– individual	–	–	85,433	85,433	80,857
– corporate	–	517,578	–	517,578	489,857
Held to maturity – Investment securities	263,039	138,309	–	401,348	527,994
Other assets	–	9,296	–	9,296	9,296
Deposits from banks	–	7,886	–	7,886	7,886
Deposits from customers	–	1,793,263	–	1,793,263	1,793,263
Subordinated liabilities	–	55,653	–	55,653	55,653
Borrowings	–	48,866	–	48,866	48,866

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Risk management report (continued)

(d) Market risks (continued)

(g) Fair value measurement (continued)

The fair value for financial assets and liabilities that are not carried at fair value were determined respectively as follows:

(i) Cash

The carrying amount of cash and balances with banks is a reasonable approximation of fair value.

(ii) Loans and advances

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

(iii) Investment securities

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

Investment securities (available for sale) disclosed in the table above comprise only those equity securities held at cost less impairment. The fair value for these assets is based on estimations using market prices and earning multiples of quoted securities with similar characteristics. All other available for sale assets are already measured and carried at fair value.

(iv) Other assets

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

(v) Deposits from banks and customers

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

(vi) Other liabilities

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

(vii) Interest bearing loans and borrowings

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

No fair value disclosures are provided for equity investment securities that are measured at the cost because their value cannot be reliably measured.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

5. CRITICAL ACCOUNTING 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).

(a) Key sources of estimation uncertainty

(i) Allowances for credit losses

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

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

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

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 3(i). Further disclosures on the Group's valuation methodology have been made on note 4(g). 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.

(b) Critical accounting judgements in applying the Group's accounting policies

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

(i) Valuation of financial instruments

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

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.

	31 December 2013			31 December 2012	
	Probability of Default-PD	Probability of Default-PD	Loss Given Default-LGD	Probability of Default-PD	Loss Given Default-LGD
Increase/decrease	Impact (N'000)	Impact (N'000)	Impact (N'000)	Impact (N'000)	Impact (N'000)
1% increase	57,230	57,230	60,841	73,742	73,745
1% decrease	(57,230)	(57,230)	(60,841)	(73,742)	(73,745)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(ii) Impairment testing for cash-generating units containing Goodwill

The Group has carried out an impairment assessment of the goodwill for UBA Benin and UBA Capital Europe as at 31 December 2013. Goodwill is not impaired. Goodwill on UBA Benin CGU will only be impaired if the discount rate used in the value-in-use calculation for the CGUs had been more than 350% higher than management's estimates at 31 December 2013 (i.e. if the discount rate had been 90% instead of 20%). Goodwill on UBA Capital Europe CGU will only be impaired if the discount rate used in the value-in-use calculation for the CGUs had been more than 38% higher than management's estimates at 31 December 2013 (i.e. if the discount rate had been 35% instead of 25%). These scenarios are highly unlikely.

(iii) Depreciation and carrying value of property and equipment

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

During the year, the Bank reviewed the useful life of all its property and equipment in line IAS 16. para 76. This led to an upward review of the useful life of buildings from 40 to 50 years.

There was also a review of the residual values of all classes of property and equipment (except land and leasehold improvement). This resulted in an upward adjustment in the residual values of those assets. The combined effect of both reviews in the year is a reduction in depreciation charge by N2.1 billion in the current period. The rebasements results in the following change in the original trend of depreciation.

Year	2014	2015	2016	2017	2018
Increase/decrease	**(N'000)**	**(N'000)**	**(N'000)**	**(N'000)**	**(N'000)**
	(2,100)	**(1,890)**	**(1,890)**	**(1,701)**	**(1,701)**

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 Managing Director of the Group, who is also the Chief Operating Decision Maker (CODM), reviews the Group's performance along these business segments and resources are allocated accordingly.

Geographical segments

The Group operates in the following geographical regions:

- **Nigeria:** This comprises UBA Plc (excluding the branch in New York), UBA Pensions Custodian Limited and UBA FX Mart Limited.
- **Rest of Africa:** This comprises all subsidiaries in Africa (excluding Nigeria.)
- **Rest of the world:** This comprises UBA Capital Europe Limited and UBA New York branch.

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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

6. OPERATING SEGMENTS (continued)

Business segments (continued)

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

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

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Chief Operating Decision Maker is measured in a manner consistent with that in the income statement.

(a) Geographical segments

(i) 31 December 2013

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Group adjustment	Total
External revenue	210,951	56,803	3,871	(6,938)	264,487
Derived from other business segment	5,187	–	–	(5,187)	–
Total revenue	216,138	56,803	3,871	(12,125)	264,687
Profit before tax	54,192	11,369	1,695	(11,198)	56,058
Interest income	145,984	36,742	3,189	(215)	185,700
Interest expenses	(71,297)	(11,129)	(258)	215	(82,469)
Share of loss in equity-accounted investee	(6)	–	–	–	(6)
Impairment loss recognised in profit or loss	(456)	(12,607)	–	(15)	(13,078)
Income tax expenses	(6,256)	(3,114)	(7)	(80)	(9,457)
Profit for the year from continuing operations	47,936	8,255	1,688	(11,278)	46,601
Total segment assets [1]	2,174,429	555,808	103,446	(191,387)	2,642,296
Total segment liabilities	1,923,410	501,871	93,712	(111,733)	2,407,260
[1] Includes:					
Investments in associate and accounted for by using the equity method	–	2,977	–	–	2,977
Expenditure for reportable segment:					
Depreciation	(3,020)	(2,233)	(1)	–	(5,255)
Amortisation	(738)	(176)	–	–	(914)

6. OPERATING SEGMENTS (continued)

(a) Geographical segements (continued)

(ii) 31 December 2012

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Elimination	Total
External revenue	175,633	41,480	3,016	–	220,129
Derived from other geographical segments	1,996	–	–	(1,996)	–
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 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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

6. OPERATING SEGMENTS (continued)

(b) Business reportings (continued)

(i) 31 December 2013

In millions of Nigerian Naira	Corporate and investment	Retail and commercial	Treasury and financial markets	Continuing operations
Revenue				
Derived from external customers	138,908	100,826	24,953	264,687
Derived from other business segments	(29,368)	26,055	3,313	–
Total revenue	109,540	126,881	28,266	264,687
Interest expenses	(33,791)	(44,335)	(4,343)	(82,469)
Fee and commission expense	(391)	(4,725)	(110)	(5,225)
Net impairment loss on financial assets	(6,220)	(6,453)	(405)	(13,078)
Operating expenses	(9,411)	(37,252)	(4,365)	(51,027)
Depreciation and amortisation	(102)	(6,054)	(8)	(6,169)
Share of profit of equity-accounted investee			(6)	(6)
Profit before income tax	14,431	9,929	31,698	56,058
Taxation	(4,693)	(2,222)	(2,542)	(9,457)
Profit/(loss) for the year	12,235	7,492	26,874	46,601
Loans and advances	730,557	180,363	52,951	963,871
Deposits from customers and banks	797,747	1,295,968	128,049	2,221,764
Total segment assets [i]	1,089,337	1,165,273	387,686	2,642,296
Total segment liabilities	992,439	1,061,620	353,200	2,407,260
[1] Includes:				
Expenditure for reportable segment:				
Non-current assets	1,843	2,742	670	5,255

6. OPERATING SEGMENTS (continued)

(b) Business reportings (continued)

(ii) 31 December 2012

In millions of Nigerian Naira	Corporate and investment	Retail and 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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

7. INTEREST INCOME

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Cash and bank balances	**13,337**	8,281	**11,490**	7,238
Loans and advances:				
– to banks	**1,983**	1,467	**1,983**	1,467
– to customers	**96,674**	81,824	**82,098**	70,516
Financial assets held for trading	**9,545**	5,761	**2,854**	3,151
Investment securities	**64,161**	52,670	**49,277**	43,775
	185,700	150,003	**147,702**	126,147

Interest income includes accrued interest on impaired loans of N497.1 million (Bank: N425.7 million) for the year ended 31 December 2013 and N800.53 million (Parent: N210.95 million) for the year ended 31 December 2012.

8. INTEREST EXPENSE

	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Deposits from banks	**(2,737)**	(2,225)	**(185)**	(1,056)
Deposits from customers	**(70,229)**	(44,876)	**(61,921)**	(38,966)
Borrowings	**(9,503)**	(11,285)	**(9,420)**	(11,280)
	(82,469)	(58,386)	**(71,526)**	(51,302)

9. FEES AND COMMISSION INCOME

	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Credit-related fees and commissions	**12,962**	9,515	**8,763**	6,045
Commission on turnover	**11,743**	15,631	**11,193**	15,062
E-Banking related income	**9,994**	8,598	**8,135**	7,217
Pension custody fees	**2,762**	1,926	**–**	–
Trade related income	**2,842**	3,037	**1,303**	1,268
Remittance income	**5,255**	4,261	**3,915**	3,598
Other fees and charges	**4,541**	4,667	**3,422**	2,922
	50,099	47,635	**36,731**	36,112

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

10. FEES AND COMMISSION EXPENSE

	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Card services	**(3,850)**	(2,088)	**(3,929)**	(1,889)
Other expenses	**(1,375)**	(439)	**(874)**	(11)
	(5,225)	(2,527)	**(4,803)**	(1,900)

11. NET TRADING INCOME

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Fixed income securities	**845**	775	**634**	618
Foreign exchange income	**13,447**	13,373	**8,670**	7,943
Fair value gain on derivatives (see note 32)	**3,358**	693	**3,358**	693
	17,650	14,841	**12,662**	9,254

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

12. NET GAINS/(LOSSES) ON INVESTMENT SECURITIES

Financial assets classified as available-for-sale:				
– Exchange differences on monetary items	**–**	48	**–**	47
– Allowance for impairment (equities)	**(181)**	(673)	**(181)**	(725)
Financial assets classified as held-to-maturity:				
– Exchange differences on monetary items	**(64)**	1,182	**(64)**	129
Net fair value (losses)/gains	**(245)**	557	**(245)**	(549)
Financial assets classified as available-for-sale:				
– Gain on disposal	**20**	420	**20**	420
	(225)	977	**(225)**	(129)

13. OTHER OPERATING INCOME

Dividend income	**1,101**	2,887	**7,622**	4,772
Rental income	**314**	490	**281**	448
Recoveries on loans written-off	**3,430**	–	**726**	–
Net gain on deemed disposal of subsidiary (note 27(c)(ii))	**2,422**	–	**–**	–
Others	**3,246**	3,296	**1,676**	825
	10,513	6,673	**10,305**	6,045

Included in dividend income for the Bank is a sum of N6.61 billion (2012: N1.58 billion) being dividend received from some subsidiaries. This amount has been eliminated in the Group result.

14. IMPAIRMENT LOSS ON LOANS AND RECEIVABLES

Impairment losses on loans and advances to customers:				
– specific impairment (note 24(d))	**(7,272)**	(6,414)	**(1,189)**	(4,578)
– portfolio impairment (note 24(d))	**(4,335)**	964	**939**	2,694
Impairment gains/(losses) on loans and advances to banks:				
– portfolio impairment ((note 23)	**129**	357	**129**	357
Write-off on loans and advances	**(1,471)**	(7,859)	**(123)**	(2,910)
Impairment no longer required (loans and advances (note 24(d)))	**385**	8,513	**385**	1,130
Impairment no longer required (other assets)	**–**	934	**–**	934
Impairment loss on other assets (note 26(a))	**(514)**	(1,055)	**(322)**	(281)
	(13,078)	(4,560)	**(181)**	(2,654)

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

15. PERSONNEL EXPENSES

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Wages and salaries	**(48,977)**	(42,135)	**(36,879)**	(32,149)
Contribution to defined benefit plans	**(1,678)**	(1,317)	**(1,108)**	(850)
	(50,655)	(43,452)	**(37,987)**	(32,999)

16. DEPRECIATION AND AMORTISATION

Depreciation of property and equipment (note 29)	**(5,255)**	(9,775)	**(3,025)**	(6,043)
Amortisation of intangible assets (note 30)	**(914)**	(1,113)	**(734)**	(860)
	(6,169)	(10,888)	**(3,759)**	(6,903)

17. OTHER OPERATING EXPENSES

Auditor's remuneration	**(296)**	(309)	**(180)**	(179)
Directors' fees	**(47)**	(37)	**(47)**	(37)
Amcon levy (17a)	**(9,665)**	(4,966)	**(9,665)**	(4,966)
Deposit insurance premium	**(6,873)**	(5,873)	**(6,722)**	(5,685)
Occupancy and premises maintenance cost	**(11,743)**	(13,597)	**(8,366)**	(8,852)
Business travels	**(1,962)**	(2,080)	**(1,292)**	(1,139)
Advertisements	**(2,605)**	(3,580)	**(2,053)**	(2,804)
Contract services	**(6,011)**	(5,962)	**(4,955)**	(4,478)
Communication	**(4,409)**	(4,977)	**(3,139)**	(3,193)
Insurance	**(1,612)**	(1,295)	**(1,125)**	(611)
Other expenses	**(7,697)**	(5,576)	**(6,632)**	(3,547)
	(51,027)	(48,252)	**(44,176)**	(35,491)

17. (a) Amcon levy represents the annual contribution to the Nigerian Banking Sector Resolution Cost Trust Fund.

18. TAXATION

(a) Current tax expense				
Current year	**(9,955)**	(3,126)	**(5,849)**	(1,353)
(b) Deferred tax expense				
Origination and reversal of temporary differences (note 31)	**498**	2,593	**491**	2,548
Total income tax (expense)/credit	**(9,457)**	(533)	**(5,358)**	1,195
(c) Current tax liabilities				
Balance, beginning of year	**1,274**	2,627	**1,325**	784
Tax paid	**(8,368)**	(4,479)	**(5,572)**	(812)
Income tax charge	**9,955**	3,126	**5,849**	1,353
Balance, end of year	**2,861**	1,274	**1,602**	1,325

18. TAXATION (continued)

(d) Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the Bank (Parent).

		Group		Bank	
	In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
(i)	**31 December 2013**				
	Profit before income tax		56,058		51,841
	Income tax based on the corporate tax rate	**30%**	16,817	**30%**	15,552
	Tax rate		17%		10%
	Effect of excess dividend tax on 2012		3,624		3,624
	Effect of WHT paid on dividend received		625		625
	Effect of capital gains tax		85		85
	Effect of tax rates in foreign jurisdictions		(1,018)		–
	Information technology levy		513		513
	Disallowed permanent differences		4,247		25
	Effect of tax assessment based on minimum tax law		(15,437)		(15,066)
	Total income tax expense in comprehensive income	**17%**	9,457	**10%**	5,358
(ii)	**31 December 2012**				
	Profit before income tax		52,010		46,180
	Income tax based on the corporate tax rate	**30%**	15,603	**30%**	13,854
	Effect of tax rates in foreign jurisdictions		821		–
	Information technology levy		459		459
	Disallowed permanent differences		403		350
	Effect of tax assessment based on minimum tax law		(16,753)		(15,858)
	Total income tax expense in comprehensive income	**3%**	533	**2%**	(1,195)

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

Excess dividend tax relates to the tax arising from the dividend declared and paid during the year ended 31 December 2013. Under the Nigerian tax law, if a company declares a dividend that is higher than its taxable income, the dividend amount paid becomes the tax base on which additional taxes become due.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

19. NON-CURRENT ASSETS HELD FOR DISTRIBUTION AND DISCONTINUED OPERATIONS

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 effective1 January 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.

(a) Assets of disposal group held for distribution to owners are analysed below:

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Cash and bank balances	–	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:

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Managed funds	–	48,700	–	–
Current tax liabilities	–	513	–	–
Other liabilities	–	2,321	–	–
Total	–	51,534	–	–

(c) Analysis of the result of discontinued operations is as follows:

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Revenue	–	5,208		
Expenses	–	(1,598)		
Share of profit of equity-accounted investee	–	254		
Profit before tax of discontinued operations	–	3,864		
Tax	–	(575)		
Profit for the year from discontinued operations	–	3,289		

(d) Summarised cashflow of disposal group is presented below:

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Operating cashflows	–	(14)		
Investing cashflows	–	3,307		
Financing cashflows	–	(1,335)		
Total cash flows	–	1,958		

19. NON-CURRENT ASSETS HELD FOR DISTRIBUTION AND DISCONTINUED OPERATIONS (continued)

(e) Gain on non-current assets distributed to owners

At the beginning of the year, the Group distributed non-current assets held for distribution to shareholders. The resulting gain on distribution is as analysed below:

	Group		Bank	
	December 2013	December 2012	**December 2013**	December 2012
Fair value of net asset distributed	**12,907**	–	**12,907**	–
Previous carrying value of net asset distributed	**11,957**	–	**5,809**	–
Gain on net asset distributed	**950**	–	**7,098**	–

20. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2013 was based on the profit attributable to ordinary shareholders of N46,601 million (Bank: N46,483 million) and weighted average number of ordinary shares outstanding of 30,597,303,177 (Bank: 32,981,387,565), having excluded treasury shares held by the Parent's Staff Share Investment Trust.

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Profit from continuing operations attributable to owners of the parent	**46,601**	51,477	**46,483**	47,375
Profit from discontinued operations attributable to owners of the parent	**–**	3,289	**–**	–
Total	**46,601**	**54,766**	**46,483**	**47,375**
Weighted average number of ordinary shares outstanding	**30,597**	30,974	**32,982**	32,982
Basic and diluted earnings per share (Naira)				
From continuing operations	**1.52**	1.66	**1.41**	1.44
From discontinued operations	**–**	0.11	**–**	–
Total comprehensive income for the year	**1.52**	**1.77**	**1.41**	**1.44**

21. CASH AND BANK BALANCES

Cash and balances with banks	**127,584**	162,353	**88,959**	140,673
Unrestricted balances with Central banks	**80,455**	82,395	**34,025**	35,829
Money market placements	**262,502**	349,670	**253,376**	336,067
	470,541	594,418	**376,360**	512,569
Mandatory reserve deposits with central banks (note 21(i) below)	**246,262**	119,697	**244,066**	116,912
	716,803	714,115	**620,426**	629,481

(i) This represents cash reserve requirement with Central banks of the countries in which the Bank and its subsidiaries operate and is not available for use in the Group's day-to-day operations.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

21. CASH AND BANK BALANCES (continued)

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

In millions of Nigerian Naira	Group		Bank	
	December 2013	December 2012	**December 2013**	December 2012
Cash and balances with banks	**127,584**	162,353	**88,959**	140,673
Unrestricted balances with Central bank	**80,455**	82,395	**34,025**	35,829
Money market placements (less than 90 days)	**109,015**	335,189	**99,888**	321,586
Financial assets held for trading (less than 90 days)	**666**	–	**666**	–
Cash and cash equivalents	**317,720**	**579,937**	**223,538**	**498,088**

22. FINANCIAL ASSETS HELD FOR TRADING

	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Government bonds	**735**	284	**735**	284
Treasury bills	**49**	173	**42**	172
	784	457	**777**	456
Current	**784**	457	**777**	456
	784	457	**777**	456

23. LOANS AND ADVANCES TO BANKS

	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Term loans:				
Gross amount	**26,308**	28,699	**26,308**	28,064
Portfolio impairment	**(57)**	(186)	**(57)**	(186)
	26,251	28,513	**26,251**	27,878
Current	**26,251**	28,513	**26,251**	27,878
	26,251	28,513	**26,251**	27,878

Impairment allowance on loans and advances to banks

	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Portfolio impairment				
Balance, beginning of year	**186**	543	**186**	543
Provision no longer required	**(129)**	(357)	**(129)**	(357)
Balance, end of year	**57**	186	**57**	186

24. LOANS AND ADVANCES TO CUSTOMERS

(a) 31 December 2013

(i) Group

In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	145,140	(1,971)	(3,251)	(5,222)	139,918
Loans to corporate entities and other organisations	811,807	(2,663)	(11,442)	(14,105)	797,702
	956,947	(4,634)	(14,693)	(19,327)	937,620
Loans to individuals					
Overdraft	11,620	(720)	(255)	(975)	10,645
Term loans	133,520	(1,251)	(2,996)	(4,247)	129,273
	145,140	(1,971)	(3,251)	(5,222)	139,918
Loans to corporate entities and other organisations					
Overdraft	145,388	(680)	(1,706)	(2,386)	143,002
Term loans	664,701	(967)	(9,385)	(10,352)	654,349
Others	1,718	(1,016)	(351)	(1,367)	351
	811,807	(2,663)	(11,442)	(14,105)	797,702

(ii) Bank

In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	106,335	(1,307)	(1,936)	(3,243)	103,092
Loans to corporate entities and other organisations	698,924	(760)	(4,314)	(5,074)	693,850
	805,259	(2,067)	(6,250)	(8,317)	796,942
Loans to individuals					
Overdraft	5,657	(360)	(128)	(488)	5,169
Term loan	100,678	(947)	(1,808)	(2,755)	97,923
	106,335	(1,307)	(1,936)	(3,243)	103,092
Loans to corporate entities and other organisations					
Overdraft	114,269	(760)	(1,055)	(1,815)	112,454
Term loan	582,931	–	(3,208)	(3,208)	579,723
Others	1,724	–	(51)	(51)	1,673
	698,924	(760)	(4,314)	(5,074)	693,850

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

24. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) 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
Loans to individuals					
Overdraft	17,590	(556)	(271)	(826)	16,764
Term loans	93,782	(1,000)	(860)	(1,860)	91,922
	111,372	(1,556)	(1,130)	(2,686)	108,686
Loans to corporate entities and other organisations					
Overdraft	133,152	(3,681)	(2,438)	(6,120)	127,033
Term loan	419,144	(210)	(6,670)	(6,880)	412,264
Others	11,058	(119)	(119)	10,939	
	563,355	(3,891)	(9,228)	(13,119)	550,236

(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
Loans to individuals					
Overdraft	11,459	(524)	(177)	(701)	10,758
Term loans	70,894	(525)	(270)	(795)	70,100
	82,353	(1,049)	(447)	(1,496)	80,857
Loans to corporate and other organisations					
Overdraft	90,737	(151)	(1,227)	(1,378)	89,359
Term loans	395,149	(194)	(5,396)	(5,590)	389,559
Others	11,058	–	(119)	(119)	10,939
	496,944	(345)	(6,742)	(7,087)	489,857

24. LOANS AND ADVANCES TO CUSTOMERS (continued)

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
(c) Current	**820,922**	374,680	**697,753**	317,781
Non-current	**116,698**	284,242	**99,189**	252,933
	937,620	658,922	**796,942**	570,714
(d) Impairment allowance on loans and advances to customers	**(57)**	(186)	**(57)**	(186)
Specific impairment				
Balance, beginning of year	**5,447**	13,131	**1,394**	2,567
Impairment charge for the year (note 14)	**7,272**	6,414	**1,189**	4,578
Reversal for the year (note 14)	**(385)**	(8,513)	**(385)**	(1,130)
Write-offs	**(7,700)**	(5,585)	**(131)**	(4,621)
Balance, end of year	**4,634**	5,447	**2,067**	1,394
Portfolio impairment				
Balance, beginning of year	**10,358**	11,322	**7,189**	9,883
Net impairment charge/(reversal) for the year	**4,335**	(964)	**(939)**	(2,694)
Balance, end of year	**14,693**	10,358	**6,250**	7,189

25. INVESTMENT SECURITIES

	Group		Bank	
	December 2013	December 2012	**December 2013**	December 2012
Carrying amount	**811,206**	680,817	**585,445**	527,994
Available-for-sale investment securities comprise (see note (i)):				
Treasury bills	**208,843**	93,091	**200,444**	91,517
	208,843	93,091	**200,444**	91,517
Equity investments at cost (see note (ii))	**2,151**	2,941	**1,179**	(1,221)
Less: Specific allowance for impairment (equities)	**(909)**	(1,372)	**(905)**	(1,221)
	1,242	1,569	**274**	1,124
Equity investments at fair value	**43,749**	34,005	**43,749**	34,005
	253,834	128,665	**244,467**	126,646
Held to maturity investment securities comprise (see note (i)):				
Treasury bills	**179,815**	69,390	**44,275**	–
Promissory notes	**45**	79	**45**	79
Bonds (notes (iii) and (iv))	**377,512**	482,683	**296,658**	401,269
	557,372	552,152	**340,978**	401,348
Current	**529,423**	82,802	**379,278**	206,974
Non-current	**281,783**	598,015	**206,167**	321,020
	811,206	680,817	**585,445**	527,994

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

25. INVESTMENT SECURITIES (continued)

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

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Pledged assets:				
Treasury bills (available-for-sale)	**10,097**	8,031	**10,097**	8,031
Bonds (held-to-maturity)	**68,369**	123,000	**68,369**	123,000
	78,466	131,031	**78,466**	131,031

(II) Certain unquoted investments for which fair values could not be reliably estimated have been carried at cost less impairment. These include investments made 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 (Central Bank of Nigeria Monetary Policy Circular No. 35). However, this regulatory requirement has been abolished. There are no active markets for these financial instruments, fair value information are therefore not available, this makes it impracticable for the Group to fair value these investments. They have therefore been disclosed at cost less impairment. The carrying amount is the expected recoverable amounts on these investment.

25. INVESTMENT SECURITIES (continued)

In millions of Nigerian Naira	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
These investments are listed below:				
Tinapa Business Resort Limited	**550**	550	**550**	550
Abuja Leasing Company Limited	**343**	343	**343**	343
GIM UEMOA	**339**	–	**–**	–
CRC Credit Bureau (Formerly Credit Reference Company Limited)	**106**	106	**106**	106
Lekky Hotels Limited	**71**	71	**71**	71
MP Budget Limited (Hotel Management Company)	**70**	70	**70**	70
ATM Consortium	**–**	479	**–**	479
Omonefe Foods Limited	**–**	18	**–**	18
Valucard Plc	**–**	389	**–**	389
African Export Import Bank	**–**	110	**–**	110
Central Securities and Clearing System	**–**	94	**–**	94
Nigerian Inter-Bank Settlement System	**–**	34	**–**	34
L'Office national des télécommunications (ONATEL)	**69**	69	**–**	–
Société Burkinabé des Fibers Textiles (SOFITEX)	**66**	66	**–**	–
Société de Gestion et d'intermédiation (SGI)	**58**	58	**–**	–
L'Africaine des Assurances (AA)	**47**	47	**–**	–
Assurance et Réassurance du Golfe de Guinée (ARGG)	**36**	14	**–**	–
SICAV ABDOU DIOUF	**34**	34	**–**	–
L'AFRICAINE VIE	**34**	34	**–**	–
SBIF	**27**	27	**–**	–
National eGovernment Strategies (NeGSt)	**24**	24	**24**	24
Central d'Achat d'Intrants Agricoles (CAIA)	**23**	23	**–**	–
SOAGA	**21**	21	**–**	–
GIM UEMOA	**20**	20	**–**	–
Société Africaine des Assurances	**19**	19	**–**	–
SN – CITEC	**17**	17	**–**	–
SOFIGIB	**17**	17	**–**	–
FMDA OTC INVESTMENT	**15**	15	**15**	15
SIMO	**14**	14	**–**	–
Société Ouest Africaine de Gestion d'Actif (SOAGA)	**13**	13	**–**	–
Banque Régionale de Solidarité (BRS)	**8**	8	**–**	–
Others	**110**	137	**–**	42
	2,151	2,941	**1,179**	2,345
Less: Specific allowance for impairment (equities)	**(909)**	(1,372)	**(905)**	(1,221)
	1,242	1,569	**274**	1,124

The Group neither controls nor significantly influences the activities of these investee companies.

(iii) Included in bonds held to maturity are bonds issued by the Asset Management Company of Nigeria (AMCON). These are zero-coupon bonds received as consideration for loans sold by the Bank to AMCON. These bonds are guaranteed by the Federal government of Nigeria with an annual yield ranging from 12.3% to 12.7%.

(iv) Included in bonds held to maturity are Federal Government of Nigeria bonds amounting to 2013: N135 billion (2012: N187 billion). The bonds are stated at amortised cost.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

26. OTHER ASSETS

In millions of Nigerian Naira	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Accounts receivable	**19,202**	15,003	**13,793**	9,296
Prepayment	**6,616**	4,888	**4,002**	2,662
Others	**6,061**	18	**2,356**	–
	31,879	19,909	**20,151**	11,958
Impairment loss on other assets (account receivable)	**(1,443)**	(1,311)	**(1,082)**	(799)
	30,436	18,598	**19,069**	11,159

(a) Movement in impairment loss for other assets

	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
At start of year	**1,311**	1,652	**799**	1,467
Charge for the year (Note 14)	**514**	1,055	**322**	281
Provision no longer required	**–**	(934)	**–**	(934)
Write-off	**(382)**	(462)	**(39)**	(15)
	1,443	1,311	**1,082**	799

(b) Current

	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Current	**29,352**	16,930	**18,390**	10,158
Non-current	**1,084**	1,668	**679**	1,001
	30,436	18,598	**19,069**	11,159

27. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE

In December 2013, the Group's holding in UBA Zambia Ltd was diluted to 49% as a result of additional capital injection by a third party. Consequently, UBA Zambia became an associate and ceased to be a subsidiary of the Group. Investment in UBA Zambia has been accounted for using equity accounting.

The associate has share capital consisting solely of ordinary shares, which are held directly by the Group.

UBA Zambia was incorporated in 2009 and operates as a licensed commercial bank in Zambia. There are no contingent liabilities relating to the group's interest in the associates

(a) Nature of investment in associates 2013

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Investment in UBA Zambia	**Zambia**	**49**	**Trades with UBA's brand in Zambia**	**Equity**

27. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE (continued)

(b) Summarised financial information for associates

Set out below are the summarised financial information for UBA Zambia accounted for using the equity method.

(i) Summarised balance sheet

In millions of Nigerian Naira	December 2013	December 2012
Assets		
Cash and bank balances	**4,670**	826
Other current assets (excluding cash)	**2,301**	3,562
Non-current assets	**4,664**	911
Total assets	**11,635**	5,299
Financial liabilities (excluding trade payables)	**(2,798)**	–
Other current liabilities (including trade payables)	**(478)**	(3)
Non-current financial liabilities	**(4,642)**	(4,365)
Other non–current liabilities	**–**	(165)
Total liabilities	**(7,918)**	(4,533)
Net assets	**3,717**	766
(ii) Summarised statement of comprehensive income		
Revenue	**939**	624
Depreciation and amortisation	**(67)**	(53)
Interest income	**443**	374
Interest expense	**(463)**	–
Loss from continuing operations	**(565)**	(890)
Tax credit	**175**	–
Post-tax loss from continuing operations	**(389)**	(890)

The information above reflects the amounts presented in the financial statements of the associates (and not UBA Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates. The are no differences in the accounting policy of the associate and the Group accounting policies.

(c) Movement in investment in equity–accounted investee

	Group	Group	Bank	Bank
In millions of Nigerian Naira	December 2013	December 2012	December 2013	December 2012
Balance, beginning of year	**–**	9,211	**–**	9,943
Fair value of previously held interest in associate	**–**	31	**–**	31
Fair value of residual interest in subsidiary (note (i) below)	**2,983**	–	**–**	–
Share of current year result	**(6)**	(54)	**–**	–
Reclassification to investment in subsidiaries	**–**	(9,188)	**–**	(9,974)
Reclassification from investment in subsidiaries (note 28(vii))	**–**	–	**1,770**	–
Balance, end of year	**2,977**	–	**1,770**	–

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

27. INVESTMENT IN EQUITY – ACCOUNTED INVESTEE (continued)

(c) Movement in investment in equity-accounted investee

(i) Fair value of residual interest in subsidiary represents fair value gain on deemed disposal of UBA Zambia and it arose from measuring the investment retained by the Bank in UBA Zambia at fair value, following loss of control by the Bank during the year. The fair value gain on deemed disposal (N2,983 million) has been recognised as "other operating income" in the statement of comprehensive income under note 13 of the financial statements.

Significant restrictions:

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the associate to the extent that regulation does not inhibit.

(ii) Net gain on deemed disposal of subsidiary is analysed below:

	Group
In millions of Nigerian Naira	December 2013
Fair value of residual interest in subsidiary	2,983
Net asset on date of acquisition of associate	(561)
	2,422
(iii) Purchase price allocation on acquisition of associate	
The fair value on the date of acquisition is allocated as follows:	
Share of net assets	1,797
Notional goodwill	1,186
	2,983

28. INVESTMENT IN SUBSIDIARIES

In millions of Nigerian Naira

Bank subsidiaries (see note (i) below):	Year of acquisition/ Commence-ment	Holding	Non-controlling interest	Country	Industry	Bank December 2013	Bank December 2012
UBA Ghana Limited	2004	91%	9%	Ghana	Banking	**8,048**	8,048
UBA Cameroun SA Limited	2007	100%	–	Cameroun	Banking	**1,845**	1,845
UBA Cote d'Ivoire	2008	100%	–	Cote d'Ivoire	Banking	**5,995**	5,995
UBA Liberia Limited	2008	100%	–	Liberia	Banking	**2,330**	2,330
UBA (SL) Limited	2008	100%	–	Sierra Leone	Banking	**1,269**	1,269
UBA Uganda Limited	2008	74%	26%	Uganda	Banking	**2,718**	2,718
Banque International Du Burkina Faso	2008	64%	36%	Burkina Faso	Banking	**5,352**	5,352
Continental Bank Benin	2008	76%	24%	Benin Republic	Banking	**6,726**	6,726
UBA Kenya Bank Limited	2009	85%	15%	Kenya	Banking	**1,770**	1,770
UBA Chad SA)	2009	100%	–	Chad	Banking	**2,440**	2,440
UBA Senegal (SA)	2009	86%	14%	Senegal	Banking	**2,400**	2,400
UBA Zambia Limited (see (vii) below)	2010			Zambia	Banking	**–**	1,770
UBA Tanzania Limited	2010	100%	–	Tanzania	Banking	**1,770**	1,770
UBA Gabon Limited	2010	100%	–	Gabon	Banking	**2,760**	2,760
UBA Guinea Limited	2010	100%	–	Guinea	Banking	**1,475**	1,475
UBA Congo DRC Limited	2011	100%	–	Congo DRC	Banking	**2,500**	1,690
UBA Congo Brazzaville Limited	2011	100%	–	Congo Brazzaville	Banking	**3,024**	3,024
UBA Mozambique Limited	2011	85%	15%	Mozambique	Banking	**869**	869
UBA Retail Financial Services Limited (RFS)	2008	100%	–	Nigeria	Banking	**–**	–
Non-bank subsidiaries:							
UBA Pensions Custodian Limited (see below) (ii)	2004	100%	–	Nigeria	Pension custody	**2,000**	2,000
UBA FX Mart Limited (see (iii) below)	2008	100%	–	Nigeria	Banking	**502**	502
UBA Capital Europe Limited (see (iv) below)	2012	100%	–	United Kingdom	Investment banking	**9,974**	9,974
UBA Capital Holding Mauritius (see (v) below)	2012	100%	–	Mauritius	Investment banking	**–**	–
						65,767	66,727

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

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

28. INVESTMENT IN SUBSIDIARIES (continued)

During the reporting period the Bank and some subsidiaries provided financial support to other subsidiaries in the group as follows:

In millions of Nigerian Naira				Bank December 2013	Bank December 2012
Provider	**Receiver**	**Type of support**	**Reasons for support**	**Amount**	**Amount**
UBA Plc	UBA Congo DRC Limited	Purchase of equity instrument	Compliance to minimum regulatory capital at jurisdiction	**810**	–
UBA Cameroun SA Limited	UBA Congo Brazzaville Limited			**822**	–
UBA Cameroun SA Limited	UBA Gabon Limited			**313**	–
				1,945	**–**

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

In millions of Nigerian Naira	Bank **December 2013**	Bank December 2012
Balance, beginning of year	**66,727**	56,695
Additional investments during the year	**810**	3,133
Reclassification from investment in associates	**–**	9,974
Reclassification of non-current assets held for distribution (note 19(a))	**–**	(2,408)
Reclassification to investment in associates (note 27(c))	**(1,770)**	–
Impairment loss	**–**	(667)
Balance, end of year	**65,767**	**66,727**

(i) UBA Ghana, UBA Cameroun 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, UBA Congo Brazzaville and UBA Retail Financial Services Limited are engaged in the business of banking and provide corporate, commercial, consumer and international banking, trade services, cash management and treasury services.

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

(iii) UBA FX Mart was incorporated on 30 January 2008 and commenced operations 22 May 2008. It operates as a licensed bureau de change dealing in foreign currency and traveller's cheques.

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

(v) UBA Capital Holding Mauritius (formerly Afrinvest Holdings Mauritius) is a fully owned non-operating subsidiary of the Bank. The Bank completed the first stage of liquidation of UBA Capital Holding Mauritius during the year by effecting a transfer of its shareholding of 2% in UBA Capital Europe Limited to United Bank for Africa Plc. The second and final stage of liquidation will be finalised in the next financial year.

28. INVESTMENT IN SUBSIDIARIES (continued)

(vi) Significant restrictions:

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

(vii) In December 2013, the Group's holding in UBA Zambia Limited was diluted to 49% as a result of additional capital injection by a third party. Consequently, UBA Zambia effectively ceased to be a subsidiary of the Group. Investment in UBA Zambia has been considered as an investment in associate and has been accounted for using equity accounting.

(b) Non-fully owned subsidiaries

(i) The total non-controlling interest for the period is N7.387 billion (2012: N3.36 billion), attributed to the following non-fully owned subsidiaries as follows:

In millions of Nigerian Naira	**December 2013**	December 2012
UBA Ghana Limited	**1,204**	951
Banque International Du Burkina Faso	**1,984**	1,159
Continental Bank Benin	**430**	1,251
UBA Uganda Limited	**1,564**	-
UBA Kenya Bank Limited	**1,243**	-
UBA Senegal (SA)	**485**	-
UBA Mozambique Limited	**477**	-
	7,387	3,361

Set out in note 28(c) are the summarised financial information for all (including the non-fully owned) subsidiaries. Details of allocation of total comprehensive income to non-controlling interests and dividends paid to subsidiaries are shown below:

	UBA Ghana Limited		Banque International Du Burkina Faso		Continental Bank Benin	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012	**December 2013**	December 2012
Total comprehensive income	**7,182**	5,504	**1,937**	(2,025)	**(2,951)**	1,368
Total comprehensive income allocated to non-controlling interest	**663**	508	**702**	(734)	**(697)**	323
Dividends paid to non-controlling interests	**199**	–	**–**	–	**41**	–

	UBA Uganda Limited		UBA Kenya Bank Limited		UBA Senegal (SA)		UBA Mozambique Limited	
In millions of Nigerian Naira	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012
Total comprehensive income	**(262)**	(334)	**(505)**	(539)	**1,249**	1,310	**(70)**	(202)
Total comprehensive income allocated to non-controlling interest	**(67)**	–	**(76)**	–	**169**	–	**(10)**	–

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D'Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
31 December 2013								
Condensed statements of comprehensive income								
Operating income	14,168	848	2,042	3,141	543	1,300	1,218	2,678
Total operating expenses	(3,712)	(723)	(1,897)	(1,458)	(1,013)	(481)	(848)	(2,379)
Share of (loss)/profit of equity-accounted investee	–	–	–	–	–	–	–	–
Net impairment gain/(loss) on financial assets	(476)	(70)	(12)	(433)	(45)	(115)	(144)	(3,251)
Profit before income tax	9,980	55	133	1,250	(515)	704	226	(2,952)
Income tax expense	(2,799)	–	–	–	10	(140)	–	–
Profit/(loss) for the year from continuing operations	7,181	55	133	1,250	(505)	564	226	(2,952)
Profit/(loss) for the year from discontinued operations	–	–	–	–	–	–	–	–
Profit for the period	7,181	55	133	1,250	(505)	564	226	(2,952)
Condensed result of consolidated subsidiaries								
Assets								
Cash and bank balances	30,899	10,879	1,557	22,137	1,888	3,487	5,147	5,201
Financial assets held for trading	–	–	–	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–	–	–
Loans and advances to customers	12,814	2,626	12,145	15,493	1,450	3,427	6,948	20,101
Investment securities	69,864	344	15,110	18,606	2,714	4,364	2,284	29,501
Other assets	581	83	2,323	191	215	129	(145)	2,759
Investments in equity-accounted investee	–	–	–	–	–	–	–	–
Property and equipment	580	211	346	319	144	140	125	603
Intangible assets	–	–	113	–	12	17	–	25
Deferred tax assets	101	–	–	–	436	–	–	–
	114,839	14,143	31,594	56,746	6,859	11,563	14,361	58,190

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D'Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
31 December 2013								
Financed by:								
Derivative liabilities	–	–	–	–	–	–	–	–
Deposits from banks	49,518	–	14,656	1,386	161	2,416	–	8,628
Deposits from customers	48,258	12,134	14,064	48,826	4,600	5,818	9,770	46,210
Other liabilities	3,881	133	644	1,550	119	897	2,125	1,531
Current tax liabilities	139	–	–	–	16	12	–	–
Subordinated liabilities	–	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–
Liabilities held for distribution	–	–	–	–	–	–	–	–
Total equity	13,043	1,876	2,230	4,984	1,962	2,420	2,466	1,821
	114,839	14,143	31,594	56,746	6,858	11,563	14,361	58,190
Condensed cash flows								
Net cash from operating activities	26,060	3,079	(295)	15,663	(460)	1,364	(3,253)	(4,812)
Net cash from financing activities	(4,442)	32	458	62	1,667	(337)	901	(522)
Net cash from investing activities	14	39	29	60	72	6	19	32
Increase/(decrease) in cash and cash equivalents	21,632	3,150	192	15,785	1,279	1,033	(2,333)	(5,302)
Effects of exchange rate changes on cash and cash equivalents	3	–	–	–	–	–	2	(4)
Cash and cash equivalents at beginning of year	9,264	7,729	1,365	6,352	609	2,454	7,478	10,507
Cash and cash equivalents at end of year	30,899	10,879	1,557	22,137	1,888	3,487	5,147	5,201

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozam-bique	UBA Came-roun	UBA Pension Custo-dians
31 December 2013								
Condensed statements of comprehensive income								
Operating income	975	6,936	1,297	894	1,500	782	4,975	3,787
Total operating expenses	(536)	(3,784)	(1,128)	(1,042)	(1,263)	(723)	(3,121)	(596)
Share of (loss)/profit of equity-accounted investee	(1)	(1,185)	(40)	(113)	(189)	(129)	(160)	–
Profit before income tax	438	1,967	129	(261)	48	(70)	1,694	3,191
Income tax expense	(126)	(31)	(198)	–	–	–	–	(770)
Profit/(loss) for the year from continuing operations	312	1,936	(69)	(261)	48	(70)	1,694	2,421
Profit/(loss) for the year from discontinued operations	–	–	–	–	–	–	–	–
Profit for the period	312	1,936	(69)	(261)	48	(70)	1,694	2,421

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozam-bique	UBA Came-roun	UBA Pension Custo-dians
31 December 2013								
Condensed statements of financial position								
Assets								
Cash and bank balances	8,296	16,548	2,903	7,202	9,598	1,889	14,795	5
Financial assets held for trading	–	–	–	7	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–	–	–
Loans and advances to customers	278	24,522	10,652	3,076	8,906	2,775	26,129	51
Investment securities	2,959	48,716	4,129	2,551	3,542	14	9,277	7,071
Other assets	200	754	106	379	1,098	90	1,350	579
Investments in equity-accounted investee	–	–	–	–	–	–	–	–
Investments in subsidiaries	–	–	–	–	–	–	1,169	–
Property and equipment	228	2,799	354	226	310	183	557	22
Intangible assets	–	6	34	–	28	23	–	13
Deferred tax assets	–	–	–	744	–	–	–	–
Non-current assets held for distribution	–	–	–	–	–	–	–	–
	11,961	93,347	18,178	14,186	23,482	4,976	53,277	7,740
Financed by:								
Derivative liabilities	–	–	–	–	–	–	–	–
Deposits from banks	–	15,636	5,302	481	466	–	1,321	–
Deposits from customers	10,333	70,824	10,052	10,454	18,716	4,444	45,318	–
Other liabilities	95	1,346	148	1,008	593	34	941	3,858
Current tax liabilities	128	31	75	–	–	–	–	821
Subordinated liabilities	–	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	2
Liabilities held for distribution	–	–	–	–	–	–	–	–
Total equity	1,405	5,510	2,601	2,243	3,707	498	5,697	3,059
	11,961	93,347	18,178	14,186	23,482	4,976	53,277	7,740
Condensed cash flows								
Net cash from operating activities	2,737	7,930	(2,460)	3,603	164	(587)	(4,047)	(710)
Net cash from financing activities	21	353	167	1,940	1,036	552	223	(6,282)
Net cash from investing activities	(61)	(427)	(103)	21	8	(25)	(1,382)	(5)
Increase/(decrease) in cash and cash equivalents	2,697	7,856	(2,396)	5,564	1,208	(60)	(5,206)	(6,997)
Effects of exchange rate changes on cash and cash equivalents	1	4	–	–	41	–	9	–
Cash and cash equivalents at beginning of year	5,598	8,688	5,299	1,638	8,349	1,949	19,992	7,002
Cash and cash equivalents at end of year	8,296	16,548	2,903	7,202	9,598	1,889	14,795	5

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Tanzania	UBA Zambia	UBA Congo DRC	UBA RFS Limited	UBA FX Mart
31 December 2013					
Condensed statements of comprehensive income					
Operating income	560	430	610	–	162
Total operating expenses	(933)	(922)	(751)	–	(50)
Net impairment gain/(loss) on financial assets	(306)	(55)	(89)	–	–
Share of (loss)/profit of equity-accounted investee	–	–	–	–	–
Profit before income tax	(679)	(547)	(230)	–	112
Income tax expense	–	170	(0)	–	(26)
Profit/(loss) for the year from continuing operations	(679)	(377)	(230)	–	86
Profit/(loss) for the year from discontinued operations	–	–	–	–	–
Profit for the period	(679)	(377)	(230)	–	86
Condensed statements of financial position					
Assets					
Cash and bank balances	3,920	–	4,142	455	201
Financial assets held for trading	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Loans and advances to customers	8,543	–	10,028	2	–
Investment securities	2,047	–	–	–	652
Other assets	140	–	467	114	–
Investments in equity-accounted investee	–	–	–	–	–
Investments in subsidiaries	–	–	–	–	–
Property and equipment	123	–	262	203	–
Intangible assets	–	–	17	–	1
Deferred tax assets	265	–	–	–	–
Non-current assets held for distribution	–	–	–	–	–
	15,038	–	14,916	774	854
Financed by:					
Derivative liabilities	–	–	–	–	–
Deposits from banks	8,094	–	10,649	–	–
Deposits from customers	4,133	–	2,085	70	–
Other liabilities	2,529	–	119	36	797
Current tax liabilities	–	–	7	-	26
Subordinated liabilities	–	–	–	–	–
Borrowings	–	–	–	–	–
Deferred tax liabilities	–	–	12	–	–
Liabilities held for distribution	–	–	–	–	–
Total equity	281	–	2,044	668	31
	15,038	–	14,916	774	854

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Tanzania	UBA Zambia	UBA Congo DRC	UBA RFS Limited	UBA FX Mart
31 December 2013					
Condensed statements of financial position (continued)					
Condensed cash flows					
Net cash from operating activities	3,479	–	2,148	–	382
Net cash from financing activities	(6)	–	879	–	(320)
Net cash from investing activities	72	–	(24)	–	2
Increase/(decrease) in cash and cash equivalents	3,545	–	3,003	–	64
Effects of exchange rate changes on cash and cash equivalents	1	–	65	–	–
Cash and cash equivalents at beginning of year	374	–	1,073	455	137
Cash and cash equivalents at end of year	3,920	–	4,141	455	201

In millions of Nigerian Naira	UBA Capital Europe	SSIT	Bank	Group Elimination	Group
31 December 2013					
Condensed statements of comprehensive income					
Operating income	445	1,115	137,944	(11,357)	176,993
Total operating expenses	(525)	(292)	(85,922)	6,248	(107,851)
Net impairment gain/(loss) on financial assets	–	–	(181)	(6,084)	(13,078)
Share of (loss)/profit of equity-accounted investee	–	–	–	–	(6)
Profit before income tax	(80)	823	51,841	(11,192)	56,058
Income tax expense	(6)	(102)	(5,358)	(183)	(9,457)
Profit/(loss) for the year from continuing operations	(86)	721	46,483	(11,376)	46,601
Profit for the period	(86)	721	46,483	(11,376)	46,601

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Capital Europe	SSIT	Bank	Group Elimination	Group
31 December 2013					
Condensed statements of financial position					
Assets					
Cash and bank balances	6,392	–	620,426	(61,166)	716,803
Financial assets held for trading	–	–	777	–	784
Derivative assets	–	–	3,265	–	3,265
Loans and advances to banks	–	–	26,251	–	26,251
Loans and advances to customers	21,574	–	796,942	(50,864)	937,620
Investment securities	2,530	21,312	585,445	(21,828)	811,206
Other assets	51	–	19,069	(98)	30,436
Investments in equity-accounted investee	–	–	1,770	1,207	2,977
Investments in subsidiaries	–	–	65,767	(66,936)	–
Property and equipment	4	–	67,661	(8)	75,409
Intangible assets	–	–	1,401	5,666	7,356
Deferred tax assets	–	–	28,643	1 021	30,189
Non-current assets held for distribution	–	–	–	–	–
	30,554	21,312	2,217,417	(194,012)	2,642,296
Financed by:					
Derivative liabilities	–	–	31	–	31
Deposits from banks	–	–	–	(58,134)	60,582
Deposits from customers	18,023	–	1,797,376	(20,324)	2,161,182
Other liabilities	4,570	27	54,351	(3,260)	78,070
Current tax liabilities	3	–	1,602	140	2,861
Subordinated liabilities	–	–	55,653	–	55,653
Borrowings	–	31,122	48,886	(31,121)	–
Deferred tax liabilities	–	–	–	882	14
Liabilities held for distribution	–	–	–	–	–
Total equity	7,959	(9,837)	259,538	(81,169)	235,036
	30,554	21,312	2,217,417	(194,009)	2,642,296
Condensed cash flows					
Net cash from operating activities	5,259	–	(136,105)	16,662	(64,201)
Net cash from financing activities	238	–	(83,886)	3,967	(83,298)
Net cash from investing activities	1	–	(54,304)	(58,526)	(114,480)
Increase/(decrease) in cash and cash equivalents	5,497	–	(274,295)	(37,897)	(261,979)
Effects of exchange rate changes on cash and cash equivalents	2	–	(255)	(107)	(238)
Cash and cash equivalents at beginning of year	893	–	498,088	(25,355)	579,937
Cash and cash equivalents at end of year	6,392	–	223,538	(63,359)	317,720

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D'Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
31 December 2012								
Condensed statements of comprehensive income								
Operating income	7,140	742	1,107	2,952	497	1,474	577	1,863
Total operating expenses	(2,987)	(701)	(1,794)	(1,496)	(1,152)	(772)	(970)	(1,997)
Net impairment gain/(loss) on financial assets	1,351	(79)	351	(144)	(83)	202	190	1,560
Share of (loss)/profit of equity-accounted investee	–	–	–	–	–	–	–	–
Profit before income tax	5,504	(38)	(336)	1,312	(738)	904	(203)	1,426
Income tax expense	–	–	–	(2)	199	–	–	(58)
Profit/(loss) for the year from continuing operations	5,504	(38)	(336)	1,310	(539)	904	(203)	1,368
Profit for the period	5,504	(38)	(336)	1,310	(539)	904	(203)	1,368
Condensed statements of financial position								
Assets								
Cash and bank balances	9,264	7,729	1,365	6,352	609	2,454	7,478	10,507
Financial assets held for trading	–	–	–	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–	–	–
Loans and advances to customers	23,069	1,634	9,079	8,762	761	5,830	3,044	16,110
Investment securities	25,120	–	13,686	12,951	2,718	5,804	2,623	28,065
Other assets	227	154	140	3,179	513	527	154	575
Investments in equity-accounted investee	–	–	–	–	–	–	–	–
Investments in subsidiaries	–	–	–	–	–	–	–	–
Property and equipment	594	250	400	379	214	153	147	631
Intangible assets	–	–	89	–	14	10	–	29
Deferred tax assets	–	–	–	–	416	–	–	–
Non-current assets held for distribution	–	–	–	–	–	–	–	–
	58,274	9,767	24,759	31,623	5,245	14,778	13,446	55,917

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D'Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
31 December 2012								
Financed by:								
Derivative liabilities	–	–	–	–	–	–	–	–
Deposits from banks	11,236	–	9,499	1,511	510	3,351	–	16,448
Deposits from customers	35,383	7,881	12,267	25,220	2,394	8,495	10,579	33,504
Other liabilities	1,355	96	1,354	1,217	1,525	738	1,527	667
Current tax liabilities	–	–	–	2	16	–	–	–
Subordinated liabilities	–	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–
Liabilities held for distribution	–	–	–	–	–	–	–	–
Total equity	10,300	1,790	1,639	3,673	800	2,194	1,340	5,298
	58,274	9,767	24,759	31,623	5,245	14,778	13,446	55,917
Condensed cash flows								
Net cash from operating activities	(7,123)	1,201	(1,646)	5,141	(695)	(6,482)	(2,577)	1,072
Net cash from financing activities	111	535	1,144	–	–	–	1,969	–
Net cash from investing activities	(19)	(54)	74	8	29	(4)	(57)	(262)
Increase/(decrease) in cash and cash equivalents	(7,031)	1,682	(428)	5,149	(666)	(6,486)	(665)	810
Effects of exchange rate changes on cash and cash equivalents	–	–	–	–	–	–	–	–
Cash and cash equivalents at beginning of year	16,295	6,047	1,793	1,203	1,275	8,940	8,143	9,697
Cash and cash equivalents at end of year	9,264	7,729	1,365	6,352	609	2,454	7,478	10,507

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozam-bique	UBA Came-roun	UBA Pension Custo-dians
31 December 2012								
Condensed statements of financial position								
Operating income	699	4,305	1,030	709	226	1,712	1,715	2,835
Total operating expenses	(418)	(5,023)	(920)	(959)	(986)	(1,956)	(1,980)	(474)
Share of (loss)/profit of equity-accounted investee	–	–	–	–	–	–	–	–
Net impairment gain/(loss) on financial assets	2	(1,006)	146	(84)	418	66	1,751	–
Profit before income tax	283	(1,994)	256	(334)	(342)	(202)	1,510	2,361
Income tax expense	(88)	(31)	(16)	–	–	–	(474)	–
Profit/(loss) for the year	195	(2,025)	240	(334)	(342)	(202)	1,036	2,361
Profit for the period	195	(2,025)	240	(334)	(342)	(202)	1,036	2,361

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozam-bique	UBA Came-roun	UBA Pension Custo-dians
31 December 2013								
Statement of financial position								
Assets								
Cash and bank balances	5,598	9,602	5,299	1,638	8,390	1,949	20,001	7,002
Financial assets held for trading	–	–	–	7	–	–	–	–
Loans and advances to banks	–	–	–	–	635	–	–	–
Loans and advances to customers	147	19,594	4,983	3,149	1,589	1,464	14,377	50
Investment securities	2,400	41,884	2,012	1,865	1,336	8	4,565	–
Other assets	125	5	60	43	314	667	579	387
Investments in equity-accounted investee	–	–	–	–	–	–	–	–
Investments in subsidiaries	–	–	–	–	–	–	–	–
Property and equipment	167	2,365	254	242	332	165	291	26
Intangible assets	–	13	31	5	14	16	54	4
Deferred tax assets	83	–	19	683	–	–	–	4
Non-current assets held for distribution	–	–	–	–	–	–	–	–
	8,520	73,463	12,568	7,625	12,610	4,269	39,867	7,473
Financed by:								
Derivative liabilities	–	–	–	–	–	–	–	–
Deposits from banks	–	9,186	–	–	1,659	–	–	–
Deposits from customers	7,370	59,914	9,894	5,855	7,966	3,629	34,680	–
Other liabilities	9	1,143	102	1,206	363	625	946	552
Current tax liabilities	69	–	8	–	–	–	462	–
Subordinated liabilities	–	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	61	–	–	–	–	–
Liabilities held for distribution	–	–	–	–	–	–	–	–
Total equity	1,072	3,220	2,503	564	2,622	15	3,779	6,921
	8,520	73,463	12,568	7,625	12,610	4,269	39,867	7,473
Condensed cash flows								
Net cash from operating activities	4,277	1,635	(423)	(898)	5,049	(363)	6,229	6,348
Net cash from financing activities	–	–	230	–	–	115	(1)	–
Net cash from investing activities	(29)	(63)	(47)	(16)	(52)	29	(296)	(18)
Increase/(decrease) in cash and cash equivalents	4,248	1,574	(240)	(914)	4,997	(217)	5,932	6,330
Effects of exchange rate changes on cash and cash equivalents	–	–	–	–	–	–	–	–
Cash and cash equivalents at beginning of year	1,350	7,114	5,539	2,552	3,352	2,166	14,060	672
Cash and cash equivalents at end of year	5,598	8,688	5,299	1,638	8,349	1,949	19,992	7,002

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Tanzania	UBA Zambia	UBA Congo DRC	UBA RFS Limited	UBA FX Mart
31 December 2012					
Condensed statements of comprehensive income					
Operating income	529	323	277	–	85
Total operating expenses	(800)	(889)	(585)	–	(144)
Net impairment gain/(loss) on financial assets	(68)	(323)	8	–	71
Share of (loss)/profit of equity-accounted investee	–	–	–	–	–
Profit before income tax	(339)	(889)	(300)	–	12
Income tax expense	71	–	–	–	–
Profit/(loss) for the year from continuing operations	(268)	(889)	(300)	–	12
Profit/(loss) for the year from discontinued operations	–	–	–	–	–
Profit for the period	(268)	(889)	(300)	–	12
Condensed statements of financial position					
Assets					
Cash and bank balances	811	826	1,138	455	137
Financial assets held for trading	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Loans and advances to customers	3,023	1,595	398	2	–
Investment securities	2,055	1,968	288	–	575
Other assets	67	566	75	114	6
Investments in equity-accounted investee	–	–	–	–	–
Investments in subsidiaries	–	–	–	–	–
Property and equipment	195	324	240	203	2
Intangible assets	–	17	16	–	2
Deferred tax assets	267	–	–	–	–
Non-current assets held for distribution	–	–	–	–	–
	6,417	5,296	2,155	774	722
Financed by:					
Derivative liabilities	–	–	–	–	–
Deposits from banks	782	–	–	–	49
Deposits from customers	4,566	4,365	741	70	–
Other liabilities	103	165	4	36	406
Current tax liabilities	–	–	15	–	–
Subordinated liabilities	–	–	–	–	–
Borrowings	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	2
Liabilities held for distribution	–	–	–	–	–
Total equity	966	766	1,395	668	265
	6,417	5,296	2,155	774	722

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Tanzania	UBA Zambia	UBA Congo DRC	UBA RFS Limited	UBA FX Mart
31 December 2012					
Condensed statements of financial position (continued)					
Condensed cash flows					
Net cash from operating activities	(1,106)	386	26	–	(622)
Net cash from financing activities	–	–	345	–	–
Net cash from investing activities	(10)	(10)	(100)	–	1
Increase/(decrease) in cash and cash equivalents	(1,116)	376	271	–	(621)
Effects of exchange rate changes on cash and cash equivalents	–	–	–	–	–
Cash and cash equivalents at beginning of year	1,490	450	802	455	758
Cash and cash equivalents at end of year	374	826	1,073	455	137

In millions of Nigerian Naira	UBA Capital Europe	SSIT	Bank	Group Elimination	Group
31 December 2012					
Condensed statements of comprehensive income					
Operating income	206	–	124,356	(1,996)	153,093
Total operating expenses	(196)	–	(75,393)	–	(102,592)
Net impairment gain/(loss) on financial assets	17	–	(2,783)	–	1,563
Share of (loss)/profit of equity-accounted investee	(54)	–	–	–	(54)
Profit before income tax	(27)	–	46,180	(1,996)	52,010
Income tax expense	–	–	1,195	–	796
Profit/(loss) for the year from continuing operations	(27)	–	47,375	(1,996)	52,806
Profit/(loss) for the year from discontinued operations	–	–	–	–	3,289
Profit for the period	(27)	–	47,375	(1,996)	56,095

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Condensed result of consolidated subsidiaries (continued)

In millions of Nigerian Naira	UBA Capital Europe	SSIT	Bank	Group Elimination	Group
31 December 2012					
Condensed statements of financial position					
Assets					
Cash and bank balances	893	–	629,481	(24,862)	714,115
Financial assets held for trading	–	–	456	1	457
Loans and advances to banks	–	–	27,878	–	28,513
Loans and advances to customers	6,449	31,678	570,714	(68,488)	658,922
Investment securities	3,477	–	527,994	(577)	680,817
Other assets	143	27	11,159	(1,210)	18,598
Investments in equity-accounted investee	–	–	–	–	–
Investments in subsidiaries	–	–	66,727	(66,727)	–
Property and equipment	5	–	63,118	50	70,746
Intangible assets	–	–	1,578	5,676	7,568
Deferred tax assets	–	–	28,152	–	29,624
Non-current assets held for distribution	–	–	5,808	(11,783)	63,563
	10,967	31,705	1,933,065	(167,920)	2,272,923
Financed by:					
Derivative liabilities	–	–	124	–	124
Deposits from banks	–	–	22,875	(19,327)	57,780
Deposits from customers	–	–	1,461,131	(15,896)	1,720,008
Other liabilities	3,160	–	57,299	6,841	81,438
Current tax liabilities	–	–	1,325	(623)	1,274
Subordinated liabilities	–	–	55,474	(1,755)	53,719
Borrowings	–	–	114,520	–	114,520
Deferred tax liabilities	–	–	–	(4)	59
Liabilities held for distribution	–	–	–	(9,946)	51,534
Total equity	7,807	31,705	220,317	(127,210)	192,467
	10,967	31,705	1,933,065	(167,920)	2,272,923
Condensed cash flows					
Net cash from operating activities	(9,076)	–	188,141	46,733	220,748
Net cash from financing activities	9,974	–	(1,250)	(14,203)	(2,346)
Net cash from investing activities	(5)	–	33,366	(22,961)	9,503
Increase/(decrease) in cash and cash equivalents	893	–	220,257	9,569	227,905
Effects of exchange rate changes on cash and cash equivalents	–	–	(423)	26	(397)
Cash and cash equivalents at beginning of year	–	–	278,254	(19,978)	352,429
Cash and cash equivalents at end of year	893	–	498,088	(10,383)	579,937

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

29. PROPERTY AND EQUIPMENT

	As at 31 December 2013 *In millions of Nigerian Naira*	Land	Buildings and leasehold improvement	Other transportation equipment	Motor vehicles	Furniture and office equipment	Work in progress	Total
(i)	**Group**							
	Cost							
	Balance, 1 January 2013	30,543	34,269	3,877	9,531	49,235	3,260	130,715
	Additions	59	1,219	–	1,100	3,027	5,367	10,772
	Reclassification	7	160	76	30	1,407	(1,680)	–
	Disposals	(57)	(729)	–	(534)	(212)	(3)	(1,535)
	Deemed disposal (see note (iii) below)	–	(127)	–	(69)	(276)	–	(472)
	Exchange difference	–	(3)	–	(1)	(2)	–	(6)
	Balance, 31 December 2013	30,552	34,789	3,953	10,057	53,179	6,944	139,474
	Accumulated depreciation							
	Balance, 1 January 2013	–	11,488	1,211	8,205	39,064	–	59,968
	Charge for the year	–	1,307	166	621	3,161	–	5,255
	Disposals	–	(376)	–	(412)	(162)	–	(950)
	Deemed disposal (see note (iii) below)	–	(42)	–	(48)	(115)		(206)
	Exchange difference	–	(1)	–	(1)	–	–	(2)
	Balance, 31 December 2013	–	12,376	1,377	8,365	41,948	–	64,066
	Carrying amounts							
	Balance, 31 December 2013	30,552	22,413	2,576	1,692	11,231	6,944	75,409
	Balance, 31 December 2012	30,543	22,781	2,665	1,326	10,171	3,260	70,746
(ii)	**Bank**							
	Cost							
	Balance, 1 January 2013	30,543	25,802	3,877	7,923	41,064	3,036	112,245
	Additions	59	75	–	810	1,892	5,094	7,930
	Reclassifications	7	51	76	30	1,403	(1,567)	–
	Disposals	(57)	(181)	–	(439)	(186)	–	(863)
	Balance, 31 December 2013	30,552	25,747	3,953	8,324	44,173	6,563	119,312
	Accumulated depreciation							
	Balance, 1 January 2013	–	7,832	1,211	6,932	33,152	–	49,127
	Charge for the year	–	451	166	347	2,061	–	3,025
	Disposals	–	(34)	–	(324)	(143)	–	(501)
	Balance, 31 December 2013	–	8,249	1,377	6,955	35,070	–	51,651
	Carrying amounts							
	Balance, 31 December 2013	30,552	17,498	2,576	1,369	9,103	6,563	67,661
	Balance, 31 December 2012	30,543	17,970	2,666	991	7,912	3,036	63,118

(iii) Deemed disposal of subsidiary relates to the elimination of items of property and equipment in the opening balances of the Group that relates to UBA Zambia. During the year UBA Zambia ceased to be a subsidiary of UBA Plc and is now accounted for as an associate. (see note 27(ii))

29. PROPERTY AND EQUIPMENT (continued)

As at 31 December 2012 *In millions of Nigerian Naira*	Land	Buildings and leasehold improvement	Other trans-portation equipment	Motor vehicles	Furniture and office equipment	Work in progress	Total
(i) Group							
Cost							
Balance, 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
Reclassification	–	384	99	51	397	(931)	–
Disposals	–	(1,317)	–	(1.312)	(1,077)	(775)	(4,481)
Transfer to non-current assets held for distribution	(1,422)	(370)	–	–	–	(708)	(2,500)
Exchange difference	–	(13)	–	(14)	(8)	(2)	(37)
Balance, 31 December 2012	30,543	34,269	3,877	9,531	49,235	3,260	130,715
Accumulated depreciation							
Balance, 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
Reclassification	–	–	–	–	–	–	–
Disposals	–	(644)	(88)	(477)	(799)	–	(2,008)
Exchange difference	–	(19)	–	(7)	(15)	–	(41)
Balance, 31 December 2012	–	11,488	1,124	8,293	39,064	–	59,969
Carrying amounts							
Balance, 31 December 2012	30,543	22,781	2,753	1,238	10,171	3,260	70,746
Balance, 31 December 2011	13,715	20,008	2,704	2,846	13,788	2,557	55,618
(ii) Bank							
Cost							
Balance, 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
Reclassifications	–	384	99	51	397	(931)	–
Disposals	–	(961)	–	(290)	(295)	(448)	(1,994)
Transfer to non-current assets held for distribution	(1,422)	(370)	–	–	–	(708)	(2,500)
Deemed disposal (see note (iii) below)	–	–	–	–	–	–	–
Exchange difference	–	–	–	–	–	–	–
Balance, 31 December 2012	30,543	25,802	3,877	7,923	41,064	3,036	112,245
Accumulated depreciation							
Balance, 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, 31 December 2012	–	7,832	1,211	6,932	33,152	–	49,127
Carrying amounts							
Balance, 31 December 2012	30,543	17,970	2,666	991	7,912	3,036	63,118
Balance, 31 December 2011	13,715	15,791	2,705	1,587	11,099	2,169	47,066

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

30. INTANGIBLE ASSETS

	In millions of Nigerian Naira	Goodwill	Purchased software	Total
(i)	**Group**			
	Cost			
	Balance, 1 January 2013	5,673	9,636	15,309
	Additions	–	705	705
	Transfer to associate	–	(37)	(37)
	Balance, 31 December 2013	5,673	10,305	15,378
	Amortisation and impairment losses			
	Balance, 1 January 2013	–	7,741	7,741
	Amortisation for the period	–	914	914
	Transfer to associate	–	(8)	(8)
	Exchange difference	–	(25)	(25)
	Balance, 31 December 2013	–	8,622	8,622
	Carrying amounts			
	Balance, 31 December 2013	5,673	1,683	7,356
	Balance, 31 December 2012	5,673	1,895	7,568
(ii)	**Bank**			
	Cost			
	Balance, 1 January 2013		8,000	8,000
	Additions		557	557
	Balance, 31 December 2013		8,557	8,557
	Amortisation and impairment losses			
	Balance, 1 January 2013		6,422	6,422
	Amortisation for the period		734	734
	Balance, 31 December 2013		7,156	7,156
	Carrying amounts			
	Balance, 31 December 2013		1,401	1,401
	Balance, 31 December 2012		1,578	1,578

In 2012 the Bank (Parent company) increased its 49% stake in UBA Capital Europe to 100% effective 31 August 2012 by the conversion of existing preference shares to ordinary shares. This increased the Bank's stake to 98%, while the remaining 2% was owned by UBA Capital Holdings Mauritius (a wholly-owned non-operating subsidiary of the Bank).

In 2013, the Bank commenced liquidation of UBA Capital Holdings Mauritius Limited. The Bank completed the first stage of liquidation of UBA Capital Holding Mauritius during the year by effecting a transfer of its shareholding of 2% in UBA Capital Europe Limited to United Bank for Africa Plc. The second and final stage of liquidation will be finalised in the next financial year.

30. INTANGIBLE ASSETS (continued)

In millions of Nigerian Naira	Goodwill	Purchased software	Total
(i) Group			
Cost			
Balance, 1 January 2012	3,479	9,086	12,565
Additions	2,194	558	2,752
Exchange difference	–	(8)	(8)
Balance, 31 December 2012	5,673	9,636	15,309
Amortisation and impairment losses			
Balance, 1 January 2012	–	6,635	6,635
Amortisation for the period	–	1,113	1,113
Exchange differences	–	(7)	(7)
Balance, 31 December 2012	–	7,741	7,741
Carrying amounts			
Balance, 31 December 2012	5,673	1,895	7,568
Balance, 31 December 2011	3,479	2,451	5,930
(ii) Bank			
Cost			
Balance, 1 January 2012		7,661	7,661
Additions		339	339
Balance, 31 December 2012		8,000	8,000
Amortisation and impairment losses			
Balance, 1 January 2012		5,562	5,562
Amortisation for the period		860	860
Balance, 31 December 2012		6,422	6,422
Carrying amounts			
Balance, 31 December 2012		1,578	1,578
Balance, 31 December 2011		2,099	2,099

In 2012 the Bank (Parent company) increased its 49% stake in UBA Capital Europe to 100% effective 31 August 2012 by the conversion of existing preference shares to ordinary shares. This increased the Bank's stake to 98%, while the remaining 2% was owned by UBA Capital Holdings Mauritius (a wholly-owned non-operating subsidiary of the Bank).

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

30. INTANGIBLE ASSETS (continued)

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. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated above. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The following is the result of impairment test and key assumption used for value-in-use calculations:

	Goodwill	Net asset	Total carrying amount	Discount rate	Terminal growth rate	Recover-able amount	Excess of recover-able amount over carrying amount
– Continental Bank Du Benin	3,479	3,540	7,019	23%	1.50%	23,146	22,127
– UBA Capital Europe	2,194	7,959	10,153	24%	1.00%	18,551	8,398
	5,673	11,499	17,172			47,637	30,525

Reasonably expected changes in key assumptions would not result in the carrying amount exceeding recoverable amount.

The Continental Bank Du Benin and UBA Capital Europe CGU relate to "Rest of Afirca" and "Rest of the World" respectively for the purpose of segment reporting as disclosed in note 6(a). The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of the CGUs to decline below the carrying amount for both CGUs.

31. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

	Group		Bank	
In millions of Nigerian Naira	Assets	Liabilities	Assets	Liabilities
December 2013				
Property, equipment, and software	**6,279**	**14**	**4,761**	**–**
Allowances for loan losses	**1,892**	**–**	**1,892**	**–**
Account receivable	**325**	**–**	**325**	**–**
Tax losses carried forward	**21,159**	**–**	**21,159**	**–**
Others	**535**	**–**	**507**	**–**
Net tax assets/liabilities	**30,189**	**14**	**28,643**	**–**
December 2012				
Property, equipment, and software	7,452	59	5,980	–
Allowances for loan losses	2,213	–	2,213	–
Account receivable	240	–	240	–
Tax losses carried forward	19,352	–	19,352	–
Others	367	–	367	–
Net tax assets/liabilities	29,624	59	28,152	–

31. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movements in temporary differences during the year

	Group			
In millions of Nigerian Naira	Assets	Recognised in profit or loss balance	Recognised in equity	Closing Balance
December 2013				
Property, equipment, and software	7,334	(1,101)	–	6,293
Allowances for loan losses	2,212	(320)	–	1,892
Account receivable	240	85	–	325
Tax losses carried forward	19,352	1,807	–	21,154
Others	367	140	–	507
Net tax assets /liabilities	29,565	610	–	30,175
Deferred tax assets				
To be recovered within 12 months	7,651	(5,183)		2,468
To be recovered after more than 12 months	28,200	4,622		32,822
Deferred tax liabilities				
To be recovered within 12 months	(53)	53		–
To be recovered after more than 12 months	(6,233)	1,118		(5,115)
	29,565	610		30,175

	Bank			
In millions of Nigerian Naira	Assets	Recognised in profit or loss balance	Recognised in equity	Closing balance
Property, equipment, and software	5,980	(1,219)	–	4,761
Allowances for loan losses	2,212	(320)	–	1,892
Account receivable	240	85	–	325
Tax losses carried forward	19,352	1,807	–	21,159
Others	368	139	–	507
Net tax assets /liabilities	28,152	491	–	28,643
Deferred tax assets				
To be recovered within 12 months	7,710	(5,242)	2,468	2,468
To be recovered after more than 12 months	26,728	4,548	31,276	32,822
Deferred tax liabilities				
To be recovered within 12 months	(53)	53	–	
To be recovered after more than 12 months	(6,233)	1,132	(5,101)	–
	28,152	491	28,643	(5,115)

Temporary difference relating to the Group's investment in subsidiaries is N7.188 billion (2012: N12.192 billion). As the Group exercises control over the subsidiaries, it has the power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries' profits and reserves will not be distributed in the foreseeable future and that the subsidiaries will not be disposed of. Hence, the deferred tax arising from the temporary differences above will not be recognised.

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.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

32. DERIVATIVE ASSETS

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
(a) Derivative assets				
Instrument type:				
Cross-currency swap	3,265	–	3,265	–
	3,265	–	3,265	–
The movement in derivative asset is as follows:				
Balance, beginning of year	–	–	–	–
Fair value gain on cross-currency swap	3,265	–	3,265	–
Balance, end of year	**3,265**	–	**3,265**	–
Derivative assets are current in nature.				
(b) Derivative liabilities				
Instrument type:				
Cross-currency swap	31	124	31	124
	31	124	31	124
The movement in derivative asset is as follows:				
Balance, beginning of year	124	817	124	817
Fair value gain on cross-currency swap	(93)	(693)	(93)	(693)
Balance, end of year	**31**	124	**31**	124
Derivative assets are current in nature				
(c) Fair value gain on derivatives				
Fair value gain on:				
Derivative assets	3,265	–	3,265	–
Derivative liabilities	93	693	93	693
Balance, end of year	**3,358**	693	**3,358**	693

33. DEPOSITS FROM BANKS

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Money market deposits	59,682	51,596	–	16,844
Due to other banks	900	6,184	–	6,031
	60,582	57,780	–	22,875
Current	60,582	57,780	–	22,875
	60,582	57,780	–	22,875

34. DEPOSITS FROM CUSTOMERS

In millions of Nigerian Naira	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Retail customers:				
Term deposits	**141,618**	98,274	**125,026**	83,483
Current deposits	**113,186**	101,211	**70,337**	87,544
Savings deposits	**310,437**	285,369	**268,552**	224,780
Domiciliary deposits	**41,757**	30,837	**38,919**	26,196
Corporate customers:				
Term deposits	**322,322**	249,077	**186,340**	225,329
Current deposits	**522,462**	414,416	**491,860**	354,373
Domiciliary deposits	**709,400**	540,824	**616,342**	459,426
	2,161,182	1,720,008	**1,797,376**	1,461,131
Current	**2,161,182**	1,720,008	**1,797,376**	1,461,131
	2,161,182	1,720,008	**1,797,376**	1,461,131

35. OTHER LIABILITIES

In millions of Nigerian Naira	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Account payable (note (i))	**210**	600	**21**	600
Creditors	**47,799**	48,983	**31,882**	26,847
Accruals	**4,622**	6,108	**1,959**	4,105
Customers' deposit for foreign trade (note (ii)	**25,276**	12,694	**20,325**	12,694
Provisions (note (iii))	**164**	146	**164**	146
Dividend in specie	**–**	12,907	**–**	12,907
	78,071	81,438	**54,351**	57,299
Current	**78,049**	**81,296**	**54,329**	**57,157**
Non-current	**22**	**142**	**22**	**142**
	78,071	**81,438**	**54,351**	**57,299**

(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 nominated pension fund administrators. Account payable represents the amount not yet transferred as at period end of N210 million (December 2012: N600 million) but settled subsequent to reporting date.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

35. OTHER LIABILITIES (continued)

In millions of Nigerian Naira	Group		Bank	
	December 2013	December 2012	**December 2013**	December 2012
The movement during the year is as follows:				
Balance, beginning of year	**600**	665	**600**	665
Charge to profit or loss	**2,537**	1,317	**2,348**	850
Contributions remitted	**(2,927)**	(1,382)	**(2,927)**	(915)
Balance, end of year	**210**	600	**21**	600

(ii) Customers' deposit for foreign trade represents the naira value of foreign currencies held to cover letter of credit transactions. The corresponding balance is included in cash and balances with Bank in note 21.

(iii) The amounts represent a provision for certain legal claims. The provision charge is recognised in profit or loss within 'other operating expenses'. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2013. The expected timing of the cashflows arising from the legal claim provision is within two years. The effect of discounting the non-current portion of the liability is immaterial and has therefore not been considered.

In millions of Nigerian Naira	Group		Bank	
	December 2013	December 2012	**December 2013**	December 2012
The movement during the year is as follows:				
At 1 January	**146**	64	**146**	64
Charged to the income statement:	**22**	82	**22**	82
Used during year	**(4)**	–	**(4)**	–
At 31 December	**164**	**146**	**164**	**146**
Analysis of total provisions:				
Current	**142**	4	**142**	4
Non-current	**22**	142	**22**	142
	164	**146**	**164**	**146**

36. BORROWINGS

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
On-lending facilities:				
– African Development Bank (AfDB) (note 36.1)	–	23,707	-	23,707
– Central Bank of Nigeria (note 36.2)	**31,812**	36,612	**31,812**	36,612
– Bank of Industry (BoI) (note 36.3)	**13,175**	13,869	**13,175**	13,869
– Afrexim (note 36.4)	–	14,452	-	14,452
– Standard Chartered Bank (note 36.5)	**1,432**	25,093	**1,432**	25,093
– HSBC (note 36.6)	–	787	–	787
– European Investment Bank (EIB) (note 36.7)	**2,447**	–	**2,447**	–
	48,866	114,520	**48,866**	114,520
Current	**3,762**	53,500	**3,762**	53,500
Non-current	**45,104**	61,020	**45,104**	61,020
	48,866	114,520	**48,866**	114,520
Movements in borrowings during the year:				
Opening balance	114,520	137,040	114,520	137,040
Additions	3,529	9,170	3,529	9,170
Interest accrued	1,741	7,682	1,741	7,599
Repayments	(70,924)	(39,372)	(70,924)	(39,289)
	48,866	**114,520**	**48,866**	**114,520**

36.1 The balance on amount drawn under the African Development Bank (AfDB) long term unsecured loan facilities was fully liquidated on August 1, 2013. The AfDB borrowing comprised an unsecured emergency liquidity funding (ELF) and an unsecured trade finance initiative facility (TFI). Interest rate on the ELF was six (6) months USD LIBOR plus 500 basis points. Interest rate on the TFI was six (6) months USD LIBOR plus 450 basis points.

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.

36.3 Amount represents on-lending facilities provided by the Bank of Industry (BoI) with the sole purpose of granting loan, at subsidised rates, to companies engaged in manufacturing, power and aviation industries.

36.4 The outstanding balance on amount drawn under a secured term loan facility granted by Afrexim and amount drawn down under a guaranteed note purchase was completely liquidated on June 21, 2013. Interest rate on the term loan facility was three (3) months USD LIBOR plus 430 basis points while Interest rate on the guaranteed note purchase facility was three (3) months USD LIBOR plus 475 basis points.

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 USD 55 million and a term loan facility of NGN equivalent of USD 45 million. Interest rate on the USD 55 million term loan facility is six (6) months USD LIBOR plus 450 basis points. Interest rate on the USD 45 million term loan is six (6) months USD LIBOR plus 530 basis points. Interest on both term loans are payable semi-annually. The outstanding balance on the facility is US $9 million.

36.6 The outstanding balance on the amount drawn down under a HSBC Export Credit Agency-backed framework agreement facility was fully liquidated on June 28, 2013. Interest rate on the facility was six (6) months USD LIBOR plus 125 basis points.

36.7 This represents the amount granted by European Investment Bank with the sole purpose of supporting lending to small and medium sized enterprises in Nigeria and through its regional subsidiaries. The amount of the facility is US $16.296 million. Interest rate on the facility is six (6) months USD LIBOR plus 350.9 basis points. Interest on the loan is payable semi-annually.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

37. SUBORDINATED LIABILITIES

In millions of Nigerian Naira	Group		Bank	
	December 2013	December 2012	**December 2013**	December 2012
Medium-term notes – series 1	**20,364**	18,555	**20,364**	20,310
Medium-term notes – series 2	**35,289**	35,164	**35,289**	35,164
	55,653	53,719	**55,653**	55,474
Current	**7,500**	–	**7,500**	–
Non-current	**48,153**	53,719	**48,153**	55,474
	55,653	53,719	**55,653**	55,474

(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 2011, 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.

In millions of Nigerian Naira	Group		Bank	
	December 2012	December 2012	**December 2012**	December 2012
Movements in subordinated liabilities during the year:				
Opening balance	**53,719**	53,500	**55,474**	55,254
Re-instatement of opening balance of distributed entity (see note 38(ii))	**1,755**	–	**–**	–
Additions	**–**	219	**–**	220
Interest accrued	**7,679**	3,603	**7,679**	3,681
Repayments	**(7,500)**	(3,603)	**(7,500)**	(3,681)
	55,653	53,719	**55,653**	55,474

(ii) Re-instatement of opening balance of distributed entity represents balance of UBA Plc Corporate bonds held by UBA Capital Plc which was eliminated in the consolidated statement of financial position as at 31 December 2012. Following the distribution of this entity (see note 19(e)), it ceased to be a member of the Group, requiring a re-instatement of an earlier eliminated balance in the consolidated statement of financial position.

38. CAPITAL AND RESERVES

		Group		Bank	
	In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
(a)	**Share capital**				
	Share capital comprises:				
(i)	**Authorised –**				
	45,000,000,000 Ordinary shares of 50k each	**22,500**	22,500	**22,500**	22,500
(ii)	**Issued and fully paid –**				
	32,981,387,565 Ordinary shares of 50k each	**16,491**	16,491	**16,491**	16,491
	On issue, at start of the year	**32,982**	32,982	**32,982**	32,982
	Transfer from share premium	**–**	–	**–**	–
	On issue, at year end	**32,982**	32,982	**32,982**	32,982
(b)	**Share premium**				
	Share premium is the excess paid by 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.				
(d)	**Other reserves**				
	Other reserves include the following:				
	Translation reserve (note (i))	**(3,153)**	(1,514)	**–**	–
	Statutory reserve (note (ii))	**40,028**	33,120	**38,196**	31,224
	Fair value reserve (note (iii))	**24,452**	15,222	**25,063**	15,834
	Regulatory risk reserve (note (iv))	**4,413**	1,113	**3,913**	1,113
	Treasury shares (note (v))	**(32,996)**	(32,831)	**–**	–
		32,746	15,111	**67,172**	48,171

(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% (2012: 15%) of its profit after taxation to statutory reserves. Also included in statutory reserves is the Bank's Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves. 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 represents 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 parent.

(v) Treasury shares

Treasury shares represent the Bank's shares held by the Staff Investment Trust as at 31 December 2013.

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

39. DIVIDENDS

A dividend in respect of the year ended 31 December 2013 of 50 kobo per share (2012: 50 kobo) amounting to a total dividend of N16,491 billion (2012: N16.49 billion) is to be approved at the annual general meeting. These financial statements do not reflect this dividend payable. Dividends in respect of the 2012 results were paid in 2013.

40. CONTINGENCIES

(i) Litigation and claims

No provision in relation to litigation and claims has been recognised in the consolidated financial statement, as legal advice incicates that it is not probable that a significant liability will arise. Further claims for which provisions have been made are disclosed in note 35(iii).

(ii) Contingent liabilities

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

(iii) Loan commitment

At the balance sheet date, the Group had loan commitments amounting to N39.7 billion (2012: N6.8 billion) in respect of various loan contracts.

(iv) Capital commitments

At the balance sheet date, the Group had capital commitments amounting to N4.5 billion (2012: N1.3 billion) in respect of authorised and contracted capital projects.

	Group	
In millions of Nigerian Naira	**December 2013**	December 2012
Property and equipment	**4,374**	1,255
Intangible assets	**157**	45
	4,531	1,300

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 customers' 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

40. CONTINGENCIES

Contingent liabilities

In millions of Nigerian Naira	Group December 2013	Group December 2012	Bank December 2013	Bank December 2012
Performance bonds and guarantees	**281,176**	305,495	**240,830**	284,359
Letters of credits	**202,806**	95,820	**99,765**	78,543
	483,982	401,315	**340,595**	362,902

41 RELATED PARTIES

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

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

(a) Subsidiaries

Transactions between United Bank for Africa Plc and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

(b) Associates

Transactions between United Bank for Africa Plc and its associate also meet the definition of related party transactions. The following transactions were carried out with associate:

In millions of Nigerian Naira	December 2013	December 2012
Interest income	**48**	–
The following balances were held with respect to associate:		
Cash and bank balances	**2,521**	–
Account receivable	**25**	–
Deposit liabilities	**21**	–
	2,568	–

(c) 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 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 2013	December 2012
Loans and advances to key management personnel		
Loans and advances as at end of year	**1,095**	1,245
Interest income earned during the year	**89**	108

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

41 RELATED PARTIES (continued)

(c) Key management personnel (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 impairment losses (2012: Nil) have been recorded against related party loans.

Loans and advances to key management personnel's related persons and entities as at end of year

Name of company/ individual	Relation-ship	Name of Director	Facility type	Security	Status	Rate	Cur-rency	Dec 2013	Dec 2012
In millions of Nigerian Naira									
Bridge House College	Director-related	Mrs Foluke Abdulrasaq	Term loan	Real Estate Legal ownership	Performing	20.0%	NGN	**17**	24
Vine Foods Limited	Director-related	Mr Emmanuel Nnorom	Overdraft	Real Estate Legal ownership	Performing	18.0%	NGN	**–**	3
Africa Royal Shipping Lines Ltd	Director-related	Alhaji Yahaya Zekeri	Invoice discounting	Real Estate Legal ownership	Performing	22.0%	NGN	**166**	–
Paki International Motors Ltd	Director-related	Alhaji Ja'afaru Paki	Term loan	Secured	Performing	24.0%	NGN	**–**	1
The Regent School	Director-related	Mrs Foluke Abdulrasaq	Term loan	Real Estate Legal ownership	Performing	8.0%	USD	**367**	643
Drunstix Food and Investment Limited	Director-related	Mrs Foluke Abdulrasaq	Term loan	Over assets secured	Performing	23.0%	NGN	**51**	–
Nigeria Pipes Ltd	Director-related	Abdulqadir Bello	Bankers' acceptance	Mortgage Debenture	Performing	21.0%	NGN	**50**	31
								652	702
Interest income earned during the year								**61**	43

Following the resignation of Ms Angela Aneke from the Board of the Bank in 2013, Sahara Energy Resources (2012: N18.4 billion) and Cole Uyi Sylvia (2012: N4 million) ceased to qualify as related parties.

Deposit liabilities

Deposit liabilities relating to key management personnel and their related persons and entities as at end of year is as follows:

In millions of Nigerian Naira	December 2013	December 2012
Deposits as at end of year	**1,389**	782
Interest expense during the year	**18**	7

41 RELATED PARTIES (continued)

Compensation

Aggregate remuneration to key management staff during the year is as follows:

In millions of Nigerian Naira	**December 2013**	December 2012
Executive compensation	**613**	614
Retirement benefit costs	**13**	13
Short-term employee benefits	**626**	627

42. 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 2013**	December 2012	**December 2013**	December 2012
Group executive Directors	**8**	8	**8**	8
Management	**496**	355	**399**	244
Non-management	**12,311**	11,174	**9,896**	8,791
	12,815	11,537	**10,303**	9,043
Compensation for the above staff (including executive Directors):				
Salaries and wages	**48,977**	42,135	**36,879**	32,149
Retirement benefit costs:				
Defined contribution plans	**1,678**	1,317	**1,108**	850
	50,655	43,452	**37,987**	32,999

(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 2013**	December 2012	**December 2013**	December 2012
N300,001 – N2,000,000	5,559	7,281	4,571	6,260
N2,000,001 – N2,800,000	3,169	586	2,663	4
N2,800,001 – N3,500,000	3,169	586	2,663	–
N3,500,001 – N4,000,000	432	262	27	807
N4,000,001 – N5,500,000	146	959	–	472
N5,500,001 – N6,500,000	1,156	666	960	528
N6,500,001 – N7,800,000	73	592	3	378
N7,800,001 – N9,000,000	607	449	547	190
N9,000,001 – above	594	222	556	–
	12,807	**11,529**	**10,295**	**9,035**

Notes to the Consolidated and Separate Financial Statements *(Continued)*

for the year ended 31 December 2013

42. COMPENSATION TO EMPLOYEES AND DIRECTORS (continued)

(iii) Directors

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Fees and sitting allowances	**47**	37	**47**	37
Executive compensation	**613**	614	**613**	614
Retirement benefit costs	**13**	13	**13**	13
	673	664	**673**	664
Fees and other emoluments disclosed above includes amounts paid to:				
The Chairman	**4**	3	**4**	3
The highest paid Director	**116**	116	**116**	116

The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	Group		Bank	
In millions of Nigerian Naira	**December 2013**	December 2012	**December 2013**	December 2012
Below N1,000,000	**–**	–	**–**	–
N1,000,001 – N2,000,000	**–**	2	**–**	2
N2,000,001 – N3,000,000	**–**	2	**–**	2
N3,000,001 – N5,000,000	**6**	5	**6**	5
N5,500,001 and above	**13**	9	**13**	9
	19	18	**19**	18

43. 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 2013 or the profit/(loss) for the year ended on the same date which have not been adequately provided for or disclosed.

44. COMPLIANCE WITH BANKING REGULATIONS

During the period, the Bank contravened the Banks and Other Financial Institutions Act (BOFIA) 1991, as amended, and was penalised a total sum of N43.70 million (2012:N6.65 million) for opening a branch without prior CBN approval; improper reclassification of Public Sector Deposits; appointment of staff without prior CBN approval; and non-resolution of an ATM dispute within stipulated time.

45. OPERATIONAL RISK MANAGEMENT REPORT

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
- 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 categorisation;
- 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 plat-form 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.

Statements of Value Added

for the year ended 31 December 2013

	Group			
	2013 N'million	%	2012 N'million	%
Gross revenue	**264,687**		220,129	
Interest paid	**(82,469)**		(58,386)	
	182,218		161,743	
Administrative overheads:				
– Local	**(43,025)**		(41,358)	
– Foreign	**(13,234)**		(6,186)	
Value added	**125,960**	**100**	114,199	100
Distribution				
Employees				
– Salaries and benefits	**50,655**	**40**	43,452	38
Government				
– Taxation	**9,457**	**8**	533	–
The future				
– Asset replacement (depreciation and amortisation)	**6,169**	**5**	10,888	9
– Asset replacement (provision for losses)	**13,078**	**10**	4,560	4
– Expansion (transfer to reserves and non-controlling interest)	**46,601**	**37**	54,766	49
	125,960	**100**	114,199	100

	Bank			
	2013 N'million	%	2012 N'million	%
Gross revenue	**214,273**		177,429	
Interest paid	**(71,526)**		(51,302)	
	142,747		126,127	
Administrative overheads:				
– Local	**(48,170)**		(36,748)	
– Foreign	**(810)**		(643)	
Value added	**93,768**	**100**	88,736	100
Distribution				
Employees				
– Salaries and benefits	**37,987**	**41**	32,999	82
Government				
– Taxation	**5,358**	**6**	(1,195)	–
The future				
– Asset replacement (depreciation and amortisation)	**3,759**	**6**	6,903	17
– Asset replacement (provision for losses)	**181**	**–**	2,654	18
– Expansion (transfer to reserves and non-controlling interest)	**46,483**	**50**	47,375	(17)
	93,768	**100**	88,736	100

Five-year Financial Summary

for the year ended 31 December 2013

	Group				
	IFRS				NGAAP
In millions of Nigerian Naira	**31 Dec 2013**	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
ASSETS					
Cash and bank balances	**716,803**	714,115	434,218	385,397	68,225
Treasury bills and other eligible bills	**–**	–	–	–	42,035
Financial assets held for trading	**784**	457	1,303	2,594	–
Due from other banks	**–**	–	–	–	470,195
Loans and advances to banks	**26,251**	28,513	41,564	11,226	–
Loans and advances to customers	**937,620**	658,922	605,627	590,797	606,616
Investment securities	**–**	–	–	–	188,407
Investment securities					
– Available-for-sale investments	**253,834**	128,665	96,744	124,144	–
– Held-to-maturity investments	**557,372**	552,152	625,564	368,935	–
Investments in equity-accounted investee	**2,977**	–	10,356	10,118	9,506
Goodwill	**5,673**	–	–	–	2,983
Investment property	**–**	–	–	–	269
Property and equipment	**75,409**	70,746	55,618	62,009	73,042
Intangible assets	**1,683**	7,568	5,930	6,626	–
Deferred tax assets	**30,189**	29,624	26,998	7,049	–
Other assets	**30,436**	18,598	16,513	30,290	87,003
Derivative assets	**3,265**	–	–	–	–
Non-current assets held for distribution	**–**	63,563	–	–	–
Total assets	**2,642,296**	2,272,923	1,920,435	1,599,185	1,548,281
LIABILITIES					
Derivative liabilities	**31**	124	817	9,310	–
Deposits form banks	**60,582**	57,780	19,510	7,456	15,807
Deposits from customers	**2,161,182**	1,720,008	1,445,822	1,270,409	1,245,650
Managed funds	**–**	–	51,943	32,753	22,138
Current tax liabilities	**2,861**	1,274	2,627	2,869	3,385
Dividend payable	**–**	–	–	–	20
Deferred tax liabilities	**14**	59	26	30	2
Subordinated liabilities	**55,653**	53,719	53,500	18,335	–
Borrowings	**48,866**	114,520	137,040	63,327	14,760
Other liabilities	**78,071**	81,438	58,210	41,671	58,187
Retirement benefit obligations	**–**	–	–	–	1,503
Liabilities held for distribution	**–**	51,534	–	–	–
Total liabilities	**2,407,260**	2,080,456	1,769,495	1,446,160	1,361,452
EQUITY					
Share capital and share premium	**124,423**	124,423	124,423	124,423	124,423
Reserves	**103,226**	64,683	22,922	25,705	57,090
Equity attributable to equity holders of the Bank	**227,649**	189,106	147,345	150,128	181,513
Non-controlling interest	**7,387**	3,361	3,595	2,897	5,316
Total equity	**235,036**	192,467	150,940	153,025	186,829
Total liabilities and equity	**2,642,296**	2,272,923	1,920,435	1,599,185	1,548,281

Five-year Financial Summary *(Continued)*

for the year ended 31 December 2013

	Group				
	IFRS				NGAAP
In millions of Nigerian Naira	**31 Dec 2013**	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Net operating income	**176,993**	159,216	118,969	154,074	187,066
Operating expenses	**(107,851)**	(102,592)	(125,998)	(126,037)	(135,228)
Write-back/(provision) for losses	**(13,078)**	1,563	(19,603)	(30,824)	(38,176)
Share of loss of equity-accounted investee	**(6)**	(54)	32	(138)	–
Profit/(loss)before taxation and exceptional items	**56,058**	58,133	(26,600)	(2,925)	13,662
Exceptional items	**–**	–	–	–	(7,025)
Taxation	**(9,457)**	(533)	17,935	981	(4,262)
Profit/(loss) after taxation and exceptional items	**46,601**	51,477	(8,665)	(1,944)	2,375
Profit from discontinued operations	**–**	3,289	1,864	–	–
Profit/(loss) for the period	**46,601**	54,766	(6,801)	(1,944)	2,375
– Non-controlling interest	**684**	102	850	70	262
– Equity holders of the parent	**45,917**	54,664	(7,651)	(2,014)	2,113
Other comprehensive income for the period	**7,101**	764	5,680	8,088	2,113
Total comprehensive income for the period	**53,701**	55,530	(1,121)	6,144	2,375

31 December 2009 financial statements are based on Generally Accepted Accounting Principles (GAAP) which were previously applicable in Nigeria.

	Bank				
	IFRS				NGAAP
In millions of Nigerian Naira	**31 Dec 2013**	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
ASSETS					
Cash and bank balances	**620,426**	629,481	352,500	330,701	38,972
Treasury bills and other eligible bills	**–**	–	–	–	15,945
Financial assets held for trading	**777**	456	237	1,267	–
Due from other banks	**–**	–	–	–	459,829
Loans and advances to banks	**26,251**	27,878	41,564	11,226	–
Loans and advances to customers	**796,942**	570,714	552,526	557,224	543,289
Investment securities	**–**	–	–	–	150,565
Investment securities					
– Available-for-sale investments	**244,467**	126,646	63,428	107,317	–
– Held to maturity investments	**340,978**	401,348	496,600	284,144	–
Investments in subsidiaries	**65,767**	66,727	56,695	50,355	37,753
Investments in equity-accounted investee	**1,770**	–	10,843	10,843	10,843
Property and equipment	**67,661**	63,118	47,066	53,263	63,497
Intangible assets	**1,401**	1,578	2,099	2,952	–
Deferred tax assets	**28,643**	28,152	25,604	6,555	–
Other assets	**19,069**	11,159	16,891	24,877	80,186
Derivative assets	**3,265**	–	–	–	–
Non-current assets held for distribution	**–**	5,808	–	–	-
Total assets	**2,217,417**	1,933,065	1,666,053	1,440,724	1,400,879
LIABILITIES					
Derivative liabilities	**31**	124	817	9,310	–
Deposits form banks	**–**	22,875	23,408	51	10,080
Deposits from customers	**1,797,376**	1,461,131	1,216,511	1,120,566	1,151,086
Current tax liabilities	**1,602**	1,325	784	1,185	1,416
Dividend payable	**–**	–	–	–	42
Deferred tax liabilities	**–**	–	–	–	–
Subordinated liabilities	**55,653**	55,474	55,254	20,147	–
Borrowings	**48,866**	114,520	137,040	63,327	14,760
Other liabilities	**54,351**	57,299	49,924	38,782	34,273
Retirement benefit obligations	**–**	–	–	–	1,503
Total liabilities	**1,957,879**	1,712,748	1,483,738	1,253,368	1,213,160
EQUITY					
Share capital and share premium	**124,423**	124,423	124,423	124,423	124,423
Reserves	**135,115**	95,894	57,893	62,933	63,296
Total equity	**259,538**	220,317	182,315	187,356	187,719
Total liabilities and equity	**2,217,417**	1,933,065	1,666,053	1,440,724	1,400,879

Five-year Financial Summary *(Continued)*

for the year ended 31 December 2013

	Bank				
	IFRS				NGAAP
In millions of Nigerian Naira	**31 Dec 2013**	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Net operating income	**137,944**	124,356	85,150	122,986	165,547
Operating expenses	**(85,922)**	(75,393)	(101,978)	(104,419)	(111,653)
Provision for losses	**(181)**	(2,783)	(9,640)	(26,761)	(30,905)
Profit/(loss)before taxation and exceptional items	**51,841**	46,180	(26,468)	(8,194)	22,989
Exceptional items	**–**	–	–	–	(7,025)
Taxation	**(5,358)**	1,195	18,502	1,898	(3,075)
Profit/(loss) for the period	**46,483**	47,375	(7,966)	(6,295)	12,889
Other comprehensive income for the period	**9,167**	3,534	4,212	8,088	–
Total comprehensive income for the period	**55,650**	50,909	(3,754)	1,793	12,889

31 December 2009 financial statements are based on Generally Accepted Accounting Principles (GAAP) which were previously applicable in Nigeria.

Investor Information

Investor Information

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 (NSE) 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 2013

Year	**2013**	2012
NSE ticker	**UBA**	UBA
Bloomberg ticker	**UBA NL**	UBA NL
Share price (N)	**8.90**	4.59
Shares outstanding (million)	**32,981**	32,981
Market capitalisation (N' billion)	**293,531**	151,383
Market capitalisation (US$' million)	**1,893.75**	962.99
12-month average trading volume (million)	**26**	30
52-week high share price (N)	**10.56**	5.65
52-week low share price (N)	**4.16**	1.64

Share price performance, last one year – UBA (in red) versus NSE Banking Index (in blue)

Source: ft.com

Share Capital (Authorised and Fully Paid)

The Bank's Authorised Share Capital as of 31 December 2013 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.

Shareholders

As at the end of 2013, UBA's shares were held by a total of 280,156 shareholders as analysed in the table below:

SHAREHOLDING RANGE ANLYSIS					
RANGE	HOLDERS	HOLDERS %	UNITS	UNITS %	UNITS CUM
1 – 1,000	24,967	8.92	12,064,944	0.04	12,064,944
1,001 – 5,000	122,833	43.84	307,596,584	0.93	319,661,528
5,001 – 10,000	47,851	17.08	326,543,576	0.99	646,205,104
10,001 – 50,000	60,326	21.53	1,266,748,648	3.84	1,912,953,752
50,001 – 100,000	12,028	4.29	807,514,569	2.45	2,720,468,321
100,001 – 500,000	9,477	3.38	1,898,953,202	5.76	4,619,421,523
500,001 – 1,000,000	1,318	0.47	901,494,768	2.73	5,520,916,291
1,000,001 – Above	1,356	0.49	27,460,471,274	83.26	32,981,387,565
Total	**280,156**	**100.00**	**32,981,387,565**	**100.00**	

Top ten shareholders as at 31 December 2013

UNITED BANK FOR AFRICA PLC			
FULL LIST OF MEMBERS			
S/N	NAME	HOLDING	%
1.	UBA STAFF INVESTMENT TRUST SCHEME	2,484,527,057	7.53
2.	STANBIC NOMINEES NIGERIA LTD/C002 – TRAD	2,203,016,317	6.68
3.	CONSOLIDATED TRUST FUNDS LTD.	1,549,571,533	4.70
4.	STANBIC NOMINEES NIGERIA LTD/C001 – TRAD	1,394,892,074	4.23
5.	HEIRS HOLDINGS LIMITED	1,352,236,891	4.10
6.	STH LIMITED.	867,127,500	2.63
7.	THE BANK OF NEW YORK MELLON	728,402,628	2.21
8.	STANBIC NOMINEES NIGERIA LTD/C004 – TRAD	681,663,042	2.07
9.	POSHVILLE INVESTMENTS LIMITED	597,189,358	1.81
10.	INTERNATIONAL FINANCE CORPORATION – TRD	592,396,875	1.80

(Stanbic Nominees Nigeria Limited holds these shares on behalf of several investors under a nominee arrangement)

Investor Information *(Continued)*

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 and public offering)
18 January 2008	7,500,000,000	5,645,139,990	–
18 June 2008	12,500,000,000	8,622,584,985	Bonus (1:2) (interim)
5 January 2009	12,500,000,000	10,778,231,231	Bonus (1:4) (final)
2 October 2009	17,500,000,000	10,778,231,231	–
13 May 2010	17,500,000,000	12,933,877,477	Bonus (1:5) (final)
13 May 2011	17,500,000,000	16,167,346,850	Bonus (1:4) (final)
18 May 2012	22,500,000,000	16,490,693,782	Bonus (1:50) (final)

Ten-year dividend payment history

Dividend number	Year ended	Date declared	Total amount (N' million)	Dividend per share (N)
50	31 March 2003	8 August 2003	1,148	0.45
51	31 March 2004	30 September 2004	1,530	0.60
52	31 March 2005	22 July 2005	1,836	0.60
53	30 September 2006	31 January 2007	7,060	1.00
54	30 September 2007	18 January 2007	13,796	1.20
55	30 September 2008	18 June 2008	2,874	0.25
56	30 September 2008	8 January 2009	12,934	0.75
57	31 December 2009	13 May 2010	2,113	0.10
58	31 December 2011	13 May 2011	1,293	0.05
59	31 December 2012	10 June 2013	16,491	0.50

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
2013	1	16,490,693,782.50	13,716,716,528.10	2,773,977,259,.40	6,858,358,264.05

Credit rating summary

As of 31 December 2013	Fitch	GCR	Agusto
Short-term rating	B	A1 + (NG)	A + (NG)
Long-term rating	B+	BB-	–
Outlook	Stable	Stable	–

Investor Information *(Continued)*

Shareholder information

The Bank maintains an investor relations section on its website (www.ubagroup.com/ir), which provides access to share price data, management biographies, copies of annual reports, presentations on interim reports, credit rating reports and other useful investor information.

Contact us:

For all enquiries on shareholding, financial and business update, please contact our investor relations desk as follows:

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.

Notice of AGM

NOTICE IS HEREBY GIVEN that the 52nd Annual General Meeting of United Bank for Africa Plc will hold at the Lagos Oriental Hotel, 3 Lekki Road, Victoria Island, Lagos State on Friday, 25 April 2014 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive the audited Accounts for the year ended December 31, 2013 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, April 28, 2014 to all shareholders whose names are registered in the Company's Register of Members as at Monday, April 7, 2014

3. CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, April 8, 2014 to Monday, April 14, 2014 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 twenty-one days before the Annual General Meeting.

Dated this 27th day of March 2014

By Order of the Board.

Bili A Odum
Group Company Secretary

57 Marina, Lagos

Shareholder Data Form

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. E-MAIL*
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
2208, 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

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. E-MAIL*
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 African Prudential Registrars be liable for any damages, losses or liabilities including without limitation, direct or indirect, special, incidental, consequential damages, losses or liabilities, in connection with your use of this form or your inability to use the information, materials, or in connection with any failure, error, omission, defect, delay in operation or transmission, or system failure, even if you advise us of the possibility of such damages, losses or expenses, whether express or implied in respect of such information."

LAGOS
2208, 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 Allotment Mandate Form

Africa Prudential Registrars Plc
RC NO: 649007

To:
The Registrar
Africa Prudential Registrars Plc
2208, Ikorodu Road
Palmgrove
Lagos

e-SHARE ALLOTMENT MANDATE FORM

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 N50:00 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 to process your mandate.

NAME OF STOCKBROKER:* ________________

ADDRESS OF STOCKBROKER:* ________________

Authorised signature and stamp of stockbroking firm

- 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

Please tick against the company(ies) where you have a 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 ASSURANCE COY 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. PS 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 NIGERIAPLC
31. WEST AFRICAN GLASS IND PLC
32. TRANSCORP PLC

Other(s) specify ________________

LAGOS
2208, 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-Dividend Mandate/Replacement Form

Africa Prudential Registrars Plc

RC NO: 649007

E-DIVIDEND MANDATE/REPLACEMENT FORM

Dear shareholder,

We are pleased to advise you of our 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/Register
Africa Prudential Registrars Plc
2208, 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 undermentioned account with any dividend payment(s)/lost/nisplaced/stale/unclaimed dividend warrants due on my/our shareholding in the abovementioned company(ies), the particulars of which are stated below from the date hereof.

Shareholder's name:* ______________________
(Surname) (Other names

Shareholder's account number. (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 and authorised signatories

Shareholder(s) signatories

Note:
The provision of information on your Bank name, Bank account number, E-mail address and mobile number are very important to enable us to process your request. All asterisked fields (*) are compulsory.

Shareholders in the North and 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).

LAGOS
2208, 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

Admission Form

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: 25 April 2014

TIME: 10:00 am

VENUE: Oriental Hotel, Lagos

Name of shareholder:

Address:

Account nNumber: 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 2208, Ikorodu Road, Palmgrove Lagos	**Registrar's stamp**

Proxy Form

Fifty-second Annual General Meeting of United Bank for Africa Plc

I/We:

Shareholder's name:

Address:

Number of shares held:

being the registered holder(s) of the ordinary shares of United Bank of 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 Oriental Hotel, Lagos on Friday, 25 April 2014 and at any adjournment thereof.

Signed this day of 2014

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, PO Box 6492, Lagos, no later then 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.

The proxy form is solicited on behalf of the Board of Directors and is to be at the 52nd Annual General Meeting to be held on Friday, 25 April 2014.

Ordinary business	For	Against	Abstain
1. To receive the audited accounts for the year ended 31 December 2013, 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 her 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 Oriental Hotel, Lagos at 10.00 a.m. on Friday, 25 April 2014.

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

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	+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

AFRICA ▪ LONDON ▪ NEW YORK ▪ PARIS

Head Office: UBA House, 57 Marina, Lagos, Nigeria

www.ubagroup.com