UNITED BANK FOR AFRICA PLC

Consolidated and Separate Financial Statements for the year ended 31 December 2018

Contents

Directors' Report

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2018.

1 Results at a Glance

	Group		Bank	
	2018 (N'Million)	2017 (N'Million)	2018 (N'Million)	2017 (N'Million)
Profit before tax	106,766	104,222	55,350	52,795
Taxation	(28,159)	(26,674)	(14,303)	(11,399)
Profit after tax	78,607	77,548	41,047	41,396
Other comprehensive income	(33,273)	27,769	(12,009)	15,668
Total comprehensive income	45,334	105,317	29,038	57,064
Total comprehensive income attributable to:				
− Equity holders of the Bank	44,426	98,930	29,038	57,064
− Non-controlling interest	908	6,387	0	0
Total comprehensive income	45,334	105,317	29,038	57,064

2 Dividend

The Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, propose a final dividend of ₦0.65 per share (31 December 2017: ₦0.65 per share) from the retained earnings account as at 31 December, 2018. This proposed final dividend and the ₦0.20 per share interim dividend paid in September 2018 will be presented to shareholders for approval at the next Annual General Meeting. The proposed dividend is subject to withholding tax at the appropriate tax rate.

3 Legal form

United Bank for Africa Plc was incorporated in Nigeria as a limited liability company on 23 February, 1961, under the Companies Ordinance [Cap 37] 1922. It took over the assets and liabilities of the British and French Bank Limited, which had carried on banking business in Nigeria since 1949. UBA merged with Standard Trust Bank Plc on 01 August, 2005 and acquired Continental Trust Bank Limited on 31 December, 2005.

4 Major activities & business review

UBA Plc is engaged in the business of banking and cater for the banking needs of Institutions, Corporate, Commercial and Consumer customer segments, providing trade services, remittance, treasury management, custody/investor services, digital and general banking services. Pension custody services are offered through its subsidiary. A comprehensive review of the business for the year and the prospects for the ensuing year is contained in the CEO's report.

5 Directors

NAME	DESIGNATION
Mr. Tony O. Elumelu, CON	Non-Executive Director (Chairman)
Ambassador Joe Keshi, OON	Non-Executive Director (Vice-Chairman)
Mr. Kennedy Uzoka	Executive Director (GMD/CEO)
Mr. Victor Osadolor	Executive Director (DMD)
Mr. Dan Okeke	Executive Director
Mr. Emeke Iweriebor	Executive Director
Mr. Oliver Alawuba	Executive Director
Mr. Uche Ike	Executive Director
Mr. Ayoku Liadi	Executive Director
Mr. Puri Ibrahim	Executive Director
Mr. Chukwuma Nweke	Executive Director
Chief Kola Jamodu, CFR*	Non-Executive Director
Ms. Angela Aneke	Non-Executive Director
Mr. Kayode Fasola	Non-Executive Director
Mrs. Foluke Abdulrazaq	Non-Executive Director
Mrs. Owanari Duke	Independent Non-Executive Director
High Chief Samuel Oni	Independent Non-Executive Director

Directors' Report - Continued

5 Directors - continued

Erelu Angela Adebayo	Independent Non-Executive Director
Alhaji Abdulqadir Bello	Independent Non-Executive Director

* Having served three terms on the Board, Chief Kola Jamodu, CFR retired on January 28, 2019.

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

Mr. Tony O. Elumelu, CON
Mrs Foluke Abdulrazaq
Mrs Owanari Duke

Since the last AGM, Ms. Angela Aneke, Mr. Kayode Fasola, Erelu Angela Adebayo and Alhaji Abdulqadir Bello were appointed directors and in accordance to S. 249(2) of the Companies and Allied Matters Act 2004 and Article 75 of the Articles of Association, they will retire at this meeting and being eligible offer themselves for re-election.

6 Directors' interests

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

	31-Dec-18		31-Dec-17	
Name	Direct holding	Indirect holding	Direct holding	Indirect holding
Mr. Tony O. Elumelu, CON	189,851,584	2,045,354,576	189,851,584	2,083,024,416
Amb. Joe Keshi, OON	433,499	-	433,499	-
Mr. Kennedy Uzoka	37,173,909	-	37,173,909	-
Mr. Victor Osadolor	16,583,126	-	16,583,126	-
Mr. Dan Okeke	31,297,918	-	30,279,136	-
Mr. Emeke Iweriebor	7,034,071	-	7,034,071	-
Mr. Oliver Alawuba	462,000	-	462,000	-
Mr. Uche Ike	10,936,395	-	10,936,395	-
Mr. Ayo Liadi	1,080,000	-	1,080,000	-
Mr. Puri Ibrahim	981,118	-	981,118	-
Mr. Chukwuma Nweke	1,059,860	-	1,059,860	-
High Chief Samuel Oni, FCA	2,065	-	2,065	-
Ms. Angela Aneke	-	-	N/A	N/A
Chief Kola Jamodu, CFR*	657,415	128,311	657,415	128,311
Mr. Kayode Fasola	-	-	-	N/A
Mrs. Foluke Abdulrazaq	10,000,000	11,120,000	10,000,000	11,120,000
Erelu Angela Adebayo	-	-	N/A	N/A
Alhaji Abdulqadir Bello	-	-	N/A	N/A
Mrs. Owanari Duke	86,062	-	86,062	-

Details of indirect holdings

Name of Director	Company(ies)	Indirect holding	Total indirect holding
Mr. Tony O. Elumelu, CON	HH Capital Limited	103,173,976	-
	Heirs Holdings Limited	1,742,180,600	-
	Heirs Alliance Limited	200,000,000	2,045,354,576
Chief Kola Jamodu, CFR	JAMKOL Inv. Limited	128,311	128,311
Mrs Foluke Abdulrazaq	Bridge House College	11,120,000	11,120,000

Directors' Report - Continued

7 Analysis of shareholding

The details of shareholding of the Bank as at December 31, 2018 is as stated below;

Headline	Shareholders			Holdings		
Range	Count	Cummulative Count	Count (%)	Aggregate Holdings	Cummulative Holdings	Aggregate Holdings %
1 -1000	30128	30128	11.11%	14,084,662	14,084,662	0.04%
1001 - 5,000	120219	150347	44.35%	300,593,268	314,677,930	0.88%
5,001 - 10,000	45087	195434	16.63%	308,331,381	623,009,311	0.90%
10,001 - 50,000	54457	249891	20.09%	1,133,439,488	1,756,448,799	3.31%
50,001 - 100,000	10578	260469	3.90%	710,753,889	2,467,202,688	2.08%
100,001 - 500,000	8308	268777	3.06%	1,664,259,240	4,131,461,928	4.87%
500,001 - 1,000,000	1128	269905	0.42%	779,672,395	4,911,134,323	2.28%
1,000,001 - 5,000,000	876	270781	0.32%	1,715,508,861	6,626,643,184	5.02%
5,000,001 - 10,000,000	112	270893	0.04%	784,232,642	7,410,875,826	2.29%
10,000,001 - 50,000,000	115	271008	0.04%	2,411,300,105	9,822,175,931	7.05%
50,000,001 - 100,000,000	24	271032	0.01%	1,649,311,425	11,471,487,356	4.82%
100,000,001 - 500,000,000	41	271073	0.02%	11,910,516,831	23,382,004,187	34.83%
500,000,001 - 1,000,000,000	10	271083	0.00%	6,476,298,638	29,858,302,825	18.94%
1,000,000,001 and above	3	271086	0.00%	4,341,118,541	34,199,421,366	12.69%
	271,086		100.00%	34,199,421,366		100.00%

8 Substantial interest in shares: shareholding of 5% and above

According to the Register of Shareholders as at December 31, 2018, no shareholder held more than 5% of the share capital of the Bank except the following;

Shareholders	Holding	Holding (%)
Stanbic Nominees	3,841,295,144	11.20%
Heirs Holdings	1,742,180,600	5.10%

9 Trading in the shares of UBA

A total of 5,808,823,752 units of UBA shares were traded on the Nigerian Stock Exchange in 2018, representing 17.0% of the shares outstanding. The share price waned 25% in the period, closing the year at N7.70 (from N10.30 as at 01 January 2018), reflecting the bearish performance of the Nigerian equity market, as signified by the c.18% loss in the Nigerian Stock Exchange All Share Index (NSE ASI) during the year ended December 31, 2018.

10 Acquisition of own shares

The Bank did not purchase its own shares during the period. Also, the Group has a Board approved Global Personal Investment Policy, which covers directors, staff, and related parties. The policy prohibits employees, directors and related individuals/companies from insider dealings on the shares of UBA Plc and related parties. The essence of the policy is to prevent the abuse of confidential non-public information that may be gained during the execution of UBA's business. In addition, the policy serves to ensure compliance with the local laws and/or regulatory requirements. In accordance with the NSE Rule Book and Amendments to the Listing Rules, UBA observes closed periods, within which affected persons/corporates are restricted from trading on the shares of the Bank. There was no case of violation within the period under review.

11 Donations

As a part of our commitment to the development of host communities, the environment and broader economy within which we operate, across the Group, a total of N1,048,353,299 (One Billion, Forty eight Million, Three Hundred and Fifty-Three Thousand, Two Hundred and Ninety-Nine Naira Only) was given out as donations and charitable contributions during the 2018 financial year (Bank: N1,033,205,556.00). The beneficiaries of the donations are as follows;

11 Donations - continued

SCHEDULE OF DONATIONS FOR THE PERIOD 1ST JANUARY 2018 TO 31ST DECEMBER 2018

Beneficiary/Project	Amount (NGN)
Nigeria	
Financial Inclusion and Public Enlightenment Project	400,000,000
Akwa Ibom State Government Security Project	177,250,000
Ambrose Ali University, Edo State	93,721,328
Taraba State Government Security Project	84,000,000
Abia State Government Security Project	65,866,500
Plateau State Specialist Hospital	37,005,953
Benue State Financial Management System	32,886,571
Taraba State University	30,000,000
National Youth Service Corps	27,760,000
Chartered Institute of Bankers of Nigeria	15,500,000
Delta State African Senior Athletics Competition	10,000,000
Flood victims of Jibia Local Government Area, Katsina State	10,000,000
Augustine University, Lagos State	10,000,000
Ibrahim Badamasi Babangida University, Niger State	10,000,000
Ondo State Investment Summit	10,000,000
University of Lagos	7,347,778
Enugu State Polytechnic	4,767,425
Babcock University, Ogun State	2,300,000
Adamawa State University	2,300,000
Others	2,500,000
Sub-Total	**1,033,205,556**
Rest of Africa	
Each one Teach one' Empowerment Initiative, Tanzania	2,495,930
National Essay Competition, Ghana	1,793,950
Renovation of Premises of Ghana National College	744,378
Nigeria High Commission in Ghana (Celebration of Independence Day)	744,378
Co-Sponsor of Ghana Gas for Economic Forum	744,378
Exhibition	372,187
Support for Gamou Medina Baye Celebration in Senegal	646,540
Support to Calife Touba Estate in Senegal	313,224
Donations o University Chiek Anta Diop	3,130,802
Support to the Nigerian High Commission in Sierra Leone	436,220
Support to Nigerian High Commission in Gabon (Nigerian Independence)	612,270
National Fistula Center, Chad	621,783
Each one Teach one' Empowerment Initiative, Uganda	540,697
Read Africa' Educational Initiative, Tanzania	436,787
Association of Widowed Women, Chad	392,157
Hospital Mere et Enfant (Mother and Child Hospital), Chad	358,790
Kenyatta National Hospital, Kenya	352,099
Read Africa' Educational Initiative, Uganda	223,167
SOS Village, Chad	188,006
Sub-Total	**15,147,743**
Total Donations Across the Group	**1,048,353,299**

12 Employment and employees

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

Health, Safety at Work and Welfare of Employees
The Bank maintains business premises designed with a view to guaranteeing the safety and healthy working conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. The Bank has a comprehensive health insurance scheme for staff, through which medical needs of staff and their immediate family members are met. In addition, the Bank provides first aid in all business offices and has a medical facility at the Head Office. As a part of the investment in the welfare of staff, the Bank maintains an ultra-modern gym facility at the head-office and organizes a quarterly fitness session (tagged "jogging to bond"), held at different stadia across all its country of operations, thereby providing access to various sporting facilities and professional instructors.

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

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

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

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

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

(a) Staff distribution by gender during 2018 financial year

Description	Gender	Head Count	% of Total
Group	Male	6,988	54%
	Female	5,921	46%
	Total	**12,909**	**100%**
Bank	Male	5,187	54%
	Female	4,437	46%
	Total	**9,624**	**100%**

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

Description	Gender	Head Count	% of Total
Board of Directors	Male	15	79%
	Female	4	21%
	Total	**19**	**100%**
Top Management	Male	67	74%
	Female	23	26%
	Total	**90**	**100%**

12 Employment and employees - continued

(a) Staff distribution by gender during 2018 financial year - continued

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

Description	Male		Female		Total
	Head Count	% of Total	Head Count	% of Total	
Non-Executive Directors	6	60%	4	40%	**10**
Executive Directors	9	100%	0	0%	**9**
General Managers	23	72%	9	28%	**32**
Deputy General Managers	10	53%	9	47%	**19**
Assistant General Managers	34	87%	5	13%	**39**
Total	**82**	**75%**	**27**	**25%**	**109**

(b) Group Staff distribution by nationality and location during 2018 financial year

Nationality	Location	Head Count
Nigerian	Nigeria	**9572**
	Other 19 African Countries	**58**
	USA	**4**
	United Kingdom	**6**
UBA CEMAC:	Nigeria	**1**
Cameroon, Chad, Congo DRC and Gabon	Other 19 Africa Countries	**676**
UBA EAST AND SOUTHERN AFRICA:	Nigeria	**0**
Congo Brazzaville, Kenya, Tanzania, Uganda, Mozambique and Zambia	Other 19 Africa Countries	**748**
UBA WEST AFRICA 1:	Nigeria	**1**
Benin, Burkina Faso, Cote D'Ivoire, Ghana, Liberia and Sierra Leone	Other 19 Africa Countries	**1,467**
UBA WEST AFRICA 2:	Nigeria	**1**
Senegal, Guinea and Mali	Other 19 Africa Countries	**342**
Indians	Nigeria	**2**
American	New York	**22**
Other Nationalities	United Kingdom	**8**
French	France	**1**
Total		**12,909**

13 Fixed assets

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

14 Post balance sheet events

There are no post balance sheet events which could have had material effect on the financial position of the Group as at December 31, 2018 and the profit for the year ended that date.

15 Audit committee

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

Mr. Valentine Ozigbo	Chairman/Shareholder
Mr. Matthew Esonanjor	Shareholder
Alhaji Umar Al-Kassim	Shareholder
Mrs. Foluke Abdulrazaq	Non-Executive Director
Mrs. Owanari Duke	Non-Executive Director
Ms. Angela Aneke	Non-Executive Director

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act.

16 Auditors

Messrs. PricewaterhouseCoopers have indicated their willingness, to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act.

17 Disclosure of customer complaints in the financial statements for the period ended 31 December 2018

Description	Number		Amount claimed		Amount refunded	
	2018	2017	2018 (N'Million)	2017 (N'Million)	2018 (N'Million)	2017 (N'Million)
Pending Complaints B/F	15,566	6,008	11,577	1,147		
Received Complaints	599,956	494,120	403,490	57,201		
Resolved Complaints	588,965	484,546	406,887	27,309	3371	319
Unresolved Complaints Escalated to CBN for Intervention	8	16	235	19,462		
Unresolved Complaints Pending with the bank C/F	26,549	15,566	7,944	11,577		
% of complaint/transaction volume	0.17%	0.19%				

By the order of the Board

Bili A. Odum
Group Company Secretary,
57 Marina, Lagos
January 29, 2018
FRC/2013/NBA/00000001954

COMPLAINTS AND FEEDBACK

Introduction

United Bank for Africa Plc is a customer-focused Pan-African financial services Group. Our aim is to deliver excellent customer service and provide high quality financial solutions to our over fifteen million customers in the 23 countries where we operate. At each of our multiple contact points with customers, we aim to proactively exceed their expectations. Customer feedback is thus an effective tool in our relentless effort to delight our customers at all points of interaction with the Bank.

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

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

Complaints Channels

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

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

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

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

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

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

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

Resolution Structure

In order to ensure that Customers' complaints, enquiries and requests are promptly resolved, the Bank has put in place a dedicated Complaints' Management Team supervised by a Senior Officer of the Bank, who is responsible for prompt investigation and resolution of customers' complaints within the approved timelines. The unit is manned by highly skilled personnel with rich and diverse banking experience to

promptly resolve customer complaints. The Bank maintains a robust Customer Complaints Management system, which is managed by well trained staff of the Customer Service Division and reports generated are periodically reviewed by Executive Management to see where processes can be improved to enhance customer service.
The complaints management system ensures that customers' issues are promptly treated as specified within the established framework and turnaround time.

The process flow of customer complaint and resolution is as follows:
(i) The Bank's touch point (Business office, CFC (Calls, Telemarketing & E-mail), Social media; Twitter, Linkedin, Facebook & Live chat) that receives the customer's complaint acknowledges and registers the complaint on the Customer Contact Manager (CCM), the bank's automated complaints management system.

Complaints and Feedback - Continued
Resolution Structure - continued

(ii) The complaint is reviewed and it is determined if the complaint could be resolved at first level.
(iii) Where the complaint can be resolved at the first level, a resolution is provided to the customer.
(iv) If such complaint cannot be resolved at the first level, the touch point forwards the complaint to Operations Specialists at the Resolution Unit to resolve.
(v) Upon resolution, the customer is contacted and the required feedback provided to the customer.
(vi) The complaint is then closed in the system.
(vii) Where customer is not satisfied with the resolution outcome and a rejoinder is sent, more attention is given to it by the Unit Head to further analyze and resolve the issues raised and final outcome communicated to the customer.

Feedback on customers' complaints to the Bank – Monthly Complaints Dash Board
A Monthly Performance Feedback dash board on customers' complaints is provided to Management and relevant Departments within the Bank to address the root causes of complaints and issues raised by customers.
The feedback dash board ensures that:
(i) Improvement opportunities are quickly identified and brought to bear
(ii) The quality of customer service is improved and standardized across all the customer touch points of the Bank
(iii) Customer retention is improved through increased customer satisfaction
(iv) Training and re-training is also done on a regular basis to keep abreast the development in the industry.

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

Email: *investorrelations@ubagroup.com*
Telephone: +234-1-2808349
Mailing Address: Head, Investor Relations, UBA House, 57, Marina, Lagos.

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

CORPORATE GOVERNANCE

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 and Discount Houses in Nigeria 2014" issued by the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission's (SE C) "Code of Corporate Governance".

The Bank complied with the requirements of the CBN code, the SEC code, and its own governance charters, during the 2018 financial year.

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

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

As at December 31, 2018, the Board comprised a Non-Executive Chairman, a Non-Executive Vice Chairman, eight (8) other Non-Executive Directors, which includes, two (2) Independent Non-Executive Directors and nine (9) Executive Directors (which include the GMD/CEO and the Deputy Managing Director), all of whom bring a wide range of skills and experience to the Board.

The Board of Directors carries out its responsibility through its standing Committees. These are the Board Audit and Governance Committee, the Board Risk Management Committee, the Finance and General Purpose 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 nineteen members, nine of whom (inclusive of the GMD/CEO), are Executive Directors and 10 Non-Executive Directors. The Non-Executive Directors have the requisite integrity, skills and experience to bring independent judgment to bear on Board deliberations and discussions.

Responsibility:

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman is primarily responsible for the working of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and comprises all Executive Directors and other critical functional heads. 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 2018, the Board met five (5) 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 & Retirements:

During the 2018 financial year, the following four (4) Non-Executive Directors retired;

1. Mr. Adekunle Olumide, OON
2. Mrs. Rose Okwechime
3. Mr. Yahaya Zekeri
4. Alhaji Ja'afaru Zekeri

Subsequently, the following four (4) Non-Executive Directors were appointed;

1. Erelu Angela Adebayo
2. Ms. Angela Aneke
3. Mr. Kayode Fasola
4. Mr. Abdulqadir Bello

Professional Independent Advice:

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

(b) Accountability and audit

Financial Reporting

The Board has presented a balanced assessment of the Company's position and prospects. The Board is mindful of its responsibilities and is satisfied that in the preparation of its Financial Report, it has met 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 2018 financial year. Their report is contained on page 22 of this Annual Report.

Internal Controls

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

(c) Control environment

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

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

(d) Shareholder rights

The Board of UBA Plc has always placed considerable emphasis on effective communication with its shareholders. It ensures that the rights of shareholders are always protected. Notice of meetings and all other statutory notices and information are communicated to the shareholders regularly. The Bank ensures the protection of statutory and general rights of shareholders at all times, particularly their right to vote at General Meetings. All shareholders are treated equally regardless of their equity interest or social status.

The General Meeting of Shareholders is the highest decision-making body of the Bank and meetings are conducted in a fair and transparent manner that gives shareholders the opportunity to express their opinion. The Group publishes quarterly, half-yearly and annual reports on its website as well as national newspapers. The Group also provides investor presentations and other relevant communications that provide requisite information to shareholders and the general public, especially as regards the performance, strategy and developments in the Group.

Besides, the Group maintains an investor relations unit which routinely attends to shareholders' enquiries and ensures that shareholders' views are appropriately escalated to the Management and Board on a continuous basis. In addition, shareholders are encouraged to continuously 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 on the back cover of this Annual Report.

(e) Board committees

At the beginning of 2018, the Board of UBA Plc had the following Committees, namely:
1. Board Audit Committee
2. Board Risk Management Committee
3. Finance and General Purpose Committee
4. Nominations and Governance Committee
5. Board Credit Committee

However, at the meeting of the Board of Directors held on October 20, 2018 the Board Committees were reconstituted as follows:
1. Board Audit & Governance Committee
2. Board Credit Committee
3. Board Risk Management Committee
4. Finance and General Purpose Committee

(i) Board Audit Committee

The Board Audit Committee which met at least once a quarter, with the Chief Internal Auditor in attendance, previously comprised of the following members:
1. Mr. Adekunle Olumide, OON - Chairman
2. Mrs. Foluke Abdulrazaq - Member
3. Chief Kola Jamodu, CFR - Member
4. Mrs. Rose Okwechime - Member
5. High Chief Samuel Oni, FCA - Member

The Board Audit Committee was set up to further strengthen internal controls in the Group. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that effective systems of Financial and Internal controls are in place within the Group. The record of attendance of the Board Audit Committee for the year 2018 is displayed in the table below:

Members	Number of meetings held	Number of meetings attended by members
Mr. Adekunle Olumide	2	2
Mrs. Foluke Abdulrazaq	2	2
Chief Kola Jamodu	2	2
Mrs. Rose Okwechime	2	2
High Chief Samuel Oni	2	2

Note: The Board Audit Committee met twice in the first three quarters of 2018, as the Committee could not form a quorum in the third quarter, due to the retirement of two of its members on August 30, 2018.

(ii) Nominations and Governance Committee

The Nominations and Governance Committee which met at least once a quarter, previously comprised of the following Non-Executive Directors:
1. Mrs. Rose Okwechime - Chairman
2. Mrs. Foluke Abdulrazaq - Member
3. Mr. Yahaya Zekeri - Member
4. Mrs. Owanari Duke - Member

The responsibilities of the Committee include reviewing, considering and determining the appropriate remuneration payable to the Bank's Executive Directors. The record of attendance of the Nominations and Governance Committee for the year 2018 is displayed in the table below:

Members	Number of meetings held	Number of meetings attended by members
Mrs. Rose Okwechime	3	3
Mrs. Foluke Abdulrazaq	3	3
Mr. Yahaya Zekeri	3	3
Mrs. Owanari Duke	3	3

Corporate Governance - Continued

(e) Board committees - continued

(iii) Board Audit and Governance Committee

Following the re-constitution of the Board Committees, the Board Audit and Governance Committee which is a merger of the Board Audit Committee and the Nominations and Governance Committee is comprised as follows:
1. Ms. Angela Aneke - Chairman
2. Mr. Abdulqadir Bello - Member
3. Mrs. Foluke Abdulrazaq - Member
4. Mrs. Owanari Duke - Member
5. Erelu Angela Adebayo - Member

The Board Audit and Governance Committee combines the roles and responsibilities of the Board Audit and Nominations & Governance Committees. Its inaugural meeting was held on November 26, 2018 and the record of attendance is presented in the table below:

Members	Number of meetings held	Number of meetings attended by members
Ms. Angela Aneke	1	1
Mr. Abdulqadir Bello	1	1
Mrs. Foluke Abdulrazaq	1	1
Mrs. Owanari Duke	1	1
Erelu Angela Adebayo	1	1

(iv) Board Risk Management Committee

Before the reconstitution of the Board Committees on October 20, 2018, the Board Risk Management Committee comprised of the following Directors:
1. Chief Kola Jamodu, CFR - Chairman
2. Mr. Kennedy Uzoka - Member
3. Mr. Victor Osadolor - Member
4. Alhaji Ja'afaru Paki - Member
5. Mrs. Rose Okwechime - Member
6. Mr. Adekunle Olumide, OON - Member
7. High Chief Samuel Oni, FCA - Member
8. Mr. Uche Ike - Member

After reconstitution of the Committee, the composition of the Board Risk Management Committee is now as follows:
1. High Chief Samuel Oni, FCA - Chairman
2. Mr. Kayode Fasola - Member
3. Erelu Angela Adebayo - Member
4. Mr. Kennedy Uzoka - Member
5. Mr. Victor Osadolor - Member
6. Mr. Chukwuma Nweke - Member
7. Mr. Uche Ike - Member

Meetings are held at least once a quarter and the responsibilities of the Committee include to review and recommend risk management strategies, policies and risk tolerance for the Board's approval; to review management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and to consider and examine such other matters as the Board requires, the Committee considers appropriate, or which are brought to its attention, and make recommendations or reports to the Board accordingly. The record of attendance of the Board Risk Management Committee for the year 2018 is contained in the table below:

Members	Number of meetings held	Number of meetings attended by members
Chief Kola Jamodu, CFR[1]	1	3
Mr. Kennedy Uzoka	1	4
Mr. Victor Osadalor	1	4
Mr. Adekunle Olumide[2]	1	2
Mrs. Rose Okwechime[2]	4	2

Corporate Governance - Continued

(e) Board committees - continued

(iv) Board Risk Management Committee - continued

Alhaji Ja'afaru Paki[2]	4	2
Mr. Uche Ike	4	4
High Chief Samuel Oni, FCA	4	4
Erelu Angela Adebayo[3]	4	1
Mr. Kayode Fasola[3]	4	1
Mr. Chukwuma Nweke[3]	4	1

[1] Ceased to be a member of the Board Risk Management Committee, after it was reconstituted on 20 October, 2018

[2]Ceased to be a member, following retirement on 30 August, 2018

[3]Appointed to the Committee on 20 October, 2018

(v) Board Credit Committee

The Board Credit Committee was, until October 20, 2018 made up of four (4) Non-Executive Directors and is responsible for approval of credit facilities in the Bank. It reviews all credits granted by the Bank and meetings are held at least once a quarter. The members of the Board Credit Committee before its reconstitution were:

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

After reconstitution, the Board Credit Committee now comprises of five (5) Non-Executive Directors, namely:

1. Mr. Abdulqadir Bello - Chairman
2. Mrs. Foluke Abdulrazaq - Member
3. Ms. Angela Aneke - Member
4. Mrs. Owanari Duke - Member
5. Mr. Kayode Fasola - 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 reviews the Loan portfolio of the Bank and reviews and approves country risks exposure limits. The record of attendance of the Board Credit Committee for the year 2018 is contained in the table below:

Members	Number of meetings held	Number of meetings attended by members
Mrs. Foluke Abdulrazaq	4	4
Mr. Yahaya Zekeri[1]	4	3
Mrs. Owanari Duke	4	4
Alhaji Ja'afaru Paki[1]	4	3
Mr. Abdulqadir Bello[2]	4	1
Mr. Kayode Fasola[2]	4	1
Ms. Angela Aneke[2]	4	1

[1]Ceased to be a member upon retirement on 30 August, 2018

[2]Appointed on 20 October, 2018, when the Committee was reconstituted.

(vi) 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. Before the reconstitution of the Board Committees on October 20, 2018, the Finance and General Purpose Committee comprised of the following Directors:

Corporate Governance - Continued

(e) Board committees - continued

(vi) Finance and General Purpose Committee - continued

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

However, upon reconstitution, the composition of the Finance and General Purpose Committee is as follows:
1. Mr. Kayode Fasola - Chairman
2. Mr. Abdulqadir J. Bello - Member
3. Erelu Angela Adebayo - Member
4. Ms. Angela Aneke - Member
5. Mr. Kennedy Uzoka - Member
6. Mr. Victor Osadolor - Member
7. Mr. Chukwuma Nweke - Member
8. Mr. Uche Ike - Member

The record of attendance of the Finance and General Purpose Committee for the year 2018 is contained in the table below:

Members	Number of meetings held	Number of meetings attended by members
Mrs. Owanari Duke[2]	3	2
Mr. Kennedy Uzoka	3	3
Mr. Victor Osadolor	3	3
Mr. Adekunle Olumide, OON[3]	3	2
Alhaji Ja'afaru Paki[3]	3	2
Mr. Kayode Fasola[4]	3	1
Erelu Angela Adebayo[4]	3	1
Ms. Angela Aneke[4]	3	1
Mr. Abdulqadir Bello[4]	3	1
Mr. Uche Ike[4]	3	1
Mr. Chukwuma Nweke[4]	3	1

[1]The Finance and General Purpose Committee met thrice in 2018, as the Committee could not form a quorum in the third quarter due to the retirement of a number of its members on August 30, 2018

[2]Ceased to be a member from October 20, 2018, following the reconstitution of the Committee.

[3]Ceased to be a member following retirement from the Board of Directors of the Bank

[4]Appointed to the Committee on October 20, 2018.

(vii) Statutory Audit Committee

The Statutory Board Audit Committee was set up in accordance with the provisions of the Companies and Allied Matters Act, CAP20, 2004. It comprises of a mixture of Non-Executive Directors and ordinary shareholders elected at the Annual General Meeting.

Its terms of reference include the monitoring of processes designed to ensure compliance by the Group in all respects with legal and regulatory requirements, including disclosure, controls and procedures and the impact (or potential impact) of developments related thereto. It evaluates annually, the independence and performance of the External Auditors. The Committee also reviews with Management and the External Auditors the annual audited financial statement before its submission to the Board. The Members of the Statutory Audit Committee in 2018 are as follows:
1. Mr. Valentine Ozigbo - Chairman/Shareholder
2. Mr. Matthew Esonanjor - Shareholder
3. Alhaji Umar Al-Kassim - Shareholder
4. Mrs. Foluke Abdulrazaq - Non-Executive Director
5. Mr. Adekunle Olumide, OON - Non-Executive Director
6. Mrs. Owanari Duke - Non-Executive Director

Corporate Governance - Continued

(e) Board committees - continued

(vii) Statutory Audit Committee - continued

The record of attendance of the Statutory Audit Committee for the year 2018 is contained in the table below:

Members	Number of meetings held	Number of meetings attended by members
Tony O. Elumelu, CON	3	2
Joe. C. Keshi, OON[1]	3	3
Kennedy Uzoka	3	3
Victor Osadolor	3	2
Dan Okeke	3	2
Emeke Iweriebor	3	1
Uche Ike	3	1
Oliver Alawuba	3	1
Chukwuma Nweke	3	1
Ayoku Liadi	3	1
Puri Ibrahim	3	1
Chief Kola Jamodu, CFR	3	1
Alhaji Ja'afaru Paki[1]	3	1
Adekunle Olumide, OON	3	1
Rose Okwechime	3	1
Yahaya Zekeri	3	1
Foluke Abdulrazaq	3	1
High Chief Samuel Oni, FCA[3]	3	1
Owanari Duke[4]	3	1
Ms. Angela Aneke[5]	3	1
Erelu Angela Adebayo[5]	3	1
Mr. Kayode Fasola[5]	3	1
Mr. Abdulqadir Bello[5]	3	1

[1]Absent from the Board meeting held on October 20, 2018 due to a domestic accident.

[2]Retired from the Board of Directors of UBA Plc on August 30, 2018

[3]Absent from the Board meeting held on April 17, 20181 due to medical reason.

[4]Absent from the Board meeting held on December 14, 2018 due to family reasons.

[5]Appointed to the Board on 30 August 2018

(viii) Executive Management Committees

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

Corporate Governance - Continued

(f) Directors' compensation

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

REPORT OF THE STATUTORY AUDIT COMMITTEE

To members of United Bank for Africa Plc

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

(i) We confirm that we have seen the audit plan & scope, and the Management Letter on the audit of the Group financial statements and the responses to the said letter.

(ii) In our opinion, the plan & scope of the audit for the period ended 31 December, 2018 were adequate. We have reviewed the Auditors' findings and we are satisfied with the Management responses thereon.

(iii) We also confirm that the accounting and reporting policies of the Bank are in accordance with legal requirements and ethical practices.

(iv) Related party transactions and balances are disclosed in the Note to the financial statements as required by the provisions of the Central Bank of Nigeria circular 85D/1//2004 dated February 18, 2004 on "Disclosure of Insider-Related Credits in Financial Statements". This disclosure was reviewed and found to be as analysed in the financial statements as at December 31, 2018.

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act and Sections 24 and 28 of the Banks and Other Financial Institutions Act, the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank and of the profit or loss for the period ended December 31, 2018 and in so doing they ensure that:

(i) Proper accounting records are maintained;

(ii) Applicable accounting standards are followed;

(iii) Suitable accounting policies are adopted and consistently applied;

(iv) Judgments and estimates made are reasonable and prudent;

(v) The going concern basis is used, unless it is inappropriate to presume that the Bank will continue in business; and

(vi) Internal control procedures are instituted which as far as reasonably possible, safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting standards (IFRS) and in the manner required by the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act 2011, the Banks and Other Financial Institutions Act, the Central Bank of Nigeria Prudential guidelines and other relevant regulations issued by the Central Bank of Nigeria.
The Directors believe that the year ended December 31, 2018 financial statements give a true and fair view of the state of the financial affairs of the Bank and Group. The Directors accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements as well as adequate systems of financial control.

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

SIGNED ON BEHALF OF THE DIRECTORS:

Kennedy Uzoka

Kennedy Uzoka
FRC/2013/IODN/00000015087

Independent auditor's report

To the Members of United Bank for Africa Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of United Bank for Africa Plc ("the bank") and its subsidiaries (together "the group") as at 31 December 2018, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

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

- the consolidated and separate statements of comprehensive income for the year ended 31 December 2018;
- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	
Gross Loans and advances to customers as at 31 December 2018 amounted to N1.8trillion for the group and N1.3trillion for the bank, while the related loan loss reserve were N92.1billion and N60.3billion respectively. We focused on this area because of the significant value of loans and advances and because the directors make significant and subjective judgement over the timing, estimation and recognition of the related loan loss reserve. The adoption of IFRS 9 "Financial Instruments" introduced the expected credit loss (ECL) model which requires significant judgement. Significant judgement exercised by the directors include; • segmentation of credit facilities which reflect similar risk characteristics • the allocation of loan accounts into different stages to reflect the credit risk of the loan; • determining the criteria for assessing significant increase in credit risk (SICR); • incorporating forward looking information in building economic scenarios used in the ECL model; • methodology used to determine the 12 month and lifetime probability of default (PD) used in the ECL model; • estimation of Loss Given Default (LGD) by considering collateral values and the haircut adjustment as well as estimation of recoveries on unsecured exposures; and • determination of default definition used by management in the ECL model. This matter is considered a key audit matter in both the consolidated and separate financial statements. *See Notes 3, 4 and 25 to the consolidated and separate financial statements for further information.*	We understood and evaluated the design and operating effectiveness of the controls over the estimation of loan loss reserve. We applied target testing approach in selecting a sample of credit facilities for detailed reviews of related customer files and account statements. Our reviews included checking the details of the borrower's account history, the nature of the facility and other factors that could indicate deterioration in the financial condition of the borrowers and their capacity to repay. This formed our basis of challenging management's judgement made in the allocation of loans into the different stages which reflect the credit risk of the loan, the identification of significant increase in credit risk and determination of defaults. We assessed the criteria used by management in determining the significant increase in credit risk since initial recognition of loans and advances and in determining credit-impaired loans and advances. We also assessed management's default definition against the 90 days past due rebuttable presumption as prescribed by IFRS 9. We checked the forward looking information applied in the ECL model by comparing to available macroeconomic information. We tested the valuation of collaterals used in the ECL model by comparing the values to the results of valuation performed by management's external valuers. We assessed the competence, experience and independence of management's valuers. We also tested the historical cash recoveries used by management in the estimation of recovery rate used in the determination of unsecured LGDs. We tested the appropriateness of historical data used for the determination of 12 month probability of default (PDs), which are used as a basis for the determination of lifetime probability of defaults (PDs). We used our internal credit modelling experts to: - test the reasonableness of the assumptions and methodology used in determining the probability of default, - test the reasonableness of the estimation of loss given default (LGD) which includes assessing the haircut adjustment, - test the appropriateness of forward looking information incorporated into the impairment calculations and challenged the multiple economic scenarios chosen as well as the weighting applied to non-linear losses; and

- re-perform the ECL model calculations and review the IFRS 9 disclosures for reasonableness.

Valuation of unquoted equity financial instruments measured at fair value through other comprehensive income

At 31 December 2018, unquoted equity instruments measured at fair value through other comprehensive income amounted to N102.7billion and N102.2billion for the group and bank respectively.

We focused on this area because of the subjective judgements involved in estimating the carrying value of the unquoted equity securities at the year-end date.

In particular, we focused on unquoted equity investment where the directors have applied a discounted cash flow (DCF) valuation technique to determine their fair values. This category of investment securities accounts for 85% of the total portfolio of unquoted equity securities and there is no active market for them. The directors' exercised judgement in:

- identifying the appropriate valuation methodology; and
- ensuring that appropriate inputs are used in the selected valuation methodology. The significant inputs include:
  - estimation of future cash flows,
  - determination of terminal growth rate; and
  - determination of the Weighted Average Cost of Capital (WACC)

This matter is considered a key audit matter in both the consolidated and separate financial statements.

See Notes 3 and 26 to the consolidated and separate financial statements for further information.

We adopted a substantive approach to testing the directors' independent valuation of all unquoted equity investment securities performed using the discounted cash flow valuation technique.

We challenged the cash flow forecasts used by the directors in their independent valuation of these securities by checking information on the business plans of the investee companies, their historical performance and long term economic outlook.

We used our internal valuation experts to:

- review the appropriateness of the valuation methodology adopted,
- test the reasonableness of the discount rates, terminal growth rates and weighted average cost of capital,
- check the mathematical accuracy of the valuation models used in the directors' estimate and review reasonableness of the IFRS 13 disclosures,
- perform an independent valuation of the investee company and compared results of valuation performed to the directors' estimate.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, complaints and feedback report, corporate governance report, report of the statutory audit committee, statement of directors' responsibilities, statement of value added and five year financial summary (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the other sections of the United Bank for Africa Plc 2018 Annual Report, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the United Bank for Africa Plc 2018 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

v) as disclosed in Note 46 to the consolidated and separate financial statements, the bank paid penalties in respect of contraventions of certain sections of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2018.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0921511

15 March 2019

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

Consolidated and Separate Statements of Comprehensive Income
For the year ended 31 December 2018

In millions of Nigerian Naira	***Notes***	**Group**		**Bank**	
			Restated		**Restated**
		2018	**2017**	**2018**	**2017**
Interest income[1]	10	362,922	325,657	265,698	227,335
Interest income on amortised cost and FVOCI securities		360,583	324,991	263,359	226,669
Interest income on FVTPL securities		2,339	666	2,339	666
Interest expense	11	(157,276)	(118,025)	(129,396)	(95,093)
Net interest income		**205,646**	**207,632**	**136,302**	**132,242**
Allowance for credit losses on financial and non-financial instruments	12	(4,529)	(32,895)	(4,257)	(30,433)
Net interest income after impairment on financial and non-financial instruments		**201,117**	**174,737**	**132,045**	**101,809**
Fees and commission income	13	93,997	82,937	53,488	51,530
Fees and commission expense	14	(28,551)	(16,967)	(20,964)	(11,891)
Net trading and foreign exchange income	15	31,675	49,063	12,818	31,210
Other operating income	16	5,451	3,900	9,500	6,188
Employee benefit expenses	17	(71,158)	(68,972)	(41,537)	(42,343)
Depreciation and amortisation	18	(11,801)	(10,091)	(8,670)	(7,058)
Other operating expenses[1]	19	(114,383)	(110,589)	(81,330)	(76,650)
Share of gain of equity-accounted investee	28(a)	419	204	-	-
Profit before income tax		**106,766**	**104,222**	**55,350**	**52,795**
Income tax expense	20	(28,159)	(26,674)	(14,303)	(11,399)
Profit for the period		**78,607**	**77,548**	**41,047**	**41,396**
Other comprehensive income					
Items that may be reclassified to the income statement:					
Exchange differences on translation of foreign operations		(21,264)	12,151	-	-
Fair value changes on available-for-sale equity investments		-	2,476	-	2,476
Fair value changes on investments in debt securities at fair value through other comprehensive income(FVOCI):					
Net change in fair value during the period		(14,498)	13,225	(14,498)	13,275
Net amount transferred to the income statement		(777)	(83)	(777)	(83)
		(36,539)	**27,769**	**(15,275)**	**15,668**
Items that will not be reclassified to the income statement:					
Fair value changes on equity investments designated at FVOCI		3,266	-	3,266	-
		3,266	**-**	**3,266**	**-**
Other comprehensive income for the period, net of tax		**(33,273)**	**27,769**	**(12,009)**	**15,668**
Total comprehensive income for the period		**45,334**	**105,317**	**29,038**	**57,064**
Profit for the period attributable to:					
Owners of Parent		75,359	75,004	41,047	41,396
Non-controlling interest		3,248	2,544	-	-
Profit for the period		**78,607**	**77,548**	**41,047**	**41,396**
Total comprehensive income attributable to:					
Owners of Parent		44,426	98,930	29,038	57,064
Non-controlling interest		908	6,387	-	-
Total comprehensive income for the period		**45,334**	**105,317**	**29,038**	**57,064**
Earnings per share attributable to owners of the parent					
Basic and diluted earnings per share (Naira)	21	**2.20**	**2.19**	**1.20**	**1.17**

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

[1] See details of items restated in note 48

Consolidated and Separate Statements of Financial Position
As at 31 December 2018

	Notes	Group			Bank		
			*Restated			*Restated	
		Dec. 2018	Dec. 2017	1 Jan. 2017	Dec. 2018	Dec. 2017	1 Jan. 2017
In millions of Nigerian Naira							
ASSETS							
Cash and bank balances	22	1,220,596	898,083	760,930	1,015,199	727,546	610,910
Financial assets at fair value through profit or loss	23	19,439	31,898	52,295	19,439	31,898	52,295
Derivative assets	33(a)	34,784	8,227	10,642	34,784	7,911	10,642
Loans and advances to banks	24	15,797	20,640	22,765	15,516	19,974	23,850
Loans and advances to customers	25	1,715,285	1,650,891	1,505,319	1,213,801	1,173,214	1,090,355
Investment securities:							
- At fair value through other comprehensive income	26	1,036,653	-	-	925,892	-	
- Available for sale	26	-	593,299	276,758	-	423,293	244,424
- At amortised cost	26	600,479	-	-	84,265	-	
- Held to maturity	26	-	622,754	693,634	-	242,185	288,592
Other assets	27	63,012	86,729	37,849	49,642	77,949	31,192
Investment in equity-accounted investee	28	4,610	2,860	2,925	2,715	1,770	1,770
Investment in subsidiaries	29	-	-	-	103,777	103,777	70,702
Property and equipment	30	115,973	107,636	93,932	97,502	89,285	80,252
Intangible assets	31	18,168	16,891	14,361	6,911	5,846	4,905
Deferred tax asset	32	24,942	29,566	33,060	21,862	27,178	29,696
TOTAL ASSETS		**4,869,738**	**4,069,474**	**3,504,470**	**3,591,305**	**2,931,826**	**2,539,585**
LIABILITIES							
Derivative liabilities	33(b)	99	123	14	99	123	14
Deposits from banks	34	174,836	134,289	109,080	30,502	15,290	30,484
Deposits from customers	35	3,349,120	2,733,348	2,485,610	2,424,108	1,877,736	1,698,859
Other liabilities *	36	120,764	98,277	111,209	84,299	68,759	73,514
Current tax liability	20	8,892	7,668	5,134	706	1,108	522
Borrowings	37	683,532	502,209	259,927	657,134	502,209	259,927
Subordinated liabilities	38	29,859	65,741	85,978	29,859	65,741	85,978
Deferred tax liability	32	28	40	62	-	-	-
TOTAL LIABILITIES		**4,367,130**	**3,541,695**	**3,057,014**	**3,226,707**	**2,530,966**	**2,149,298**
EQUITY							
Share capital	39	17,100	17,100	18,140	17,100	17,100	18,140
Share premium	39	98,715	98,715	117,374	98,715	98,715	117,374
Retained earnings *	39	168,073	152,872	138,010	89,217	97,677	109,539
Other reserves	39	199,581	240,861	160,714	159,566	187,368	145,234
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		483,469	509,548	434,238	364,598	400,860	390,287
Non-controlling interests		19,139	18,231	13,218	-	-	-
TOTAL EQUITY		**502,608**	**527,779**	**447,456**	**364,598**	**400,860**	**390,287**
TOTAL LIABILITIES AND EQUITY		**4,869,738**	**4,069,474**	**3,504,470**	**3,591,305**	**2,931,826**	**2,539,585**

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

The financial statements were approved by the directors on 28 January, 2019.

** See details of items restated in note 48*

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

Kennedy Uzoka

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

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

Consolidated and Separate Statements of Changes in Equity

For the period ended 31 December 2018

(i) Group

In millions of Nigerian naira	Attributable to equity holders of the parent										
	Share Capital	**Share premium**	**Translation reserve**	**Regulatory credit risk reserve**	**Fair value reserve**	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-Controlling interest**	**Total equity**
Balance at 1 January 2017	**18,140**	**117,374**	**28,799**	**31,375**	**58,274**	**(31,600)**	**73,866**	**138,623**	**434,851**	**13,218**	**448,069**
Prior period adjustment*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(613)**	**(613)**	**-**	**(613)**
Restated balance at 1 January 2017	**18,140**	**117,374**	**28,799**	**31,375**	**58,274**	**(31,600)**	**73,866**	**138,010**	**434,238**	**13,218**	**447,456**
Profit for the period	-	-	-	-	-	-	-	75,004	**75,004**	2,544	**77,548**
Exchange differences on translation of foreign operations	-	-	8,303	-	-	-	-	-	**8,303**	3,848	**12,151**
Fair value change in available-for-sale financial assets	-	-	-	-	15,706	-	-	-	**15,706**	(5)	**15,701**
Net amount transferred to income statement	-	-	-	-	(83)	-	-	-	**(83)**	-	**(83)**
Total comprehensive income for the period	-	-	8,303	-	15,623	-	-	75,004	**98,930**	6,387	**105,317**
Transfer between reserves	-	-	-	13,861	-	-	10,760	(24,621)	**-**	-	**-**
Transactions with owners											
Sale of treasury shares	-	-	-	-	-	654	-	-	**654**	-	**654**
Treasury shares cancelled during the year	(1,040)	(18,659)	-	-	-	30,946	-	(11,247)	**-**	-	**-**
Change in ownership interest in subsidiaries arising from parent's additional investment	-	-	-	-	-	-	-	1,374	**1,374**	(1,374)	**-**
Dividends paid	-	-	-	-	-	-	-	(25,648)	**(25,648)**	-	**(25,648)**
Balance at 31 December 2017	**17,100**	**98,715**	**37,102**	**45,236**	**73,897**	**-**	**84,626**	**152,872**	**509,548**	**18,231**	**527,779**
At 31 December 2017 (IAS 39)	**17,100**	**98,715**	**37,102**	**45,236**	**73,897**	**-**	**84,626**	**152,872**	**509,548**	**18,231**	**527,779**
Transition adjustments *(Note 3.28)*											
Fair value change in assets reclassified from HTM to FVOCI	-	-	-	-	7,211	-	-		**7,211**	-	**7,211**
Increase in impairment provision due to adoption of IFRS 9	-	-	-	-	-	-	-	(48,644)	**(48,644)**	-	**(48,644)**
Transfer between reserves	-	-	-	(44,304)	-	-	-	44,304	**-**	-	**-**
At 1 January 2018 (IFRS 9)	**17,100**	**98,715**	**37,102**	**932**	**81,108**	**-**	**84,626**	**148,532**	**468,115**	**18,231**	**486,346**
Profit for the period	-	-	-	-	-	-	-	75,359	**75,359**	3,248	**78,607**
Exchange differences on translation of foreign operations	-	-	(18,924)	-	-	-	-	-	**(18,924)**	(2,340)	**(21,264)**
Fair value change in debt instruments classified as FVOCI	-	-	-	-	(14,498)	-	-	-	**(14,498)**	-	**(14,498)**
Fair value change in equity instruments classified as FVOCI	-	-	-	-	3,266	-	-	-	**3,266**	-	**3,266**
Net amount transferred to income statement	-	-	-	-	(777)	-	-	-	**(777)**	-	**(777)**
Total comprehensive income for the period	-	-	(18,924)	-	(12,009)	-	-	75,359	**44,426**	908	**45,334**
Transfer between reserves	-	-	-	20,589	-	-	6,157	(26,746)	**-**	-	**-**
Transactions with owners											
Dividends paid	-	-	-	-	-	-	-	(29,072)	**(29,072)**	-	**(29,072)**
Balance at 31 December 2018	**17,100**	**98,715**	**18,178**	**21,521**	**69,099**	**-**	**90,783**	**168,073**	**483,469**	**19,139**	**502,608**

[*] **See details of items restated in note 48**

(ii) Bank

In millions of Nigerian naira

	Share Capital	Share premium	Regulatory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total
Balance at 1 January 2017	**18,140**	**117,374**	**26,650**	**58,881**	**-**	**59,703**	**110,152**	**390,900**
Prior period adjustment*	**-**	**-**	**-**	**-**	**-**	**-**	**(613)**	**(613)**
Restated balance at 1 January 2017	**18,140**	**117,374**	**26,650**	**58,881**	**-**	**59,703**	**109,539**	**390,287**
Profit for the period	-	-	-	-	-	-	41,396	**41,396**
Fair value change in available-for-sale financial assets	-	-	-	15,751	-	-	-	**15,751**
Net amount transferred to income statement	-	-	-	(83)	-	-	-	**(83)**
Total comprehensive income for the period	-	-	-	15,668	-	-	41,396	**57,064**
Transfer between reserves	-	-	17,723	-	-	8,743	(26,466)	**-**
Transactions with owners								
Treasury shares purchased during the year	-	-	-	-	(19,699)	-	-	**(19,699)**
Treasury shares cancelled during the year	(1,040)	(18,659)			19,699	-	-	**-**
Dividends paid	-	-	-	-	-	-	(26,792)	**(26,792)**
Balance at 31 December 2017	**17,100**	**98,715**	**44,373**	**74,549**	**-**	**68,446**	**97,677**	**400,860**
At 31 December 2017 (IAS 39)	**17,100**	**98,715**	**44,373**	**74,549**		**68,446**	**97,677**	**400,860**
Transition adjustments *(Note 3.28)*								
Fair value change in assets reclassified from HTM to FVOCI	-	-	-	7,211		-	-	**7,211**
Increase in impairment provision due to adoption of IFRS 9	-	-	-	-		-	(43,441)	**(43,441)**
Transfer between reserves	-	-	(43,441)	-		-	43,441	**-**
At 1 January 2018 (IFRS 9)	**17,100**	**98,715**	**932**	**81,760**		**68,446**	**97,677**	**364,630**
Profit for the period	-	-	-	-	-	-	41,047	**41,047**
Fair value change in debt instruments classified as FVOCI	-	-	-	(14,498)	-	-	-	**(14,498)**
Fair value change in equity instruments classified as FVOCI	-	-	-	3,266	-	-	-	**3,266**
Net amount transferred to income statement	-	-	-	(777)	-	-	-	**(777)**
Total comprehensive income for the period	-	-	-	(12,009)		-	41,047	**29,038**
Transfer between reserves	-	-	14,280	-	-	6,157	(20,437)	**-**
Transactions with owners								
Dividends paid	-	-	-	-	-	-	(29,070)	**(29,070)**
Balance at 31 December 2018	**17,100**	**98,715**	**15,212**	**69,751**	**-**	**74,603**	**89,217**	**364,598**

*** See details of items restated in note 48**

Consolidated and Separate Statements of Cash Flows

For the year ended 31 December 2018	*Notes*	Group 2018	Group Restated 2017	Bank 2018	Bank Restated 2017
In millions of Nigerian Naira					
Cash flows from operating activities					
Profit before income tax *		**106,766**	**104,222**	**55,350**	**52,795**
Adjustments for:					
Depreciation of property and equipment	18	10,199	8,584	7,368	5,809
Amortisation of intangible assets	18	1,602	1,507	1,302	1,249
Allowance for credit loss on loans to customers	12	34,280	-	11,373	-
Specific impairment charge on loans to customers	12	-	24,141	-	22,725
Portfolio impairment (reversal)/charge on loans to customers	12	-	4,892	-	(50)
Allowance for credit loss on loans to banks	12	(213)	-	(213)	-
Portfolio impairment (reversal)/ charge on loans to banks	12	-	(334)	-	(334)
Write-off of loans and advances	12	1,725	9,544	1,558	8,359
Impairment charge/(reversal) on other assets	12	4,162	962	3,105	(37)
Net fair value gain/(loss) on derivative financial instruments	15	(26,581)	2,524	(26,896)	2,840
Foreign currency revaluation loss/(gain)	15	31,482	(952)	31,227	(210)
Dividend income	16	(3,454)	(2,449)	(8,469)	(5,621)
Gain on disposal of property and equipment	16	(15)	(21)	(15)	(21)
Write-off of property and equipment	30	6	90	6	86
Net amount transferred to the income statement		(777)	-	(777)	-
Origination and reversal of temporary differences		(501)	-	-	-
Net interest income		(205,646)	(207,632)	(136,302)	(132,242)
Share of gain of equity-accounted investee	28	(419)	(204)	-	-
		(47,384)	**(55,126)**	**(61,383)**	**(44,652)**
Changes in operating assets and liabilities					
Change in financial assets at FVTPL		10,532	19,583	10,532	19,583
Change in cash reserve balance		(118,445)	(68,549)	(121,564)	(88,348)
Change in loans and advances to banks		5,056	2,459	4,671	4,210
Change in loans and advances to customers		(149,043)	(184,149)	(96,959)	(113,893)
Change in other assets		(33,358)	(36,794)	(6,025)	(46,510)
Change in deposits from banks		40,547	25,046	15,212	(15,357)
Change in deposits from customers		615,772	247,738	546,372	178,877
Change in placement with banks		31,676	(20,405)	12,776	9,235
Change in other liabilities and provisions *		22,487	(12,932)	15,540	(4,755)
Interest received		362,922	326,334	265,698	228,012
Interest paid on deposits from banks and customers		(113,093)	(81,888)	(86,855)	(58,956)
Income tax paid	20(c)	(21,822)	(20,668)	(9,389)	(8,295)
Net cash generated from operating activities		**605,847**	**140,649**	**488,626**	**59,151**
Cash flows from investing activities					
Proceeds from sale/redemption of investment securities		2,757,710	800,269	2,566,241	777,720
Purchase of investment securities		(3,175,007)	(1,063,746)	(2,921,905)	(901,607)
Purchase of property and equipment	30	(19,044)	(25,671)	(15,492)	(15,048)
Purchase of intangible assets	31	(3,364)	(3,268)	(2,621)	(2,179)
Additional investment in equity-accounted investee		(945)	-	(945)	-
Additional investment in subsidiaries		-	-	-	(33,075)
Proceeds from disposal of property and equipment		297	2,869	185	135
Proceeds from disposal of intangible assets		33	-	34	-
Dividend received		3,454	2,449	8,469	5,621
Net cash used in investing activities		**(436,866)**	**(287,098)**	**(366,035)**	**(168,433)**
Cash flows from financing activities					
Interest paid on borrowings and subordinated liabilities		(47,064)	(39,694)	(46,739)	(39,694)
Proceeds from borrowings	37	235,128	406,409	235,128	406,409
Repayment of borrowings	37	(116,117)	(210,001)	(116,117)	(210,001)
Repayment of subordinated liabilities		(35,017)	(20,000)	(35,017)	(20,000)
Proceeds from sale of treasury shares		-	654	-	-
Treasury shares purchased		-	-	-	(19,699)
Dividend paid to owners of the parent		(29,072)	(25,648)	(29,070)	(26,792)
Net cash generated from financing activities		**7,858**	**111,720**	**8,185**	**90,223**
Net decrease in cash and cash equivalents		176,839	(34,729)	130,776	(19,059)
Effects of exchange rate changes on cash and cash equivalents		56,978	82,114	46,162	55,768
Cash and cash equivalents at beginning of period	22	428,428	381,043	273,125	236,416
Cash and cash equivalents at end of period	22	**662,245**	**428,428**	**450,063**	**273,125**

* See details of items restated in note 48

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

1 General Information

United Bank for Africa Plc. (the "Group") is a Nigerian registered company incorporated on 23 February 1961 to take over the business of British and French Bank Limited (BFB). UBA listed its shares on the Nigerian Stock Exchange (NSE) in 1970 and became the first Nigerian bank to subsequently undertake an Initial Public Offering (IPO). The company's registered address is at 57 Marina, Lagos, Nigeria.
The consolidated financial statements of the Group for the year ended 31 December 2018 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services.

The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 28 January, 2019.

2 Basis of preparation

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

3 Significant accounting policies

3.1 Basis of measurement

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

- Derivative financial instruments which are measured at fair value.
- Financial assets measured at fair value through profit or loss.
- Financial instruments measured at fair value through other comprehensive income.

3.2 Functional and presentation currency

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

3.3 Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

3.4 Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Business combinations

Business combinations are accounted for using the acquisition method.

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

· the fair value of the consideration transferred; plus

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

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

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

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

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

3 Significant accounting policies - Continued
3.4 Basis of consolidation - continued

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

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

(c) Disposal of subsidiaries

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

(d) Transactions eliminated on consolidation

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

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

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

(f) Associates

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

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

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

3.5 Foreign currency

(a) Foreign currency transactions

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

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

(b) Foreign operations

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

3 Significant accounting policies - Continued

3.5 Foreign currency - continued

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

3.6 Interest income and interest expense

Interest income and expense for all interest bearing financial instruments are calculated by applying the effective interest rate to the gross carrying amount for non-credit impaired financial assets and are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income. 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.
For credit-impaired financial assets subsequent to initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset.

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

3.7 Fees and commissions income and expenses

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

3.8 Net trading and foreign exchange income

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

3.9 Dividend income

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

3.10 Income tax

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

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

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

3.10 Income tax - continued

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

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

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

3.11 Cash and bank balances

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

3 Significant accounting policies - Continued

3.11 Cash and bank balances - continued

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

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

3.12 Financial assets at fair value through profit or loss

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

3.13 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques. Derivatives are carried as assets when their fair value are positive and as liabilities when their fair value are negative. All changes in fair value are recognized as part of net trading and foreign exchange income in profit or loss.

3.14 Property and equipment

(a) Recognition and measurement

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

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

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

(d) De-recognition

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

3.15 Intangible assets

(a) Goodwill

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

3 Significant accounting policies - Continued

3.15 Intangible assets - continued

(a) Goodwill - continued

Subsequent measurement

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

(b) Software

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

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

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

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

3.16 Impairment of non-financial assets

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses relating to goodwill are not reversed in future periods.

3.17 Repossessed collateral

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

3.18 Deposits and debt securities issued

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

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

3.19 Provisions

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

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

3 Significant accounting policies - Continued

3.19 Provisions - continued

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

3.20 Financial guarantee contracts

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

Financial guarantee liabilities are initially recognised at their fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the expected credit loss provision and the unamortised premium. Financial guarantees are included within other liabilities.

3.21 Employee benefits

Post-employment benefits

Defined contribution plans

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

Termination benefits

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

Short term employee benefits

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

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

3.22 Share capital and reserves

(a) Share issue costs

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

(b) Dividend on ordinary shares

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

(c) Treasury shares

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

3.23 Earnings per share

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

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

3.24 Fiduciary activities

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

3.25 Stock of consumables

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

3 Significant accounting policies - Continued

3.26 Segment reporting

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

3.27 Changes in accounting policies

Except for the following new standards, the Group has consistently applied the accounting policies as set out in Notes 3.1 - 3.26 to all periods presented in these consolidated and separate financial statements.
The Group has adopted the following new standards with initial date of application of January 1, 2018.

(i) IFRS 15: Revenue from contracts with customers

The Group adopted IFRS 15 - Revenue from Contracts with Customers on 1 January 2018. IFRS 15 defines principles for recognising revenue and is applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be accounted for using the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

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

Adoption of this standard does not have any significant impact on the Group.

(ii) IFRS 9: Financial instruments

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

a. Initial recognition, classification and measurement of financial assets

Regular-way purchases and sales of financial assets are recognized on the settlement date. Financial assets, which include both debt and equity securities are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Subsequent classification and measurement for debt securities is based on the business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

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

b. Business model assessment

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

The Group's business models fall into three categories, which are indicative of the key strategies used to generate returns:
• Hold-to-Collect (HTC): The objective of this business model is to hold financial assets to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
• Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
• Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

3 Significant accounting policies - Continued

3.27 Changes in accounting policies - continued

c. SPPI assessment

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

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

d. Investment securities

Investment securities include all securities classified as FVOCI and amortised cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification.

Investment securities carried at amortised cost are measured using the effective interest method, and are presented net of any allowance for credit losses, calculated in accordance with the Group's policy for allowance for credit losses, as described below. Interest income, including the amortization of premiums and discounts on securities measured at amortised cost are recorded in interest income. Impairment gains or losses recognized on amortised cost securities are recorded in Allowance for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of the sale is recorded as a fixed income securities income in Net trading and foreign exchange income.

Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses arising from changes in fair value included in fair value reserve in equity. Impairment gains and losses are included in allowance for credit losses and correspondingly reduce the accumulated changes in fair value included in fair value reserve. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from fair value reserve to net trading and foreign exchange income.

Equity securities carried at FVOCI are measured at fair value. Unrealized gains and losses arising from changes in fair value are recorded in fair value reserve and not subsequently reclassified to profit or loss when realized. Dividends from FVOCI equity securities are recognized in other operating income.

The Group accounts for all securities using settlement date accounting and changes in fair value between the trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in the fair value of securities measured at FVOCI between the trade and settlement dates are recorded in OCI except for changes in foreign exchange rates on debt securities, which are recorded in net trading and foreign exchange income.

e. Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.

Financial assets designated as FVTPL are recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in net trading and foreign exchange income.

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in the Group's own credit risk are recorded in OCI. Own credit risk amounts recognized in OCI are not reclassified subsequently to net income. The remaining fair value changes not attributable to changes in the Group's own credit risk are recorded in Other operating income. Upon initial recognition, if it is determined that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in debt securities designated as FVTPL is recognized in net income. To make that determination, the Group assess whether to expect that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on debt instruments designated at FVTPL, the Group calculates the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

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

f. Loans

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts.

3 Significant accounting policies - Continued

3.27 Changes in accounting policies - continued

f. Loans - continued

Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognized as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into Other operating income over the commitment or standby period.

Impairment losses on loans are recognized at each balance sheet date in accordance with the three-stage impairment model outlined below.

g. Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts, debt securities and accrued interest receivable. These are carried at amortised cost and presented net of ACL on the Consolidated Statement of Financial Position. ACL on loans is presented in Allowance for credit losses - loans and advances. ACL on debt securities measured at FVOCI is presented in profit or loss with the corresponding entry to other comprehensive income

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ACL is separately calculated and included in Other Liabilities – Provisions.

The Credit Conversion Factor (CCF) is used to determine the credit exposure equivalent of the off balance sheet exposure including the open or undrawn limits. The undrawn portion of the approved limit that would have been drawn at the time of default are converted to exposure at default(EAD), this is in addition to the other off-balance sheet exposures like bonds and guarantees, letters of credit etc. In determining the CCF, the bank considers the behavioural cash flow, collateral type and the collateral value securing the facility, time to discover and prevent further drawing during the time of increased credit risk, time lag to convert the collateral to cash, the recovery strategy and cost are also considered. CCF is applied on the off balance exposures to determine the EAD and then subsequently the expected credit loss (ECL).

The ACL is measured at each reporting date according to a three-stage expected credit loss impairment model which is based on changes in credit risk of financial assets since initial recognition:

1) Performing financial assets:

• Stage 1 – From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date. Interest income is calculated on the gross carrying amount of these financial assets.

2) Underperforming financial assets:

• Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset. Interest income is calculated on the gross carrying amount of these financial assets.

3) Impaired financial assets

• Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. The Stage 3 expected credit loss impairment model is based on changes in credit quality since initial recognition. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

h. Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information.

Expected credit losses are discounted to the reporting period date using the effective interest rate.

3 Significant accounting policies - Continued

3.27 Changes in accounting policies - continued

i. Expected life

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

j. Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is based on the use 'backstop' indicators. Instruments which are more than 30 days past due may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the bank has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

The following are considered as exception:
1. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 90 days.
2. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of the total amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.
The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after 90 days.

Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after 90 days. An asset will not move back from stage 3 to stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired.
For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfil their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

k. Use of forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.
The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macroeconomic variables used in the expected credit loss models include GDP growth rate, foreign exchange rates, inflation rate, crude oil prices and population growth rate.
The estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts published by relevant government agencies. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to the best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities.
The assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date, using the same macroeconomic scenarios as the calculation of expected credit losses.

l. Definition of default

A default is considered to have occurred with regard to a particular obligor when either or both of the following events have taken place.
• The bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held).
• The obligor is past due more than 90 days on any material credit obligation to the bank (principal or interest). Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.

• Interest payments equal to 90 days or more have been capitalized, rescheduled, rolled over into a new loan (except where facilities have been reclassified).
The elements to be taken as indications of unlikeliness to pay include:
- The bank sells the credit obligation at a material credit-related economic loss.

3 Significant accounting policies - Continued

3.27 Changes in accounting policies - continued

l. Definition of default - continued

- The bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the banking group.

The following are considered as exceptions:
a. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 150 days;
b. In the case of specialized loans, default is defined as where the obligor is past due more than 180 days on any material credit obligation to the bank (principal or interest). This is consistent with CBN guidelines on IFRS 9. In addition, it is consistent with the Bank's historical default pattern on this category of loans. The specialized loans to which this is applicable are Project Financing, Object Financing, Income Producing Real Estate, Commercial Real Estate and Mortgage Loans;

c. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.
d. Exposure is still in default due to a new debit when the initial debit has been cleared. Usually occurs when the debit that initiated the initial days past due has been paid but the days past due continues to reflect a debit.

m. Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults.
A loan is considered for transfer from stage 2 to stage 1 where there is significant improvement in credit risk and from stage 3 to stage 2 (declassified) where the facility is no longer in default. Factors that are considered in such backward transitioning include the following:
i) Declassification of the exposure by all the licensed private credit bureaux or the credit risk management system;
ii) Improvement of relevant credit risk drivers for an individual obligor (or pool of obligors);
iii) Evidence of full repayment of principal or interest.
Generally, the above are to represent an improvement in credit risk to warrant consideration for a backward transition of loans. Where there is evidence of significant reduction in credit risk, the following probationary periods should apply before a loan may be moved to a lower stage (indicating lower risk):
Transfer from Stage 2 to 1:- 90 days
Transfer from Stage 3 to 2:- 90 days
Transfer from Stage 3 to Stage 1:- 180 days

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.
When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ACL.
Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

n. Write-off of loans

Loans and the related ACL are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier.
Written-off loans are derecognised from the Bank's books. However, the Group continues enforcement activities on all written-off loans until full recovery is achieved or such time when it is objectively evident that recovery is no longer feasible.

o. Modifications

The credit risk of a financial asset will not necessarily decrease merely as a result of a modification of the contractual cash flows. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, the Bank assesses whether there has been a significant increase in the credit risk of the financial by comparing:
(1) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
(2) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).
A modification will however lead to derecognition of existing loan and recognition of a new loan i.e. substantial modification if:
• the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

The following will be applicable to modified financial assets:
• The modification of a distressed asset is treated as an originated credit-impaired asset requiring recognition of life-time ECL after modification.
• The cumulative changes in lifetime expected credit losses since initial recognition is recognized as a loss allowance for purchase or originated credit-impaired financial asset at the reporting date.
• The general impairment model does not apply to purchased or originated credit-impaired assets.

3 Significant accounting policies - Continued

3.27 Changes in accounting policies - continued

The following situations (qualitative) may however not lead to a derecognition of the loan:
• Change in interest rate arising from a change in MPR which is the benchmark rate that drives borrowing rates in Nigeria;
• Change in financial asset's tenor (increase or decrease);
• Change in installment amount to higher or lower amount;

• Change in the annuity repayment pattern, for example, from monthly to quarterly, half-yearly or yearly
• Change in the applicable financial asset fee
Modification gain or loss is included as part of allowance for credit loss for each financial year.

p. Classification and measurement of financial liabilities

The Group recognizes financial liabilities when it first becomes a party to the contractual rights and obligations in the relevant contracts.

Under IFRS 9, financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL.

The Group classifies its financial liabilities as measured at amortised cost, except for:
i. Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. A financial liability is classified as held for trading if it is a part of a portfolio of specific financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
Gains or losses from financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the Group's own credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the Group's credit risk are also presented in profit or loss;
ii. Financial guarantee contracts and commitments.
Financial liabilities that are not classified at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers, borrowings, and subordinated liabilities.

q. De-recognition of financial instruments

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the Group transfers the right 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 assets are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.
Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group may enter into transactions whereby it transfers assets , but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.
The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3 Significant accounting policies - Continued

3.28 Impact of adoption of IFRS 9

Mandatory reclassifications

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

Classification of all financial liabilities remain the same under IFRS 9.

Group

	IFRS 9		IAS 39	
As at	1 January 2018		31 December 2017	
In millions of Nigerian Naira	Measurement category	Carrying amount	Previous measurement category	Carrying amount
Financial assets				
Cash and bank balances	**Amortised cost**	898,083	**Amortised cost**	898,083
Financial assets at fair value through profit or loss	**FVTPL**	31,898	**Held-for-trading**	31,898
Derivative assets	**FVTPL**	8,227	**Held-for-trading**	8,227
Investment securities[1]	**FVOCI**	631,529	**Available-for-sale**	499,283
Investment securities[1]	**Amortised cost**	497,340	**Held-to-maturity**	622,754
Loans and advances to banks	**Amortised cost**	20,497	**Amortised cost**	20,640
Loans and advances to customers	**Amortised cost**	1,604,398	**Amortised cost**	1,650,891

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

Items previously classified as Held-To-Maturity

The following financial assets previously classified as HTM are now reclassified to FVOCI as they are managed under a business model to 'hold to collect and sell' and meet the SPPI requirements.

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

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

Optional classification

In conjunction with the classification changes required by IFRS 9, the Group has irrevocably elected to classify investment in equity securities as fair value through other comprehensive income on transition to IFRS 9.

	IFRS 9		IAS 39	
	1 January 2018		31 December 2017	
	Measurement category	Carrying amount	Previous measurement category	Carrying amount
Equity investments	**FVOCI**	94,016	**Available-for-sale**	94,016

Bank

	IFRS 9		IAS 39	
As at	1 January 2018		31 December 2017	
In millions of Nigerian Naira	Measurement category	Carrying amount	Previous measurement category	Carrying amount
Financial assets				
Cash and bank balances	**Amortised cost**	727,546	**Amortised cost**	727,546
Financial assets at fair value through profit or loss	**FVTPL**	31,898	**Held-for-trading**	31,898
Derivative assets	**FVTPL**	7,911	**Held-for-trading**	7,911
Investment securities[1]	**FVOCI**	462,183	**Available-for-sale**	329,937
Investment securities[1]	**Amortised cost**	116,771	**Held-to-maturity**	242,185
Loans and advances to banks	**Amortised cost**	19,831	**Amortised cost**	19,974
Loans and advances to customers	**Amortised cost**	1,131,924	**Amortised cost**	1,173,214

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

3 Significant accounting policies - Continued

3.28 Impact of adoption of IFRS 9 - continued

Items previously designated as Held-To-Maturity

The following financial assets previously classified as HTM are now reclassified to FVOCI as they are managed under a business model to 'hold to collect and sell' and meet the SPPI requirements.

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

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

Optional classification

In conjunction with the classification changes required by IFRS 9, the Bank has irrevocably elected to classify investment in equity securities as fair value through other comprehensive income on transition to IFRS 9.

	IFRS 9		IAS 39	
	1 January 2018		31 December 2017	
	Measurement category	Carrying amount	Previous measurement category	Carrying amount
Equity investments	**FVOCI**	93,356	**Available-for-sale**	93,356

Presentation of the statement of financial position

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

Allowance for credit losses

The following tables show the comparison of impairment allowances determined in accordance with IAS 39 to the corresponding impairment allowance determined in accordance with IFRS 9 as at 1 January, 2018.

Group

In millions of Nigerian Naira	Investment securities at amortised	Loans to banks at amortised cost	Loans to customers at amortised cost	Letters of credit	Financial guarantees	Total allowance for credit losses
IAS 39 as at 31 December 2017						
Specific impairment	-	-	25,188	-	-	**25,188**
Portfolio impairment	-	45	32,826	-	-	**32,871**
Total	-	45	58,014	-	-	**58,059**
Transition adjustments	379	143	46,493	1,262	367	**48,644**
IFRS 9 as at 1 January 2018	**379**	**188**	**104,507**	**1,262**	**367**	**106,703**
Analysed as follow:						
Stage 1	379	188	22,367	1,262	367	**24,563**
Stage 2	-	-	2,607	-	-	**2,607**
Stage 3	-	-	79,533	-	-	**79,533**
Total	**379**	**188**	**104,507**	**1,262**	**367**	**106,703**

Bank

In millions of Nigerian Naira	Investment securities at amortised	Loans to banks at amortised cost	Loans to customers at amortised cost	Letters of credit	Financial guarantees	Total allowance for credit losses
IAS 39 as at 31 December 2017						
Specific impairment	-	-	18,658	-	-	**18,658**
Portfolio impairment	-	57	12,554	-	-	**12,611**
Total	-	57	31,212	-	-	**31,269**
Transition adjustments	379	143	41,290	1,262	367	**43,441**
IFRS 9 as at 1 January 2018	**379**	**200**	**72,502**	**1,262**	**367**	**74,710**
Analysed as follow:						
Stage 1	379	200	13,130	1,262	367	**15,338**
Stage 2	-	-	1,965	-	-	**1,965**
Stage 3	-	-	57,407	-	-	**57,407**
Total	**379**	**200**	**72,502**	**1,262**	**367**	**74,710**

3 Significant accounting policies - Continued

3.28 Impact of adoption of IFRS 9 - continued

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

Consolidated Statements of Financial Position

Group	**As at 31 December, 2017**	**Impact of reclassification based on IFRS 9**	**Impact of remeasure mnt**	**Impact of impairment**	**Total impact**	**As at 1 January, 2018 (IFRS 9)**
In millions of Nigerian Naira						
ASSETS						
Cash and bank balances	898,083	-	-	-	-	898,083
Financial assets at fair value through profit or loss	31,898	-	-	-	-	31,898
Derivative assets	8,227	-	-	-	-	8,227
Loans and advances to banks	20,640	-	-	(143)	(143)	20,497
Loans and advances to customers	1,650,891	-	-	(46,493)	(46,493)	1,604,398
Investment securities:			-		-	
- At fair value through other comprehensive income	593,299	125,035	7,211	-	132,246	725,545
- At amortised cost	622,754	(125,035)	-	(379)	(125,414)	497,340
Other assets	86,729	-	-	-	-	86,729
Investment in equity-accounted investee	2,860	-	-	-	-	2,860
Property and equipment	107,636	-	-	-	-	107,636
Intangible assets	16,891	-	-	-	-	16,891
Deferred tax assets	29,566	-	-	-	-	29,566
TOTAL ASSETS	**4,069,474**	**-**	**7,211**	**(47,015)**	**(39,804)**	**4,029,670**
LIABILITIES						
Derivative liabilities	123	-	-	-	-	123
Deposits from banks	134,289	-	-	-	-	134,289
Deposits from customers	2,733,348	-	-	-	-	2,733,348
Other liabilities	98,277	-	-	1,629	1,629	99,906
Current tax liabilities	7,668	-	-	-	-	7,668
Borrowings	502,209	-	-	-	-	502,209
Subordinated liabilities	65,741	-	-	-	-	65,741
Deferred tax liabilities	40	-	-	-	-	40
TOTAL LIABILITIES	**3,541,695**	**-**	**-**	**1,629**	**1,629**	**3,543,324**
EQUITY						
Share capital	17,100	-	-	-	-	17,100
Share premium	98,715	-	-	-	-	98,715
Retained earnings	152,872	-	-	-	-	152,872
Other reserves	240,861	-	7,211	(48,644)	(41,433)	199,428
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	509,548	-	7,211	(48,644)	(41,433)	468,115
Non-controlling interests	18,231	-	-	-	-	18,231
TOTAL EQUITY	**527,779**	**-**	**7,211**	**(48,644)**	**(41,433)**	**486,346**
TOTAL LIABILITIES AND EQUITY	**4,069,474**	**-**	**7,211**	**(47,015)**	**(39,804)**	**4,029,670**

3 Significant accounting policies - Continued

3.28 Impact of adoption of IFRS 9 - continued

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

Consolidated Statements of Financial Position

Bank	**As at 31 December, 2017**	**Impact of reclassification based on IFRS 9**	**Impact of remeasurement**	**Impact of impairment**	**Total impact**	**As at 1 January, 2018 (IFRS 9)**
In millions of Nigerian Naira						
ASSETS						
Cash and bank balances	727,546	-	-	-	-	727,546
Financial assets at fair value through profit or loss	31,898	-	-	-	-	31,898
Derivative assets	7,911	-	-	-	-	7,911
Loans and advances to banks	19,974	-	-	(143)	(143)	19,831
Loans and advances to customers	1,173,214	-	-	(41,290)	(41,290)	1,131,924
Investment securities:					-	
- At fair value through other comprehensive income	423,293	125,035	7,211	-	132,246	555,539
- At amortised cost	242,185	(125,035)	-	(379)	(125,414)	116,771
Other assets	77,949	-	-	-	-	77,949
Investment in equity-accounted investee	1,770	-	-	-	-	1,770
Investments in subsidiaries	103,777	-	-	-	-	103,777
Property and equipment	89,285	-	-	-	-	89,285
Intangible assets	5,846	-	-	-	-	5,846
Deferred tax assets	27,178	-	-	-	-	27,178
TOTAL ASSETS	**2,931,826**	**-**	**7,211**	**(41,812)**	**(34,601)**	**2,897,225**
LIABILITIES						
Derivative liabilities	123	-	-	-	-	123
Deposits from banks	15,290	-	-	-	-	15,290
Deposits from customers	1,877,736	-	-	-	-	1,877,736
Other liabilities	68,759	-	-	1,629	1,629	70,388
Current tax liabilities	1,108	-	-	-	-	1,108
Borrowings	502,209	-	-	-	-	502,209
Subordinated liabilities	65,741	-	-	-	-	65,741
TOTAL LIABILITIES	**2,530,966**	**-**	**-**	**1,629**	**1,629**	**2,532,595**
EQUITY						
Share capital	17,100	-	-	-	-	17,100
Share premium	98,715	-	-	-	-	98,715
Retained earnings	97,677	-	-	-	-	97,677
Other reserves	187,368	-	7,211	(43,441)	(36,230)	151,138
TOTAL EQUITY	**400,860**	**-**	**7,211**	**(43,441)**	**(36,230)**	**364,630**
TOTAL LIABILITIES AND EQUITY	**2,931,826**	**-**	**7,211**	**(41,812)**	**(34,601)**	**2,897,225**

3 Significant accounting policies - Continued

3.29 Accounting policy for financial instruments prior to IFRS 9

Financial instruments

Initial recognition and measurement

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

Subsequent measurement

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

(a) *Held-to-maturity*

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

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

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

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

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

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

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

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

· The financial assets consist of debt host and an embedded derivatives that must be separated.

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

(c) Available-for-sale

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

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

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

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

(e) Financial liabilities

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

3.29 Accounting policy for financial instruments prior to IFRS 9 - continued
Financial instruments - continued

(e) Financial liabilities - continued

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

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

Fair value measurement

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

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

Impairment of financial assets

(a) Assets carried at amortised cost

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

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

· whether a loan or other financial assets or any obligation is more than 90 days past due;

· the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments; or

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

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

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

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

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

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

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

3.29 Accounting policy for financial instruments prior to IFRS 9 - continued

Financial instruments - continued

Impairment of financial assets - continued

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

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

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

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

(b) Available-for-sale financial assets

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

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

Write-off policy

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

Assets pledged as collateral

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

Offsetting financial instruments

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

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

Sale and repurchase agreements and lending of securities

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

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

3.29 Accounting policy for financial instruments prior to IFRS 9 - continued
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 , but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

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

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

Reclassification of financial assets

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

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

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

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

3 Significant accounting policies - Continued

3.30 New standards and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective as at 31 December 2018 are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

(i) *IFRS 16 Leases*

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2017. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their statements of financial position as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with finance cost and depreciation expense recognised separately in the statement of profit or loss.

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

The Group does not anticipate early adopting IFRS 16. Qualitatively upon adoption, the Group would be impacted as follows:

Statement of financial position

(a) The Group will include the right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned and will also disclose which line items in the statement of financial position include those right-of-use assets.
(b) The Group will report lease liabilities separately from other liabilities and a disclosure showing the line items in the statement of financial position include those liabilities would be presented in the notes.

Statement of profit or loss and other comprehensive income

The Group will present separately the interest expense on the lease liability and the depreciation charge for the right-of-use asset in the statement of profit or loss and other comprehensive income. The interest expense on the lease liability is a component of interest expenses, which IAS 1 requires to be presented separately in the statement of profit or loss and other comprehensive income.
This implies that rental expense reported under '*Occupancy and premises maintenance costs*' would be replaced by interest expense/finance cost and depreciation.

Statement of cash flows

In the statement of cash flows, the Group will classify cash payments for the principal portion of the lease liability within financing activities. Cash payments for the interest portion of the lease liability would be classified by applying the requirements in IAS 7 for interest paid.

(ii) *IFRIC 23 Uncertainty over income tax treatments*

These amendments provide clarity on the accounting for income tax treatments that the tax authority might take a different position on.
The amendments clarify that the key test for determining the amounts to be recognised in the financial statements is dependent on whether it is probable that the tax authority will accept the chosen tax treatment. This could result in an increase in the tax liability or a recognition of an asset depending on the current practice of the Group.
The Group will adopt the amendments for the year ending 31 December 2019 if there are uncertainties over the income tax provision.

3.31 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million Nigerian Naira (NGN) unless otherwise stated.

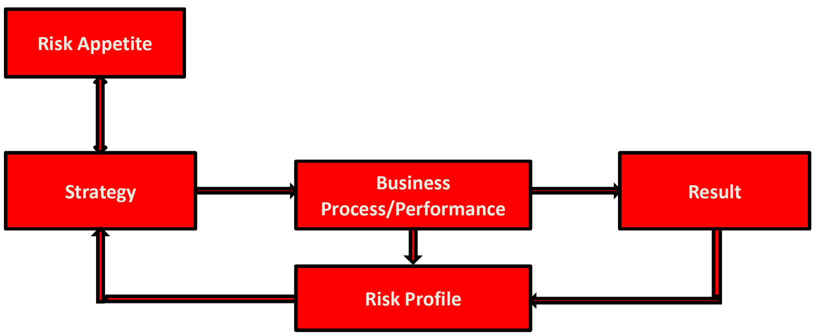
4 Financial Risk Management

4.1 Introduction and overview

Given the scale and scope of its operations as well as the diversity of the geographies within which it operates, United Bank for Africa Plc (UBA Plc) has adopted an enterprise wide, integrated approach to risk management. The key objectives are as follow:
1. meet and exceed best practice global standards as defined by local and international regulatory bodies. We intend to achieve this by adhering to the principles of the Basel II Accords as adopted by the Central Bank of Nigeria (CBN);
2. ensure sustainable profitability and enterprise value protection by maintaining growth within appropriate risk-control boundaries; and
3. enhance corporate governance by involving the Board and Senior Management in setting the tone for the risk management agenda.
The key elements of the ERM framework are intended to enhance risk identification, measurement, control and reporting.

(a) Risk Management Strategy

UBA's risk management strategy is based on an embedded risk management process from the strategy formulation level to the business unit decision making. The strategic risk management objectives include:
- Evaluation of the strategic risks faced by the Group in the continuously evolving environment;
- Allocate resources in line with strategic objectives and risks;
- Determine the tolerable risk profile and formulate the acceptable risk appetite for the Group;
- Establish adequate risk management and internal control systems to support the business and the risk appetite; and
- Establish proper feedback mechanism as input into the strategic risk management process.



(b) Risk Management Culture

There is a commitment to ensuring that risk management is enshrined as a culture in the Group, from the Board of Directors to the individual business unit. There is considerable effort to infuse the risk/reward evaluation in the decision making process in order to ensure that there is proper assessment of risk dimension in process design, performance appraisal, limit establishment, portfolio creation, monitoring activities and audit process. The aim is also to encourage a culture of constant re-evaluation of risk profile and prompt risk mitigation action , where required.
In order to do this, there is proper dissemination of information and policies, development of frameworks, and staff training to ensure that all staff are adequately aware of their roles in the risk management process of the Group. As part of the risk culture, we aim to ensure the following:

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

4 Financial Risk Management - Continued

4.1 Introduction and risk profile (continued)

(c) Role and responsibilities

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

Board of Directors

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

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

Board Committees

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

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

Management Committees

Key Management Committees include:

(i) Executive Management Committee (EMC)

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

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

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

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

(ii) Executive Credit Committee (ECC)

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

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

(iii) Group Asset and Liability Committee

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

In playing this role, GALCO does the following:-

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

4 Financial Risk Management - Continued
4.1 Introduction and risk profile (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group Chief Risk Officer

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

(d) Central Risk Management Functions

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

- 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
- Provide assurance that risk management policies and strategies are operating effectively to achieve the Group's business objectives.

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

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

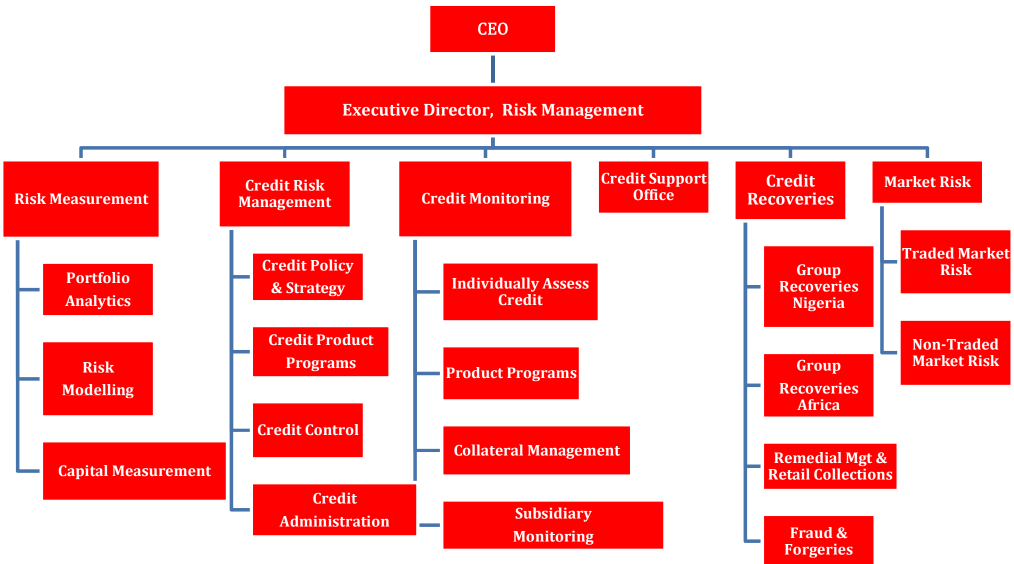
4 Financial Risk Management- Continued

4.1 Introduction and risk profile (continued)

(e) Risk Management Structure

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

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



(f) Risk Management Policies

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

(i) Risk Appetite

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

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

(ii) Approval Authority

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

(iii) Risk concentration

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

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

4 Financial Risk Management- Continued

4.2 Credit Risk

(a) Overview

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

(i) Credit Risk Management (CRM)

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

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

(ii) Credit Risk Governance

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

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

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

(iii) Credit Monitoring

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

(iv) Credit Concentration Management

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

The Group ensures that:

· It manages its portfolio by ensuring adequate diversification across industries, segments and jurisdictions to maintain high portfolio quality and liquidity

· Provides risk based concentration limits to ensure that exposures to single obligors, sectors and countries are contained within acceptable risk appetite.

(v) Credit Risk Measurement

In measuring credit risk of loans and advances to various counterparties, the Group considers the credit worthiness and financial 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 and debt securities. The Group's policy is to lend principally on the basis of our customers' repayment capacity through quantitative and qualitative evaluation. However we strive to ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

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

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

Probability of Default

This is the probability that an obligor or counterparty will default over a given period, usually one year. To measure expected credit loss, we develop a 12-month PD or equivalent (used in Stage 1 provisioning) and a lifetime PD or equivalent (used for Stages 2 and 3 provisioning). The PD is used to reflect the current expectation of default and considers available reasonable and supportive forwarding-looking information.

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 which are adjusted for forward looking information to measure lifetime expected credit losses.

Exposure at default

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

4 Financial Risk Management- Continued

4.2 Credit Risk - continued

(vi) General Risk Rating Process

The Group adopts a two-dimensional approach to the assessment of credit risk in the Risk Rating Process for all obligors.

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

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

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

The integrity of the Group's portfolio management process is dependent on accurate and timely risk ratings. Deterioration in credit risks is quickly identified and communicated to facilitate prompt action. The rating is reviewed on a periodic basis 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 outstanding balance and/or realise the collateral.

Deterioration in credit risk are identified based on factors such as

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

(vii) Credit Rating of Counterparty/Obligor

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

UBA Risk Buckets and Definition

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

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

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(viii) Remedial Management Process

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

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

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

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

(ix) Work out and recovery

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

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

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

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

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

Risk Management and Credit Recovery Division methodology

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

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(b) Credit risk Exposure

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

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

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

	Maximum exposure Group		**Maximum exposure Bank**	
In millions of Nigerian Naira	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Cash and bank balances				
Current balances with banks	344,123	192,080	309,921	160,664
Unrestricted balances with Central Banks	202,714	128,318	27,642	41,235
Money market placements	8,467	64,846	51,089	50,278
Restricted balances with central banks	563,683	445,238	551,568	430,004
Financial assets at fair value through profit or loss				
Treasury bills	18,743	-	18,743	-
Bonds	696	-	696	-
Financial assets held for trading				
Treasury bills	-	31,237	-	31,237
Bonds	-	661	-	661
Derivative assets	34,784	8,227	34,784	7,911
Loans and advances to banks:				
Term Loan	15,797	20,640	15,516	19,974
Loans and advances to individuals				
Overdraft	15,668	20,154	7,525	11,389
Term loan	81,905	74,975	15,508	21,761
Loans and advances to corporate entities and others				
Overdraft	332,505	319,530	179,246	183,961
Term Loan	1,280,890	1,213,500	1,007,204	933,371
Others	4,317	22,732	4,318	22,732
Investment securities at fair value through other comprehensive income:				
Treasury bills	790,292	-	705,152	-
Bonds	143,608	-	118,498	-
Investment securities at available for sale:				
Treasury bills	-	457,653	-	310,199
Bonds	-	41,630	-	19,738
Investment securities at amortised cost:				
Treasury bills	321,131	-	-	-
Bonds	279,658	-	84,509	-
Investment securities held to maturity:				
Treasury bills	-	193,439	-	-
Bonds	-	429,315	-	242,185
Other assets	43,583	69,651	38,949	67,577
Total	**4,482,564**	**3,733,826**	**3,170,868**	**2,554,877**
Loans exposure to total exposure	39%	45%	39%	47%
Debt securities exposure to total exposure	35%	0%	29%	-1%
Other assets exposure to total exposure	26%	24%	31%	30%

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

	Group		**Bank**	
In millions of Nigerian Naira	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Performance bonds and guarantees	428,043	303,400	307,680	120,742
Letters of credits	217,764	323,347	71,796	273,061
	645,807	**626,747**	**379,476**	**393,803**
Bonds and guarantee exposure to total exposure	66%	48%	81%	31%
Letters of credit exposure to total exposure	34%	52%	19%	69%

Credit risk exposures relating to loan commitment are as follows:

Loan commitment to corporate entities and others				
Term Loan	159,543	130,100	159,543	130,100
	159,543	**130,100**	**159,543**	**130,100**

There are no loan commitments to individuals.

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

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(b) Credit risk Exposure - continued

(ii) Credit concentration - location

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

31 December 2018

In millions of Nigerian Naira	**Group**				**Bank**			
	Nigeria	**Rest of Africa**	**Rest of the world**	**Total**	**Nigeria**	**Rest of Africa**	**Rest of the world**	**Total**
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	34,282	309,841	344,123	-	80	309,841	309,921
- Unrestricted balances with Central Banks	27,642	175,072	-	202,714	27,642	-	-	27,642
- Money market placements	-	-	8,467	8,467	-	13,013	38,076	51,089
- Restricted balances with central banks	551,568	12,115	-	563,683	551,568	-	-	551,568
Financial assets at FVTPL:								
- Treasury bills	18,743	-	-	18,743	18,743	-	-	18,743
- Government bonds	696	-	-	696	696	-	-	696
Derivative assets	34,742	-	42	34,784	34,742	-	42	34,784
Loans and advances to banks								
- Corporates	8,366	7,150	281	15,797	8,366	7,150	-	15,516
Loans and advances to customers:								
Individuals:								
- Overdrafts	7,525	8,143	-	15,668	7,525	-	-	7,525
- Term loans	15,508	66,397	-	81,905	15,508	-	-	15,508
Corporates:								
- Overdrafts	178,955	153,550	-	332,505	178,955	291	-	179,246
- Term loans	968,834	312,056	-	1,280,890	968,834	38,370	-	1,007,204
- Others	4,318	(1)	-	4,317	4,318	-	-	4,318
Investment securities:								
At amortised cost								
- Treasury bills	-	321,131	-	321,131	-	-	-	-
- Bonds	75,345	189,517	14,796	279,658	75,345	-	9,164	84,509
At FVOCI								
- Treasury bills	705,152	85,140	-	790,292	705,152	-	-	705,152
- Bonds	118,498	25,110	-	143,608	118,498	-	-	118,498
Other assets	24,304	18,604	675	43,583	24,304	14,645	-	38,949
Total financial assets	**2,740,196**	**1,408,267**	**334,102**	**4,482,564**	**2,740,196**	**73,549**	**357,123**	**3,170,868**
Commitments and guarantees								
- Performance bonds and guarantees	307,680	120,363	-	428,043	307,680	-	-	307,680
- Letters of credits	71,796	120,427	25,541	217,764	71,796	-	-	71,796
- Loan commitments	159,543	-	-	159,543	159,543	-	-	159,543
Total commitments and guarantees	**539,019**	**240,790**	**25,541**	**805,350**	**539,019**	**-**	**-**	**539,019**

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

31 December 2017

In millions of Nigerian Naira	**Group**				**Bank**			
	Nigeria	**Rest of Africa**	**Rest of the world**	**Total**	**Nigeria**	**Rest of Africa**	**Rest of the world**	**Total**
Financial assets								
Cash and bank balances:								
- Current balances with banks	-	31,148	160,932	192,080	-	165	160,499	160,664
- Unrestricted balances with Central Banks	41,235	87,083	-	128,318	41,235	-	-	41,235
- Money market placements	17,012	35,501	12,333	64,846	17,012	1,590	31,676	50,278
- Restricted balances with central banks	430,004	15,234	-	445,238	430,004	-	-	430,004
Financial assets held for trading:								
- Treasury bills	31,237	-	-	31,237	31,237	-	-	31,237
- Government bonds	661	-	-	661	661	-	-	661
Derivative assets	7,867	316	44	8,227	7,867	-	44	7,911
Loans and advances to banks								
- Corporates	15,729	-	4,911	20,640	15,729	4,245	-	19,974
Loans and advances to customers:								
Individuals:								
- Overdrafts	11,389	8,765	-	20,154	11,389	-	-	11,389
- Term loans	21,761	53,214	-	74,975	21,761	-	-	21,761
Corporates:								
- Overdrafts	183,961	135,569	-	319,530	183,961	-	-	183,961
- Term loans	933,371	280,129	-	1,213,500	933,371	-	-	933,371
- Others	22,732	-	-	22,732	22,732	-	-	22,732
Investment securities:								
Held to maturity								
- Treasury bills	-	193,439	-	193,439	-	-	-	-
- Bonds	226,693	198,007	4,615	429,315	226,693	15,492	-	242,185
Available for sale								
- Treasury bills	310,199	147,454	-	457,653	310,199	-	-	310,199
- Bonds	17,279	15,291	9,060	41,630	17,279	-	2,459	19,738
Other assets	58,724	10,400	527	69,651	58,724	8,853	-	67,577
Total financial assets	**2,329,854**	**1,211,550**	**192,422**	**3,733,826**	**2,329,854**	**30,345**	**194,678**	**2,554,877**
Commitments and guarantees								
- Performance bonds and guarantees	120,742	182,658	-	303,400	120,742	-	-	120,742
- Letters of credits	246,222	28,830	48,295	323,347	246,222	-	26,839	273,061
- Loan commitments	130,100	-	-	130,100	130,100	-	-	130,100
Total commitments and guarantees	**497,064**	**211,488**	**48,295**	**756,847**	**497,064**	**-**	**26,839**	**523,903**

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(iii) Credit concentration - Industry

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

Group	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2018													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	344,123	-	-	-	-	-	-	-	-	344,123
- Unrestricted balances with Central Banks	-	-	-	202,714	-	-	-	-	-	-	-	-	202,714
- Money market placements	-	-	-	8,467	-	-	-	-	-	-	-	-	8,467
- Restricted balances with central banks	-	-	-	563,683	-	-	-	-	-	-	-	-	563,683
Financial assets at FVTPL:													
- Treasury bills	-	-	-	-	-	-	18,743	-	-	-	-	-	18,743
- Government bonds	-	-	-	-	-	-	696	-	-	-	-	-	696
Derivative assets	-	-	-	34,784	-	-	-	-	-	-	-	-	34,784
Loans and advances to banks	-	-	-	15,797	-	-	-	-	-	-	-	-	15,797
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	15,668	-	-	-	-	-	-	-	15,668
- Term loans	-	-	-	-	81,905	-	-	-	-	-	-	-	81,905
Corporates													
- Overdrafts	46,756	10,199	2,630	4,985	8,197	60,672	48,830	5,030	76,824	61,866	5,099	1,417	332,505
- Term loans	36,872	40,680	14,292	103,179	31,402	162,620	108,387	68,465	209,297	321,133	182,938	1,625	1,280,890
- Others	96	-	-	-	-	2,380	-	-	1,842	-	-	-	4,317
Investment securities:													
At Amortised cost													
- Treasury bills	-	-	-	-	-	-	321,131	-	-	-	-	-	321,131
- Bonds	-	-	-	-	9,164	-	270,335	-	159	-	-	-	279,658
At FVOCI				-	-	-	-	-	-	-	-	-	
- Treasury bills	-	-	-	-	-	-	790,292	-	-	-	-	-	790,292
- Bonds	-	-	-	-	-	-	143,608	-	-	-	-	-	143,608
Other assets	-	-	-	20,001	23,582	-	-	-	-	-	-	-	43,583
Total financial assets	**83,724**	**50,879**	**16,922**	**1,297,733**	**169,918**	**225,672**	**1,702,022**	**73,495**	**288,122**	**382,999**	**188,037**	**3,042**	**4,482,564**
Commitments and guarantees													
- Performance bonds and guarantees	876	245,868		19,104	442	75,850	-	1,153	27,227	27,642	29,790	91	428,043
- Letters of credits	1,339	19,123	-	-	44,883	983	-	9,682	114,591	26,050	922	191	217,764
- Loan Commitments	-	-	-	-	-	-	-	67,626	2,366	89,551	-	-	159,543
Total commitments and guarantees	**2,215**	**264,991**	**-**	**19,104**	**45,325**	**76,833**	**-**	**78,461**	**144,184**	**143,243**	**30,712**	**282**	**805,350**

4 Financial Risk Management - Continued
4.2 Credit concentration - Industry (continued)

Bank	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2018													
Financial assets													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	309,921	-	-	-	-	-	-	-	-	309,921
- Unrestricted balances with Central Banks	-	-	-	27,642	-	-	-	-	-	-	-	-	27,642
- Money market placements	-	-	-	51,089	-	-	-	-	-	-	-	-	51,089
- Restricted balances with central banks	-	-	-	551,568	-	-	-	-	-	-	-	-	551,568
Financial assets at FVTPL:	-	-	-	-	-	-		-	-	-	-	-	
- Treasury bills	-	-	-	-	-	-	18,743	-	-	-	-	-	18,743
- Government bonds	-	-	-	-	-	-	696	-	-	-	-	-	696
Derivative assets	-	-	-	34,784	-	-	-	-	-	-	-	-	34,784
Loans and advances to banks	-	-	-	15,516	-	-	-	-	-	-	-	-	15,516
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	7,525	-	-	-	-	-	-	-	7,525
- Term loans	-	-	-	-	15,508	-	-	-	-	-	-	-	15,508
Corporates													
- Overdrafts	31,383	8,716	1,919	795	8,077	35,681	34,683	267	35,752	19,771	2,046	156	179,246
- Term loans	17,468	39,529	13,629	87,969	30,168	139,116	60,161	56,368	177,908	231,736	152,913	239	1,007,204
- Others	96	-	-	-	-	2,380	-	-	1,842	-	-	-	4,318
Investment securities:													
At amortised cost													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	-	9,164	-	75,186	-	159	-	-	-	84,509
At FVOCI													
- Treasury bills	-	-	-	-	-	-	705,152	-	-	-	-	-	705,152
- Bonds	-	-	-	-	-	-	118,498	-	-	-	-	-	118,498
Other assets	-	-	-	31,513	7,436	-	-		-	-	-	-	38,949
Total financial assets	**48,947**	**48,245**	**15,548**	**1,110,797**	**77,878**	**177,177**	**1,013,119**	**56,635**	**215,661**	**251,507**	**154,959**	**395**	**3,170,868**
Commitments and guarantees													
- Performance bonds and guarantees	683	184,397	-	19,041	440	43,439	-	814	13,151	26,164	19,478	73	307,680
- Letters of credits	360	4,016	-	-	32,950	96	-	9,682	552	23,883	101	156	71,796
- Loan Commitments	-	-	-	-	-	-	-	67,625	2,367	89,551	-	-	159,543
Total commitments and guarantees	**1,043**	**188,413**	**-**	**19,041**	**33,390**	**43,535**	**-**	**78,121**	**16,070**	**139,598**	**19,579**	**229**	**539,019**

4 Financial Risk Management - Continued

Credit concentration - Industry (continued)

Group	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2017													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	192,080	-	-	-	-	-	-	-	-	192,080
- Unrestricted balances with Central Banks	-	-	-	128,318	-	-	-	-	-	-	-	-	128,318
- Money market placements	-	-	-	64,846	-	-	-	-	-	-	-	-	64,846
- Restricted balances with central banks	-	-	-	445,238	-	-	-	-	-	-	-	-	445,238
Financial assets held for trading:													
- Treasury bills	-	-	-	-	-	-	31,237	-	-	-	-	-	31,237
- Government bonds	-	-	-	-	-	-	661	-	-	-	-	-	661
Derivative assets	-	-	-	8,227	-	-	-	-	-	-	-	-	8,227
Loans and advances to banks	-	-	-	20,640	-	-	-	-	-	-	-	-	20,640
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	20,154	-	-	-	-	-	-	-	20,154
- Term loans	-	-	-	-	74,975	-	-	-	-	-	-	-	74,975
Corporates													
- Overdrafts	17,066	20,200	2,036	10,066	3,307	61,295	24,041	8,576	65,360	86,910	17,209	3,464	319,530
- Term loans	27,186	80,775	17,470	83,305	10,376	202,272	114,107	71,618	179,313	272,779	153,397	902	1,213,500
- Others	-	-	-	-	-	1,516	-	-	19,927	1,289	-	-	22,732
Investment securities:													
Held to maturity													
- Treasury bills	-	-	-	-	-	-	193,439	-	-	-	-	-	193,439
- Bonds	-	-	-	12,534	416,455	-	-	-	158	-	-	168	429,315
Available for sale				-	-	-	-	-	-	-	-	-	
- Treasury bills	-	-	-	-	-	-	457,653	-	-	-	-	-	457,653
- Bonds	-	-	-	-	-	-	41,630	-	-	-	-	-	41,630
Other assets	-	-	-	34,070	35,581	-	-	-	-	-	-	-	69,651
Total financial assets	**44,252**	**100,975**	**19,506**	**999,324**	**560,848**	**265,083**	**862,768**	**80,194**	**264,758**	**360,978**	**170,606**	**4,534**	**3,733,826**
Commitments and guarantees													
- Performance bonds and guarantees	116,938	41,944	1	3,177	2,731	22,649	25	817	63,914	39,475	11,727	2	303,400
- Letters of credits	51,178	4,754	-	-	761	4,714	-	7,127	162,664	84,782	6,352	1,015	323,347
- Loan commitments	-	-	-	-	-	-	-	-	-	130,100	-	-	130,100
Total commitments and guarantees	**168,116**	**46,698**	**1**	**3,177**	**3,492**	**27,363**	**25**	**7,944**	**226,578**	**254,357**	**18,079**	**1,017**	**756,847**

4 Financial Risk Management - Continued
Credit concentration - Industry (continued)

Bank	Agriculture	Construction and Real Estate	Education	Finance and Insurance	General	General Commerce	Governments	Information and Communication	Manufacturing	Oil and Gas	Power and Energy	Transportation and Storage	Total
31 December 2017													
Financial assets													
In millions of Nigerian Naira													
Cash and bank balances:													
- Current balances with banks	-	-	-	160,664	-	-	-	-	-	-	-	-	160,664
- Unrestricted balances with Central Banks	-	-	-	41,235	-	-	-	-	-	-	-	-	41,235
- Money market placements	-	-	-	50,278	-	-	-	-	-	-	-	-	50,278
- Restricted balances with central banks	-	-	-	430,004	-	-	-	-	-	-	-	-	430,004
Financial assets held for trading:													
- Treasury bills	-	-	-	-	-	-	31,237	-	-	-	-	-	31,237
- Government bonds	-	-	-	-	-	-	661	-	-	-	-	-	661
Derivative assets	-	-	-	7,911	-	-	-	-	-	-	-	-	7,911
Loans and advances to banks	-	-	-	19,974	-	-	-	-	-	-	-	-	19,974
Loans and advances to customers:													
Individuals													
- Overdrafts	-	-	-	-	11,389	-	-	-	-	-	-	-	11,389
- Term loans	-	-	-	-	21,761	-	-	-	-	-	-	-	21,761
Corporates					-								
- Overdrafts	13,926	18,598	1,657	2,195	2,751	28,952	18,911	3,737	41,841	33,313	16,459	1,621	183,961
- Term loans	11,659	43,897	16,519	65,838	9,779	171,126	48,491	64,204	138,692	238,973	123,534	659	933,371
- Others	-	-	-	-	-	1,516	-	-	19,927	1,289	-	-	22,732
Investment securities:													
Held to maturity													
- Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	12,534	-	-	229,325	-	158	-	-	168	242,185
Available for sale													
- Treasury bills	-	-	-	-	-	-	310,199	-	-	-	-	-	310,199
- Bonds	-	-	-	-	-	-	19,738	-	-	-	-	-	19,738
Other assets	-	-	-	42,280	25,297	-	-		-	-	-	-	67,577
Total financial assets	**25,585**	**62,495**	**18,176**	**832,913**	**70,977**	**201,594**	**658,562**	**67,941**	**200,618**	**273,575**	**139,993**	**2,448**	**2,554,877**
Commitments and guarantees													
- Performance bonds and guarantees	-	41,943	-	3,177	2,731	9,518	25	550	11,634	39,475	11,687	2	120,742
- Letters of credits	1,341	4,754	-	-	761	4,714	-	7,127	162,215	84,782	6,352	1,015	273,061
- Loan commitments	-	-	-	-	-	-	-	-	-	130,100	-	-	130,100
Total commitments and guarantees	**1,341**	**46,697**	**-**	**3,177**	**3,492**	**14,232**	**25**	**7,677**	**173,849**	**254,357**	**18,039**	**1,017**	**523,903**

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(c) Credit Quality

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

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

Stage 1 Loans and Advances:

These are loans and advances that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (where the optional simplification is applied) at the reporting date.

Stage 2 Loans and Advances:

These are loans and advances that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event.

Stage 3 Loans and Advances:

These are loans and advances that have objective evidence of a credit loss event. Stage 3 allocation is driven by either the identification of credit impairment or an exposure being classified as defaulted.

All loans and advances are categorized as follows in comparative period:

Neither past due nor impaired

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

Past due but not impaired loans

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

Impaired loans and securities

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

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Group renegotiates loans to customers to maximise collection opportunities and minimise the risk of default. The revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. As at 31 December 2018, the carrying amount of loans with renegotiated terms was N135 billion (December 2017 : N89.87 billion). There are no other financial assets with renegotiated terms as at 31 December 2018 (December 2017: nil).

Impairment assessment under IFRS

The Group assesses its impairment for the purpose of IFRS reporting using the 'forward-looking' Expected Credit Loss (ECL) model in line with provisions of *IFRS 9 - Financial Instrument* .

The Group records an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.
The measurement of expected credit losses is based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate.

The ECL model has three stages. The Group recognises a 12-month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired and then a lifetime expected loss allowance is recognised.

4 Financial Risk Management - Continued

4.2 Credit Quality (continued)

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

31 December 2018	**Group**				**Bank**			
	Stage 1 - 12-month ECL	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	344,123	-	-	344,123	309,921	-	-	309,921
- Unrestricted balances with Central Banks	202,714	-	-	202,714	27,642	-	-	27,642
- Money market placements	8,467	-	-	8,467	51,089	-	-	51,089
- Restricted balances with central banks	563,683	-	-	563,683	551,568	-	-	551,568
Financial assets at FVTPL:								
- Treasury bills	18,743	-	-	18,743	18,743	-	-	18,743
- Government bonds	696	-	-	696	696	-	-	696
Derivative assets	34,784	-	-	34,784	34,784	-	-	34,784
Loans and advances to banks	16,147	-	-	16,147	15,859	-	-	15,859
Loans and advances to customers								
Individuals								
- Overdrafts	8,318	2,874	13,386	24,578	6,203	82	7,020	13,305
- Term loans	80,158	1,759	2,431	84,348	15,499	-	997	16,496
Corporates								
- Overdrafts	263,588	46,302	73,525	383,414	167,171	20,929	20,144	208,244
- Term loans	1,131,083	152,318	27,318	1,310,720	874,473	131,431	25,831	1,031,734
- Others	4,333	-	-	4,333	4,333	-	-	4,333
Investment securities:								
At Amortised Cost								
- Treasury bills	321,131	-	-	321,131	-	-	-	-
- Bonds	279,658	-	-	279,658	84,509	-	-	84,509
- FGN Promissory notes	-	-	-	-	-	-	-	-
At FVOCI								
- Treasury bills	790,292	-	-	790,292	705,152	-	-	705,152
- Bonds	143,608	-	-	143,608	118,498	-	-	118,498
Other assets	43,583	-	5,310	48,893	38,949	-	1,965	40,914
Gross financial assets	**4,255,109**	**203,253**	**121,970**	**4,580,332**	**3,025,089**	**152,442**	**55,956**	**3,233,487**
Allowance for impairment on financial assets is as follows:								
Allowance for credit losses								
Loans and advances to customers								
- Individuals	1,091	60	10,202	11,353	201	1	6,566	6,768
- Corporates	23,856	5,950	50,949	80,755	17,760	5,398	30,385	53,543
Loans and advances to banks	350	-	-	350	343	-	-	343
	25,297	**6,010**	**61,151**	**92,458**	**18,304**	**5,399**	**36,951**	**60,654**
Allowance for impairment								
Other assets	878	-	4,432	5,310	251	-	1,714	1,965
	878	**-**	**4,432**	**5,310**	**251**	**-**	**1,714**	**1,965**
Total impairment allowance on financial assets	**26,175**	**6,010**	**65,583**	**97,768**	**18,555**	**5,399**	**38,665**	**62,619**
Net amount	**4,228,934**	**197,243**	**56,387**	**4,482,564**	**3,006,534**	**147,043**	**17,291**	**3,170,868**

4 Financial Risk Management - Continued

4.2 Credit Quality (continued)

31 December 2017	**Group**				**Bank**			
	Neither past due nor impaired	**Past due but not impaired**	**Individually impaired**	**Total**	**Neither past due nor impaired**	**Past due but not impaired**	**Individually impaired**	**Total**
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	192,080	-	-	192,080	160,664	-	-	160,664
- Unrestricted balances with Central Banks	128,318	-	-	128,318	41,235	-	-	41,235
- Money market placements	64,846	-	-	64,846	50,278	-	-	50,278
- Restricted balances with central banks	445,238	-	-	445,238	430,004	-	-	430,004
Financial assets held for trading:								
- Treasury bills	31,237	-	-	31,237	31,237	-	-	31,237
- Government bonds	661	-	-	661	661	-	-	661
Derivative assets	8,227	-	-	8,227	7,911	-	-	7,911
Loans and advances to banks	20,685	-	-	20,685	20,031	-	-	20,031
Loans and advances to customers								
Individuals								
- Overdrafts	10,442	4,653	8,480	23,575	9,440	2,256	1,960	13,656
- Term loans	73,885	1,999	2,519	78,403	22,350	-	505	22,855
Corporates								
- Overdrafts	178,698	102,662	51,565	332,925	114,738	71,825	1,497	188,060
- Term loans	1,193,602	5,410	52,189	1,251,201	905,724	-	51,330	957,054
- Others	22,801	-	-	22,801	22,801	-	-	22,801
Investment securities:								
- *Held-to-maturity*								
- Treasury bills	193,439	-	-	193,439	-	-	-	-
- Bonds	429,315	-	-	429,315	242,185	-	-	242,185
- Promissory notes	-	-	-	-	-	-	-	-
- *Available-for-sale*								
- Treasury bills	457,653	-	-	457,653	310,199	-	-	310,199
- Bonds	41,630	-	-	41,630	19,738	-	-	19,738
Other assets	69,651	-	3,328	72,979	67,577	-	2,216	69,793
Gross financial assets	**3,562,408**	**114,724**	**118,081**	**3,795,213**	**2,456,773**	**74,081**	**57,508**	**2,588,362**
Allowance for impairment on financial assets is as follows:								
Specific allowance								
Loans and advances to customers								
- Individuals	-	-	3,806	3,806	-	-	2,466	2,466
- Corporates	-	-	21,382	21,382	-	-	16,192	16,192
Other assets	-	-	3,328	3,328	-	-	2,216	2,216
	-	**-**	**28,516**	**28,516**	**-**	**-**	**20,874**	**20,874**
Portfolio allowance								
Loans and advances to customers								
- Individuals	2,821	222	-	3,043	836	59	-	895
- Corporates	27,271	2,512	-	29,783	10,765	894	-	11,659
Loans and advances to banks	45	-	-	45	57	-	-	57
	30,137	**2,734**	**-**	**32,871**	**11,658**	**953**	**-**	**12,611**
Total impairment allowance on financial assets	**30,137**	**2,734**	**28,516**	**61,387**	**11,658**	**953**	**20,874**	**33,485**
Net amount	**3,532,271**	**111,990**	**89,565**	**3,733,826**	**2,445,115**	**73,128**	**36,634**	**2,554,877**

4 Financial Risk Management - Continued

4.2 Credit Quality (continued)

(ii) The internal credit rating of financial assets that are classified as Stage 1 at the reporting date is as follows:

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Group								
31 December 2018								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	344,123	-	-	-	344,123	-	344,123
- Unrestricted balances with Central Banks	202,714	-	-	-	-	202,714	-	202,714
- Money market placements	-	8,467	-	-	-	8,467	-	8,467
- Restricted balances with central banks	563,683	-	-	-	-	563,683	-	563,683
Financial assets at FVTPL:								
- Treasury bills	18,743	-	-	-	-	18,743	-	18,743
- Government bonds	696	-	-	-	-	696	-	696
Derivative assets	34,784	-	-	-	-	34,784	-	34,784
Loans and advances to banks	-	16,147	-	-	-	16,147	(350)	15,797
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	24,303	275	-	24,578	(8,910)	15,668
- Term loans	-	-	80,119	4,229		84,348	(2,443)	81,905
Corporates								
- Overdrafts	973	27,048	346,247	9,147	-	383,414	(50,909)	332,505
- Term loans	58,571	276,358	975,102	690	-	1,310,720	(29,830)	1,280,890
- Others	-	-	4,333	-	-	4,333	(16)	4,317
Investment securities:								
At Amortised Cost								
- Treasury bills	321,131	-	-	-	-	321,131	-	321,131
- Bonds	257,959	20,398	1,301	-	-	279,658	-	279,658
At FVOCI						-		-
- Treasury bills	790,292	-	-	-	-	790,292	-	790,292
- Bonds	143,608	-	-	-	-	143,608	-	143,608
Other assets	-	-	-	-	43,583	43,583	-	43,583
	2,393,154	**692,540**	**1,431,404**	**14,341**	**43,583**	**4,575,022**	**(92,458)**	**4,482,564**

4 Financial Risk Management - Continued
4.2 Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Group								
31 December 2017								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	192,080	-	-	-	192,080	-	192,080
- Unrestricted balances with Central Banks	128,318	-	-	-	-	128,318	-	128,318
- Money market placements	-	64,846	-	-	-	64,846	-	64,846
- Restricted balances with central banks	445,238	-	-	-	-	445,238	-	445,238
Financial assets held for trading:								
- Treasury bills	31,237	-	-	-	-	31,237	-	31,237
- Government bonds	661	-	-	-	-	661	-	661
Derivative asset	8,133	94	-	-	-	8,227	-	8,227
Loans and advances to banks	-	20,685	-	-	-	20,685	(45)	20,640
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	10,442	-	-	10,442	(285)	10,157
- Term loans	-	-	73,885	-	-	73,885	(2,536)	71,349
Corporates								-
- Overdrafts	-	537	149,712	28,449	-	178,698	(5,106)	173,592
- Term loans	60,827	70,552	843,785	218,438	-	1,193,602	(22,096)	1,171,506
- Others	-	-	9,295	13,506	-	22,801	(69)	22,732
Investment securities:								
Held to maturity								
- Treasury bills	193,439	-	-	-	-	193,439	-	193,439
- Bonds	401,271	27,717	327	-	-	429,315	-	429,315
Available for sale								
- Treasury bills	457,653	-	-	-	-	457,653	-	457,653
- Bonds	41,630	-	-	-	-	41,630	-	41,630
Other assets	-	-	-	-	69,651	69,651	-	69,651
	1,768,407	**376,511**	**1,087,446**	**260,393**	**69,651**	**3,562,408**	**(30,137)**	**3,532,271**

4 Financial Risk Management - Continued

4.2 Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Allowance for credit losses	Carrying amount
Bank								
31 December 2018								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	309,921	-	-	-	309,921	-	309,921
- Unrestricted balances with Central Banks	27,642	-	-	-	-	27,642	-	27,642
- Money market placements	-	51,089	-	-	-	51,089	-	51,089
- Restricted balances with central banks	551,568	-	-	-	-	551,568	-	551,568
Financial assets at FVTPL:								-
- Treasury bills	18,743	-	-	-	-	18,743	-	18,743
- Government bonds	696	-	-	-	-	696	-	696
Derivative assets	34,784	-	-	-	-	34,784	-	34,784
Loans and advances to banks	-	15,859	-	-	-	15,859	(343)	15,516
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	13,305	-	-	13,305	(5,780)	7,525
- Term loans	-	-	16,496	-	-	16,496	(988)	15,508
Corporates								-
- Overdrafts	973	24,298	182,974	-	-	208,244	(28,998)	179,246
- Term loans	58,571	273,304	699,859	-	-	1,031,734	(24,530)	1,007,204
- Others	-	-	4,333	-	-	4,333	(15)	4,318
Investment securities:								-
At Amortised Cost								-
- Treasury bills	-	-	-	-	-	-	-	-
- Bonds	62,810	20,398	1,301	-	-	84,509	-	84,509
At FVOCI								-
- Treasury bills	705,152	-	-	-	-	705,152	-	705,152
- Bonds	118,498	-	-	-	-	118,498	-	118,498
Other assets	-	-	-	-	38,949	38,949	-	38,949
	1,579,437	**694,869**	**918,267**	**-**	**38,949**	**3,231,522**	**(60,654)**	**3,170,868**

4 Financial Risk Management - Continued
4.2 Credit Quality (continued)

	Very Low risk	Low risk	Acceptable risk	Moderately High risk	Unrated	Gross Amount	Portfolio Allowance	Carrying amount
Bank								
31 December 2017								
In millions of Nigerian Naira								
Cash and bank balances:								
- Current balances with banks	-	160,664	-	-	-	160,664	-	160,664
- Unrestricted balances with Central Banks	41,235	-	-	-	-	41,235	-	41,235
- Money market placements	-	50,278	-	-	-	50,278	-	50,278
- Restricted balances with central banks	430,004	-	-	-	-	430,004	-	430,004
Financial assets held for trading:								
- Treasury bills	31,237	-	-	-	-	31,237	-	31,237
- Government bonds	661	-	-	-	-	661	-	661
Derivative Asset	7,817	94	-	-	-	7,911	-	7,911
Loans and advances to banks	-	20,031	-	-	-	20,031	(57)	19,974
Loans and advances to customers								
Individuals								
- Overdrafts	-	-	9,440	-	-	9,440	(248)	9,192
- Term loans	-	-	22,350	-	-	22,350	(588)	21,762
Corporates								
- Overdrafts	-	537	94,959	19,242	-	114,738	(2,225)	112,513
- Term loans	60,827	70,464	600,025	174,408	-	905,724	(8,471)	897,253
- Others	-	-	9,295	13,506	-	22,801	(69)	22,732
Investment securities:								
Held to maturity								
- Bonds	214,141	27,717	327	-	-	242,185	-	242,185
Available for sale								
- Treasury bills	310,199	-	-	-	-	310,199	-	310,199
- Bonds	19,738	-	-	-	-	19,738	-	19,738
Other assets	-	-	-	-	67,577	67,577	-	67,577
	1,115,859	**329,785**	**736,396**	**207,156**	**67,577**	**2,456,773**	**(11,658)**	**2,445,115**

4 Financial Risk Management - Continued

4.2 Credit Quality (continued)

(d) Statement of Prudential Adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines and the Central Banks of the foreign subsidiaries' regulations. This is at variance with the expected credit loss model required by IFRS under IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

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

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

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

• Prudential Provisions is greater than IFRS provisions; the excess provision resulting therefrom should be transferred from the general reserve account to a "regulatory risk reserve".

• Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

As at 31 December 2018, the difference between the Prudential provision and IFRS impairment was N21,521 billion for the Group (December 2017: N45.236 billion) and N15,212 billion for the Bank (December 2017: N44.373 billion). This requires a transfer of N20,589 billion from retained earnings to regulatory credit risk reserve for the Group and a transfer of N14,280 billion from retained earnings to regulatory credit risk reserve for the Bank, as disclosed in the statement of changes in equity. These amounts represent the difference between provisions for credit and other known losses as determined under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and the Central Banks of foreign subsidiaries, and impairment reserve as determined in line with IFRS 9 as at year end.

In millions of Nigerian Naira	**Group Dec. 2018**	**Group Dec. 2017**	**Bank Dec. 2018**	**Bank Dec. 2017**
Total impairment based on IFRS	100,757	61,639	65,542	33,632
Total impairment based on Prudential Guidelines	122,212	106,875	80,754	78,005
	(21,455)	(45,236)	(15,212)	(44,373)
Regulatory credit risk reserve	(21,521)	(45,236)	(15,212)	(44,373)

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(e) Credit Collateral

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

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

Consequently, the Group issues appropriate guidelines for acceptability of loan collateral from time to time, and during the period, there were no changes in the Group's collateral policies that would warrant any change in collateral quality. These articulate acceptable collateral in respect of each credit product including description, required documentation for perfection of collateral and minimum realizable value.

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

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

1. Cash

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

2. Treasury bills/certificates

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

3. Stock and shares

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

4. Legal Mortgage

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

5. Debenture

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

6. Life Insurance Policies

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

7. Guarantees

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

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

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(e) Credit Collateral (continued)

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

Loans to individuals

In millions of Nigerian Naira	Group		Bank	
	Dec. 2018	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Against Stage 3 loans				
Property	1,223	111	903	7
Others	14,243	11,712	6,800	2,385
	15,465	11,823	7,703	2,392
Against Stage 2 loans				
Property	284	545	-	543
Others	4,398	6,886	82	1,763
	4,682	7,431	82	2,306
Against Stage 1 loans				
Property	4,812	4,359	4,651	4,293
Others	85,892	78,059	19,257	23,670
	90,704	82,418	23,909	27,963
Total for loans to individuals	**110,851**	**101,672**	**31,694**	**32,661**

Loans to corporates

In millions of Nigerian Naira	Group		Bank	
	Dec. 2018	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Against Stage 3 loans				
Property	64,332	15,979	64,188	10,241
Others	63,232	13,114	8,522	1,599
	127,564	29,093	72,710	11,840
Against Stage 2 loans				
Property	43,633	53,087	40,097	47,746
Others	155,174	108,685	109,353	42,111
	198,808	161,772	149,450	89,857
Against Stage 1 loans				
Property	292,788	417,196	286,776	371,543
Others	1,062,567	923,012	713,749	689,648
	1,355,356	1,340,208	1,000,526	1,061,191
Total for loans to corporates	**1,681,728**	**1,531,073**	**1,222,686**	**1,162,888**
Total for loans and advances to customers	**1,792,579**	**1,632,745**	**1,254,380**	**1,195,549**

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

	Group		Bank	
31 December 2018	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
In millions of Nigerian Naira				
Loans and advances to banks				
Unsecured	16,147	-	15,859	-
Loans and advances to customers				
Secured against real estate	325,238	407,072	319,222	396,616
Secured against cash	3,000	5,050	3,000	5,050
Secured against other collateral*	1,343,979	1,378,715	848,511	850,973
Unsecured	43,068	-	43,068	-
	1,715,285	**1,790,837**	**1,213,801**	**1,252,639**

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

4 Financial Risk Management - Continued

4.2 Credit risk (continued)

(e) Credit Collateral (continued)

	Group		Bank	
31 December 2018	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
In millions of Nigerian Naira				
Off-balance sheet exposures				
Secured against real estate	50,530	69,992	50,531	69,992
Secured against cash	68,794	62,780	21,794	15,780
Secured against other collateral*	686,026	413,534	466,694	288,959
	805,350	**546,306**	**539,019**	**374,731**

	Group		Bank	
31 December 2017	**Total Exposure**	**Value of Collateral**	**Total Exposure**	**Value of Collateral**
In millions of Nigerian Naira				
Loans and advances to banks				
Unsecured	20,640	-	19,974	-
Loans and advances to customers				
Secured against real estate	350,186	460,067	336,811	434,373
Secured against cash	4,012	7,127	4,012	6,407
Secured against other collateral*	1,236,197	1,165,551	772,598	754,769
Unsecured	60,496	-	59,793	-
	1,650,891	**1,632,745**	**1,173,214**	**1,195,549**
Off-balance sheet exposures				
Secured against real estate	71,232	49,275	71,232	49,275
Secured against cash	83,794	76,101	61,672	71,771
Secured against other collateral*	601,821	436,376	390,999	250,207
	756,847	**561,752**	**523,903**	**371,253**

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

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

Repossessed collateral

During the period, the Group took possession of property amounting to N115 million (2017: N4,310 million) held as collateral against certain loans. These collaterals have been realised and used in offsetting the affected customers' outstanding obligations.

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

	Loans and advances to customers			
In millions of Nigerian Naira	**Group**		**Bank**	
	Dec. 2018	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Property	115	4,310	115	2,454
Equities	2	1	2	1
	117	**4,311**	**117**	**2,455**

4 Financial Risk Management - Continued

4.3 Liquidity risk

(a) Overview

Liquidity risk arises in the general funding of the Group's activities and in the management of position. Liquidity risk is the risk that the Group does not have sufficient financial resources to meet maturing obligations or can only access these financial resources at excessive cost. Liquidity risk includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Group remains well funded with strong liquidity position.

(i) Liquidity Risk Management

In terms of measuring, managing and mitigating liquidity mismatches, UBA Group focuses on two types of liquidity risk, namely funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that UBA Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals or the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the group will be unable to sell assets without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event. The Group manages its liquidity prudently in all geographical locations and for all currencies. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the expected maturity date. To mitigate these uncertainties, our funding base is diverse and largely customer-driven, while customer assets are of short tenor. In addition we have contingency funding plans including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions. We have significant levels of marketable securities, including government securities that can be monetised or pledged as collateral in the event of a liquidity stress.

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

(ii) Liquidity Risk Governance

The board of directors retains ultimate responsibility for the effective management of liquidity risk. Through the Group Risk Management Committee (GRMC), the board has delegated its responsibility for the management of liquidity risk to the Group Assets & Liability Committee (GALCO). GALCO is the responsible governing management body that monitors liquidity management metrics. Liquidity in each country is managed by the country ALCO within pre-defined liquidity limits and in compliance with Group liquidity policies and practices, as well as local regulatory requirements. Group Market Risk management and Group Treasury are responsible for proactively managing liquidity risk at an operational, tactical and strategic level.

(iii) Liquidity Risk Measurement

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

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

(b) Liquidity ratios

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

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

	Bank Dec. 2018	Bank Dec. 2017
At period end	55.84%	49.69%
Average for the period	50.28%	39.96%
Maximum for the period	57.03%	55.46%
Minimum for the period	43.37%	33.79%

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

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

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

4 Financial Risk Management - Continued

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2018 Group *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative financial liabilities							
Deposits from banks	174,836	176,747	150,341	26,406	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	353,247	357,559	204,202	146,507	5,518	738	594
Current deposits	663,514	663,772	663,772	-	-	-	-
Savings deposits	701,980	704,320	704,320	-	-	-	-
Corporate Customers:							
Term deposits	419,230	424,130	262,234	148,835	13,053	-	8
Current deposits	1,211,149	1,211,620	1,211,620	-	-	-	-
Other liabilities	101,864	101,864	101,864	-	-	-	-
Borrowings	683,532	802,505	-	36,587	81,058	226,892	457,969
Subordinated liabilities	29,859	45,552	-	-	2,509	2,509	40,535
Total financial liabilities	**4,339,211**	**4,488,069**	**3,298,353**	**358,335**	**102,138**	**230,138**	**499,106**
Derivative liabilities:							
Cross Currency Swap	99	99	99	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	428,043	428,043	27,233	41,988	140,900	153,710	64,212
Letters of credit	217,764	217,764	27,878	32,484	103,513	37,788	16,101
Loan commitments	159,543	159,543	-	6,477	-	43,767	109,299
Assets used to manage liquidity							
Cash and bank balances	1,220,596	1,248,096	681,632	-	9,230	5,664	551,571
Financial assets at FVTPL							
Treasury bills	18,743	18,743	18,743	-	-	-	-
Bonds	696	696	696	-	-	-	-
Loans and advances to banks	15,797	16,762	1,602	-	-	1,129	14,031
Loans and advances to customers							
Individual							
Term loans	81,905	94,727	39,323	1,328	1,352	1,135	51,589
Overdrafts	15,668	15,851	15,851	-	-	-	-
Corporates							
Term loans	1,280,890	1,439,920	611,956	20,575	20,840	17,283	769,266
Overdrafts	332,505	336,384	336,384	-	-	-	-
Others	4,317	4,852	2,062	69	70	58	2,593
Investment securities							
At FVOCI							
Treasury bills	790,292	846,855	56,725	218,289	213,210	358,631	-
Bonds	143,608	418,589	-	-	-	915	417,674
At amortised cost							
Treasury bills	321,131	344,115	23,050	88,701	86,637	145,728	-
Bonds	279,658	436,402	-	-	-	28,620	407,781
Other assets	43,583	43,600	43,600	-	-	-	-
Derivative assets	34,784	34,784	598	9,034	-	25,152	-
Total financial assets	**4,584,173**	**5,300,376**	**1,832,221**	**337,996**	**331,339**	**584,314**	**2,214,505**
Gap	**(560,487)**	**6,858**	**(1,521,342)**	**(101,288)**	**(15,212)**	**118,911**	**1,525,787**

4 Financial Risk Management - Continued

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2018 Bank *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative liabilities							
Deposits from banks	30,502	31,005	26,229	4,776	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	270,968	274,276	156,639	112,382	4,233	566	456
Current deposits	512,468	512,667	512,667	-	-	-	-
Savings deposits	578,963	580,893	580,893	-	-	-	-
Corporate Customers:							
Term deposits	308,871	312,479	193,199	109,655	9,619	-	6
Current deposits	752,838	753,131	753,131	-	-	-	-
Other liabilities	76,949	76,949	76,949	-	-	-	-
Borrowings	657,134	773,799	-	36,587	81,058	198,185	457,969
Subordinated liabilities	29,859	45,552	-	-	2,509	2,509	40,535
Total financial liabilities	**3,218,552**	**3,360,751**	**2,299,707**	**263,400**	**97,419**	**201,260**	**498,966**
Derivative liabilities							
Cross Currency Swap	99	99	99	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	307,680	307,680	33,764	134,950	57,165	63,303	18,498
Letters of credit	71,796	71,797	30,273	26,947	13,160	197	1,220
Loan commitments	159,543	159,543	-	6,477	-	43,767	109,299
Assets used to manage liquidity							
Cash and bank balances	1,015,199	1,016,587	440,229	-	15,358	9,433	551,568
Financial assets at FVTPL							
Treasury bills	18,743	18,743	18,743	-	-	-	-
Bonds	696	696	696	-	-	-	-
Loans and advances to banks	15,516	16,498	1,561	-	-	1,157	13,780
Loans and advances to customers							
Individual :							
Term loans	15,508	18,459	5,505	316	344	304	11,990
Overdrafts	7,525	7,528	7,528	-	-	-	-
Corporates :							
Term loans	1,007,204	1,156,376	355,809	20,346	20,608	17,090	742,523
Overdrafts	179,246	179,316	179,316	-	-	-	-
Others	4,318	4,423	1,533	86	86	67	2,651
Investment securities							
At FVOCI							
Treasury bills	705,152	755,621	50,614	194,772	190,240	319,994	-
Bonds	118,498	345,398	-	-	-	755	344,643
At amortised cost							
Bonds	84,509	131,875	-	-	-	8,649	123,226
Other assets	38,949	38,964	38,964	-	-	-	-
Derivative asset	34,784	34,784	51	-	19,455	15,278	-
Total financial assets	**3,245,847**	**3,725,268**	**1,100,548**	**215,520**	**246,091**	**372,727**	**1,790,381**
Gap	**(511,823)**	**(174,602)**	**(1,263,295)**	**(216,254)**	**78,347**	**64,200**	**1,162,399**

4 Financial Risk Management - Continued

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2017 Group *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative financial liabilities							
Deposits from banks	134,289	136,063	131,707	4,356	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	228,471	231,194	117,200	101,700	11,623	224	447
Current deposits	345,087	345,165	251,247	-	-	-	-
Savings deposits	590,171	592,138	686,056	-	-	-	-
Corporate Customers:							
Term deposits	465,304	469,053	271,222	108,090	89,730	-	11
Current deposits	1,104,315	1,104,475	1,104,475	-	-	-	-
Other liabilities	83,258	83,258	83,258	-	-	-	-
Borrowings	502,209	592,908	404	5,306	28,195	201,109	357,894
Subordinated liabilities	65,741	90,469	-	2,450	2,488	39,979	45,552
Total financial liabilities	**3,518,845**	**3,644,723**	**2,645,569**	**221,902**	**132,036**	**241,312**	**403,904**
Derivative liabilities:							
Cross Currency Swap	123	123	123	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	303,400	303,400	58,767	77,702	33,246	57,982	75,703
Letters of credit	323,347	323,347	136,863	107,292	73,367	1,185	4,640
Loan commitments	130,100	130,100	-	-	-	-	130,100
Assets used to manage liquidity							
Cash and bank balances	898,083	898,953	408,189	14,750	22,187	8,589	445,238
Financial assets held for trading							
Treasury bills	31,237	39,452	39,452	-	-	-	-
Bonds	661	661	661	-	-	-	-
Loans and advances to banks	20,640	20,685	5,059	2,971	-	-	12,655
Loans and advances to customers							
Individual							
Term loans	74,975	78,492	4,657	13,454	7,966	13,823	38,592
Overdrafts	20,154	23,575	23,575	-	-	-	-
Corporates							
Term loans	1,213,500	1,251,202	168,890	119,773	88,781	139,318	734,440
Overdrafts	319,530	332,925	332,925	-	-	-	-
Others	22,732	22,802	7,946	12,770	2,086	-	-
Investment securities							
Available for sale							
Treasury bills	457,653	487,201	16,281	91,841	215,806	163,273	-
Bonds	41,630	81,256	-	11,563	-	-	69,693
Held to maturity							
Treasury bills	193,439	264,624	120,892	417	26,852	37,506	78,957
Bonds	429,315	1,013,841	11,314	-	106,416	2,480	893,631
Other assets	69,651	69,678	69,678	-	-	-	-
Derivative assets	8,227	8,227	94	-	7,817	316	-
Total financial assets	**3,801,427**	**4,593,574**	**1,209,613**	**267,539**	**477,911**	**365,305**	**2,273,206**
Gap	**(474,388)**	**191,881**	**(1,631,709)**	**(139,357)**	**239,262**	**64,826**	**1,658,859**

4 Financial Risk Management - Continued

4.3 Liquidity risk (continued)

Maturity analysis for financial liabilities

31 December 2017 Bank *In millions of Nigerian Naira*	**Carrying amount**	**Gross nominal amount**	**Less than 1 month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**More than 1 year**
Non-derivative liabilities							
Deposits from banks	15,290	15,394	6,238	9,156	-	-	-
Deposits from customers							
Retail Customers:							
Term deposits	184,503	186,818	93,540	82,851	9,902	187	338
Current deposits	239,100	239,172	239,172	-	-	-	-
Savings deposits	472,766	474,342	474,342	-	-	-	-
Corporate Customers:							
Term deposits	313,571	318,039	181,866	71,735	64,427	-	11
Current deposits	667,796	667,927	667,927	-	-	-	-
Other liabilities	63,722	63,722	63,722	-	-	-	-
Borrowings	502,209	592,908	404	5,306	28,195	201,109	357,894
Subordinated liabilities	65,741	90,469	-	2,450	2,488	39,979	45,552
Total financial liabilities	**2,524,698**	**2,648,791**	**1,727,211**	**171,498**	**105,012**	**241,275**	**403,795**
Derivative liabilities							
Cross Currency Swap	123	123	123	-	-	-	-
Contingents and loan commitments							
Performance bonds and guarantees	120,742	120,742	13,250	52,958	22,433	24,842	7,259
Letters of credit	273,061	273,061	115,137	102,486	50,051	748	4,639
Loan commitments	130,100	130,100	-	-	-	-	130,100
Assets used to manage liquidity							
Cash and bank balances	727,546	728,232	267,452	-	22,187	8,589	430,004
Financial assets held for trading							
Treasury bills	31,237	39,452	39,452	-	-	-	-
Bonds	661	661	661	-	-	-	-
Loans and advances to banks	19,974	20,031	4,732	2,644	-	-	12,655
Loans and advances to customers							
Individual :							
Term loans	21,761	22,944	1,005	1,675	2,386	4,180	13,698
Overdrafts	11,389	13,656	13,656	-	-	-	-
Corporates :							
Term loans	933,371	957,055	106,294	68,163	53,546	102,691	626,361
Overdrafts	183,961	188,060	188,060	-	-	-	-
Others	22,732	22,802	7,946	12,770	2,086	-	-
Investment securities							
Available for sale							
Treasury bills	310,199	330,227	11,036	62,250	146,274	110,667	-
Bonds	19,738	38,526	-	-	-	-	38,526
Held to maturity							
Bonds	242,185	571,928	2,676	-	25,878	649	542,725
Other assets	67,577	67,603	67,603	-	-	-	-
Derivative asset	7,911	7,911	94	-	7,817	-	-
Total financial assets	**2,600,242**	**3,009,088**	**710,667**	**147,502**	**260,174**	**226,776**	**1,663,969**
Gap	**(448,482)**	**(163,729)**	**(1,145,054)**	**(179,440)**	**82,678**	**(40,089)**	**1,118,176**

4 Financial Risk Management - Continued

4.4 Market risk

(a) Overview

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The overall objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of these portfolios separately. The trading portfolios comprise positions arising from market-making and warehousing of customer derived positions while non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities as well as financial instruments designated as FVOCI and amortised cost. UBA Group follows the Standardised Approach for market risk regulatory reporting purposes.

(i) Market Risk Management

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

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

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

The material risks identified by these measures are summarised in daily reports that are circulated to, and discussed with, senior management.

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

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

(ii) Market Risk Governance

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

(iii) Market Risk Measurement

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

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

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

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

4 Financial Risk Management - Continued

4.4 Market risk - continued

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

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

Daily Valuation Of Market Risk Positions: Mark to Market (MTM) for relevant products/positions is done in line with International Financial Reporting Standard (IFRS). All market risk financial instruments are categorized into:
1) Fair value through profit or loss(FVTPL) – valued on fair value accounting methodology and MTM daily.
2) Fair value through other comprehensive income(FVOCI) – valued on fair value accounting methodology and MTM monthly.
3) Amortised cost – This portfolio is not MTM because positions are held until maturity.

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

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

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

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

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

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

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

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

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

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

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

4 Financial Risk Management - Continued

4.4 Market risk - continued

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

(b) Interest rate risk

UBA Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income and maintaining market interest rate levels consistent with the group's business strategies.

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

31 December 2018
Group

		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**
Cash and bank balances	1,220,596	4,530	-	2,374	1,563	-	1,212,129
Financial assets at FVTPL							
Treasury bills	18,743	18,743	-	-	-	-	-
Bonds	696	696	-	-	-	-	-
Loans and advances to banks	15,797	8,997	4,081	2,719	-	-	-
Loans and advances to customers:							
Individual							
Term loans	81,905	-	-	-	-	81,905	-
Overdrafts	15,668	15,668	-	-	-	-	-
Corporates							
Term loans	1,280,890	-	-	-	-	1,280,890	-
Overdrafts	332,505	332,505	-	-	-	-	-
Others	4,317	-	-	-	4,317	-	-
Investment securities:							
At FVOCI:							
Treasury bills	790,292	52,937	203,709	198,969	334,677	-	-
Bonds	143,608	-	-	-	314	143,294	-
Equity	102,753	-	-	-	-	-	102,753
At amortised cost:							
Treasury bills	321,131	90,483	22,908	43,283	164,457	-	
Bonds	279,658	6,973	10,968	5,366	14,437	241,914	
Derivative assets	34,784	-	-	-	-	-	34,784
Other assets	43,583	-	-	-	-	-	43,583
	4,686,926	**531,532**	**241,666**	**252,711**	**519,765**	**1,748,003**	**1,393,249**
Derivative liability	99	-	-	-	-	-	99
Deposits from banks	174,836	148,430	26,406	-	-	-	-
Deposits from customers	3,349,120	1,163,926	291,770	17,401	750	611	1,874,663
Other liabilities	101,864	-	-	-	-	-	101,864
Subordinated liabilities	29,859	-	-	2,009	2,043	25,807	-
Borrowings	683,532	691	73,001	79,443	214,710	316,200	-
	4,339,310	**1,313,047**	**391,177**	**98,852**	**217,503**	**342,618**	**1,976,626**
Gaps	**347,616**	**(781,515)**	**(149,511)**	**153,859**	**302,262**	**1,405,385**	**(583,377)**

4 Financial Risk Management - Continued

4.4 Market risk - continued

Interest rate risk (continued)

31 December 2017

Group

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
Cash and bank balances	898,083	20,187	14,568	21,801	8,290	-	833,237
Financial assets held for trading							
Treasury bills	31,237	31,237	-	-	-	-	-
Bonds	661	661	-	-	-	-	-
Loans and advances to banks	20,640	5,047	2,965	-	-	12,628	-
Loans and advances to customers:							
Individual							
Term loans	74,975	4,454	12,867	7,618	13,219	36,817	-
Overdrafts	20,154	20,154	-	-	-	-	-
Corporates							
Term loans	1,213,500	164,035	116,330	86,229	135,313	711,593	-
Overdrafts	319,530	319,530	-	-	-	-	-
Others	22,732	7,921	12,731	2,080	-	-	-
Investment securities:							
Available for sale:							
Treasury bills	457,653	16,267	89,961	203,959	147,466	-	-
Bonds	41,630	-	-	-	-	41,630	-
Equity	94,016	-	-	-	-	-	94,016
Held to maturity:							
Treasury bills	193,439	88,371	305	19,629	27,417	57,717	-
Bonds	429,315	10,705	3,958	29,703	13,576	371,373	-
Promissory notes	-	-	-	-	-	-	-
Derivative assets	8,227	-	-	-	-	-	8,227
Other assets	69,651	-	-	-	-	-	69,651
	3,895,443	**688,569**	**253,685**	**371,019**	**345,281**	**1,231,758**	**1,005,131**
Derivative liability	123	-	-	-	-	-	123
Deposits from banks	134,289	55,058	79,231	-	-	-	-
Deposits from customers	2,733,348	944,772	558,136	16,274	49,917	187	1,164,062
Other liabilities	83,258	-	-	-	-	-	83,258
Subordinated liabilities	65,741	-	-	-	36,017	29,724	-
Borrowings	502,209	-	-	16,576	185,617	300,016	-
	3,518,968	**999,830**	**637,367**	**32,850**	**271,551**	**329,927**	**1,247,443**
Gaps	**376,475**	**(311,261)**	**(383,682)**	**338,169**	**73,730**	**901,831**	**(242,312)**

4 Financial Risk Management - Continued
4.4 Market risk - continued
Interest rate risk - continued

		Re-pricing period					
31 December 2018 Bank	**Carrying amount**	**< 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**Non-interest bearing**
In millions of Nigerian Naira							
Cash and bank balances	1,015,199	27,335	-	14,322	9,433	-	964,110
Financial assets at FVTPL							
Treasury bills	18,743	18,743	-	-	-	-	-
Bonds	696	696	-	-	-	-	-
Loans and advances to banks	15,516	-	-	-	-	15,516	-
Loans and advances to customers:							
Individual							
Term loans	15,508	-	-	-	-	15,508	-
Overdrafts	7,525	7,525	-	-	-	-	-
Corporates							
Term loans	1,007,204	-	-	-	-	1,007,204	-
Overdrafts	179,246	179,246	-	-	-	-	-
Others	4,318	-	-	-	4,318		-
Investment securities:							
At FVOCI:							
Treasury bills	705,152	47,234	181,763	177,534	298,622	-	-
Bonds	118,498	-	-	-	259	118,239	-
Equity	102,242	-	-	-	-	-	102,242
At amortised cost:							
Bonds	84,509	-	-	-	5,542	78,967	
Derivative assets	34,784	-	-	-	-	-	34,784
Other assets	38,949	-	-	-	-	-	38,949
	3,348,089	**280,779**	**181,763**	**191,856**	**318,174**	**1,235,434**	**1,140,085**
Derivative liability	99	-	-	-	-	-	99
Deposits from banks	30,502	25,895	4,607	-	-	-	-
Deposits from customers	2,424,108	925,710	219,009	13,061	563	458	1,263,742
Other liabilities	76,949	-	-	-	-	-	76,949
Subordinated liabilities	29,859	-	-	2,009	2,043	25,807	-
Borrowings	657,134	664	70,129	76,317	206,263	303,761	-
	3,218,651	**952,269**	**293,746**	**91,387**	**208,868**	**330,026**	**1,340,790**
Gaps	**129,438**	**(671,490)**	**(111,983)**	**100,469**	**109,305**	**905,408**	**(200,705)**

4 Financial Risk Management - Continued

4.4 Market risk - continued

Interest rate risk - continued

31 December 2017

Bank	Carrying amount	< 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing
		Re-pricing period					
In millions of Nigerian Naira							
Cash and bank balances	727,546	20,187	-	21,801	8,290	-	677,268
Financial assets held for trading							
Treasury bills	31,237	31,237	-	-	-	-	-
Bonds	661	661	-	-	-	-	-
Loans and advances to banks	19,974	4,718	2,637	-	-	12,619	-
Loans and advances to customers:							
Individual							
Term loans	21,761	957	1,595	2,272	3,981	12,956	-
Overdrafts	11,389	11,389	-	-	-	-	-
Corporates							
Term loans	933,371	103,849	66,595	52,315	100,329	610,283	-
Overdrafts	183,961	183,961	-	-	-	(62)	-
Others	22,732	7,921	12,731	2,080	-		-
Investment securities:	-						
Available for sale:							
Treasury bills	310,199	11,026	60,976	138,244	99,953	-	-
Bonds	19,738	-	-	-	-	19,738	-
Equity	93,356	-	-	-	-	-	93,356
Held to maturity:							
Bonds	242,185	2,677	-	25,283	587	213,638	-
Derivative assets	7,911	-	-	-	-	-	7,911
Other assets	67,577	-	-	-	-	-	67,577
	2,693,598	**378,583**	**144,534**	**241,995**	**213,140**	**869,172**	**846,112**
Derivative liability	123	-	-	-	-	-	123
Deposits from banks	15,290	6,209	9,081	-	-	-	-
Deposits from customers	1,877,736	714,381	281,125	169,290	49,917	187	662,836
Other liabilities	63,722	-	-	-	-	-	63,722
Subordinated liabilities	65,741	-	-	-	36,017	29,724	-
Borrowings	502,209	-	-	16,576	185,617	300,016	-
	2,524,821	**720,590**	**290,206**	**185,866**	**271,551**	**329,927**	**726,681**
Gaps	**168,777**	**(342,007)**	**(145,672)**	**56,129**	**(58,411)**	**539,245**	**119,431**

4 Financial Risk Management - Continued

4.4 Market risk - continued

Interest rate sensitivity analysis of floating rate financial instruments

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

	Group		Bank	
Borrowings	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
In millions of Nigerian Naira				
- Standard Chartered Bank (note 37.3)	-	24,910	-	24,910
- European Investment Bank (EIB) (note 37.4)	23,539	22,303	23,539	22,303
- Africa Trade Finance Limited (note 37.5)	43,359	60,382	25,419	60,382
- African Development Bank (note 37.6)	54,842	50,317	54,842	50,317
- Credit Suisse (note 37.7)	108,065	100,312	108,065	100,312
- Eurobond debt security (note 37.8)	177,634	164,378	177,634	164,378
- JP Morgan Securities Limited (note 37.9)	72,062	-	72,062	-
- Standard Bank (note 37.10)	-	16,576	-	16,576
-Societe Generale Bank (note 37.11)	35,967	-	35,967	-
-Mashreqbank psc (note 37.12)	17,969	-	17,969	-
-Rand Merchant Bank (note 37.13)	27,015	-	27,015	-
-ABSA Bank Limited (note 37.14)	21,534	-	21,534	-
-International Finance Corporation (IFC) (note 37.15)	8,458	-	-	-
	590,444	**439,178**	**564,046**	**439,178**
Impact on income statement:				
Favourable change @ 0.5% increase in rates	(2,952)	(2,196)	(2,820)	(2,196)
Unfavourable change @ 0.5% reduction in rates	2,952	2,196	2,820	2,196

(c) Price risk

The Group is exposed to the impact of price changes on its financial assets measured at FVTPL, FVTOCI and its equity instruments.

Price sensitivity analysis for financial instruments measured at FVTPL

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

In millions of Nigerian Naira	Group		Bank	
	Dec. 2018	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Financial assets at FVTPL				
Treasury bills	18,743	31,237	18,743	31,237
Government bonds	696	661	696	661
	19,439	**31,898**	**19,439**	**31,898**
Impact on income statement:				
Favourable change @ 2% increase in prices	(389)	(638)	(389)	(638)
Unfavourable change @ 2% reduction in prices	389	638	389	638
Derivative assets	34,784	8,227	34,784	7,911
Impact on income statement:				
Favourable change @ 2% increase in rates	(696)	(165)	(696)	(158)
Unfavourable change @ 2% reduction in rates	696	165	696	158
Derivative liabilities	99	123	99	123
Impact on income statement:				
Favourable change @ 2% increase in rates	2	2	2	2
Unfavourable change @ 2% reduction in rates	(2)	(2)	(2)	(2)

Price sensitivity analysis for financial instruments measured at FVOCI:

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

	Group		Bank	
In millions of Nigerian Naira	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Debt securities				
Investment securities at FVOCI:				
Treasury bills	790,292	457,653	705,152	310,199
Government bonds	143,608	41,630	118,498	19,738
Total	**933,900**	**499,283**	**823,650**	**329,937**
Impact on other comprehensive income statement:				
Favourable change @ 2% increase in prices	18,678	9,986	16,473	6,599
Unfavourable change @ 2% reduction in prices	(18,678)	(9,986)	(16,473)	(6,599)

4 Financial Risk Management - Continued

4.4 Market risk - continued

Equity price risk

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

Sensitivity analysis for level 1 equity securities is based on average movement in share price index for quoted shares during the year. There are no level 1 equity securities as at 31 December 2018. Price sensitivity analysis for the Group's Level 2 unquoted equities was based on assumptions of a 5% change in the last trading prices obtained from over-the-counter (OTC) trades that were done as at the reporting date. For unquoted equity securities categorised under level 3 in the fair value hierachy, 5% increases/decreases were assumed for the significant unobservable inputs (cost of equity and terminal growth rates).

	Group		Bank	
	Dec. 2018	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Total Equity Positions				
In million of Nigerian Naira				
Investment securities at FVOCI	102,753	94,016	102,242	94,016
Total	**102,753**	**94,016**	**102,242**	**94,016**
Impact on Other comprehensive income:				
Favourable change @ 5% increase in prices	6,621	2,210	6,621	2,210
Unfavourable change @ 5% reduction in prices	(5,789)	(1,874)	(5,789)	(1,874)

4 Financial Risk Management - Continued

4.4 Market risk - continued

(d) Exchange rate exposure limits

FCY sensitivity analysis on foreign exchange rate

Foreign exchange risk is the risk of an adverse impact on the group's financial position or earnings or key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures. The group is exposed to foreign exchange rate both as a result of on-balance sheet transactions in a currency other than the Naira, as well as through structural foreign exchange risk from the translation of its foreign operations' results into Naira. The impact on equity as a result of structural foreign exchange risk is recognised in the foreign currency translation reserve balance. Foreign exchange risk is primarily controlled via in-country macro-prudential and regulatory limits as well as the group's policies around trading limits. The Board and Group ALCO set limits on the level of exposure by currency and in aggregate for both overnight and intra day positions. These limits must be in line with regulatory Open Position Limit (OPL). Compliance with both internal limits and regulatory limits are monitored daily with zero tolerance for limit breaches. These limits include OPL, dealers' limit, overnight/intraday limits, maturity gap limits, management action trigger, product limits, counterparty limits and cross border limits.

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

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

Group

In millions of Nigerian Naira	**Naira**	**US Dollar**	**Euro**	**Pound**	**Others**	**Total**
31 December 2018						
Cash and bank balances	545,005	247,198	185,849	8,779	233,765	1,220,596
Financial assets at FVTPL	19,439	-	-	-	-	19,439
Derivative assets	-	34,784	-	-	-	34,784
Loans and advances to banks	-	12,960	2,769	68	-	15,797
Loans and advances to customers	625,496	637,905	4,026	82	447,776	1,715,285
Investment securities	1,051,567	65,702	-	-	519,863	1,637,132
Other assets	10,409	24,491	-	73	8,610	43,583
Total financial assets	**2,251,916**	**1,023,040**	**192,644**	**9,002**	**1,210,014**	**4,686,616**
Derivative liability		99	-	-	-	99
Deposits from banks	655	130,380	6,505	66	37,230	174,836
Deposits from customers	1,793,193	491,391	137,741	7,482	919,313	3,349,120
Other liabilities	25,449	29,917	6,401	397	39,700	101,864
Borrowings	93,088	590,444	-	-	-	683,532
Subordinated liabilities	29,859	-	-	-	-	29,859
Total financial liabilities	**1,942,244**	**1,242,231**	**150,647**	**7,945**	**996,243**	**4,339,310**
Swap and forward contracts	(287,032)	287,032	-	-	-	-
Net FCY Exposure		**67,841**	**41,997**	**1,057**	**213,771**	
Effect of naira depreciation by 15% on profit before tax		10,176	6,300	159	32,066	48,700
Effect of naira appreciation by 15% on profit before tax		(10,176)	(6,300)	(159)	(32,066)	(48,700)

4 Financial Risk Management - Continued

4.4 Market risk - continued

(d) Exchange rate exposure limits - continued

Group

In millions of Nigerian Naira	Naira	US Dollar	Euro	Pound	Others	Total
31 December 2017						
Cash and bank balances	515,812	184,349	33,154	7,676	157,092	898,083
Financial assets held for trading	31,898	-	-	-	-	31,898
Derivative assets	-	8,133	64	30	-	8,227
Loans and advances to banks	-	20,640	-	-	-	20,640
Loans and advances to customers	557,416	639,243	2,991	86	451,155	1,650,891
Investment securities	659,928	25,193	-	-	530,932	1,216,053
Other assets	57,740	2,310	1,437	5	8,159	69,651
Total financial assets	**1,822,794**	**879,868**	**37,646**	**7,797**	**1,147,338**	**3,895,443**
Derivative liability	-	123	-	-	-	123
Deposits from banks	262	17,960	2,363	-	113,704	134,289
Deposits from customers	1,489,783	417,650	17,135	7,474	801,306	2,733,348
Other liabilities	40,807	28,665	3,239	469	10,078	83,258
Borrowings	63,031	439,178	-	-	-	502,209
Subordinated liabilities	65,741	-	-	-	-	65,741
Total financial liabilities	**1,659,624**	**903,576**	**22,737**	**7,943**	**925,088**	**3,518,968**
Swap and forward contracts	(99,348)	99,348	-	-	-	-
Net FCY Exposure		**75,640**	**14,909**	**(146)**	**222,250**	
Effect of naira depreciation by 15% on profit before tax		11,346	2,236	(22)	33,338	46,898
Effect of naira appreciation by 15% on profit before tax		(11,346)	(2,236)	22	(33,338)	(46,898)

4 Financial Risk Management - Continued

4.4 Market risk - continued

(d) Exchange rate exposure limits - continued

In millions of Nigerian Naira

Bank	**Naira**	**US Dollar**	**Euro**	**Pound**	**Others**	**Total**
31 December 2018						
Cash and bank balances	604,279	168,107	231,585	8,151	3,077	1,015,199
Financial assets at FVTPL	19,439	-	-	-	-	19,439
Derivative assets	-	34,784	-	-	-	34,784
Loans and advances to banks	-	10,274	5,242	-	-	15,516
Loans and advances to customers	628,609	575,606	9,494	92	-	1,213,801
Investment securities	995,680	14,477	-	-	-	1,010,157
Other assets	34,947	3,984	14	4	-	38,949
Total financial assets	**2,282,954**	**807,232**	**246,335**	**8,247**	**3,077**	**3,347,845**
Derivative liability	-	99	-	-	-	99
Deposits from banks	6,181	22,982	1,288	51	-	30,502
Deposits from customers	1,807,402	410,798	198,708	7,189	11	2,424,108
Other liabilities	47,921	24,077	3,058	226	1,667	76,949
Borrowings	92,209	564,925	-	-	-	657,134
Subordinated liabilities	29,859	-	-	-	-	29,859
Total financial liabilities	**1,983,572**	**1,022,881**	**203,054**	**7,466**	**1,678**	**3,218,651**
Swap and forward contracts	(287,032)	287,032	-	-	-	-
Net FCY Exposure		**71,383**	**43,281**	**781**	**1,399**	
Effect of naira depreciation by 15% on profit before tax		10,707	6,492	117	210	17,527
Effect of naira appreciation by 15% on profit before tax		(10,707)	(6,492)	(117)	(210)	(17,527)
31 December 2017						
Cash and bank balances	516,763	181,569	21,150	6,920	1,144	727,546
Financial assets held for trading	31,898	-	-	-	-	31,898
Derivative assets	-	7,817	64	30	-	7,911
Loans and advances to banks	3,781	16,193	-	-	-	19,974
Loans and advances to customers	578,116	592,064	2,953	81	-	1,173,214
Investment securities	651,507	13,971	-	-	-	665,478
Other assets	56,895	10,677	3	2	-	67,577
Total financial assets	**1,838,960**	**822,291**	**24,170**	**7,033**	**1,144**	**2,693,598**
Derivative liability	-	123	-	-	-	123
Deposits from banks	32	14,551	707	-	-	15,290
Deposits from customers	1,486,556	372,765	11,629	6,786	-	1,877,736
Other liabilities	34,527	17,199	10,695	146	1,155	63,722
Borrowings	63,031	439,178	-	-	-	502,209
Subordinated liabilities	65,741	-	-	-	-	65,741
Total financial liabilities	**1,649,887**	**843,816**	**23,031**	**6,932**	**1,155**	**2,524,821**
Swap and forward contracts	(99,348)	99,348	-	-	-	-
Net FCY Exposure		**77,823**	**1,139**	**101**	**(11)**	
Effect of naira depreciation by 15% on profit before tax		11,673	171	15	(2)	11,858
Effect of naira appreciation by 15% on profit before tax		(11,673)	(171)	(15)	2	(11,858)

5 Capital

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

5.1 Capital management

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

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

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

5.2 Regulatory capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.
The group monitors regulatory capital using the capital adequacy ratio. This ratio is calculated as total regulatory capital divided by risk weighted assets. Total regulatory capital and risk weighted assets are calculated as shown in the table below.

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

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

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

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

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

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

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

5 Capital - continued

5.2 Regulatory capital - continued

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

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

In millions of Nigeria naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Tier 1 capital				
Ordinary share capital	17,100	17,100	17,100	17,100
Share premium	98,715	98,715	98,715	98,715
Retained earnings	168,073	152,872	89,217	99,332
Other reserves	90,783	84,626	74,603	68,446
Gross Tier 1 capital	374,671	353,313	279,635	283,593
Less:				
Deferred tax on accumulated losses	10,779	8,643	10,779	8,643
Intangible assets	18,168	16,891	6,911	5,846
Tier 1 Capital After Regulatory Deduction	**345,724**	**327,779**	**261,945**	**269,104**
Investment in subsidiaries	-	-	(51,889)	(51,889)
Eligible Tier 1 Capital	**345,724**	**327,779**	**210,056**	**217,215**
Tier 2 capital				
Fair value reserve for securities measured at FVOCI	69,099	73,897	69,751	74,549
Subordinated liabilities	29,859	24,400	29,859	24,400
Less: limit of tier 2 to tier 1 capital	(12,295)	(9,248)	(12,295)	(9,248)
Qualifying Tier 2 Capital Before Deductions	**86,663**	**89,049**	**87,315**	**89,701**
Less: Investment in subsidiaries	-	-	(51,889)	(51,889)
Net Tier 2 Capital	**86,663**	**89,049**	**35,426**	**37,812**
Qualifying capital				
Net Tier I regulatory capital	345,724	327,779	210,056	217,215
Net Tier II regulatory capital	86,663	89,049	35,426	37,812
Total qualifying capital	**432,387**	**416,828**	**245,482**	**255,027**
Composition of risk-weighted assets:				
Risk-weighted amount for credit risk	1,234,765	1,255,749	873,808	925,749
Risk-weighted amount for operational risk	569,966	603,080	348,242	307,405
Risk-weighted amount for market risk	26,921	36,613	26,460	31,933
Total Basel II Risk-weighted assets	1,831,652	1,895,442	1,248,509	1,265,087
Basel II Capital ratios				
Risk Weighted Capital Adequacy Ratio	**24%**	**22%**	**20%**	**20%**

The above capital adequacy computation is based on full impact of IFRS 9. The CAR, based on adjusted impact is Bank: 22.08%; Group: 26.4%, taking in relief granted by CBN Circular (BSD/DIR/GEN/LAB/11/027) dated October 18, 2018 on adoption of IFRS 9.

5.3 Capital allocation

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

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

6 Fair value measurement

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.
For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

6.1 Valuation models

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

• Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily quoted equity and debt investments classified as trading securities or available for sale.

• Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.
Specific valuation techniques used to value financial instruments include:

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

• Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rate, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

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

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

6 Fair value measurement - Continued

6.1 Valuation models - continued

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

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

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

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

6.2 Valuation framework

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

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value

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

Group:

31 December 2018

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	23				
Government bonds		696	-	-	696
Treasury bills		18,743	-	-	18,743
Derivative assets measured at fair value through profit and loss:	33(a)	-	34,784	-	34,784
Investment securities at FVOCI	26				
Treasury bills		790,292	-	-	790,292
Bonds		143,608	-	-	143,608
Equity investments		-	4,755	97,998	102,753
Total assets		**953,339**	**39,539**	**97,998**	**1,090,876**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	99	-	99

Bank:

31 December 2018

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	23				
Government bonds		696	-	-	696
Treasury bills		18,743	-	-	18,743
					-
Derivative assets measured at fair value through profit and loss:	33(a)	-	34,784	-	34,784
					-
Investment securities at FVOCI	26				-
Treasury bills		705,152	-	-	705,152
Bonds		118,498	-	-	118,498
Equity investments		-	4,755	97,487	102,242
		843,089	**39,539**	**97,487**	**980,115**
Liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liability	33(b)	-	99	-	99

6 Fair value measurement - continued

6.3 Financial instruments measured at fair value

Group:

31 December 2017

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	23				
Government bonds		661	-	-	661
Treasury bills		31,237	-	-	31,237
Derivative assets measured at fair value through profit and loss:	33(a)	-	8,227	-	8,227
Available for sale investment securities	26				
Treasury bills		457,653	-	-	457,653
Bonds		41,630	-	-	41,630
Equity investments		-	3,486	90,530	94,016
Total assets		**531,181**	**11,713**	**90,530**	**633,424**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**123**	**-**	**14**

Bank:

31 December 2017

In millions of Nigerian Naira

Assets	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	23				
Government bonds		661	-	-	661
Treasury bills		31,237	-	-	31,237
Derivative assets measured at fair value through profit and loss:	33(a)	-	7,911	-	7,911
Available for sale investment securities	26				
Treasury bills		310,199	-	-	310,199
Bonds		19,738	-	-	19,738
Equity investments		-	3,486	89,870	93,356
		361,835	**11,397**	**89,870**	**463,102**
Liabilities					
Financial liabilities					
Derivative liability	33(b)	**-**	**123**	**-**	**123**

The following table presents the changes in level 3 instruments during the year. Level 3 instruments are all unquoted equities.

	Group Dec. 2018	**Group Dec. 2017**	**Bank Dec. 2018**	**Bank Dec. 2017**
In millions of Nigerian Naira				
Balance, beginning of year	90,530	77,798	89,870	77,183
Addition during the year	76	2,377	76	2,377
Gain recognised in other comprehensive income (under fair value gain on FVOCI)	6,412	-	6,412	-
Gain recognised in other comprehensive income (under fair value gain on available-for-sale)	-	10,310	-	10,310
Translation differences	980	45	1,129	-
Balance, end of year	97,998	90,530	97,487	89,870

Fair value measurement (continued)

(i) The fair value of the Group's equity investment in CSCS Limited was previously categorised as level 3 in the fair value hierarchy. This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares. In 2015 however, CSCS shares became available for over-the-counter (OTC trades). The fair value measurement was therefore transferred from level 3 to level 2. There were no transfers from level 2 to level 3 in 2018.

(ii) Level 2 fair value measurements

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

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

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

The table below sets out information about significant unobservable inputs used as at 31 December 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 31 December 2018 N'million	Fair value as at 31 December 2017 N'million	Valuation technique	Unobservable input	Range of estimates for unobservable inputs (31 December 2018)	Range of estimates for unobservable inputs (31 December 2017)	Relationship of unobservable inputs to fair value
Unquoted equity securities	90,706	87,824	Income Approach (Discounted cash flow method)	Cost of equity	9.12% - 23.9%	9.12% - 23.9%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	1.5%-3%	1.5%-3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
	1,671	1,512	Income Approach (Dividend discount model)	Cost of equity	12.75% - 32.00%	12.75% - 32.00%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
				Terminal growth rate	9.4% - 24.3%	9.4% - 24.3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values.

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

Significant unobservable inputs are developed as follows:

Discounted cash flow

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

Fair value measurement (continued)

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 tenured sovereign bonds.
• The dividend growth rate was determined using the historical five years weighted average growth rate of dividends paid by the respective entities
• Equity risk premium were obtained from Damodaran Online (with specific focus on emerging markets data), adjusted for size premium.

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

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

In millions of Nigerian Naira

Key Assumption	**Effect on other comprehensive income (OCI)**			
	Dec. 2018		**Dec. 2017**	
	5% Increase	**5% Decrease**	**5% Increase**	**5% Decrease**
Cost of Equity	(7,217)	7,953	(3,350)	3,590
Terminal Growth Rate	1,666	(1,570)	1,650	(1,554)

Fair value measurement - continued

6.4 Financial instruments not measured at fair value

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

Group	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
In millions of Nigerian Naira					
31 December 2018					
Assets					
Cash and bank balances	-	1,220,596	-	1,220,596	1,220,596
Loans and advances to banks	-	-	15,976	15,976	15,797
Loans and advances to customers					
-Individual					
Term loans	-	-	84,181	84,181	81,905
Overdrafts	-	-	17,470	17,470	15,668
-Corporate					
Term loans	-	-	1,293,107	1,293,107	1,280,890
Overdrafts	-	-	342,212	342,212	332,505
Others		-	4,364	4,364	4,317
Investment Securities - Amortised cost					
Treasury bills	321,131	-	-	321,131	321,131
Bonds	195,149	-	-	195,149	279,658
Other assets	-	43,583	-	43,583	43,583
Liabilities					
Deposits from banks	-		174,836	174,836	174,836
Deposits from customers	-	-	3,392,507	3,392,507	3,349,120
Subordinated liabilities	-	30,969	-	30,969	29,859
Other liabilities	-	101,864	-	101,864	101,864
Borrowings	-	-	802,505	802,505	683,532

Group	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
In millions of Nigerian Naira					
31 December 2017					
Assets					
Cash and bank balances	-	898,083	-	898,083	898,083
Loans and advances to banks	-	-	20,873	20,873	20,640
Loans and advances to customers					
-Individual					
Term loans	-	-	77,627	77,627	74,975
Overdrafts	-	-	23,575	23,575	20,154
-Corporate					
Term loans	-	-	1,251,201	1,251,201	1,213,500
Overdrafts	-	-	332,925	332,925	319,530
Others		-	22,801	22,801	22,732
Investment Securities - Held to maturity					
Treasury bills	193,439	-	-	193,439	193,439
Bonds	410,932	-	-	410,932	429,315
Other assets	-	69,651	-	69,651	69,651
Liabilities					
Deposits from banks	-		134,289	134,289	134,289
Deposits from customers	-	-	2,769,434	2,769,434	2,733,348
Subordinated liabilities	-	65,778	-	65,778	65,741
Other liabilities	-	83,258	-	83,258	83,258
Borrowings	-	-	502,209	502,209	502,209

Fair value measurement - continued

6.4 Financial instruments not measured at fair value - continued

Bank	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
31 December 2018					
Assets					
Cash and bank balances	-	1,015,199	-	1,015,199	1,015,199
Loans and advances to banks	-	-	15,692	15,692	15,516
Loans and advances to customers					-
-Individual					
Term loans	-	-	15,939	15,939	15,508
Overdrafts	-	-	8,390	8,390	7,525
-Corporate					
Term loans	-	-	1,016,811	1,016,811	1,007,204
Overdrafts	-	-	184,479	184,479	179,246
Others	-	-	4,365	4,365	4,318
Investment Securities - Amortised cost					
Treasury bills	-	-	-	-	-
Bonds	-	-	-	-	84,509
Other assets	-	38,949	-	38,949	38,949
Liabilities					
Deposits from banks	-	-	30,502	30,502	30,502
Deposits from customers	-	-	2,457,716	2,457,716	2,424,108
Subordinated liabilities	-	30,969	-	30,969	29,859
Other liabilities	-	76,949	-	76,949	76,949
Borrowings	-	-	773,799	773,799	657,134
31 December 2017					
Assets					
Cash and bank balances	-	727,546	-	727,546	727,546
Loans and advances to banks	-	-	20,200	20,200	19,974
Loans and advances to customers					-
-Individual					
Term loans	-	-	22,078	22,078	21,761
Overdrafts	-	-	13,656	13,656	11,389
-Corporate					
Term loans	-	-	957,055	957,055	933,371
Overdrafts	-	-	188,060	188,060	183,961
Others	-	-	22,801	22,801	22,732
Investment Securities - Held to Maturity					
Promissory notes	-	-	-	-	-
Bonds	-	-	-	-	242,185
Other assets	223,802	-	-	223,802	67,577
	-	67,577	-		
Liabilities					
Deposits from banks	-	-	15,290	15,290	15,290
Deposits from customers	-	-	1,904,624	1,904,624	1,877,736
Subordinated liabilities	-	65,778	-	65,778	65,741
Other liabilities	-	63,722	-	63,722	63,722
Borrowings	-	-	502,209	502,209	502,209

Fair value measurement - continued

6.4 Financial instruments not measured at fair value - continued

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

i) Cash and bank balances

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

ii) Loans and advances

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

iii) Investment securities

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

iv) Other assets

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

v) Deposits from banks and customers

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

vi) Other liabilities

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

vii) Interest bearing loans and borrowings

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

viii) Subordinated liabilities

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

7 Offsetting of financial instruments

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

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

Group
31 December 2018

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	86,060	(66,059)	20,001
Financial liabilities			
- Creditors and payables (note 36) (a)	127,821	(66,059)	61,762

Group
31 December 2017

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	100,081	(66,011)	34,070
Financial liabilities			
- Creditors (note 36) (a)	118,459	(66,011)	52,448

Bank
31 December 2018

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	82,927	(66,059)	16,868
Financial liabilities			
- Creditors (note 36) (a)	107,794	(66,059)	41,735

Bank
31 December 2017

In millions of Nigerian Naira	Amounts offset		
	Gross amounts	**Gross amounts offset**	**Net amounts presented**
Financial assets			
- Electronic payments receivable (note 27) (a)	96,238	(66,011)	30,227
Financial liabilities			
- Creditors (note 36) (a)	104,982	(66,011)	38,971

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

8 Critical accounting estimates and judgments

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

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

(a) Key sources of estimation uncertainty

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss(ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Details of the inputs, assumptions and estimation methodologies used in measuring ECL are described in note 3.27.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3.27.

(ii) Determining fair values

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

(iii) Deferred tax assets

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

(iv) Valuation of derivative contracts

The fair value of the Group's derivatives is determined by using valuation techniques. Inputs to the valuation models are all based on market conditions existing at the end of each reporting period. The Group has used interest rate parity method discounted for passage of time in the valuation of its foreign exchange derivative contracts. These derivative contracts are not traded in active markets.
The table below shows the fair value of the Group's derivatives if there is 5% change in interest rates or a 15% change in foreign currency exchange rates.

	Interest rates		Exchange rates	
	5% decrease	**5% increase**	**15% decrease**	**15% increase**
In millions of Nigerian Naira				
Derivative assets	(655)	647	(5,217)	5,217
Derivative liabilities	0	(0)	15	(15)

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

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

(i) Fair value of equity instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see the Group's accounting policy on valuation of financial instruments in note 6.

(ii) Allowance for credit losses

In estimating credit losses, the Group considers the credit worthiness and financial 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 Exposure at Default (EAD). The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD.

	31 December 2018		**31 December 2017**	
In millions of Nigerian Naira	**Probability of Default -PD**	**Loss Given Default-LGD**	**Probability of Default - PD**	**Loss Given Default-LGD**
Increase/decrease				
1% increase	141	136	132	126
1% decrease	(140)	(136)	(132)	(126)

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

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

(iv) Determination of exchange rate used for translation

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

9 Operating segments

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

Geographical segments

The Group operates in the following geographical regions:

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

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

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

Business segments

The Group operates in the following business segments:

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

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

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

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

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

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

(a) Geographical segments

(i) 31 December 2018

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
External revenues	335,033	151,977	14,170	(7,135)	494,045
Derived from other geographic segments	3,765	-	-	(3,765)	-
Total revenue[1]	**338,798**	**151,977**	**14,170**	**(10,900)**	**494,045**
Interest expenses	(128,829)	(32,036)	(2,391)	5,980	(157,276)
Fee and commission expense	(21,260)	(7,281)	(9)	(1)	(28,551)
Impairment loss recognised in income statement	(4,829)	(2,844)	540	2,604	(4,529)
Operating expenses	(128,785)	(66,022)	(6,294)	3,759	(197,342)
Share of loss in equity-accounted investee	-	419	-	-	419
Profit before tax	**55,095**	**44,213**	**6,016**	**1,442**	**106,766**
Income tax expenses	(15,685)	(12,477)	-	-	**(28,159)**
Profit for the year	**39,410**	**31,736**	**6,016**	**1,442**	**78,607**
31 December 2018					
Loans and advances	1,208,343	518,877	107,495	(103,633)	**1,731,082**
Deposits from customers and banks	2,509,506	1,246,031	105,616	(337,197)	**3,523,956**
Total segment assets[2]	3,651,853	1,528,634	130,699	(441,448)	**4,869,738**
Total segment liabilities	3,286,846	1,323,847	108,754	(352,317)	**4,367,130**
[1] Includes:					
Recognised at a point in time	45,157	40,893	1,451	-	87,501
Recognised over time	524	519	-	-	1,043
Total revenue within the scope of IFRS 15	**45,681**	**41,412**	**1,451**	**-**	**88,544**
[2] Includes:					
Investments in associate and accounted for by using the equity method	-	4,610	-	-	**4,610**
Expenditure for reportable segment:					
Depreciation	7,175	2,706	318	-	**10,199**
Amortisation	1,338	167	97	-	**1,602**

9 Operating segments - continued

(a) Geographical segments - continued

(ii) 31 December 2017

In millions of Nigerian Naira	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
External revenues	309,646	150,742	12,597	(11,428)	**461,557**
Derived from other geographic segments	4,855	-	-	(4,855)	**-**
Total revenue	**314,501**	**150,742**	**12,597**	**(16,283)**	**461,557**
Interest expenses	(94,507)	(28,667)	(1,941)	7,090	(118,025)
Fee and commission expense	(11,890)	(5,072)	(5)	-	(16,967)
Net impairment loss on financial assets	(30,396)	(5,179)	(37)	2,717	(32,895)
Operating expenses [1]	(124,976)	(64,209)	(5,327)	4,860	(189,652)
Share of loss in equity-accounted investee	-	204	-	-	204
Profit before tax	**52,732**	**47,819**	**5,287**	**(1,616)**	**104,222**
Income tax expenses	(12,675)	(14,036)	37	-	(26,674)
Profit for the year	**40,057**	**33,783**	**5,324**	**(1,616)**	**77,548**
31 December 2017					
Loans and advances	1,167,972	486,637	93,623	(76,701)	**1,671,531**
Deposits from customers and banks	1,913,128	1,072,372	84,702	(202,565)	**2,867,637**
Total segment assets [2]	2,956,952	1,316,342	110,668	(314,488)	**4,069,474**
Total segment liabilities	2,554,536	1,123,957	89,765	(228,218)	**3,540,040**

[1] See item restated in note 48

[2] Includes:

	Nigeria	Rest of Africa	Rest of the World	Eliminations	Total
Investments in associate and accounted for by using the equity method	-	2,860	-	-	**2,860**
Expenditure for reportable segment:					
Depreciation	5,725	2,693	166	-	**8,584**
Amortisation	1,281	171	55	-	**1,507**

9 Operating segments - continued

(b) Business reporting

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

(i) **31 December 2018**

In millions of Nigerian Naira	Corporate	Retail and commercial	Treasury and financial markets	Total
Revenue:				
Derived from external customers	171,526	167,451	155,068	494,045
Derived from other business segments	(48,575)	116,414	(67,839)	-
Total revenue	**122,951**	**283,865**	**87,229**	**494,045**
Interest expenses	(44,384)	(82,534)	(30,358)	(157,276)
Fee and commission expense	(69)	(28,479)	(3)	(28,551)
Impairment loss recognised in income statement	(5,591)	1,087	(24)	(4,529)
Operating expenses	(29,550)	(147,795)	(19,997)	(197,342)
Depreciation and amortisation	(116)	(11,682)	(3)	(11,801)
Share of profit of equity-accounted investee	372	45	2	419
Profit before income tax	**43,613**	**14,507**	**36,845**	**106,766**
Taxation	(7,404)	(14,499)	(6,255)	(28,159)
Profit for the period	**36,208**	**8**	**30,590**	**78,607**
31 December 2018				
Loans and advances	1,135,826	397,674	197,583	1,731,082
Deposits from customers and banks	842,308	2,258,976	422,672	3,523,956
Total segment assets	3,200,002	1,113,080	556,656	4,869,738
Total segment liabilities	1,049,803	2,790,533	526,794	4,367,130

(ii) **31 December 2017**

In millions of Nigerian Naira	Corporate	Retail and commercial	Treasury and financial markets	Total
Revenue:				
Derived from external customers	197,257	165,431	98,869	461,557
Derived from other business segments	(56,663)	94,754	(38,091)	-
Total revenue	**140,594**	**260,185**	**60,778**	**461,557**
Interest expenses	(76,309)	(30,475)	(11,241)	(118,025)
Fee and commission expense	(110)	(16,856)	(1)	(16,967)
Impairment loss recognised in income statement	(16,718)	(16,132)	(45)	(32,895)
Operating expenses	(8,185)	(160,921)	(20,546)	(189,652)
Share of loss of equity-accounted investee	-	204	-	204
Profit before income tax	**39,272**	**36,005**	**28,945**	**104,222**
Taxation	(9,379)	(8,709)	(8,586)	(26,674)
Profit for the period	**29,893**	**27,296**	**20,359**	**77,548**
31 December 2017				
Loans and advances	1,149,153	369,799	152,579	1,671,531
Deposits from customers and banks	541,121	2,064,420	262,096	2,867,637
Total segment assets	1,192,772	1,917,402	959,300	4,069,474
Total segment liabilities	1,025,139	1,841,747	673,154	3,540,040

10 Interest income

In millions of Nigerian Naira	Group Dec. 2018	Restated Group Dec. 2017	Bank Dec. 2018	Restated Bank Dec. 2017
Interest income on amortised cost and FVOCI securities				
Cash and bank balances	7,814	5,369	8,673	5,205
Loans and advances to banks	3,667	1,980	850	1,547
Loans and advances to customers				
- To individuals				
Term loans	8,436	6,278	3,507	3,643
Overdrafts	2,060	1,964	1,547	1,244
- To corporates				
Term loans	146,577	159,215	117,996	115,061
Overdrafts	37,551	35,138	30,576	28,421
Others	320	132	296	132
Investment securities				
- Treasury bills	107,137	67,599	70,582	39,542
- Bonds	47,021	47,306	29,332	31,864
- Promissory notes	-	10	-	10
	360,583	324,991	263,359	226,669
Interest income on financial assets at fair value through profit or loss [1]				
- Bonds	2,339	666	2,339	666
Total interest income	362,922	325,657	265,698	227,335

Interest income includes accrued interest on impaired loans of N2,097 million for the Group (Bank: N1,747 million) for the year ended 31 December 2018 and N5,767 million for the Group (Bank: N4,628 million) for the year ended 31 December 2017.

11 Interest expense

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Deposits from banks	7,083	4,075	5,205	3,226
Deposits from customers	106,010	77,976	81,650	55,893
Borrowings	35,151	23,699	33,509	23,699
Subordinated liabilities	9,032	12,275	9,032	12,275
	157,276	118,025	129,396	95,093

12 Allowance for credit losses on financial and non-financial instruments

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Allowance for credit losses on loans and advances to customers:				
- allowance for credit losses (Note 25(c))	34,280	-	11,373	-
- specific impairment (Note 25(c))	-	24,141	-	22,725
- portfolio impairment reversal (Note 25(c))	-	4,892	-	(50)
Allowance for credit losses on loans and advances to banks:				
- allowance for credit losses/(reversal) ((Note 24)	(213)	-	(213)	-
- portfolio impairment charge/(reversal) (Note 24)	-	(334)	-	(334)
Allowance for credit losses/(reversal) on investment securities	(69)	-	(135)	-
Allowance for credit losses/(reversal) on off-balance sheet items	1,635	-	1,050	-
Write-off on loans and receivables	1,725	9,544	1,558	8,359
Reversal in allowance for credit loss	(36,991)	(6,310)	(12,481)	(230)
Impairment charge (reversal) on other assets (Note 27(a))	4,162	962	3,105	(37)
	4,529	32,895	4,257	30,433

[1] See details of items restated in Note 48

13 Fees and commission income

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Credit-related fees and commissions	7,045	12,492	3,229	8,527
Commission on turnover	1,102	1,007	-	-
Account maintenance fee	6,248	5,431	6,248	5,431
Electronic banking income	27,923	20,920	18,855	14,464
Funds transfer fee	8,289	6,436	575	656
Trade transactions income	19,492	13,399	12,112	8,335
Remittance fee	5,422	4,990	3,979	3,552
Commissions on transactional services	13,009	13,227	4,725	5,710
Pension funds custody fees	5,467	5,035	-	-
Internal transfer pricing charges	-	-	3,765	4,855
	93,997	82,937	53,488	51,530

14 Fees and commission expense

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
E-Banking expense	23,768	15,014	16,571	9,967
Trade related expenses	4,391	1,796	4,312	1,785
Funds transfer expense	392	157	81	139
	28,551	16,967	20,964	11,891

15 Net trading and foreign exchange income

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Fixed income securities(i)	6,705	10,469	6,360	9,728
Foreign exchange trading income(ii)	29,872	40,166	10,789	24,112
Foreign currency revaluation gain/(loss)	(31,482)	952	(31,227)	210
Net Fair value gain/(loss) on derivatives (see note 33 (c))	26,580	(2,524)	26,896	(2,840)
	31,675	49,063	12,818	31,210

(i) This includes gains and losses arising from sales and purchase of held for trading securities, as well as changes in their fair value.

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

16 Other operating income

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Dividend income (i)	3,454	2,449	8,469	5,621
Rental income	390	383	378	371
Income on cash handling	1,592	1,047	638	175
Gain on disposal of property and equipment	15	21	15	21
	5,451	3,900	9,500	6,188

(i) Dividend income for the Bank includes a sum of N5.085 billion (December 2017: N3.172 billion) being total dividend received from some subsidiaries. This amount has been eliminated in the Group results.

17 Employee benefit expenses

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Wages and salaries	68,487	66,839	40,278	41,016
Defined contribution plans	2,671	2,133	1,259	1,327
	71,158	68,972	41,537	42,343

18 Depreciation and amortisation

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Depreciation of property and equipment (note 30)	10,199	8,584	7,368	5,809
Amortisation of intangible assets (note 31)	1,602	1,507	1,302	1,249
	11,801	10,091	8,670	7,058

19 Other operating expenses	Group Dec. 2018	Restated Group Dec. 2017	Bank Dec. 2018	Restated Bank Dec. 2017
In millions of Nigerian Naira				
Directors' fees	34	33	34	33
Banking sector resolution cost[1]	16,628	13,740	16,628	13,740
Deposit insurance premium	7,354	6,994	7,186	6,487
Non-deposit insurance costs	2,251	1,905	982	852
Auditors' remuneration	592	607	350	321
Occupancy and premises maintenance costs	14,075	15,346	4,132	6,835
Business travels	7,126	6,298	5,543	4,601
Advertising, promotions and branding	7,254	7,441	5,874	6,813
Contract services	12,786	13,038	8,412	8,360
Communication	4,968	4,161	2,034	1,284
IT support and related expenses	5,674	5,511	5,394	5,260
Printing, stationery and subscriptions	6,606	5,608	5,499	4,502
Security and cash handling expenses	3,275	5,233	1,865	1,886
Fuel, repairs and maintenance	22,053	20,468	14,085	12,061
Bank charges	937	550	754	400
Donations	1,048	833	1,033	650
Training and human capital development	1,318	1,603	1,123	1,350
Penalties	32	80	30	75
Loan recovery expenses	372	1,140	372	1,140
	114,383	110,589	81,330	76,650

[1] See details of items restated in note 48

20 Taxation Recognised in the statement of comprehensive income	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
In millions of Nigerian Naira				
(a) Current tax expense				
Current period	23,046	23,202	8,987	8,881
(b) Deferred tax expense/(credit)				
Origination and reversal of temporary differences (Note 32)	5,113	3,472	5,316	2,518
Total income tax expense/(credit)	28,159	26,674	14,303	11,399

(c) Current tax liabilities	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Balance, beginning of period	7,668	5,134	1,108	522
Tax paid	(21,822)	(20,668)	(9,389)	(8,295)
Income tax charge	23,046	23,202	8,987	8,881
Balance, end of period	8,892	7,668	706	1,108

(d) Reconciliation of effective tax rate

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

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Domestic corporation tax rate	30%	30%	30%	30%
Profit before income tax	106,766	104,222	55,350	52,795
Income tax using the domestic corporation tax rate	32,030	31,267	16,605	15,839
Tax effects of :				
Information Technology Levy	2,310	1,553	550	533
Education tax	3,560	294	-	221
Minimum tax/excess dividend tax adjustment	2,248	2,426	2,248	2,426
Interim dividend tax adjustment - current year	1,589	354	1,589	354
Deferred tax written off	5,316	2,518	5,316	2,518
Prior Year under Provision of Current Tax	4,601	5,347	4,601	5,347
Effect of Permanent differences - Income not subject to tax	(34,226)	(23,494)	(27,337)	(22,248)
Effect of Permanent differences - Expenses not deductible	9	45	9	45
Effect of Temporary Difference not recognised in Deferred Tax	9,948	9,377	9,948	9,377
Losses/(Relief) not recognised in Deferred Tax	774	(3,013)	774	(3,013)
Total income tax expense in comprehensive income	28,159	26,674	14,303	11,399

21 Earnings per share

The calculation of basic earnings per share as at 31 December 2018 was based on the profit attributable to ordinary shareholders of N75.359 billion (Bank: N41.047 billion) and the weighted average number of ordinary shares outstanding of 34.199 billion (Bank: 35.334 billion). The Bank had no dilutive instruments as at period end (December 2017 : nil). Hence the basic and diluted earnings per share are equal.

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Profit attributable to equity holders of the parent	75,359	75,004	41,047	41,396
Weighted average number of ordinary shares outstanding *(in millions)*	34,199	34,199	34,199	35,334
From continuing operations	2.20	2.19	1.20	1.17
From discontinued operations	-	-	-	-
Basic and diluted earnings per share (Naira)	2.20	2.19	1.20	1.17

22 Cash and bank balances

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Cash	101,609	67,601	74,979	45,365
Current balances with banks	344,123	192,080	309,921	160,664
Unrestricted balances with central banks	202,714	128,318	27,642	41,235
Money market placements	8,467	64,846	51,089	50,278
Restricted balances with central banks (note (i) below)	563,683	445,238	551,568	430,004
	1,220,596	898,083	1,015,199	727,546
Current	1,220,596	898,083	1,015,199	727,546
Non current	-	-	-	-
	1,220,596	898,083	1,015,199	727,546

(i) Restricted balances with central banks comprise:

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Mandatory reserve deposits with central banks (note (a) below)	508,965	390,520	496,850	375,286
Special Intervention Reserve (note (b) below)	54,718	54,718	54,718	54,718
	563,683	445,238	551,568	430,004

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

(b) This represents the Bank's contribution to the Central Bank of Nigeria's (CBN) Real Sector Support Facility (RSSF), warehoused in the Special Intervention Reserve held with the CBN. The Real Sector Support Facility is to be channeled towards providing credit to priority sectors of the Nigerian economy. As stipulated by the CBN, the Bank's contribution is 5% of total naira deposits.

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

	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Cash and current balances with banks	445,732	259,681	384,900	206,029
Unrestricted balances with central banks	202,714	128,318	27,642	41,235
Money market placements (less than 90 days)	8,467	33,170	32,189	18,602
Financial assets held for trading (less than 90 days)	5,332	7,259	5,332	7,259
Cash and cash equivalents	662,245	428,428	450,063	273,125

23 Financial assets at fair value through profit or loss

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Government bonds	696	661	696	661
Treasury bills (less than 90 days maturity) (note (i) below)	5,332	7,259	5,332	7,259
Treasury bills (above 90 days maturity)	13,411	23,978	13,411	23,978
	19,439	31,898	19,439	31,898
Current	19,439	31,898	19,439	31,898

Note 23 continued

Fixed income trading activities are restricted to the parent alone.

(i) This represents treasury bills measured at fair value through profit or loss, with maturity within three months from the date of purchase. They are highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are included as cash and cash equivalents for the purpose of the statement of cash flows.

24 Loans and advances to banks

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Loans:				
Gross amount	16,147	20,685	15,859	20,031
Less: Allowance for credit losses				
Stage 1 loans	(350)	-	(343)	-
Stage 2 loans	-	-	-	-
Stage 3 loans	-	-	-	-
Portfolio impairment	-	(45)	-	(57)
	15,797	20,640	15,516	19,974
Current	15,797	8,012	15,516	7,355
Non-current	-	12,628	-	12,619
	15,797	20,640	15,516	19,974

(a) Allowance for credit losses on loans and advances to banks
31 December 2018 (IFRS 9)

Group

Allowance for credit loss

In millions of Nigerian Naira	Specific impairment	Portfolio impairment	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	-	45	45	-	-	-	-
Transition adjustment	-	(45)	(45)	188	-	-	188
Balance, beginning of period (IFRS 9)	-	-	-	188	-	-	188
Charge for the period	-	-	-	(213)	-	-	(213)
Exchange difference				375	-	-	375
Balance, end of period	**-**	**-**	**-**	**350**	**-**	**-**	**350**

Bank

Allowance for credit loss

In millions of Nigerian Naira	Specific impairment	Portfolio impairment	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	-	57	57	-	-	-	-
Transition adjustment	-	(57)	(57)	200	-	-	200
Balance, beginning of period (IFRS 9)	-	-	-	200	-	-	200
Charge for the period	-	-	-	(213)	-	-	(213)
Exchange difference	-	-	-	356	-	-	356
Balance, end of period	**-**	**-**	**-**	**343**	**-**	**-**	**343**

(b) 31 December 2017 (IAS 39)

In millions of Nigerian Naira	Group Dec. 2017	Bank Dec. 2017
Portfolio impairment		
Balance, beginning of the period	282	295
Impairment (reversal)/ charge in the period	(334)	(334)
Exchange difference	97	96
Balance, end of the period	45	57

25 Loans and advances to customers

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Loans:				
Gross amount	1,807,393	1,708,905	1,274,112	1,204,426
Allowance for credit losses	(92,108)	-	(60,311)	-
Specific impairment	-	(25,188)	-	(18,658)
Portfolio impairment	-	(32,826)	-	(12,554)
	1,715,285	1,650,891	1,213,801	1,173,214
Current	970,376	902,481	580,011	550,037
Non-current	744,909	748,410	633,790	623,177
	1,715,285	1,650,891	1,213,801	1,173,214

(a) 31 December 2018 (IFRS 9)

Loans and advances to customers

In millions of Nigerian Naira	Group Dec. 2018	Bank Dec. 2018
Gross amount	1,807,393	1,274,112
Allowance for credit losses:		
- Impairment loss on Stage 1 loans	(24,947)	(17,961)
- Impairment loss on Stage 2 loans	(6,010)	(5,399)
- Impairment loss on Stage 3 loans	(61,151)	(36,951)
Total provision for credit losses	(92,108)	(60,311)
Carrying amount	**1,715,285**	**1,213,801**

Loans and advances to individuals

In millions of Nigerian Naira	Group Dec. 2018	Bank Dec. 2018
Gross amount	108,926	29,801
Provision for credit losses:		
- Impairment loss on Stage 1 loans	(1,091)	(201)
- Impairment loss on Stage 2 loans	(60)	(1)
- Impairment loss on Stage 3 loans	(10,202)	(6,566)
Total provision for credit losses	(11,353)	(6,768)
Carrying amount	**97,573**	**23,033**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Group Dec. 2018	Bank Dec. 2018
Gross amount	1,698,467	1,244,311
Provision for credit losses:		
- Impairment loss on Stage 1 loans	(23,856)	(17,760)
- Impairment loss on Stage 2 loans	(5,950)	(5,398)
- Impairment loss on Stage 3 loans	(50,949)	(30,385)
Total provision for credit losses	(80,755)	(53,543)
Carrying amount	**1,617,712**	**1,190,768**

Group

Loans and advances to individuals	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Overdrafts	24,578	(66)	(38)	(8,806)	(8,910)	15,668
Term loans	84,348	(1,026)	(21)	(1,396)	(2,443)	81,905
	108,926	**(1,091)**	**(60)**	**(10,202)**	**(11,353)**	**97,573**
Loans and advances to corporate entities and other organizations						
Overdrafts	383,414	(3,220)	(457)	(47,232)	(50,909)	332,505
Term loans	1,310,720	(20,620)	(5,493)	(3,717)	(29,830)	1,280,890
Others	4,333	(16)	-	-	(16)	4,317
	1,698,467	**(23,856)**	**(5,950)**	**(50,949)**	**(80,755)**	**1,617,712**

25 Loans and advances to customers - continued

Bank

Loans and advances to individuals	Gross amount	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Overdrafts	13,305	(37)	(1)	(5,742)	(5,780)	7,525
Term loans	16,496	(164)	-	(824)	(988)	15,508
	29,801	**(201)**	**(1)**	**(6,566)**	**(6,768)**	**23,033**
Loans and advances to corporate entities and other organizations						
Overdrafts	208,244	(1,922)	(115)	(26,961)	(28,998)	179,246
Term loans	1,031,734	(15,824)	(5,283)	(3,423)	(24,530)	1,007,204
Others	4,333	(15)	-	-	(15)	4,318
	1,244,311	**(17,760)**	**(5,398)**	**(30,385)**	**(53,543)**	**1,190,768**

(b) 31 December 2017 (IAS 39)

(i) Group

	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans and advances to individuals	101,978	(3,806)	(3,043)	(6,849)	95,129
Loans and advances to corporate entities and other organizations	1,606,927	(21,382)	(29,783)	(51,165)	1,555,762
	1,708,905	(25,188)	(32,826)	(58,014)	1,650,891
Loans and advances to individuals					
Overdraft	23,575	(2,987)	(434)	(3,421)	20,154
Term Loans	78,403	(819)	(2,609)	(3,428)	74,975
	101,978	(3,806)	(3,043)	(6,849)	95,129
Loans and advances to corporate entities and other organizations					
Overdraft	332,925	(6,020)	(7,375)	(13,395)	319,530
Term Loans	1,251,201	(15,362)	(22,339)	(37,701)	1,213,500
Others	22,801	-	(69)	(69)	22,732
	1,606,927	(21,382)	(29,783)	(51,165)	1,555,762

Bank	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
(ii) Loans and advances to individuals	36,511	(2,466)	(895)	(3,361)	33,150
Loans and advances to corporate entities and other organizations	1,167,915	(16,192)	(11,659)	(27,851)	1,140,064
	1,204,426	(18,658)	(12,554)	(31,212)	1,173,214
Loans and advances to individuals					
Overdraft	13,656	(1,960)	(307)	(2,267)	11,389
Term Loan	22,855	(506)	(588)	(1,094)	21,761
	36,511	(2,466)	(895)	(3,361)	33,150
Loans and advances to corporate entities and other organizations					
Overdraft	188,060	(980)	(3,119)	(4,099)	183,961
Term Loan	957,054	(15,212)	(8,471)	(23,683)	933,371
Others	22,801	-	(69)	(69)	22,732
	1,167,915	(16,192)	(11,659)	(27,851)	1,140,064

(c) Allowance for credit losses on loans and advances to customers

31 December 2018 (IFRS 9)

(i) Group

In millions of Nigerian Naira	Specific impairment	Portfolio impairment	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	25,188	32,826	58,014	-	-	-	-
Transition adjustment	(25,188)	(32,826)	(58,014)	31,416	7,087	66,004	104,507
Balance, beginning of period (IFRS 9)	-	-	-	31,416	7,087	66,004	104,507
Charge for the period	-	-	-	9,781	284	24,215	34,280
Reversal in allowance for credit loss	-	-	-	(16,250)	(1,361)	(19,380)	(36,991)
Write offs	-	-	-	-	-	(9,688)	(9,688)
Balance, end of period	**-**	**-**	**-**	**24,947**	**6,010**	**61,151**	**92,108**

25 Loans and advances to customers - continued

Loans and advances to individuals

In millions of Nigerian Naira	Specific impairment	Portfolio impairment	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	3,806	3,043	6,849	-	-	-	-
Transition adjustment	(3,806)	(3,043)	(6,849)	1,634	189	5,594	7,417
Balance, beginning of period (IFRS 9)	-	-	-	1,634	189	5,594	7,417
Increase in allowance for credit loss	-	-	-	638	13	5,895	6,546
Reversal in allowance for credit loss	-	-	-	(1,181)	(142)	(1,286)	(2,609)
Write offs	-	-	-	-	-	(1)	(1)
Balance, end of period	**-**	**-**	**-**	**1,091**	**60**	**10,202**	**11,353**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Specific impairment	Portfolio impairment	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	21,382	29,783	51,165	-	-	-	-
Transition adjustment	(21,382)	(29,783)	(51,165)	29,782	6,898	60,410	97,090
Balance, beginning of period (IFRS 9)	-	-	-	29,782	6,898	60,410	97,090
Increase in allowance for credit loss	-	-	-	9,143	271	18,320	27,734
Reversal in allowance for credit loss	-	-	-	(15,069)	(1,219)	(18,094)	(34,382)
Write offs	-	-	-		-	(9,687)	(9,687)
Balance, end of period	**-**	**-**	**-**	**23,856**	**5,950**	**50,949**	**80,755**

(ii) Bank

In millions of Nigerian Naira	Specific impairment	Portfolio impairment	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	18,658	12,554	31,212	-	-	-	-
Transition adjustment	(18,658)	(12,554)	(31,212)	23,933	5,446	43,123	72,502
Balance, beginning of period (IFRS 9)	-	-	-	23,933	5,446	43,123	72,502
Charge/(reversal) during the period	-	-	-	4,925	134	6,314	11,373
Reversal in allowance for credit loss	-	-	-	(10,897)	(181)	(1,403)	(12,481)
Write offs	-	-	-	-	-	(11,083)	(11,083)
Balance, end of period	**-**	**-**	**-**	**17,961**	**5,399**	**36,951**	**60,311**

Loans and advances to individuals

In millions of Nigerian Naira	Specific impairment	Portfolio impairment	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	2,466	895	3,361	-	-	-	-
Transition adjustment	(2,466)	(895)	(3,361)	201	1	3,724	3,926
Balance, beginning of period (IFRS 9)	-	-	-	201	1	3,724	3,926
Increase in allowance for credit loss	-	-	-	140	-	2,844	2,984
Reversal in allowance for credit loss	-	-	-	(140)	-	-	(140)
Write offs	-	-	-	-	-	(2)	(2)
Balance, end of period	**-**	**-**	**-**	**201**	**1**	**6,566**	**6,768**

Loans and advances to corporate entities and other organizations

In millions of Nigerian Naira	Specific impairment	Portfolio impairment	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	16,192	11,659	27,851	-	-	-	-
Transition adjustment	(16,192)	(11,659)	(27,851)	23,732	5,445	39,399	68,576
Balance, beginning of period (IFRS 9)	-	-	-	23,732	5,445	39,399	68,576
Increase/(decrease) in allowance for credit loss	-	-	-	4,785	134	3,470	8,389
Reversal in allowance for credit loss	-	-	-	(10,757)	(181)	(1,403)	(12,341)
Write offs	-	-	-		-	(11,081)	(11,081)
Balance, end of period	**-**	**-**	**-**	**17,760**	**5,398**	**30,385**	**53,543**

25 Loans and advances to customers - continued

31 December 2017 (IAS 39)

(iii) Specific impairment

Group *In millions of Nigerian Naira* ***31 December 2017***	**Loans to individuals**		**Loans to corporates**			
	Overdrafts	**Term loans**	**Overdrafts**	**Term loans**	**Others**	**Total**
Balance, beginning of period	8,183	836	3,046	9,756	-	21,821
Impairment charge for the period (Note 12)	1,332	-	3,671	19,138	-	24,141
Net loans written off	(7,123)	(34)	(3,881)	(12,268)	-	(23,306)
Exchange difference	595	17	3,184	(1,264)	-	2,532
Balance, end of period	2,987	819	6,020	15,362	-	**25,188**

Bank *In millions of Nigerian Naira* ***31 December 2017***	**Loans to individuals**		**Loans to corporates**			
	Overdrafts	**Term loans**	**Overdrafts**	**Term loans**	**Others**	**Total**
Balance, beginning of period	7,751	540	1,890	6,926	-	17,107
Impairment charge for the period (Note 12)	1,260	-	3,043	18,422	-	22,725
Net loans written off	(7,051)	(34)	(3,953)	(10,201)	-	(21,239)
Exchange difference	-	-	-	65	-	65
Balance, end of period	1,960	506	980	15,212	-	**18,658**

(iv) Portfolio impairment

Group *In millions of Nigerian Naira* ***31 December 2017***	**Loans to individuals**		**Loans to corporates**			
	Overdrafts	**Term loans**	**Overdrafts**	**Term loans**	**Others**	**Total**
Balance, beginning of period	244	2,830	11,887	13,451	177	28,589
Impairment charge for the period (Note 12)	400	104	(3,943)	8,383	(52)	4,892
Exchange difference	(210)	(325)	(569)	505	(56)	(655)
Balance, end of period	434	2,609	7,375	22,339	69	**32,826**

Bank *In millions of Nigerian Naira* ***31 December 2017***	**Loans to individuals**		**Loans to corporates**			
	Overdrafts	**Term loans**	**Overdrafts**	**Term loans**	**Others**	**Total**
Balance, beginning of period	68	156	5,608	6,625	177	12,634
Impairment charge for the period (Note 12)	239	432	(2,489)	1,876	(108)	(50)
Exchange difference	-	-	-	(30)	-	(30)
Balance, end of period	307	588	3,119	8,471	69	**12,554**

26 Investment securities

In millions of Nigerian Naira	Group Dec 2018	Group Dec 2017	Bank Dec 2018	Bank Dec 2017
Investment securities at FVOCI comprise (see note (i)):				
Treasury bills	790,292	-	705,152	-
Bonds	143,608	-	118,498	-
Equity investments (see note (ii))	102,753	-	102,242	-
	1,036,653	-	925,892	-
Available for sale investment securities:				
Treasury bills	-	457,653	-	310,199
Bonds	-	41,630	-	19,738
Equity investments	-	94,016	-	93,356
	-	593,299	-	423,293
Investment securities at amortised cost comprise (see note (i)):				
Treasury bills	321,131	-	-	-
Bonds	279,658	-	84,509	-
Gross amount	600,789	-	84,509	-
Allowance for credit losses	(310)	-	(244)	-
Net carrying amount	600,479	-	84,265	-
Investment securities held to maturity:				
Treasury bills	-	193,439	-	-
Bonds	-	429,315	-	242,185
	-	622,754	-	242,185
Carrying amount	**1,637,132**	**1,216,053**	**1,010,157**	**665,478**
Current	1,251,924	651,317	812,951	338,746
Non-current	385,208	564,736	197,206	326,732
	1,637,132	**1,216,053**	**1,010,157**	**665,478**

(i) (i) Included in investment securities at FVOCI and amortised cost are pledged financial assets which cannot be re-pledged or resold by counterparties, and these securities are stated as follows:

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Bonds (at FVOCI)	9,166	10,513	9,166	10,513
Treasury bills (at FVOCI)	353,994	138,756	353,994	137,126
Bonds (at amortised cost)	39,814	250,522	39,814	176,918
	402,974	399,791	402,974	324,557

(ii) Unquoted equity securities at FVOCI are analysed below:

In millions of Nigerian Naira	Group Dec 2018	Group Dec 2017	Bank Dec 2018	Bank Dec 2017
Africa finance corporation	87,113	82,725	87,113	82,725
SMEEIS investment	4,640	2,518	4,640	2,518
Unified payment services limited	3,593	3,210	3,593	3,210
MTN Nigeria	2,499	2,142	2,499	2,142
Central securities clearing system limited	2,255	1,344	2,255	1,344
Nigeria interbank settlement system plc.	1,482	1,013	1,482	1,013
African export-import bank	388	253	388	253
FMDQ OTC Plc	124	45	124	45
Credit reference company	98	106	98	106
NG Clearing Limited	50	-	50	-
Others[1]	511	660	-	-
	102,753	**94,016**	**102,242**	**93,356**

[1] These relate to other unquoted equity investments (in enties such as GIM UEMOA, The Insurance and Reinsurance Company of the Gulf of Guinea (ARGG) and others) held across the Group by different subsidiaries.

(ii) Upon transition to IFRS 9, the Group elected to measure equity investment at fair value through other comprehensive income.

27 Other assets

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Financial assets				
Electronic payments receivables	20,001	34,070	16,868	30,227
Accounts receivable	28,148	38,735	9,401	27,513
Intercompany receivables	-	-	8,896	8,238
Dividends receivable	-	-	5,749	3,815
Pension custody fees receivable	744	174	-	-
	48,893	72,979	40,914	69,793
Non-financial assets				
Prepayments	14,387	11,669	7,565	6,722
Recoverable taxes	1,565	1,491	128	40
Stock of consumables	3,477	3,918	3,000	3,610
	19,429	17,078	10,693	10,372
Allowance for impairment on accounts receivable	(5,310)	(3,328)	(1,965)	(2,216)
	63,012	86,729	49,642	77,949
(a) *Movement in impairment for other assets*				
At start of period	3,328	3,555	2,216	2,259
Charge for the period (Note 12)	4,162	962	3,105	(37)
Balances written off	(3,356)	(1,428)	(3,356)	(6)
Exchange difference	1,176	239	-	-
	5,310	3,328	1,965	2,216
(b) Current	59,441	82,014	47,268	76,037
Non-current	3,571	4,715	2,374	1,912
	63,012	86,729	49,642	77,949

28 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee as at 31 December 2018. The Associate Company (UBA Zambia Limited) has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of the Group's ownership interest is the same as the proportion of voting rights held.

There are no published price quotations for the Group's investment in the Associate Company. There are no restrictions on the ability of the Associate Company to transfer funds to the Group in the form of cash dividends or repayment of loans and advances neither are there any contingent liabilities relating to the Group's interest in the Associate Company.

(a) Movement in investment in equity-accounted investee

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Balance, beginning of the period	2,860	2,925	1,770	1,770
Additional investment	945	-	945	-
Share of current period's result	419	204	-	-
Share of foreign currency translation differences	386	(269)	-	-
Balance, end of the period	**4,610**	**2,860**	**2,715**	**1,770**

(i) Reconciliation of summarised financial information

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

In millions of Nigerian Naira	Dec. 2018	Dec. 2017
Opening net assets	3,420	3,552
Profit for the period	856	416
Foreign currency translation differences	787	(548)
Closing net assets	**5,063**	**3,420**
Group's interest in associate (49%)	3,424	1,674
Notional goodwill	1,186	1,186
Carrying amount	**4,610**	**2,860**

28 Investment in equity-accounted investee - continued

(b) Nature of investment in associates

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

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

(c) Summarised financial information for associate

(i) Summarised Statement of Financial Position

In millions of Nigerian Naira	Dec. 2018	Dec. 2017
Assets		
Cash and cash equivalents	6,314	5,841
Other current assets	22,550	18,306
Non-current assets	518	899
Total assets	**29,382**	**25,046**
Financial liabilities	21,168	19,979
Other current liabilities	3,151	1,647
Total liabiliities	**24,319**	**21,626**
Net assets	**5,063**	**3,420**

(ii) Summarised statement of comprehensive income

	Dec. 2018	Dec. 2017
Operating income	5,129	3,802
Operating expense	(4,345)	(3,265)
Net impairment loss on financial assets	72	(121)
Profit/(Loss) before tax	**856**	**416**
Income tax expense	-	-
Profit/(Loss) for the period	**856**	**416**
Other comprehensive income	-	-
Total comprehensive income/(loss)	**856**	**416**

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

29 Investment in subsidiaries

(a) Holding in subsidiaries

In millions of Nigerian Naira						**Bank Dec. 2018**	**Bank Dec. 2017**
Bank subsidiaries (see note (i) below):	**Year of acquisition/ Commencement**	**Holding**	**Non-controlling interest**	**Country**	**Industry**		
UBA Ghana Limited	2004	91%	9%	Ghana	Banking	8,048	8,048
UBA Cameroun (SA)	2007	100%	0%	Cameroun	Banking	1,845	1,845
UBA Cote d'Ivoire	2008	100%	0%	Cote d'Ivoire	Banking	12,295	12,295
UBA Liberia Limited	2008	100%	0%	Liberia	Banking	2,330	2,330
UBA (SL) Limited	2008	100%	0%	Sierra Leone	Banking	1,269	1,269
UBA Uganda Limited	2008	69%	31%	Uganda	Banking	3,705	3,705
UBA Burkina Faso	2008	64%	36%	Burkina Faso	Banking	5,352	5,352
UBA Benin	2008	84%	16%	Benin Republic	Banking	11,451	11,451
UBA Kenya Bank Limited	2009	81%	19%	Kenya	Banking	3,744	3,744
UBA Chad (SA)	2009	89%	11%	Chad	Banking	2,440	2,440
UBA Senegal (SA)	2009	86%	14%	Senegal	Banking	2,400	2,400
UBA Tanzania Limited	2010	82%	18%	Tanzania	Banking	4,332	4,332
UBA Gabon	2010	100%	0%	Gabon	Banking	2,760	2,760
UBA Guinea (SA)	2010	100%	0%	Guinea	Banking	1,475	1,475
UBA Congo DRC (SA)	2011	100%	0%	Congo DRC	Banking	10,375	10,375
UBA Congo Brazzaville (SA)	2011	100%	0%	Congo Brazzaville	Banking	3,024	3,024
UBA Mozambique (SA)	2011	96%	4%	Mozambique	Banking	8,156	8,156
UBA Mali	2017	100%	0%	Mali	Banking	6,300	6,300
UBA UK Limited (see (iv) below)	2012	100%	-	United Kingdom	Banking	9,974	9,974
Non-Bank Subsidiaries:							
UBA Pensions Custodian Limited (see (ii) below)	2004	100%	-	Nigeria	Pension custody	2,000	2,000
UBA FX Mart Limited (see (iii) below)	2008	100%	-	Nigeria	Banking	502	502
						103,777	**103,777**

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

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

In millions of Nigerian Naira	**Bank Dec. 2018**	**Bank Dec. 2017**
The movement in the investment in subsidiaries during the period is as follows:		
Balance, beginning of the period	103,777	70,702
Additional investments during the period	-	33,075
Balance, end of the period	**103,777**	**103,777**

29 Investment in subsidiaries - continued

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

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

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

(iv) UBA UK Limited is a UK bank regulated by the Prudential Regulation Authority and the Financial Conduct Authority and received its banking licence in March 2018. Prior to gaining its bank status, the firm was authorised in the UK to undertake investment business and was originally incorporated on September 25, 1995. The bank is primarily engaged in wholesale banking, with a focus on facilitating trade and treasury flows between Europe and Africa. The bank offers trade finance, corporate banking and treasury solutions to corporate and institutional clients based in Africa and/or Europe.

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

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

(b) Non-controlling interests

(i) The total non-controlling interest at the end of the period is N19.140 billion (2017: N18.231 billion) is attributed to the following non-fully owned subsidiaries:

	Dec. 2018	**Dec. 2017**
UBA Ghana Limited	3,897	3,715
UBA Burkina Faso	6,439	5,968
UBA Benin	1,947	1,433
UBA Uganda Limited	1,235	1,324
UBA Kenya Bank Limited	1,444	1,304
UBA Senegal (SA)	2,360	2,435
UBA Mozambique (SA)	364	343
UBA Chad (SA)	1,018	1,077
UBA Tanzania Limited	435	632
	19,139	18,231

29 Investment in subsidiaries - continued

(ii) Set out below is summarised financial information for each subsidiary that has non-controlling interests as at 31 December 2018. The amounts disclosed for each subsidiary are before inter-company eliminations.

In millions of Nigerian Naira	**UBA Ghana Limited**		**UBA Burkina Faso**		**UBA Benin**	
	Dec. 2018	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Summarised statement of financial position						
Cash and bank balances	34,862	39,500	23,857	24,682	14,446	8,727
Other financial assets	191,759	175,562	180,760	193,601	105,825	97,810
Non-financial assets	1,917	2,365	3,191	3,722	2,619	2,785
Total assets	**228,538**	**217,427**	**207,808**	**222,005**	**122,890**	**109,322**
Financial liabilities	171,927	170,866	188,676	203,564	108,259	95,562
Non-financial liabilities	6,676	6,305	1,375	1,983	2,606	4,911
Total liabilities	**178,603**	**177,171**	**190,051**	**205,547**	**110,865**	**100,473**
Net assets	**49,935**	**40,256**	**17,757**	**16,458**	**12,025**	**8,849**
Summarized statement of comprehensive income	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Revenue	**40,290**	**47,892**	**14,394**	**14,002**	**12,190**	**13,478**
Profit for the period	11,356	15,625	2,706	1,941	2,390	2,062
Other comprehensive income	-	(50)	-	-		
Total comprehensive income	**11,356**	**15,575**	**2,706**	**1,941**	**2,390**	**2,062**
Total comprehensive income allocated to non-controlling interest	1,048	1,437	982	704	387	334
Dividends paid to non-controlling interests	-	-	-	-	-	-
Summarized cash flows						
Cash flows from operating activities	189	(957)	(33,934)	40,580	24	4,777
Cash flows from financing activities	77	737	(1,407)	2,483	1,013	3,043
Cash flows from investing activities	164	(11,477)	34,516	(28,429)	4,682	(6,956)
Net (decrease)/increase in cash and cash equivalents	**430**	**(11,697)**	**(825)**	**14,634**	**5,719**	**864**

29 Investment in subsidiaries - continued
Summarised financial information of subsidiaries with non-controlling interest (continued)

In millions of Nigerian Naira	UBA Uganda Limited		UBA Kenya Bank Limited		UBA Senegal (SA)	
	Dec. 2018	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Summarised statement of financial position						
Cash and bank balances	10,639	10,037	12,071	2,313	64,492	27,115
Other financial assets	13,252	8,937	40,671	17,366	122,093	111,370
Non-financial assets	416	320	1,472	1,128	1,119	1,068
Total assets	**24,307**	**19,294**	**54,214**	**20,807**	**187,704**	**139,553**
Financial liabilities	20,307	13,047	27,901	13,331	164,781	116,420
Non-financial liabilities	-	1,957	18,714	612	5,460	5,117
Total liabilities	**20,307**	**15,004**	**46,615**	**13,943**	**170,241**	**121,537**
Net assets	**4,000**	**4,290**	**7,599**	**6,864**	**17,463**	**18,016**
Summarized statement of comprehensive income	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Revenue	**3,961**	**2,904**	**5,032**	**2,826**	**11,467**	**11,479**
Profit/(loss) for the period	575	(1,625)	174	18	3,268	3,391
Other comprehensive income	-	-	-	-		
Total comprehensive income	**575**	**(1,625)**	**174**	**18**	**3,268**	**3,391**
Total comprehensive income allocated to non-controlling interest	178	(502)	33	3	442	458
Summarized cash flows						
Cash flows from operating activities	5,863	4,148	12,976	2,545	51,775	4,948
Cash flows from financing activities	(864)	669	18,504	(165)	(3,820)	2,695
Cash flows from investing activities	(4,397)	300	(21,722)	(1,220)	(10,578)	(5,354)
Net increase/(decrease) in cash and cash equivalents	**602**	**5,117**	**9,758**	**1,160**	**37,377**	**2,289**

29 Investment in subsidiaries - continued

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

	UBA Mozambique (SA)		UBA Chad		UBA Tanzania	
In millions of Nigerian Naira	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Summarised statement of financial position						
Cash and bank balances	4,335	3,949	6,280	13,526	6,423	6,961
Other financial assets	15,190	13,368	34,399	31,447	10,224	11,002
Non-financial assets	233	138	1,199	1,422	160	157
Total assets	**19,758**	**17,455**	**41,878**	**46,395**	**16,807**	**18,120**
Financial liabilities	11,037	9,415	31,377	35,801	14,090	14,407
Non-financial assets	260	76	1,245	802	281	179
Total liabilities	**11,297**	**9,491**	**32,622**	**36,603**	**14,371**	**14,586**
Net assets	**8,461**	**7,964**	**9,256**	**9,792**	**2,436**	**3,534**
Summarized statement of comprehensive income	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Revenue	**3,477**	**1,923**	**6,601**	**5,434**	**1,781**	**1,524**
(Loss)/Profit for the period	88	105	2,063	2,041	(288)	(700)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**88**	**105**	**2,063**	**2,041**	**(288)**	**(700)**
Total comprehensive income allocated to non-controlling interest	4	5	227	225	(52)	(125)
Summarized cash flows						
Cash flows from operating activities	1,331	5,751	(1,258)	(17,241)	391	4,060
Cash flows from financing activities	411	6,382	(2,599)	1,076	(810)	2,009
Cash flows from investing activities	(1,356)	(12,170)	(3,389)	185	(119)	(1,912)
Net increase/(decrease) in cash and cash equivalents	**386**	**(37)**	**(7,246)**	**(15,980)**	**(538)**	**4,157**

30 Property and equipment

(a) **As at 31 December 2018**

Group

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2018	34,380	36,533	13,305	8,564	14,071	11,049	33,389	38,430	12,702	202,423
Additions	63	580	574	-	779	728	1,832	5,779	8,709	19,044
Reclassifications	(22)	928	277	-	23	136	7,182	1,417	(9,942)	(1)
Disposals	(3)	(573)	(558)	-	(342)	(135)	(276)	(446)	(99)	(2,432)
Transfers	-	-	-	-	-	-	-	-	233	233
Write-off	-	(6)	-	-	(1)	-	-	-	-	(7)
Exchange difference (note i)	(28)	(506)	(339)	-	(163)	(138)	(191)	(270)	(151)	(1,786)
Balance at 31 December 2018	**34,390**	**36,956**	**13,259**	**8,564**	**14,367**	**11,640**	**41,936**	**44,910**	**11,452**	**217,474**
Accumulated depreciation										
Balance at 1 January 2018	-	14,595	7,319	1,258	11,035	8,268	27,400	24,910	-	94,785
Charge for the period	-	514	868	408	907	1,207	2,329	3,966	-	10,199
Reclassifications	-	(7)	7	-	-	(1)	(5)	6	-	-
Disposals	-	(399)	(382)	-	(219)	(97)	(707)	(346)	-	(2,150)
Write-off	-	-	-	-	(1)	-	-	-	-	(1)
Exchange difference (note i)	-	(242)	(270)	-	(155)	(176)	(234)	(255)	-	(1,332)
Balance at 31 December 2018	**-**	**14,461**	**7,542**	**1,666**	**11,567**	**9,201**	**28,783**	**28,281**	**-**	**101,501**
Carrying amounts										
Balance at 31 December 2018	**34,390**	**22,495**	**5,717**	**6,898**	**2,800**	**2,439**	**13,153**	**16,629**	**11,452**	**115,973**
Balance at 31 December 2017	**34,380**	**21,938**	**5,986**	**7,306**	**3,036**	**2,781**	**5,989**	**13,518**	**12,702**	**107,636**

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

(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2017: nil)

Group

(b) **As at 31 December 2017**

In millions of Nigerian Naira	Land	Buildings	Leasehold improvements	Aircraft	Motor vehicles	Furniture and fittings	Computer hardware	Equipment	Work in progress	Total
Cost										
Balance at 1 January 2017	32,252	32,118	11,962	8,564	13,137	9,612	31,103	33,467	5,464	177,679
Additions	2,105	2,784	1,468	-	1,161	1,624	2,094	3,041	11,394	25,671
Reclassifications	(26)	472	202	-	103	49	142	3,127	(4,069)	-
Disposals	-	(143)	(812)	-	(329)	(868)	(258)	(1,466)	(77)	(3,953)
Transfers	-	-	-	-	-	-	-	-	(10)	(10)
Write-off	(70)	(12)	(8)	-	(1)	(1)	(11)	(28)	-	(131)
Exchange difference	119	1,314	493	-	-	633	319	289	-	3,167
Balance at 31 December 2017	**34,380**	**36,533**	**13,305**	**8,564**	**14,071**	**11,049**	**33,389**	**38,430**	**12,702**	**202,423**
Accumulated depreciation										
Balance at 1 January 2017	-	12,633	5,673	850	9,969	7,275	25,148	22,199	-	83,747
Charge for the year	-	506	841	408	870	1,066	1,811	3,082	-	8,584
Reclassifications	-	2	(2)	-	-	-	(27)	27	-	-
Disposals	-	(55)	(89)	-	(197)	(337)	(36)	(390)	-	(1,104)
Transfers	-	-	-	-	-	-	-	-	-	-
Write-off	-	(2)	(1)	-	(1)	(1)	(11)	(25)	-	(41)
Exchange difference	-	1,511	897	-	394	265	515	19	-	3,601
Balance at 31 December 2017	**-**	**14,595**	**7,319**	**1,258**	**11,035**	**8,268**	**27,400**	**24,912**	**-**	**94,787**
Carrying amounts										
Balance at 31 December 2017	**34,380**	**21,938**	**5,986**	**7,306**	**3,036**	**2,781**	**5,989**	**13,518**	**12,702**	**107,636**
Balance at 31 December 2016	**32,252**	**19,485**	**6,289**	**7,714**	**3,168**	**2,337**	**5,955**	**11,268**	**5,464**	**93,932**

Bank

(c) **As at 31 December 2018**

In millions of Nigerian Naira	**Land**	**Buildings**	**Leasehold improvem ents**	**Aircraft**	**Motor vehicles**	**Furniture and fittings**	**Computer hardware**	**Equipment**	**Work in progress**	**Total**
Cost										
Balance at 1 January 2018	33,334	25,499	3,673	8,564	10,041	7,270	27,115	31,483	9,083	156,062
Additions	63	318	77	-	319	422	1,142	5,137	8,014	15,492
Reclassifications	(22)	512	277	-	23	136	7,182	1,417	(9,525)	-
Disposals	(3)	(7)	(20)	-	(158)	(27)	(150)	(275)	(99)	(739)
Transfers	-	-	-	-	-	-	-	-	233	233
Write-off	-	(6)	-	-	(1)	-	-	-	-	(7)
Exchange difference (note i)	-	-	27	-	3	14	47	14	-	105
Balance at 31 December 2018	**33,372**	**26,316**	**4,034**	**8,564**	**10,227**	**7,815**	**35,336**	**37,776**	**7,706**	**171,146**
Accumulated depreciation										
Balance at 1 January 2018	-	8,691	1,520	1,258	7,888	5,185	22,240	19,995	-	66,777
Charge for the period	-	400	93	408	603	561	1,985	3,318	-	7,368
Reclassifications	-	(7)	7	-	-	(1)	(5)	6	-	-
Disposals	-	(2)	(14)	-	(128)	(25)	(142)	(258)	-	(569)
Transfers	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	(1)	-	-	-	-	(1)
Exchange difference (note i)	-	-	20	-	2	13	18	16	-	69
Balance at 31 December 2018	**-**	**9,082**	**1,626**	**1,666**	**8,364**	**5,733**	**24,096**	**23,077**	**-**	**73,644**
Carrying amounts										
Balance at 31 December 2018	**33,372**	**17,234**	**2,408**	**6,898**	**1,863**	**2,082**	**11,240**	**14,699**	**7,706**	**97,502**
Balance at 31 December 2017	**33,334**	**16,808**	**2,153**	**7,306**	**2,153**	**2,085**	**4,875**	**11,488**	**9,083**	**89,285**

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

(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2017: nil)

(d) **As at 31 December 2017**

Bank

In millions of Nigerian Naira	**Land**	**Buildings**	**Leasehold improvem ents**	**Aircraft**	**Motor vehicle**	**Furniture and fittings**	**Computer hardware**	**Equipment**	**Work in progress**	**Total**
Cost										
Balance at 1 January 2017	31,429	24,565	3,333	8,564	9,868	6,666	25,956	26,744	4,764	141,889
Additions	2,002	802	117	-	360	574	1,186	1,860	8,147	15,048
Reclassifications	(27)	144	202	-	103	50	142	3,127	(3,741)	-
Disposals	-	-	-	-	(290)	(31)	(175)	(221)	(77)	(794)
Transfers	-	-	-	-	-	-	-	-	(10)	(10)
Write-off	(70)	(12)	(4)	-	(1)	(1)	(11)	(28)	-	(127)
Exchange difference	-	-	25	-	1	12	17	1	-	56
Balance at 31 December 2017	**33,334**	**25,499**	**3,673**	**8,564**	**10,041**	**7,270**	**27,115**	**31,483**	**9,083**	**156,062**
Accumulated depreciation										
Balance at 1 January 2017	-	8,302	1,421	850	7,606	4,735	20,970	17,753	-	61,637
Charge for the year	-	389	84	408	555	471	1,455	2,447	-	5,809
Reclassifications	-	2	(2)	-	-	-	(27)	27	-	-
Disposals	-	-	-	-	(273)	(31)	(169)	(207)	-	(680)
Transfers	-	-	-	-	-	-	-	-	-	-
Write-off	-	(2)	(1)	-	(1)	(1)	(11)	(25)	-	(41)
Exchange difference	-	-	18	-	1	11	22	-	-	52
Balance at 31 December 2017	**-**	**8,691**	**1,520**	**1,258**	**7,888**	**5,185**	**22,240**	**19,995**	**-**	**66,777**
Carrying amounts										
Balance at 31 December 2017	**33,334**	**16,808**	**2,153**	**7,306**	**2,153**	**2,085**	**4,875**	**11,488**	**9,083**	**89,285**
Balance at 31 December 2016	**31,429**	**16,263**	**1,912**	**7,714**	**2,262**	**1,931**	**4,986**	**8,991**	**4,764**	**80,252**

31 Intangible assets

(a) (i) As at 31 December 2018

Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress[2]	Total
Cost				
Balance at 1 January 2018	9,792	18,506	2,533	30,831
Additions	-	994	2,370	3,364
Reclassifications	-	926	(926)	-
Disposal	-	-	(33)	(33)
Transfers[1]	-	-	(233)	(233)
Exchange difference	(57)	(334)	-	(391)
Balance at 31 December 2018	9,735	20,092	3,710	33,537
Amortization				
Balance at 1 January 2018	-	13,940	-	13,940
Amortisation for the period	-	1,602	-	1,602
Exchange difference	-	(172)	-	(172)
Balance at 31 December 2018	-	15,369	-	15,369
Carrying amounts				
Balance at 31 December 2018	9,735	4,723	3,710	18,168
Balance at 31 December 2017	9,792	4,566	2,533	16,891

(ii) As at 31 December 2017

Group

In millions of Nigerian Naira	Goodwill	Purchased software	Work in progress[2]	Total
Cost				
Balance at 1 January 2017	8,522	16,591	1,142	26,255
Additions	-	1,437	1,831	3,268
Reclassifications	-	440	(440)	-
Transfers[1]	-	10	-	10
Exchange difference	1,270	28	-	1,298
Balance at 31 December 2017	9,792	18,506	2,533	30,831
Amortization				
Balance at 1 January 2017	-	11,894	-	11,894
Amortisation for the year	-	1,507	-	1,507
Exchange difference	-	539	-	539
Balance at 31 December 2017	-	13,940	-	13,940
Carrying amounts				
Balance at 31 December 2017	**9,792**	**4,566**	**2,533**	**16,891**
Balance at 31 December 2016	**8,522**	**4,697**	**1,142**	**14,361**

(b) (i) Bank

Cost	Purchased software	Work in progress[2]	Total
Balance at 1 January 2018	13,683	2,533	16,216
Additions	274	2,346	2,621
Reclassifications	926	(926)	-
Disposal	-	(33)	(33)
Transfers[1]	2	(233)	(231)
Exchange difference	-	11	11
Balance at 31 December 2018	14,885	3,698	18,583
Amortization			
Balance at 1 January 2018	10,370	-	10,370
Amortisation for the period	1,302	-	1,302
Balance at 31 December 2018	11,672	-	11,672
Carrying amounts			
Balance at 31 December 2018	3,213	3,698	6,911
Balance at 31 December 2017	3,313	2,533	5,846

31 Intangible assets - continued

(ii) **Bank**

Cost *In millions of Nigerian Naira*	**Purchased software**	**Work in progress[2]**	**Total**
Balance at 1 January 2017	12,884	1,142	14,026
Additions	348	1,831	2,179
Reclassifications	440	(440)	-
Transfers[1]	10	-	10
Exchange difference	1	-	1
Balance at 31 December 2017	13,683	2,533	16,216
Amortization			
Balance at 1 January 2017	9,121	-	9,121
Amortisation for the year	1,249	-	1,249
Balance at 31 December 2017	10,370	-	10,370
Carrying amounts			
Balance at 31 December 2017	**3,313**	**2,533**	**5,846**
Balance at 31 December 2016	**3,763**	**1,142**	**4,905**

There were no capitalised borrowing costs related to the internal development of software during the period (December 2017: nil). Computer software has a definite useful life of not more than five years while goodwill has an indefinite useful life and is annually assessed for impairment.

[1] Transfers represents reclassification of items from property and equipment (work in progress) to intangible assets - purchased software (work in progress) during the period as disclosed in Note 30.

[2] Work in progress represents capitalised development costs for software that are currently in their development phase.

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

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

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

	UBA Benin		**UBA UK Limited**	
	Dec. 2018	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
Gross earnings (% annual growth rate)	11.0	10.0	11.0	11.0
Deposits (% annual growth rate)	15.0	15.0	5.0	10.0
Loans and advances (% annual growth rate)	15.0	15.0	10.0	10.0
Operating expenses (% annual growth rate)	10.0	10.0	5.0	10.0
Terminal growth rate (%)	1.5	1.5	2.0	2.0
Discount rate (pre-tax) (%)	18.5	17.0	6.6	5.3

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

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

31 Intangible assets - continued

Below is the result of the impairment test:

In millions of Nigerian Naira	UBA Benin Dec. 2018	UBA Benin Dec. 2017	UBA UK Limited Dec. 2018	UBA UK Limited Dec. 2017
Recoverable amount	33,788	33,749	48,818	32,420
Less: Carrying amount				
Goodwill	(5,779)	(6,141)	(3,956)	(3,651)
Net assets	(12,025)	(7,416)	(16,497)	(15,653)
Total carrying amount	(17,804)	(13,557)	(20,453)	(19,304)
Excess of recoverable amount over carrying amount	**15,984**	**20,192**	**28,365**	**13,116**

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

	Dec. 2018		Dec.2017	
	%	%	%	%
UBA Benin	**From**	**To**	**From**	**To**
Deposit growth rate	15.0	8.1	15.0	6.9
Discount rate	18.5	36.9	17.0	43.7
UBA UK Limited				
Deposit growth rate	5.0	1.1	10.0	5.5
Discount rate	6.6	16.0	5.3	7.4

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

32 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(a)

In millions of Nigerian Naira	Group			Bank		
31 December 2018	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, equipment, and software	17,734	28	17,706	14,626	-	14,626
Allowances for loan losses	7,111	-	7,111	7,111	-	7,111
Account receivable	695	-	695	695	-	695
Tax losses carried forward	10,779	-	10,779	10,779	-	10,779
Prior year DTA written-off in FY2018	-	5,316	(5,316)	-	5,316	(5,316)
Current Year DTA in SOCIE Not Recognised	-	1,440	(1,440)	-	1,440	(1,440)
Current Year DTA in SOCI Not Recognised	-	7,625	(7,625)	-	7,625	(7,625)
Exchange difference on monetary items	-	-	-	-	-	-
Fair value gain on derivatives	-	8,069	(8,069)	-	8,069	(8,069)
Loss on revaluation of investment securities	-	(1,440)	1,440	-	(1,440)	1,440
Foreign currency revaluation Loss	-	(9,368)	9,368	-	(9,368)	9,368
Others	293	-	293	293	-	293
Net deferred tax assets /liabilities	36,612	11,670	24,942	33,504	11,642	21,862

In millions of Nigerian Naira	Group			Bank		
31 December 2017	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, equipment, and software	15,243	40	15,203	12,855	-	12,855
Allowances for loan losses	3,783	-	3,783	3,783	-	3,783
Account receivable	672	-	672	672	-	672
Tax losses carried forward	8,643	-	8,643	8,643	-	8,643
Exchange difference on monetary items	436	-	436	436	-	436
Fair value loss on derivatives	-	63	(63)	-	63	(63)
Others	852	-	852	852	-	852
Net deferred tax assets /liabilities	29,629	103	29,526	27,241	63	27,178

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

(i) Deferred tax assets

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Recognised deferred tax assets	36,612	29,629	33,504	27,241
Amounts offset*:				
- Fair value gain on derivatives	(8,097)	(63)	(8,069)	(63)
- Unwound fair value gain	-	-	-	-
Prior year DTA written-off in FY2018	(5,316)		(5,316)	
Current Year DTA in SOCIE Not Recognised	(1,440)		(1,440)	
Current Year DTA in SOCI Not Recognised	(7,625)		(7,625)	
Loss on revaluation of investment securities	1,440	-	1,440	-
Foreign currency revaluation Loss	9,368		9,368	
Deferred tax assets in the statement of financial position	24,942	29,566	21,862	27,178

(ii) Deferred tax liabilities

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Recognised deferred tax liabilities	11,670	103	11,642	63
Amounts offset*:				
Loss on revaluation of investment securities	1,440		1,440	
Foreign currency revaluation Loss	9,368		9,368	
- Fair value gain on derivatives	(8,069)	(63)	(8,069)	(63)
Prior year DTA written-off in FY2018	(5,316)		(5,316)	
Current Year DTA in SOCIE Not Recognised	(1,440)		(1,440)	
Current Year DTA in SOCI Not Recognised	(7,625)		(7,625)	
Deferred tax liabilities in the statement of financial position	28	40	-	-

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

Movements in temporary differences during the period

31 December 2018

Group

In millions of Nigerian Naira	Opening	Recognised in profit or loss	Recognised in equity	Closing balance
Property, equipment, and software	15,203	2,528	(25)	17,706
Allowances for loan losses	3,783	3,328	-	7,111
Account receivable	672	23	-	695
Tax losses carried forward	8,643	2,136	-	10,779
Prior year DTA written-off in FY2018	-	(5,316)	-	(5,316)
Current Year DTA in SOCIE Not Recognised	-	(1,440)	-	(1,440)
Current Year DTA in SOCI Not Recognised	-	(7,625)	-	(7,625)
Exchange difference on monetary items	436	(436)	-	-
Tax losses on fair value gain on derivatives	(63)	(8,006)	-	(8,069)
Foreign currency revaluation Loss	-	9,368	-	9,368
Loss on revaluation of investment securities	852	326	-	1,440
Others	-	293	-	293
	29,526	(5,113)	(25)	24,649

Bank

In millions of Nigerian Naira	Opening	Recognised in profit or loss balance	Recognised in equity	Closing balance
Property, equipment, and software	12,855	1,771	-	14,626
Allowances for loan losses	3,783	3,328	-	7,111
Account receivable	672	23	-	695
Tax losses carried forward	8,643	2,136	-	10,779
Prior year DTA written-off in FY2018	-	(5,316)	-	(5,316)
Current Year DTA in SOCIE Not Recognised	-	(1,440)	-	(1,440)
Current Year DTA in SOCI Not Recognised	-	(7,625)	-	(7,625)
Exchange difference on monetary items	436	(436)	-	-
Tax losses on fair value gain on derivatives	(63)	(8,006)	-	(8,069)
Foreign currency revaluation Loss	-	9,368	-	9,368
Loss on revaluation of investment securities	852	588	-	1,440
Others	-	293	-	293
	27,178	(5,316)	-	21,862

31 December 2017 **Group** *In millions of Nigerian Naira*	**Opening**	**Recognised in profit or loss balance**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	13,567	1,636	-	15,203
Allowances for loan losses	3,879	(96)	-	3,783
Account receivable	678	(6)	-	672
Tax losses carried forward	20,848	(12,205)	-	8,643
Exchange difference on monetary items	(3,712)	4,148	-	436
Tax losses on fair value gain on derivatives	(2,744)	2,681	-	(63)
Loss on revaluation of investment securities	482	370	-	852
	32,998	(3,472)	-	29,526

Bank *In millions of Nigerian Naira*	**Opening**	**Recognised in profit or loss balance**	**Recognised in equity**	**Closing balance**
Property, equipment, and software	10,249	2,606	-	12,855
Allowances for loan losses	3,879	(96)	-	3,783
Account receivable	678	(6)	-	672
Tax losses carried forward	20,848	(12,205)	-	8,643
Exchange difference on monetary items	(3,712)	4,148	-	436
Tax losses on fair value gain on derivatives	(2,744)	2,681	-	(63)
Loss on revaluation of investment securities	498	354	-	852
	29,696	(2,518)	-	27,178

Unrecognised deferred tax assets

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Unused tax losses for which no deferred tax asset has been recognized was N31.812 billion (2017: N28.810 billion)

Temporary difference relating to the Group's investment in subsidiaries is N153.815billion (2017: N119.588billion). 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 recognized.

33 Derivative financial instruments

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

In millions of Nigerian Naira

	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Derivative assets				
Carrying value	34,784	8,227	34,784	7,911
Notional amount	318,172	108,698	318,172	106,097
Derivative liabilities				
Carrying value	34	123	34	123
Notional amount	18,815	9,610	18,815	9,610

(a) **Derivative assets**

In millions of Nigerian Naira

	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Instrument type:				
Cross-currency swaps	34,776	8,227	34,776	7,911
Foreign exchange forward contracts	8	-	8	-
	34,784	8,227	34,784	7,911
The movement in derivative assets is as follows:				
Balance, beginning of period	8,227	10,642	7,911	10,642
Fair value of derivatives derecognised/remeasured in the period	(8,227)	(13,757)	(7,911)	(13,757)
Fair value of derivatives acquired/remeasured in the period	34,784	11,342	34,784	11,026
Balance, end of period	34,784	8,227	34,784	7,911

Derivative assets are current in nature

(b) **Derivative liabilities**

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Instrument type:				
Cross-currency swap	34	123	34	123
Foreign exchange forward contracts	65	-	65	-
	99	123	99	123
The movement in derivative liability is as follows:				
Balance, beginning of period	123	14	123	14
Fair value of derivatives derecognised/remeasured in the period	(123)	(75)	(123)	(75)
Fair value of derivatives acquired/remeasured in the period	99	184	99	184
Balance, end of period	99	123	99	123

Derivative liabilities are current in nature

(c) **Fair value gain on derivatives**

	Group Dec. 2018	Group Jun. 2017	Bank Dec. 2018	Bank Jun. 2017
Derivative assets :				
Fair value gain on additions in the period	34,784	12,869	34,784	12,869
Fair value loss on maturities in the period	(8,227)	(9,580)	(7,911)	(9,580)
Net fair value gain on derivative assets	26,557	3,289	26,873	3,289
Derivative liabilities:				
Fair value loss on additions in the period	(99)	(61)	(99)	(61)
Fair value gain on maturities in the period	123	14	123	14
Net fair value gain on derivative liabilities	24	(47)	24	(47)
Net fair value gain/(loss) on derivative assets and liabilities (See note 15)	**26,581**	**3,242**	**26,897**	**3,242**

34 Deposits from banks

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Money market deposits	153,419	130,035	11,610	14,507
Due to other banks	21,417	4,254	18,892	783
	174,836	**134,289**	**30,502**	**15,290**
Current	174,836	134,289	30,502	15,290

35 Deposits from customers

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Retail customers:				
Term deposits	353,247	228,471	270,968	184,503
Current deposits	663,514	345,087	512,468	239,100
Savings deposits	701,980	590,171	578,963	472,766
Corporate customers:				
Term deposits	419,230	465,304	308,871	313,571
Current deposits	1,211,149	1,104,315	752,838	667,796
	3,349,120	**2,733,348**	**2,424,108**	**1,877,736**
Current	3,348,658	2,733,161	2,423,646	1,877,549
Non-current	462	187	462	187
	3,349,120	2,733,348	2,424,108	1,877,736

36 Other liabilities

In millions of Nigerian Naira	Group Dec. 2018	Restated Group Dec. 2017	Bank Dec. 2018	Restated Bank Dec. 2017
Financial liabilities				
Creditors and payables	61,762	52,448	41,735	38,971
Managers cheques	5,233	4,790	3,728	3,408
Unclaimed dividends (note (i))	7,076	5,719	7,076	5,719
Customers' deposit for foreign trade (note (ii))	27,793	20,301	24,410	15,624
	101,864	83,258	76,949	63,722
Non-financial liabilities				
Provisions (note (iii))	252	252	147	147
Allowance for credit losses on off-balance sheet items (note (iv))	3,264	-	2,679	-
Deferred income	319	270	319	270
Accrued expenses[1]	15,065	14,497	4,205	4,620
	18,900	15,019	7,350	5,037
Total other liabilities	**120,764**	**98,277**	**84,299**	**68,759**
Current	120,764	98,277	84,299	68,759

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

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

(iii) The amount represents a provision for certain legal claims. The provision charge is recognised in income statement within 'other operating expenses'. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2018. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

The movement in provision during the period is as follows:

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
At 1 January	252	198	147	147
Additional provisions	-	54	-	-
At 31 December	252	252	147	147
Analysis of total provisions:				
Current	252	252	147	147

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

[1] See details of items restated in note 48

37 Borrowings *In millions of Nigerian Naira*	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
- Central Bank of Nigeria (note 37.1)	85,380	53,819	85,380	53,819
- Bank of Industry (BoI) (note 37.2)	7,708	9,212	7,708	9,212
- Standard Chartered Bank (note 37.3)	-	24,910	-	24,910
- European Investment Bank (EIB) (note 37.4)	23,539	22,303	23,539	22,303
- Africa Trade Finance Limited (note 37.5)	43,359	60,382	25,419	60,382
- African Development Bank (note 37.6)	54,842	50,317	54,842	50,317
- Credit Suisse (note 37.7)	108,065	100,312	108,065	100,312
- Eurobond debt security (note 37.8)	177,634	164,378	177,634	164,378
- JP Morgan Securities Limited (note 37.9)	72,062	-	72,062	-
- Standard Bank (note 37.10)	-	16,576	-	16,576
-Societe Generale Bank (note 37.11)	35,967	-	35,967	-
-Mashreqbank psc (note 37.12)	17,969	-	17,969	-
-Rand Merchant Bank (note 37.13)	27,015	-	27,015	-
-ABSA Bank Limited (note 37.14)	21,534	-	21,534	-
-International Finance Corporation (IFC) (note 37.15)	8,458	-	-	-
	683,532	**502,209**	**657,134**	**502,209**
Current	225,563	202,180	199,165	202,180
Non-current	457,969	300,029	457,969	300,029
	683,532	**502,209**	**657,134**	**502,209**

Movement in borrowings during the period:

In millions of Nigerian Naira				
Opening balance	502,209	259,927	502,209	259,927
Additions	235,128	406,409	235,128	406,409
Interest expense	35,151	23,699	33,509	23,699
Interest paid	(37,167)	(27,182)	(36,842)	(27,182)
Repayments (principal)	(116,117)	(210,001)	(116,117)	(210,001)
Exchange difference	64,328	49,357	39,247	49,357
	683,532	502,209	657,134	502,209

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

(a) N33.569 billion of this facility represents the outstanding balance on the Commercial Agriculture Credit Scheme granted to the Bank for the sole purpose of granting loans, at subsidised rates, to the agricultural sector. Interest on the facility cannot exceed 9% per annum inclusive of all charges and is to be shared between the Bank and CBN at 7% and 2% respectively. The facility will terminate on 30 September 2025. The Bank is the primary obligor to CBN and assumes the risk of default.

(b) N25.225 billion of this facility represents the outstanding balance on the concessionary loans granted by the Central Bank of Nigeria to some State Governments. The facility attracts an interest rate of 2% and the Bank is under obligation to lend to participating states at a maximum rate of 9% per annum (inclusive of all charges). The principal is repayable monthly and the tenor of the facility is 20 years.

(c) N26.587 billion of this facility represents the outstanding balance on the loan granted by the Central Bank of Nigeria with respect to Real Sector Support Facility (RSSF) initiative to support the Federal Government's Special Fertilizer Intervention programme. The Central Bank shall lend to the Bank at 1.5% while the Bank shall on-lend to the customer at a maximum interest rate of 3.5% per annum, all charges inclusive. The 1.5% interest shall be remitted to CBN on a quarterly basis. The principal is repayable quarterly (after a one year moratorium) and the tenor of the facility is 6 years.

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

37.3 This represents the amount granted under a $75 million trade finance loan facility granted by Standard Chartered Bank in September 2017. The facility is for a tenor of one (1) year and Interest rate is three (3) months USD LIBOR plus 600 basis points. The interest repayments were on a quarterly basis while the principal repayment was due upon maturity in September 2018.

37.4 This represents the outstanding balance on $16.296 million and $62.634million (€60million) term loan facilities granted by European Investment Bank in October 2013 and January 2017 respectively. The purpose of the $16.296 million term loan facility is to support lending to small and medium sized enterprises in Nigeria and through its regional subsidiaries. The facility is for a tenor of 7 years. Of the initial amount granted, $8.079 million was liquidated in June 2014. Interest rate on the facility is six (6) months USD LIBOR plus 351 basis points. Interest on the loan is payable semi-annually while principal repayment commenced in April 2017. The facility will expire in October 2020.
The $62.634million (€60million) term loan facility was granted under the Nigeria Private Enterprise Finance Facility extended by the European Investment Bank to a group of financial institutions located in Nigeria. The purpose of the facility is to finance capital expenditure for development of intermediation capacities and support small and medium sized enterprises in Nigeria. The facility is for a tenor of 8 years. The interest rate on the facility is six months USD LIBOR plus 351 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 42 months.

37.5 This represents facilities provided by Africa Trade Finance Limited (ATF):

(a) This represents the outstanding balance on $20million and $50million term loan facilities arranged by Africa Trade Finance Limited, United Kingdom in August 2018. The facilities are trade related term loans with a tenor of six (6) months and interest rates of six months USD LIBOR plus 240 and 250 basis points respectively. Interest on the loan is payable quarterly with principal repayment at maturity in February 2019.

(b) ATF also granted $50million line of credit to UBA Kenya in April 2018. The facility is for one year and matures in April 2019. Interest rate on the facility is 90 days USD LIBOR plus 250 basis points and is payable quarterly.

37.6 This represents the amount granted under a $150million line of credit by African Development Bank, Cote d'Ivoire in November 2017. The first tranche of $120million was disbursed to the Bank in December 2017 while the second tranche of $30 million was disbursed to the Bank in December 2017. The facility is for a tenor of 8 years and is to be used for medium term financing and on-lending to infrastructure projects, small and medium sized enterprises and women-owned enterprises in the Federal Republic of Nigeria. The interest rate on the facility is six months USD LIBOR plus 440 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 2 years.

37.7 This represents the amount granted under a $300million term loan facility by Credit Suisse International, United Kingdom and disbursed in three tranches of $100million each. Tranche 1 of this facility was disbursed in August 2018, while Tranche 2 and 3 were disbursed in September 2018. All the facilities have a tenor of one (1) year with interest rate of 3 months USD LIBOR plus 250 basis points. Interest payments are on a quarterly basis while the principal repayments are due at maturity in August 2019 and September 2019 respectively.

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

37.9 This represents the outstanding balance on $100million and $100million trade finance loan facilities granted by JP Morgan in August and December 2018. The facilities are for a tenor of one year and Interest rate is three (3) months USD LIBOR plus 222 basis points. The interest payments are on a quarterly basis while principal repayments are due upon maturity in August and December 2019 respectively.

37.10 This represents the amount granted under a $50 million trade finance loan facility granted by Standard Bank of South Africa Ltd in September 2017. The facility is for a tenor of nine (9) months and Interest rate is three (3) months USD LIBOR plus 565 basis points. The interest repayments were serviced on a quarterly basis while the principal repayment was due upon maturity in June 2018.

37.11 This represents the amount granted under a $100 million trade finance loan facility granted by Societe Generale Bank in September 2018. The facility is for one year and Interest rate is three (3) months USD LIBOR plus 220 basis points. The interest and principal repayments are due upon maturity in September 2019.

37.12 This represents the amount granted under a $50 million trade finance loan facility granted by Mashreqbank psc in December 2018. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 300 basis points. The interest and principal repayments are due upon maturity in June 2019.

37.13 This represents the amount granted under a $75 million trade finance loan facility granted by Rand Merchant Bank in December 2018. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 300 basis points. The interest and principal repayments are due upon maturity in June 2019.

37.14 This represents the amount granted under a $60 million trade finance loan facility granted by ABSA Bank Ltd in December 2018. The facility is for a tenor of six (6) months and Interest rate is six (6) months USD LIBOR plus 300 basis points. The interest and principal repayments are due upon maturity in June 2019.

37.15 This represents facilities provided by International FInance Corporation (IFC):

(a) This represents the amount granted to UBA Ghana under a $25 million term loan facility granted by International FInance Corporation (IFC) in February 2018. The facility is for a tenor of five (5) years and Interest rate is six (6) months USD LIBOR plus 525 basis points paid quarterly. The principal repayment will be on a semi-annual basis after a two-year moratorium period.

(b) This represents the amount granted to UBA Liberia under a $2 million term loan facility granted by International FInance Corporation (IFC). The facility is for a tenor of two (2) years and Interest rate is 8.25% paid semi-annually while the principal repayment is due upon maturity

38 Subordinated liabilities

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Medium term notes - series 2	-	36,017	-	36,017
Medium term notes - series 3	29,859	29,724	29,859	29,724
	29,859	**65,741**	**29,859**	**65,741**
Current	5,017	36,017	5,017	36,017
Non-current	24,842	29,724	24,842	29,724
	29,859	65,741	29,859	65,741

Subordinated liabilities represent medium-term bonds issued by the Bank. In September 2011, the Bank offered N30.5 billion fixed rate unsecured notes maturing in 2021 with a coupon of 16.45%. Coupon on the notes are payable semi-annually while principal is payable on maturity.

Movement in subordinated liabilities:

In millions of Nigerian Naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Opening balance	65,741	85,978	65,741	85,978
Interest accrued	9,032	12,275	9,032	12,275
Interest paid	(9,897)	(12,512)	(9,897)	(12,512)
Repayments	(35,017)	(20,000)	(35,017)	(20,000)
	29,859	65,741	29,859	65,741

39 Capital and reserves

(a) **Share capital**

Share capital comprises:	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
(i) Authorised - 45,000,000,000 Ordinary shares of 50k each	22,500	22,500	22,500	22,500
(ii) Issued and fully paid - 34,199,421,366 Ordinary shares of 50k each	17,100	17,100	17,100	17,100

The movement in the share capital account during the period is as follows:

In millions				
Number of shares in issue at start of the period	34,200	36,280	34,200	36,280
Cancellation of shares during the period	-	(2,080)	-	(2,080)
Number of shares in issue at end of the period	34,200	34,200	34,200	34,200

(b) **Share premium**

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

(c) **Retained earnings**

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

(d) **Other Reserves**

Other reserves include the following:	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
In millions of Nigerian Naira				
Translation reserve (note (i))	18,178	37,102	-	-
Statutory reserve (note (ii))	90,783	84,626	74,603	68,446
Fair value reserve (note (iii))	69,099	73,897	69,751	74,549
Regulatory (Credit) risk reserve (note (iv))	21,521	45,236	15,212	44,373
	199,581	240,861	159,566	187,368

(i) **Translation reserve**

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

(ii) **Statutory reserve**

Statutory reserve includes:

- Statutory reserve: this represents the cumulative appropriation from earnings in accordance with existing legislation that require the Bank to make an annual appropriation, In the current period, the Bank transferred N6,157 billion representing 15% (2017: 15%) of its profit after taxation to statutory reserves.

- Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves of 2.635 billion as at 31 December 2018 (December 2017: N2.635 billion) . The Bank has since suspended further appropriation to SMEEIS reserve in line with the directives of the Central Bank of Nigeria.

- Agriculture/Small and Medium Enterprises Equity Investment Scheme (AGSMEEIS) reserves of N4.499 billion as at 31 December 2018 (December 2017: N2.377). The reserve was set aside in compliance with Central Bank of Nigeria's directive of April 2017.

(iii) **Fair value reserve**

The fair value reserve includes the net cumulative change in the fair value of investments at fair value through other comprehensive income. The net cumulative fair value change on equity instruments is transferred to retained earnings when the investment is derecognised while the net cummulative fair value change on debt instruments is recycled to the income statement.

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

The regulatory (credit) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the various Central Banks of the various operating jurisdictions compared with the expected credit loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the expected credit loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

40 Dividends

The Board of Directors have proposed a final dividend of N0.65 per share which in addition to the N0.20 per share paid as interim dividend, amounts to a total dividend of N0.85 per share (2017: N0.85 per share) from the retained earnings account as at 31 December 2018.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2018 and 31 December 2017 respectively.

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

41 Contingencies

(i) Litigation and claims

The Group, in the ordinary course of business is currently involved in 714 legal cases (2017: 705). The total amount claimed in the cases against the Group is estimated at N745.45 billion (2017: N659.17 billion). The directors having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

41 Contingencies - continued

(ii) Contingent liabilities

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

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

In millions of Nigerian naira	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Performance bonds and guarantees	428,043	303,400	307,680	120,742
Allowance for credit losses	(604)	-	(604)	-
Net carrying amount	427,439	303,400	307,076	120,742
Letters of credits	217,764	323,347	71,796	273,061
Allowance for credit losses	(2,075)	-	(2,075)	-
Net carrying amount	215,689	323,347	69,721	273,061
Gross amount	645,807	626,747	379,476	393,803
Total allowance for credit losses	(2,679)	-	(2,679)	-
Total carrying amount for performance bonds and guarantees	643,128	626,747	376,797	393,803

(iii) Loan commitments

Loan commitments are irrevocable commitments to provide credits under pre-specified terms and conditions. The Group's loan commitments are usually conditioned on the maintenance of a satisfactory financial standing by the customer and absence of defaults on other covenants. At the balance sheet date, the Group had loan commitments amounting to N159 billion (December 2017: N130 billion) in respect of various loan contracts.

(iii) Capital commitments

Capital commitments are irrevocable contractual commitments for the acquisition of items of property and equipment or intangible assets. At the balance sheet date, the Group had capital commitments amounting to N8.130 billion (December 2017: N5.412 billion) in respect of authorised and contracted capital projects.

	Group Dec. 2018	Group Dec. 2017
In millions of Nigerian naira		
Property and equipment	6,118	3,030
Intangible assets	2,012	2,382
	8,130	5,412

42 Related parties and insider related credits

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

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

(a) Subsidiaries

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

(i) Cash and cash equivalents with the following subsidiaries are:

Name of Subsidiary	**Nature of Balance**	**Dec. 2018**	**Dec. 2017**
In millions of Nigerian naira			
UBA Senegal	Money market placement	206	-
UBA Tanzania	Money market placement	436	-
UBA Kenya	Money market placement	1,977	-
UBA Cameroun	Money market placement	-	1,590
UBA Ghana	Money market placement	9,712	-
UBA UK Limited	Money market placement	32,595	30,092
UBA UK Limited	Nostro balance	-	3,250
		44,926	34,932

(ii) Loan and advances

Name of Subsidiary	**Type of Loan**	**Dec. 2018**	**Dec. 2017**
In millions of Nigerian naira			
UBA Tanzania	Term Loans	1,652	2,525
UBA Liberia	Term Loans	-	414
UBA Cameroun	Overdraft	255	826
UBA Senegal	Overdraft	54	1,988
UBA Chad	Overdraft	-	46
UBA Gabon	Overdraft	251	785

42 Related parties and insider related credits - continued

UBA Mozambique	Overdraft	-	3
UBA Cote D'Ivoire	Overdraft	120	655
UBA Congo Brazzaville	Overdraft	1,512	-
UBA Benin	Overdraft	1,968	1,740
UBA Burkina Faso	Overdraft	3,324	29
		9,145	9,011

Term loans to subsidiaries are unsecured.

(iii) Deposits

Name of Subsidiary	Type of Deposit	Dec. 2018	Dec. 2017
In millions of Nigerian naira			
UBA Benin	Current	-	1
UBA Burkina Faso	Current	-	8
UBA Chad	Current	2	6
UBA Congo DRC	Current	-	11
UBA Cote D'Ivoire	Current	25	-
UBA Congo Brazzaville	Current	17	5
UBA FX Mart	Current	-	632
UBA Ghana	Current	14	15
UBA Mozambique	Current	3	-
UBA Pension Custodian	Current	6	22
UBA Kenya	Current	1,117	1
UBA Guinea	Current	3	46
UBA Senegal	Current	3	2
UBA Tanzania	Current	18	8
UBA Uganda	Current	167	79
UBA Gabon	Current	6	9
UBA Liberia	Current	22	8
UBA Sierra Leone	Current	47	24
UBA Cameroon	Current	9	4
UBA UK Limited	Current	-	1
UBA Burkina Faso	Domicilliary	-	55
UBA Cote D'Ivoire	Domicilliary	90,252	32
UBA Gabon	Domicilliary	127	748
UBA Cameroon	Domicilliary	40	310
UBA Benin	Domiciliary	7	1
UBA Ghana	Domicilliary	703	830
UBA Senegal	Domicilliary	44	73
UBA Guinea	Domicilliary	45	11
UBA Sierra Leone	Domicilliary	6	572
UBA Tanzania	Domicilliary	34	8
UBA Uganda	Domicilliary	103	139
UBA Kenya	Domicilliary	39	42
UBA Liberia	Domicilliary	4,261	1,673
UBA Congo DRC	Domicilliary	1,554	
UBA Congo Brazzaville	Domicilliary	38	100
UBA Mozambique	Domicilliary	21	5
UBA Chad	Domicilliary	23	84
UBA New York	Term deposit	-	615
UBA UK Limited	Term deposit	26,428	70
UBA Benin	Money market deposit	-	25,352
UBA Chad	Money market deposit	-	-
UBA Ghana	Money market deposit	915	1,146
UBA Mozambique	Money market deposit	-	9,807
UBA Tanzania	Money market deposit	-	800
UBA Uganda	Money market deposit	915	-
UBA Burkina Faso	Money market deposit	1,643	815
UBA Sierra Leone	Money market deposit	-	1,019
UBA Congo DRC	Money market deposit	-	814
UBA New York	Money market deposit	-	-
UBA Pension Custodian	Money market deposit	451	
UBA UK Limited	Money market deposit	3,598	
		132,706	46,003

42 Related parties and insider related credits - continued

(iv) Accounts receivable from the following subsidiaries are:

In millions of Nigerian naira		Dec. 2018	Dec. 2017
UBA Ghana	Accounts receivable	2,578	2,154
UBA Congo Brazzaville	Accounts receivable	1,078	1,592
UBA Gabon	Accounts receivable	340	388
UBA Guinea	Accounts receivable	380	244
UBA Senegal	Accounts receivable	1,209	1,165
UBA Chad	Accounts receivable	134	204
UBA Retail Financial Services	Accounts receivable	131	131
UBA Sierra Leone	Accounts receivable	55	263
UBA Liberia	Accounts receivable	119	264
UBA Benin	Accounts receivable	558	260
UBA Cameroon	Accounts receivable	281	298
UBA Burkina Faso	Accounts receivable	957	334
UBA Pension Custodian	Accounts receivable	-	600
UBA Uganda	Accounts receivable	217	-
UBA Tanzania	Accounts receivable	102	42
UBA Cote D'Ivoire	Accounts receivable	710	299
UBA DRC Congo	Accounts receivable	145	-
UBA Kenya	Accounts receivable	24	-
UBA Mozambique	Accounts receivable	11	-
		9,029	8,238

In millions of Nigerian naira	Dec. 2018	Dec. 2017
(v) Dividend receivable from the following subsidiaries are:		
UBA Ghana	1,005	-
UBA Liberia	335	-
UBA Sierra Leone	762	-
UBA Senegal	642	-
UBA Pension Custodian	3,006	3,200
	5,750	3,200

(vi) Interest income from the following subsidiaries are:

UBA UK Limited	1,955	1,405
UBA Guinea	97	-
UBA Congo DRC	14	-
UBA Congo Brazzaville	3	14
UBA Kenya	17	2
UBA Tanzania	182	158
UBA Uganda	-	4
UBA Liberia	6	37
UBA Cameroon	17	123
UBA Cote D'Ivoire	-	8
UBA Senegal	12	30
UBA Ghana	181	-
	2,483	1,780

(vii) Interest expense to the following subsidiaries are:

UBA Cote D'Ivoire	-	-
UBA Chad	16	211
UBA Congo DRC	26	57
UBA Ghana	-	978
UBA Mozambique	11	44
UBA Congo Brazzaville	34	19
UBA Gabon	4	-
UBA Tanzania	-	54
UBA Ghana	151	-
UBA Tanzania	67	-
UBA Uganda	34	63
UBA Sierra Leone	27	174
UBA Cameroon	-	8
UBA UK Limited	1,893	1,926
UBA Liberia	-	19
UBA Pension Custodian	68	8
UBA Kenya	-	18
UBA New York	1,153	-
	3,483	3,579

42 Related parties and insider related credits - continued

(viii) Dividend income from the following subsidiaries are:

UBA Cameroon	339	-
UBA Sierra Leone	762	-
UBA Liberia	335	-
UBA Senegal	642	-
UBA Pension Custodian	3,006	-
	5,085	-

(ix) Internal transfer pricing charges from the following subsidiaries are:

	Dec. 2018	Dec. 2017
UBA Ghana	372	389
UBA Burkina Faso	596	297
UBA Congo Brazaville	59	122
UBA Senegal	492	113
UBA Chad	88	85
UBA Benin	276	83
UBA Cameroun	254	76
UBA Cote d' Ivoire	387	72
UBA Gabon	210	59
UBA Liberia	154	52
UBA Guinea Conakry	127	52
UBA Sierra Leone	155	51
UBA Tanzania	56	23
UBA Congo DRC	145	-
UBA Kenya	24	-
UBA Mozambique	11	-
UBA Pension	257	86
UBA Uganda	161	-
UBA Zambia	161	-
	3,984	1,560

(b) Investment in equity accounted investee

Transactions between United Bank for Africa Plc and UBA Zambia meet the definition of related party transactions. The following transactions and balances are held with respect to the associate.

In millions of Nigerian naira	Dec. 2018	Dec. 2017
Money market deposit	720	-
Current deposit	-	7
	720	7

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of UBA Plc, directly or indirectly, including any director (whether executive or otherwise) of the Bank, and their close family members. Close family members are those family who may be expected to influence, or be influenced by that individual in their dealings with UBA Plc and its subsidiaries.

Key management personnel and their close family members engaged in the following transactions with the Bank during the period:

Loans and advances to key management personnel	Dec. 2018	Dec. 2017
In millions of Nigerian Naira		
Loans and advances as at period end	310	373

	Dec. 2018	Dec. 2017
Interest income earned during the period	44	29

Loans to key management personnel are granted on the same terms and conditions as loans to other employees. Related party loans are secured over real estate, equity and other assets of the respective borrowers. No impairment losses (2017: Nil) have been recorded against related party loans.

42 Related parties and insider related credits - continued

Loans and advances to key management personnel's related persons and entities as at December 2018

In millions of Nigerian naira

Name of company/ individual	Name of Director	Facility Type	Security	Status	Rate	Currency	Dec. 2018	Dec. 2017
Bridge House College	Mrs. Foluke Abdulrazaq	Term loan (Under CBN MSMEDF)	Real Estate	Performing	9.0%	NGN	15	28
Advance Link Petroleum Ltd	Alh. Ja'afaru Paki	Overdraft	Real Estate	Performing	25.0%	NGN	-	96
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	14.0%	NGN	6,324	8,676
Heirs Holdings	Mr. Tony O. Elumelu	Term Loan	Real Estate	Performing	16.0%	NGN	18,637	-
Aneke Angela Nkiruka**	Aneke Angela Nkiruka	Overdraft	Real Estate	Performing	19.0%	NGN	39	-
Abdulqadir J. Bello**	Abdulqadir J. Bello	Term Loan	Real Estate	Performing	18.0%	NGN	15	-
							25,030	8,800

**Appointed as Directors during the year;hence existing loans prior to appointment now reported as Directors'loans

	Dec. 2018	Dec. 2017
Interest income earned during the period	1,995	476

Deposit liabilities

Deposit liabilities relating to key management personnel and their related persons and entities as at end of the period is as follows:

In millions of Nigerian Naira	Dec. 2018	Dec. 2017
Deposits as at period end	2,535	2,798

	Dec. 2018	Dec. 2017
Interest expense during the period	93	52

Compensation

Aggregate remuneration to key management staff during the period is as follows:	Dec. 2018	Dec. 2017
In millions of Nigerian Naira		
Executive compensation	814	405
Defined contribution plan	23	12
Total benefits cost	837	417

43 Compensation to Employees and Directors

(i) The number of persons in the employment of the Group and the Bank as at period end is as follows:

(In absolute units)	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Group executive directors	9	9	9	9
Management	90	103	68	81
Non-management	12,790	11,852	9,505	8,737
	12,889	11,964	9,582	8,827

Compensation for the above personnel (including executive directors):	Dec. 2018	Dec. 2017	Dec. 2018	Dec. 2017
In millions of Nigerian Naira				
Salaries and wages	68,487	66,839	40,278	41,016
Retirement benefit costs:				
Defined contribution plans	2,671	2,133	1,259	1,327
	71,158	68,972	41,537	42,343

43 Compensation to Employees and Directors - continued

(ii) The number of employees of the Group and the Bank, other than Directors, who received emoluments in the following ranges (excluding pension contributions) were:

(In absolute units)

	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
N300,001 - N2,000,000	6,496	5,022	4,988	3,947
N2,000,001 - N2,800,000	2,310	2,421	1,910	2,109
N2,800,001 - N3,500,000	257	202	-	-
N3,500,001 - N4,000,000	882	717	716	541
N4,000,001 - N5,500,000	625	995	304	417
N5,500,001 - N6,500,000	190	209	-	-
N6,500,001 - N7,800,000	642	693	500	536
N7,800,001 - N9,000,000	454	525	359	413
N9,000,001 - above	1,024	1,171	796	855
	12,880	11,955	9,573	8,818

(iii) Directors

In millions of Nigerian naira	Dec. 2018	Dec. 2017	Dec. 2018	Dec. 2017
Remuneration paid to the Group's Directors was:				
Fees and sitting allowances	34	33	34	33
Executive compensation	814	807	814	807
Defined contribution plan	23	23	23	23
	871	863	871	863
Fees and other emoluments disclosed above includes amounts paid to:				
The Chairman	3	3	3	3
The highest paid Director	139	138	139	138

The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

(In absolute units)				
N1,000,001 - N5,000,000	10	10	10	10
N5,500,001 and above	9	9	9	9
	19	19	19	19

44 Transactions requiring regulatory approval

The rules of the Financial Reporting Council of Nigeria require that transactions or agreements requiring registration by regulatory bodies in Nigeria shall only be recognised in the financial statements to the extent that approval is obtained. For transactions recognised, the relevant registration details are required to be disclosed. The Bank obtained the approval of the National Office for Technology and Promotion (NOTAP) for some information technology transactions, the cost of which have been recognised in these financial statements. Details of transaction for which regulatory approval was sought and obtained as well as payment made during the period are as disclosed below:

S/N	Transaction involved	Registration certificate number	Approved basis and amount ($'000)	Certificate validity	2018 N'million
1	Actimize Acquirer and Remote Banking Software License Agreement between Mint Crest Corporation (Panama) and United Bank for Africa Plc	NOTAP/AG/FI/873/78/59	518.92	15 Sep. 2017 to 14 Sep. 2018	186
2	Software License and Service Agreement between Infosys Technologies Ltd (India) and United Bank for Africa Plc	NOTAP/AG/F1/873/89/80	805.20	06 Aug. 2018 to 05 Aug. 2019	289
3	Miscrosoft Enterprise Agreement between Miscrosoft Ireland Operations (Dublin) and United Bank for Africa Plc	NOTAP/AG/FI/873/84/127	7,195.68	29 Jun. 2017 to 28 Jun. 2020	861
					1,335

1 A total payment of N179million was made to Mint Crest Corporation for the use of Actimize Acquirer and Remote Banking Module. The licence expires in 1 year.

2 NOTAP issued an approval for one year for payment in respect of Finacle software. A total payment of N289 million was made to Infosys Technologies Limited for this service. The license agreement expires in August 2019.

3 The software agreement with Microsoft was approved by NOTAP in 2017 for a validity period of 3 years. A total payment of N2,202 million will be made between 2017 and 2020 to Microsoft Limited with N861 million paid in 2018. The approval expires in 2020.

45 Non-audit services

During the period, the Bank's external auditors (PricewaterhouseCoopers) rendered the following non-audit service to the Bank:

(i) Training of selected UBA Plc employees on Fundamentals of Bank Financial Analysis. The total amount paid by UBA Plc for this service was N500,000. This amount is included as part of training and human capital development expense in "other operating expenses" in note 19.

(ii) Consultancy service on the implementation of enterprise architecture programme for UBA Plc. The total amount paid by UBA Plc for this service was N84,378,272. This amount is included as part of contract services expense in "other operating expenses" in note 19.

(ii) Consultancy service on the validation of UBA's 2018 Recovery and Resolution Plan (RRP). The total amount paid by UBA Plc for this service was N6,500,000. This amount is included as part of contract services expense in "other operating expenses" in note 19.

(iv) PwC was engaged to carry out consultancy service on the preparation of transfer pricing documentation to cover years 2013 to 2018. The total amount agreed for this service is N12,600,000. No payment has been yet.

(v) PwC was also engaged to conduct the assessment of UBA's risk management practices and whistleblowing compliance level. The total amount agreed for this service is N22,000,000. No payment has been yet.

46 Compliance with banking regulations

During the period, the Bank paid the following penalty:

In millions of Nigerian Naira

	Description	Amount
1	Penalty with respect to FX examinations/spot checks in 2016 and 2017	14
2	Penalty for delay in carrying out CBN directive	2
3	Penalty with respect to Risk Assets Assessment Review in 2016	6
4	Penalty with respect to Risk-Based Supervision Examinations in 2016 and 2017	8
	Total	**30**

47 Events after the reporting date

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

48 Restatement of comparative financial information

(a) AMCON levy shortfall

During the financial year, the Central Bank of Nigeria notified all Banks pursuant to Section 9c of the AMCON (Amendment) Act 2015, of the shortfalls in contributions for years 2016 and 2017 arising from misinterpretation of the definition of "Total Assets" as contained in the Resolution Trust Deed as against the definition provided in the AMCON Amendment Act 2015. The Bank's total shortfall amounted to N2.412 billion broken down into: N892.905 million for 2016 and N1.519 billion for 2017. The payment of the shortfall will be made in equal installments over a period of five (5) years, commencing in year 2019.

The present value of the shortfall for the 2016 financial year amounting to N613 million has been adjusted to accruals and opening retained earnings of 2017 while the present value of the 2017 shortfall amounting to N1.655 billion has been adjusted to accruals and operating expenses in the comparative financial statements. The comparatives have been restated to align with the current period's presentation.

In millions of Nigerian Naira	Group Dec. 2017	Bank Dec. 2017
(i) Other liabilities		
Other liabilities	96,622	67,104
Add: Additional AMCON levy	1,655	1,655
Amount as re-presented	98,277	68,759
(ii) Retained earnings		
1 January 2017	138,623	110,152
Additional 2016 AMCON levy	(613)	(613)
Restated balance at 1 January 2017	138,010	109,539
(iii) Operating expenses		
Operating expenses	(109,547)	(75,608)
Add: Additional AMCON levy	(1,042)	(1,042)
Amount as re-presented	(110,589)	(76,650)
(v) Profit After Tax		
Profit After Tax	78,590	42,438
Less: Additional AMCON levy for 2017	(1,042)	(1,042)
Amount as re-presented	77,548	41,396
Owners of Parent	75,004	41,396
Non-controlling interest	2,544	-
Amount as re-presented	77,548	41,396
(vi) Cash flow		
Closing profit before tax for 2017	105,264	53,837
Less: Additional AMCON levy for 2017	(1,042)	(1,042)
Adjusted profit before tax	104,222	52,795
Adjustments for non-cash items	(159,348)	(97,447)
	(55,126)	(44,652)
Net cash generated from operating activities for 2017	194,733	102,761
Add: Additional AMCON levy	1,042	1,042
Adjusted net cash generated from operating activities	140,649	59,151
Net cash used in investing activities	(287,098)	(168,433)
Net cash generated from financing activities	111,720	90,223
Net decrease in cash and cash equivalents	(34,729)	(19,059)
Cash at the beginning of the year	381,043	236,416
Adjustments due to exchange rate	82,114	55,768
Cash and cash equivalents at year end	**428,428**	**273,125**

(b) Presentation of interest income

IFRS 9 introduced a consequential amendment to IAS 1- *Presentation of Financial Statements* , which is effective from 1 January 2018. The amendment requires interest income which is calculated using the effective interest method, to be presented separately from other interest income. Hence, interest income relating to FVTPL securities has been separately disclosed on the statement of comprehensive income for both the current year and comparative as follows:

	Group Dec. 2018	Group Dec. 2017	Bank Dec. 2018	Bank Dec. 2017
Interest income	362,922	325,657	265,698	227,335
Interest income on amortised cost and FVOCI securities	360,583	324,991	263,359	226,669
Interest income on FVTPL securities	2,339	666	2,339	666

49 Condensed result of consolidated subsidiaries

For the year ended 31 December 2018

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	40,287	2,773	10,684	11,378	5,031	2,516	6,740	9,981
Total operating expenses	(19,682)	(2,292)	(7,970)	(6,563)	(4,795)	(3,107)	(3,726)	(9,940)
Net impairment (loss)/gain on financial assets	(5,112)	(83)	(155)	(432)	(84)	(71)	220	2,122
Profit/(loss) before income tax	**15,493**	**398**	**2,559**	**4,383**	**152**	**(662)**	**3,234**	**2,163**
Income tax expense	(4,141)	66	(17)	(1,117)	19	968	(974)	227
Profit for the year	**11,352**	**464**	**2,542**	**3,266**	**171**	**306**	**2,260**	**2,390**
Condensed statements of financial position								
Assets								
Cash and bank balances	34,862	20,764	88,024	64,492	12,071	9,991	13,465	14,446
Financial assets at FVTPL	-	-	-	-	-	-	-	-
Loans and advances to customers	41,368	9,695	79,059	72,293	12,040	14,796	22,974	35,268
Investment securities	144,787	3,680	30,174	47,937	28,031	17,972	14,395	69,755
Other assets	5,604	1,189	48	1,863	600	2,220	206	802
Property and Equipment	1,808	720	547	1,104	331	547	2,345	2,305
Intangible assets	82	26	10	15	35	-	6	19
Deferred tax asset	27	162	-	-	1,106	968	-	295
	228,538	36,236	197,862	187,704	54,214	46,494	53,391	122,890
Financed by:								
Deposits from banks	37,082	377	1,559	35,329	6,719	9,532	-	29,528
Deposits from customers	134,845	28,668	179,655	129,452	21,182	29,293	38,352	78,731
Other liabilities	6,676	1,043	4,876	5,228	774	2,756	5,002	2,539
Current tax liability	-	96	17	232	-	-	974	67
Borrowings	7,710	748	-	-	17,940	-	-	-
Total Equity	42,225	5,304	11,755	17,463	7,599	4,913	9,063	12,025
	228,538	36,236	197,862	187,704	54,214	46,494	53,391	122,890
Condensed cash flows								
Net cash from operating activities	49,254	7,041	80,307	51,775	12,976	1,954	12,822	24
Net cash from financing activities	(1,673)	(554)	(753)	(3,820)	18,504	868	(2,338)	1,013
Net cash from investing activities	(52,220)	(839)	(1,666)	(10,578)	(21,722)	(2,076)	(8,071)	4,682
Increase/(decrease) in cash and cash equivalents	**(4,639)**	**5,648**	**77,888**	**37,377**	**9,758**	**746**	**2,413**	**5,719**
Effects of exchange rate	1	748	-	-	-	-	-	-
Cash and cash equivalents at beginning of the year	39,500	14,368	10,136	27,115	2,313	9,245	11,052	8,727
Cash and cash equivalents at end of the year	**34,862**	**20,764**	**88,024**	**64,492**	**12,071**	**9,991**	**13,465**	**14,446**

Condensed result of consolidated subsidiaries continued
For the year ended 31 December 2018

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	3,828	13,826	5,349	3,762	13,563	3,466	21,398	6,691	523
Total operating expenses	(2,018)	(11,136)	(3,448)	(3,275)	(7,745)	(3,119)	(10,949)	(1,350)	(761)
Net impairment gain/(loss) on financial assets	-	92	609	87	(6)	(19)	(369)	(32)	-
Profit before income tax	1,810	2,782	2,510	574	5,812	328	10,080	5,309	(238)
Income tax expense	(581)	(76)	(447)	-	(1,771)	(242)	(4,259)	(1,382)	(5)
Profit for the year	1,229	2,706	2,063	574	4,041	86	5,821	3,927	(243)
Condensed statements of financial position									
Assets									
Cash and bank balances	6,546	23,857	6,280	10,639	15,898	4,335	26,470	469	3,861
Financial assets at FVTPL	-	-	-	-	-	-	-	-	-
Loans and advances to customers	2,645	74,573	22,861	2,607	39,918	269	64,101	-	-
Investment securities	11,957	103,535	10,595	9,898	11,500	14,190	72,331	8,818	2,688
Other assets	286	2,652	943	747	856	731	3,613	1,332	97
Property and Equipment	560	3,112	761	387	662	171	1,067	204	550
Intangible assets	-	57	11	29	56	62	10	41	32
Deferred tax asset	(6)	22	427	-	-	-	-	78	-
	21,988	207,808	41,878	24,307	68,890	19,758	177,791	10,942	7,228
Financed by:									
Deposits from banks	790	42,331	4,160	625	4,104	1,605	13,272	-	-
Deposits from customers	15,627	146,345	27,217	19,682	40,554	9,432	134,111	-	17
Other liabilities	601	1,375	610	-	4,649	236	6,765	4,471	1,513
Current tax liability	53	-	635	-	1,771	24	4,142	1,357	-
Deferred tax liability	7	-	-	-	-	-	-	21	-
Total Equity	4,910	17,757	9,256	4,000	17,812	8,461	19,501	5,093	5,698
	21,988	207,808	41,878	24,307	68,890	19,758	177,791	10,942	7,228
Condensed cash flows									
Net cash from operating activities	189	(33,934)	(1,258)	5,863	4,914	1,331	(9,669)	4,222	(1,567)
Net cash from financing activities	77	(1,407)	(2,599)	(864)	(2,706)	411	(2,859)	(3,343)	(640)
Net cash from investing activities	164	34,516	(3,389)	(4,397)	2,908	(1,356)	(909)	(502)	(580)
(Decrease)/Increase in cash and cash equivalents	**430**	**(825)**	**(7,246)**	**602**	**5,116**	**386**	**(13,437)**	**377**	**(2,787)**
Effects of exchange rate	(4)	-	-	-	-	-	-	-	
Cash and cash equivalents at beginning of the year	6,120	24,682	13,526	10,037	10,782	3,949	39,907	92	6,648
Cash and cash equivalents at end of the year	**6,546**	**23,857**	**6,280**	**10,639**	**15,898**	**4,335**	**26,470**	**469**	**3,861**

Condensed result of consolidated subsidiaries continued
For the year ended 31 December 2018

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA UK Limited	SSIT	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income									
Operating income	1,688	2,869	-	3,620	-	-	191,144	(52,899)	308,218
Total operating expenses	(2,143)	(2,670)	-	(4,321)	-	-	(131,537)	45,205	(197,342)
Net impairment gain/(loss) on financial assets	173	184	-	-	-	-	(4,257)	2,604	(4,529)
(Loss)/Profit before income tax	(282)	383	-	(701)	-	-	55,350	(4,670)	106,766
Income tax expense	(7)	(120)	-	-	-	-	(14,303)	(20,201)	(28,159)
(Loss)/Profit for the year	**(289)**	**263**	**-**	**(701)**	**-**	**-**	**41,047**	**(24,871)**	**78,607**
Condensed statements of financial position									
Assets									
Cash and bank balances	6,423	8,728	672	9,077	-	455	1,015,199	(176,428)	1,220,596
Financial assets at FVTPL	-	-	-	-	-	-	19,439	-	19,439
Derivative assets	-	-	-	-	-	-	34,784	(10,199)	34,784
Loans and Advances to Banks	-	-	-	26,708	-	-	15,516	(36,626)	15,797
Loans and advances to customers	4,597	9,614	-	10	-	2	1,213,801	(1,127,677)	1,715,285
Investment securities	5,243	3,500	99	22,254	-	-	1,010,157	(6,364)	1,637,132
Other assets	384	5,720	-	675	-	114	49,642	(17,312)	63,012
Investments in equity-accounted investee	-	-	-	-	-	-	2,715	1,895	4,610
Investments in Subsidiaries	-	-	-	-	-	-	103,777	(103,777)	-
Property and Equipment	153	659	2	274	-	203	97,502	(1)	115,973
Intangible assets	7	20	-	1,007	-	-	6,911	9,732	18,168
Deferred tax asset	-	-	-	-	-	-	21,862	1	24,942
	16,807	**28,241**	**773**	**60,005**	**-**	**774**	**3,591,305**	**(1,466,756)**	**4,869,738**
Financed by:									
Derivative liabilities	-	-	-	-	-	-	99	-	99
Deposits from banks	7,162	-	-	38,315	-	-	30,502	(88,156)	174,836
Deposits from customers	6,928	12,821	-	3,375	-	70	2,424,108	(131,345)	3,349,120
Other liabilities	274	4,985	677	1,822	-	36	84,299	(20,443)	120,764
Current tax liability	7	130	-	-	-	-	706	(1,319)	8,892
Subordinated liabilities	-	-	-	-	-	-	29,859	-	29,859
Borrowings	-	-	-	-	-	-	657,134	-	683,532
Deferred tax liability	-	-	-	-	-	-	-	-	28
Total Equity	2,435	10,305	96	16,497	-	668	364,598	(94,826)	502,608
	16,806	**28,241**	**773**	**60,009**	**-**	**774**	**3,591,305**	**(336,089)**	**4,869,738**
Condensed cash flows									
Net cash from operating activities	391	(7,306)	-	6,806	-	-	488,626	(68,914)	605,847
Net cash from financing activities	(810)	6,346	-	1,545	-	-	8,185	(4,725)	7,858
Net cash from investing activities	(119)	(415)	-	(11,266)	-	-	(366,035)	7,004	(436,866)
Increase/(decrease) in cash and cash equivalents	**(538)**	**(1,375)**	**-**	**(2,915)**	**-**	**-**	**130,776**	**(66,635)**	**176,839**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	-	46,162	10,071	56,978
Cash and cash equivalents at beginning of the year	6,961	10,103	672	11,992	-	455	273,125	(113,079)	428,428
Cash and cash equivalents at end of the year	**6,423**	**8,728**	**672**	**9,077**	**-**	**455**	**450,063**	**(169,643)**	**662,245**

49 Condensed result of consolidated subsidiaries

For the period ended 31 December 2017

In millions of Nigerian Naira	UBA Ghana	UBA Liberia	UBA Cote D' Ivoire	UBA Senegal	UBA Kenya	UBA Guinea	UBA Gabon	UBA Benin
Condensed statements of comprehensive income								
Operating income	47,892	2,875	9,041	11,320	2,825	2,457	4,861	9,175
Total operating expenses	(23,053)	(2,100)	(7,633)	(6,696)	(2,704)	(2,731)	(2,845)	(8,054)
Net impairment (loss)/gain on financial assets	(2,417)	(86)	(258)	(428)	(83)	69	(259)	705
Profit before income tax	**22,422**	**689**	**1,150**	**4,196**	**38**	**(205)**	**1,757**	**1,826**
Income tax expense	(6,797)	170	(8)	(805)	(20)	-	(547)	236
Profit/(loss) for the period	**15,625**	**859**	**1,142**	**3,391**	**18**	**(205)**	**1,210**	**2,062**
Condensed statements of financial position								
As at 31 December 2017								
Assets								
Cash and bank balances	39,500	14,368	10,136	27,115	2,313	9,245	11,052	8,727
Loans and advances to customers	80,607	6,817	65,441	73,335	10,496	8,939	22,983	22,857
Investment securities	92,258	2,957	28,399	37,409	6,463	16,001	6,355	74,274
Other assets	2,697	1,052	671	626	407	2,400	268	679
Property and Equipment	2,116	607	644	1,042	175	442	2,315	2,479
Intangible assets	83	23	22	27	37	-	5	8
Deferred tax assets	166	335	-	-	916	-	-	298
	217,427	26,159	105,313	139,554	20,807	37,027	42,978	109,322
Financed by:								
Deposits from banks	18,750	332	25,968	19,375	3,854	4,957	-	23,000
Deposits from customers	152,116	19,322	66,121	97,045	9,477	26,461	30,259	72,562
Other liabilities	5,678	949	3,250	5,117	601	896	4,005	4,849
Current tax liabilities	587	162	8	-	11	-	547	62
Deferred tax liabilities	40	-	-	-	-	-	-	-
Total Equity	40,256	5,394	9,966	18,017	6,864	4,713	8,167	8,849
	217,427	26,159	105,313	139,554	20,807	37,027	42,978	109,322
Condensed cash flows								
For the period ended 31 December 2017								
Net cash from operating activities	(957)	1,373	(2,964)	4,948	2,545	(6,654)	7,419	4,777
Net cash from financing activities	737	(658)	5,641	2,695	(165)	(1,398)	875	3,043
Net cash from investing activities	(11,477)	694	1,193	(5,354)	(1,220)	2,794	(6,460)	(6,956)
(Decrease)/Increase in cash and cash equivalents	**(11,697)**	**1,409**	**3,870**	**2,289**	**1,160**	**(5,258)**	**1,834**	**864**
Cash and cash equivalents at beginning of period	51,197	12,959	6,266	24,827	1,153	14,503	9,218	7,863
Cash and cash equivalents at end of period	**39,500**	**14,368**	**10,136**	**27,116**	**2,313**	**9,245**	**11,052**	**8,727**

Condensed result of consolidated subsidiaries continued
For the period ended 31 December 2017

In millions of Nigerian Naira	UBA Sierra Leone	UBA Burkina Faso	UBA Chad	UBA Uganda	UBA Congo Brazza-ville	UBA Mozambique	UBA Cameroun	UBA Pension Custodian	UBA Mali
Condensed statements of comprehensive income									
Operating income	3,602	13,486	5,108	2,893	10,342	1,918	17,745	6,532	220
Total operating expenses	(1,646)	(10,982)	(3,142)	(2,560)	(6,072)	(1,882)	(11,729)	(1,738)	(84)
Net impairment (loss)/gain on financial assets	-	(474)	(134)	(30)	13	70	(1,914)	-	-
Profit/(loss) before income tax	**1,956**	**2,030**	**1,832**	**303**	**4,283**	**106**	**4,102**	**4,794**	**136**
Income tax expense	(355)	(89)	209	(1,928)	(1,373)	(1)	(1,908)	(1,162)	-
Profit/(loss) for the period	**1,601**	**1,941**	**2,041**	**(1,625)**	**2,910**	**105**	**2,194**	**3,632**	**136**
Condensed statements of financial position									
As at 31 December 2017									
Assets									
Cash and bank balances	6,120	24,682	13,526	10,037	10,782	3,949	39,907	92	6,648
Derivative assets	316	-	-	-	-	-	-	-	-
Loans and advances to customers	1,858	52,559	23,472	2,581	34,215	197	70,892	-	-
Investment securities	12,219	137,521	7,117	5,597	14,180	12,929	71,349	8,421	-
Other assets	415	3,521	858	946	2,054	242	2,129	1,303	17
Property and Equipment	462	3,641	845	287	923	119	1,135	63	2
Intangible assets	-	58	16	33	23	19	15	77	-
Deferred tax assets	3	23	561	-	-	-	-	73	-
	21,393	**222,005**	**46,395**	**19,481**	**62,177**	**17,455**	**185,427**	**10,029**	**6,667**
Financed by:									
Deposits from banks	-	46,915	6,351	1,409	2,000	1,955	3	-	-
Deposits from customers	15,614	156,649	29,450	11,638	39,984	7,460	160,659	-	-
Other liabilities	838	1,983	470	2,144	2,343	76	6,379	4,324	86
Current tax liabilities	108	-	332	-	1,373	-	1,847	1,195	-
Total Equity	4,833	16,458	9,792	4,290	16,477	7,964	16,539	4,509	6,581
	21,393	**222,005**	**46,395**	**19,481**	**62,177**	**17,455**	**185,427**	**10,028**	**6,667**
Condensed cash flows									
For the period ended 31 December 2017									
Net cash from operating activities	3,004	40,580	(17,241)	4,148	(2,241)	5,751	26,986	4,965	205
Net cash from financing activities	700	2,483	1,076	669	2,506	6,382	3,733	(3,197)	6,445
Net cash from investing activities	(4,694)	(28,429)	185	300	(1,477)	(12,170)	(33,302)	(1,678)	(2)
(Decrease)/Increase in cash and cash equivalents	**(990)**	**14,634**	**(15,980)**	**5,117**	**(1,212)**	**(37)**	**(2,583)**	**90**	**6,648**
Cash and cash equivalents at beginning of year	7,110	10,048	29,506	4,920	11,993	3,986	42,490	1	-
Cash and cash equivalents at end of year	**6,120**	**24,682**	**13,526**	**10,037**	**10,781**	**3,949**	**39,907**	**91**	**6,648**

Condensed result of consolidated subsidiaries continued
For the period ended 31 December 2017

In millions of Nigerian Naira	UBA Tanzania	UBA Congo DRC	UBA FX Mart	UBA UK Limited	SSIT	UBA RFS Limited	Bank	Group Adjustments	Group
Condensed statements of comprehensive income									
Operating income	1,464	3,518	-	3,159	1,144	-	209,279	(44,291)	326,565
Total operating expenses	(1,910)	(2,125)	-	(3,146)	(728)	-	(125,009)	39,959	(188,610)
Net impairment gain/(loss) on financial assets	60	(8)	-	-	-	-	(30,433)	2,712	(32,895)
Share of loss of equity-accounted investee	-	-	-	-	-	-	-	204	204
(Loss)/Profit before income tax	**(386)**	**1,385**	**-**	**13**	**416**	**-**	**53,837**	**(1,416)**	**105,264**
Income tax expense	(314)	(506)	-	37	(114)	-	(11,399)	-	(26,674)
(Loss)/Profit for the period	**(700)**	**879**	**-**	**50**	**302**	**-**	**42,438**	**(1,416)**	**78,590**
Condensed statements of financial position									
As at 31 December 2017									
Assets									
Cash and bank balances	6,961	10,103	672	11,992	-	455	727,546	(97,845)	898,083
Financial assets held for trading	-	-	-	-	-	-	31,898	-	31,898
Derivative assets	-	-	-	-	-	-	7,911	-	8,227
Loans and Advances to Banks	-	-	-	26,007	-	-	19,974	(25,341)	20,640
Loans and advances to customers	5,348	4,040	-	8	-	2	1,173,214	(1,129,441)	1,650,891
Investment securities	5,127	3,321	99	11,216	-	-	665,478	(2,637)	1,216,053
Other assets	527	899	-	527	-	114	77,949	(13,385)	86,729
Investments in equity-accounted investee	-	-	-	-	-	-	1,770	1,090	2,860
Investments in Subsidiaries	-	-	-	-	-	-	103,777	(103,777)	-
Property and Equipment	143	435	2	270	-	203	89,285	-	107,636
Intangible assets	14	8	-	783	-	-	5,846	9,795	16,891
Deferred tax assets	-	17	-	-	-	-	27,178	(4)	29,566
	18,120	**18,823**	**773**	**50,803**	**-**	**774**	**2,931,826**	**(1,361,545)**	**4,069,474**
Financed by:									
Derivative liabilities	-	-	-	-	-	-	123	-	123
Deposits from banks	8,742	37	-	30,871	-	-	15,290	(75,520)	134,289
Deposits from customers	5,665	8,244	-	320	-	70	1,877,736	(53,504)	2,733,348
Other liabilities	178	6,333	677	3,959	-	36	67,104	(25,653)	96,622
Current tax liabilities	1	513	-	-	-	-	1,108	-	7,668
Subordinated liabilities	-	-	-	-	-	-	65,741	-	65,741
Borrowings	-	-	-	-	-	-	502,209	-	502,209
Deferred tax liabilities	-	-	-	-	-	-	-	-	40
Total Equity	3,534	3,696	96	15,653	-	668	402,515	(86,397)	529,434
	18,120	**18,823**	**773**	**50,803**	**-**	**774**	**2,931,826**	**(241,074)**	**4,069,474**
Condensed cash flows									
For the period ended 31 December 2017									
Net cash from operating activities	4,060	8,451	-	4,330	10,384	-	59,151	(22,370)	140,649
Net cash from financing activities	2,009	(245)	-	770	19,388	-	90,223	(31,992)	111,720
Net cash from investing activities	(1,912)	(2,539)	-	(6,214)	(29,772)	-	(168,433)	29,825	(287,098)
Increase/(decrease) in cash and cash equivalents	**4,157**	**5,667**	**-**	**(1,114)**	**-**	**-**	**(19,059)**	**(24,537)**	**(34,729)**
Effects of exchange rate changes on cash and cash equivalents	-	-	-	(37)	-	-	55,768	26,346	82,114
Cash and cash equivalents at beginning of year	2,804	4,436	672	13,143	-	455	236,416	(114,924)	381,043
Cash and cash equivalents at end of year	**6,961**	**10,103**	**672**	**11,992**	**-**	**455**	**273,125**	**(113,115)**	**428,428**

UNITED BANK FOR AFRICA PLC

ADDITIONAL DISCLOSURES

Statement of Value Added
For the year ended 31 December

	2018 N'million	%	2017 N'million	%
Group				
Gross revenue	494,045		461,557	
Interest paid	(157,276)		(118,025)	
	336,769		343,532	
Administrative overheads:				
- local	(139,824)		(90,534)	
- foreign	(2,691)		(36,818)	
Value added	**194,254**	**100**	**216,180**	**100**
Distribution				
Employees				
- Salaries and benefits	71,158	37	68,972	32
Government				
- Taxation	28,159	14	26,674	12
The future				
- Asset replacement (depreciation and amortization)	11,801	6	10,091	5
- Asset replacement (provision for losses)	4,529	2	32,895	15
- Expansion (transfer to reserves and non-controlling interest)	78,607	40	77,548	36
	194,254	**100**	**216,180**	**100**

	2018 N'million	%	2017 N'million	%
Bank				
Gross revenue	341,504		316,263	
Interest paid	(129,396)		(95,093)	
	212,108		221,170	
Administrative overheads:				
- local	(102,119)		(86,900)	
- foreign	(175)		(1,641)	
Value added	**109,814**	**100**	**132,629**	**100**
Distribution				
Employees				
- Salaries and benefits	41,537	38	42,343	32
Government				
- Taxation	14,303	13	11,399	9
The future				
- Asset replacement (depreciation and amortization)	8,670	8	7,058	5
- Asset replacement (provision for losses)	4,257	4	30,433	23
- Expansion (transfer to reserves and non-controlling interest)	41,047	37	41,396	31
	109,814	**100**	**132,629**	**100**

UNITED BANK FOR AFRICA Plc

Group Five - Year Financial Summary

Statement of financial position

In millions of Nigerian Naira	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
ASSETS					
Cash and bank balances	1,220,596	898,083	760,930	655,371	812,359
Financial assets at fair value through profit or loss	19,439	31,898	52,295	11,249	1,099
Derivative assets	34,784	8,227	10,642	1,809	6,534
Loans and advances to banks	15,797	20,640	22,765	14,600	48,093
Loans and advances to customers	1,715,285	1,650,891	1,505,319	1,036,637	1,071,859
Investment securities					
- At fair value through other comprehensive income	1,036,653	-	-	-	-
- Available-for-sale	-	593,299	276,758	275,496	268,752
- At amortised cost	600,479	-	-	-	-
- Held to maturity	-	622,754	693,634	581,374	388,771
Other assets	63,012	86,729	37,849	40,488	30,057
Investments in equity-accounted investee	4,610	2,860	2,925	2,236	2,986
Property and equipment	115,973	107,636	93,932	88,825	89,517
Intangible assets	18,168	16,891	14,361	11,369	9,430
Deferred tax assets	24,942	29,566	33,060	33,168	33,116
TOTAL ASSETS	**4,869,738**	**4,069,474**	**3,504,470**	**2,752,622**	**2,762,573**
LIABILITIES					
Derivative liabilities	99	123	14	327	943
Deposits from banks	174,836	134,289	109,080	61,066	59,228
Deposits from customers	3,349,120	2,733,348	2,485,610	2,081,704	2,169,663
Other liabilities	120,764	98,277	110,596	54,885	63,566
Current tax liabilities	8,892	7,668	5,134	6,488	4,615
Borrowings	683,532	502,209	259,927	129,896	113,797
Subordinated liabilities	29,859	65,741	85,978	85,620	85,315
Deferred tax liabilities	28	40	62	15	40
TOTAL LIABILITIES	**4,367,130**	**3,541,695**	**3,056,401**	**2,420,001**	**2,497,167**
EQUITY					
Share capital and share premium	115,815	115,815	135,514	135,514	124,423
Reserves	367,654	393,733	299,337	190,313	135,507
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	483,469	509,548	434,851	325,827	259,930
Non-controlling interest	19,139	18,231	13,218	6,794	5,476
TOTAL EQUITY	502,608	527,779	448,069	332,621	265,406
TOTAL LIABILITIES AND EQUITY	**4,869,738**	**4,069,474**	**3,504,470**	**2,752,622**	**2,762,573**

Summarized Statement of Comprehensive Income

In millions of Nigerian Naira	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Net operating income	308,218	326,565	270,889	210,257	189,060
Operating expenses	(197,342)	(189,652)	(152,501)	(136,640)	(129,686)
Net impairment loss on loans and receivables	(4,529)	(32,895)	(27,683)	(5,053)	(3,183)
Share of profit/(loss) of equity-accounted investee	419	204	(63)	(110)	9
Profit before taxation	**106,766**	**104,222**	**90,642**	**68,454**	**56,200**
Taxation	(28,159)	(26,674)	(18,378)	(8,800)	(8,293)
Profit after taxation	**78,607**	**77,548**	**72,264**	**59,654**	**47,907**
Profit for the period	**78,607**	**77,548**	**72,264**	**59,654**	**47,907**
- Non-controlling interest	3,248	2,544	2,860	1,050	886
- Equity holders of the parent	75,359	75,004	69,404	58,604	47,021
Other comprehensive income for the period	(33,273)	27,769	65,886	6,168	(2,562)
Total comprehensive income for the period	**45,334**	**105,317**	**138,150**	**65,822**	**45,345**

UNITED BANK FOR AFRICA Plc

Bank Five - Year Financial Summary

Statement of financial position

In millions of Nigerian Naira	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
ASSETS					
Cash and bank balances	1,015,199	727,546	610,910	590,774	749,716
Financial assets at fair value through profit or loss	19,439	31,898	52,295	11,249	1,099
Derivative assets	34,784	7,911	10,642	1,809	6,534
Loans and advances to banks	15,516	19,974	23,850	14,591	48,991
Loans and advances to customers	1,213,801	1,173,214	1,090,355	822,694	884,587
Investment securities					
- At fair value through other comprehensive income	925,892	-	-	-	-
- Available for sale	-	423,293	244,424	270,409	261,741
- At amortised cost	84,265	-	-	-	-
- Held to maturity	-	242,185	288,592	297,794	181,168
Other assets	49,642	77,949	31,192	22,528	21,136
Investments in subsidiaries	103,777	103,777	70,702	65,767	65,767
Investments in equity-accounted investee	2,715	1,770	1,770	1,770	1,770
Property and equipment	97,502	89,285	80,252	80,145	81,050
Intangible assets	6,911	5,846	4,905	4,954	3,446
Deferred tax assets	21,862	27,178	29,696	31,853	31,853
TOTAL ASSETS	**3,591,305**	**2,931,826**	**2,539,585**	**2,216,337**	**2,338,858**
LIABILITIES					
Derivative liabilities	99	123	14	327	943
Deposits from banks	30,502	15,290	30,484	350	1,526
Deposits from customers	2,424,108	1,877,736	1,698,859	1,627,060	1,812,277
Current tax liabilities	706	1,108	522	634	1,858
Subordinated liabilities	29,859	65,741	85,978	85,620	85,315
Borrowings	657,134	502,209	259,927	129,896	113,797
Other liabilities	84,299	68,759	72,901	34,219	41,209
TOTAL LIABILITIES	**3,226,707**	**2,530,966**	**2,148,685**	**1,878,106**	**2,056,925**
EQUITY					
Share capital and share premium	115,815	115,815	135,514	135,514	124,423
Reserves	248,783	285,045	255,386	202,717	157,510
TOTAL EQUITY	364,598	400,860	390,900	338,231	281,933
TOTAL LIABILITIES AND EQUITY	**3,591,305**	**2,931,826**	**2,539,585**	**2,216,337**	**2,338,858**

Summarized statement of comprehensive income

In millions of Nigerian Naira	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Net operating income	191,144	209,279	190,231	157,477	144,140
Operating expenses	(131,537)	(126,051)	(107,061)	(103,251)	(99,226)
Net impairment loss on loans and receivables	(4,257)	(30,433)	(25,521)	(3,491)	(2,536)
Profit before taxation	**55,350**	**52,795**	**57,649**	**50,735**	**42,378**
Taxation	(14,303)	(11,399)	(10,108)	(3,093)	(2,295)
Profit for the period	**41,047**	**41,396**	**47,541**	**47,642**	**40,083**
Other comprehensive income for the period	(12,009)	15,668	26,896	8,119	(1,197)
Total comprehensive income for the period	**29,038**	**57,064**	**74,437**	**55,761**	**38,886**