

UBA CAPITAL PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER, 2013

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group		Company	
		2013	2012	2013	2012
		=N=' 000	=N=' 000	=N=' 000	=N=' 000
Gross Earnings		4,573,241	1,342,055	4,358,092	400,085
Investment income	5	1,559,367	256,838	41,953	75,010
Fee and commission income	6	2,093,730	317,819	1,048,618	260,178
Net trading income	7	108,517	303,665	43,904	(101)
Net interest margin	8	209,276	-	-	-
Net operating income		3,970,890	878,322	1,134,475	335,087
Other income	9	532,522	335,853	6,979	84,927
Net gains/(losses) from financial assets held for trading	10	69,829	127,880	-	(19,928)
Dividend income from subsidiaries	27c	-	-	3,216,638	-
Total Revenue		4,573,241	1,342,055	4,358,092	400,086
Personnel expenses	11	(750,693)	(277,471)	(221,783)	(192,882)
Other operating expenses	12	(1,246,436)	(299,420)	(377,465)	(116,824)
Depreciation and amortization	19&20	(35,141)	(19,185)	(13,371)	(8,572)
Impairment charge	21.2	(71,148)	(30,671)	(10,075)	(30,539)
Total Expenses		(2,103,418)	(626,747)	(622,694)	(348,817)
Share of profit of equity accounted investee	17	164,091	128,865	-	-
Profit before income tax		2,633,914	844,173	3,735,398	51,269
Income tax expense	13	(870,903)	12,164	(469,682)	40,411
Profit for the year from continuing operations		1,763,011	856,337	3,265,716	91,680
Discontinued operations					
Profit for the year from discontinued operations		-	561,652	-	-
Profit for the year		1,763,011	1,417,989	3,265,716	91,680
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit & loss</i>					
Exchange difference		-	(97)	-	(97)
Fair value gains on available for sale investments	28	131,126	-	11,041	-
Other comprehensive income, net of taxes		131,126	(97)	11,041	(97)
Total comprehensive income for the year		1,894,137	1,417,892	3,276,757	91,583
Total comprehensive income attributable to:					
Equity holders of the Company		1,894,137	1,417,892	3,276,757	91,583
Earnings per share-basic (kobo)		44	35	82	5

Consolidated Statement of Financial Position

		Group		Company	
		2013 =N=' 000	2012 =N=' 000	2013 =N=' 000	2012 =N=' 000
ASSETS					
	Notes				
Cash and cash equivalents	15	29,203,619	2,134,561	1,543,308	33,478
Financial assets:					
- Held for trading	16.1	173,137	426,561	-	37,212
- Loan and receivables	16.2	8,851,121	-	3,460,321	-
- Available for sale	16.3	10,573,206	-	111,080	-
- Held to maturity	16.4	26,724,634	317,127	-	317,127
Investment in associates	17	1,809,382	875,285	1,650,000	750,000
Investments in subsidiaries	18	-	-	750,000	200,000
Property, plant and equipment	19	160,718	9,401	67,696	6,579
Intangible assets	20	28,399	4,518	28,399	302
Trade and other receivables	21	1,728,241	205,690	785,483	180,067
Dividend receivable from subsidiaries	27c	-	-	2,894,974	-
Deferred tax assets	22	224,607	224,607	-	-
Assets classified as held for sale		-	7,605,422	-	-
TOTAL ASSETS		79,477,064	11,803,171	11,291,261	1,524,764
LIABILITIES					
Managed funds	23	62,476,554	-	-	-
Other borrowed funds	24	5,325,524	897,020	5,325,524	897,020
Other liabilities	25	2,238,861	779,648	168,060	24,970
Current tax liabilities	26	1,054,634	219,586	479,830	11,686
Deferred tax liabilities	22	219	-	-	-
Liabilities associated to assets classified as held for sale		-	6,057,005	-	-
TOTAL LIABILITIES		71,095,792	7,953,259	5,973,414	933,676
SHAREHOLDERS FUND					
Share capital	27	2,000,000	2,000,000	2,000,000	2,000,000
Retained earnings	27	6,716,234	1,849,912	3,306,806	(1,408,912)
Other reserves	28	(334,962)	-	11,041	-
TOTAL SHAREHOLDERS FUND		8,381,272	3,849,912	5,317,847	591,088
TOTAL LIABILITIES AND SHAREHOLDER'S FUND					
		79,477,064	11,803,171	11,291,261	1,524,764
Contingent Liabilities	32	15,000,000	27,000,000	15,000,000	27,000,000



Chika Mordi (Chairman)
FRC No: FRC/2014/IODN/00000006667



Oluwatoyin Sanni (Group Chief Executive Officer)
FRC No: FRC/2013/NBA/00000002481



Emeka Ogbechie (Group Chief Finance Officer)

Consolidated Statement of Cash flows

		Group		Company	
	Notes	2013 =N='000	2012 =N='000	2013 =N='000	2012 =N='000
Cash flows from operating activities					
Fees and commission income	6	2,093,730	317,819	1,048,618	260,178
Interest & investment income	5	1,559,367	256,838	41,953	75,010
Other income	9	532,522	335,853	6,979	84,927
Net trading income	7	108,517	303,766	43,904	(101)
Net interest margin	8	209,276	-	-	-
Cash paid to staff		(750,693)	(277,471)	(221,783)	(226,550)
Administrative expenses		(914,851)	(299,420)	(306,416)	-
Tax paid	26	(163,889)	(83,924)	(1,538)	(17,874)
		2,673,979	554,091	611,717	175,590
Changes in working capital					
(Increase)/decrease in other assets		(1,522,551)	584,378	(283,751)	61,929
Increase/(decrease) in other liabilities		67,152,405	(13,051,398)	143,091	(5,027,249)
Net cash provided by/(used in) operating activities					
		68,303,833	(11,912,929)	(471,057)	(4,789,730)
Cash flows from investing activities					
Purchase of property and equipments	19	(254,637)	(4,483)	(72,751)	(4,079)
Purchase of intangible assets	20	(31,778)	-	(31,778)	-
Investments in financial assets:					
- Held for trading		1,731,899	1,856,531	-	-
- Available for sale	16.3	(10,908,167)	-	(100,039)	265,223
- Loans and receivables	16.2	(8,851,121)	-	(3,460,321)	-
- Held to Maturity	16.4	(26,407,507)	-	317,128	(317,128)
Discontinued operations		-	(355,254)	-	-
Investment in associate		(900,000)	-	-	-
Proceed on disposal of property and equipments		-	150	-	150
Net cash (used in)/provided by investing activities					
		(45,621,311)	1,496,944	(3,347,763)	(55,834)
Cash flows from financing activities					
Additional loan during the year		4,718,619	-	4,718,619	-
Loan repayment		(332,083)	(934,799)	(332,083)	(320,058)
Net cash flow from financing activities					
		4,386,536	(934,799)	4,386,536	(320,058)
Net increase/(decrease) in cash and cash equivalents					
		27,069,058	(11,350,784)	1,509,830	(5,165,622)
Cash and cash equivalents at beginning of year		2,134,561	13,485,345	33,478	5,199,100
Cash and cash equivalents at end of year					
		29,203,619	2,134,561	1,543,308	33,478

Consolidated Statement of Changes in Equity**(a) 31 December 2013
Group**

	Share Capital =N=' 000	Retained Earnings =N=' 000	Other Reserves =N=' 000	Total =N=' 000
Balance at 1 January 2013	2,000,000	1,849,912	-	3,849,912
Arising from acquisition of UBA Asset Management Ltd	-	2,304,340	-	2,304,340
Arising from acquisition of UBA Trustees Ltd	-	1,871,987	-	1,871,987
Gross proposed dividend from subsidiaries	-	(3,216,638)	-	(3,216,638)
Transfer from profit and loss account	-	4,830,923	-	4,890,923
Share of associated profit	-	159,382	-	159,382
Reclassification of APR accumulated reserves	-	(2,383,672)	-	(2,383,672)
Acceptance of shares surrendered by UBA Plc in UBA Asset Management Limited	-	500,000	-	500,000
Acceptance of shares surrendered by UBA Plc in UBA Metropolitan Life Insurance Ltd	-	900,000	-	900,000
Transfer of shares in Africa Prudential Registrars Plc	-	(100,000)	-	(100,000)
Fair value reserve	-	-	(334,962)	(334,962)
Balance at 31 December 2013	2,000,000	6,716,234	(334,962)	8,381,272

**31 December 2012
Group**

Balance at 1 January 2012	2,000,000	(645,804)	-	1,354,196
Profit and loss	-	1,417,892	-	1,417,892
Prior year adjustment	-	1,077,824	-	1,077,824
Balance at 31 December 2012	2,000,000	1,849,912	-	3,849,912

(b) Company**31 December 2013**

Balance at 1 January 2013	2,000,000	(1,408,912)	-	591,089
Profit or loss	-	3,265,716	-	3,265,716
Acceptance of shares surrendered by UBA Plc in UBA Asset Management Limited	-	500,000	-	500,000
Acceptance of shares surrendered by UBA Plc in UBA Metropolitan Life Insurance Ltd	-	900,000	-	900,000
Acceptance of shares surrendered by UBA Asset Management Limited in UBA Trustees Limited	-	150,000	-	150,000
Transfer of shares in Africa Prudential Registrars Plc	-	(100,000)	-	(100,000)
Fair value reserve	-	-	11,041	11,041
Balance at 31 December 2013	2,000,000	3,306,806	11,041	5,317,846

**31 December 2012
Company**

Balance at 1 January 2012	2,000,000	(1,500,495)	-	499,506
Profit and loss	-	91,583	-	91,583
Balance at 31 December 2012	2,000,000	(1,408,912)	-	591,089

Notes to the financial statements**1 General information**

These financial statements are the consolidated financial statements of UBA Capital Plc, a company incorporated in Nigeria and its subsidiaries (hereafter referred to as 'the Group').

UBA Capital Plc (previously called UBA Capital Limited) was incorporated in Nigeria, as a Public liability company, on 3 August, 2012, to act as the ultimate holding company for the UBA Capital Group.

As part of the group restructuring which occurred during the period, UBA Plc's (the former parent company) shareholding in the restructured UBA Capital Plc was transferred to existing UBA Plc shareholders. For every 33 shares held in UBA Plc, eligible shareholders received 4 shares in UBA Capital Plc post-restructure.

Consequently, UBA Capital Plc now comprises the following businesses:

- UBA Capital, the investment banking advisory division
- UBA Asset Management Ltd
- UBA Securities Ltd
- UBA Trustees Ltd
- UBA Metropolitan Life Insurance Ltd

IFRS does not explicitly specify the accounting treatment of a group restructuring / re-organisation but provides guidance on the choices available in accounting for such transactions. This restructuring has been accounted for using the merger method of accounting.

Transfer of entities between group entities/ subsidiaries were at the pre-restructuring / organisation carrying amounts of assets and liabilities with no fair value uplifts.

The principal activities of the Group are mainly the provision of investment banking services, portfolio management services, securities trading and trusteeship.

The consolidated financial statements for the year ended 31 December 2013 were approved for issue by the Board of Directors on 17 March 2014.

2 Going concern

These financial statements have been prepared on the going concern basis. The group has no intention or need to reduce substantially its business operations but to further develop the business of the group. The management believes that the going concern assumption is appropriate for the group due to sufficient capital adequacy ratio and projected liquidity and based on historical experience that short-term obligations will be refinanced in the normal course of business. Liquidity ratio and continuous evaluation of current ratio of the group is carried out by the group to ensure that there are no going concern threats to the operation of the group.

3. Adoption of new and revised International Financial Reporting Standards (IFRS)**3.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements**

In the current year, the group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Notes to the financial statements (continued)**3.2 New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

The impact of the application of these standards is set out below:

3.2.1 IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Company.

As UBA Asset Management Limited, UBA Trustees Limited and UBA Securities Limited are wholly owned subsidiaries of UBA Capital Plc, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the financial statements.

3.2.2 IFRS 11 “Joint Arrangement”

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures.

The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The Group does not have any joint arrangement, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the financial statements.

Notes to the financial statements (continued)**3.2.3 IFRS 12 “Disclosure of interests in Other Entities”**

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

The Group has expanded disclosures on its interests in subsidiaries (see note 18). The Group does not have interest in any unconsolidated structured entity.

3.2.4 IFRS 13 “Fair Value Measurement”

IFRS 13 gives a new definition of fair value for both financial and non-financial items. The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as 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. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has included new disclosures, which are required by IFRS 13. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

3.2.5 IAS 19 “Employee Benefits” (as revised in 2011)

IAS 19 changes the accounting for Defined Benefits plans and Termination Benefits. The amendment to IAS 19 did not have material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

3.2.6 Amendments to IFRS 1 “First-time Adoption of IFRS”

Government Loans- Provides Relief for First-time Adopters. The amendment to IFRS 1 has no impact on the consolidated financial statement.

3.2.7 Amendments to IFRS 7 “Disclosures – Offsetting Financial Assets and Financial Liabilities”

The Group has applied the amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the financial statements.

Notes to the financial statements (continued)**3.2.8 Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”**

This amendment introduced New Terminology to the Statement of Comprehensive Income and Income Statement.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3.3 Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ²
Amendments to IFRS 9 and IFRS 7:	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹
1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.	
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.	

3.3.1 IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Notes to the financial statements (continued)**3.3.2 Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities**

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities' amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

3.3.3 Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

4 Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of preparation

The Group's consolidated financial statements for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the Notes to the financial statements. Also, the financial statements have been prepared on accrual basis except for the statement of cash flows.

Notes to the financial statements (continued)**4.2 Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), and the interpretations of these standards, issued by the International Financial Reporting Interpretations Committee (IFRIC). The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied.

The consolidated financial statements comply with the requirement of the Companies and Allied Matters Act CAP C20 LFN 2004, Investment and Securities Act, CAP S20 LFN 2007 and the guidelines of the Financial Reporting Council of Nigeria.

4.3 Consolidation

The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the previous year.

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries where it is determined that there is a capacity to control.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group. In its separate financial statements, the company accounts for its investment in subsidiaries at cost.

Inter-company transactions, balances and unrealized gains on transactions between companies within the Group are eliminated on consolidation. Unrealized losses are also eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment. Consistent accounting policies are used throughout the Group for the purposes of consolidation.

(b) Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over these policies. Significant influence is generally demonstrated by the Group holding in excess of 20%, but less than 50%, of the voting rights.

The Group's share of results of the associate entity is included in the consolidated income statement. Investments in associates are carried in the statement of financial position at cost plus the Group's share of post-acquisition changes in the net assets of the associate. Investments in associates are reviewed for any indication of impairment at least at each reporting date. The carrying amount of the investment is tested for impairment, where there is an indication that the investment may be impaired.

When the Group's share of losses or other reductions in equity in an associate equals or exceeds the recorded interest, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

The Group's share of the results of associates is based on financial statements made up to a date not earlier than three months before the balance sheet date, adjusted to conform with the accounting policies of the Group. Unrealized gains and losses on transactions are eliminated to the extent of the Group's interest in the investee. Losses may provide evidence of impairment of the asset transferred in which case appropriate allowance is made for impairment.

Notes to the financial statements (continued)

In the separate financial statements of the Company, investments in associates are stated at cost less accumulated impairment losses, if any.

4.4 Common control transactions

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Group, in accordance with IAS 8, uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making this judgement, the Directors consider the requirements of IFRS dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework. The Directors also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or interpretation.

Accordingly the Group applies the guidance as set out in IFRS 3R on common control transactions. The assets and liabilities of the business transferred are measured at their existing book value in the consolidated financial statements of the parent, as measured under IFRS.

The Group incorporates the results of the acquired businesses only from the date on which the business combination occurs.

4.5 Foreign currency translation**(a) 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 consolidated financial statements are presented in Naira, which is the Group's presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Monetary items denominated in foreign currencies are retranslated at the rate prevailing on the statement of financial position date. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement.

Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial instruments held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments measured at fair value through other comprehensive income are included in the fair value reserve in other comprehensive income. Non-monetary items that are measured under the historical cost basis are not retranslated.

Notes to the financial statements (continued)**4.6 Income taxation****(a) Current income tax**

Income tax payable (receivable) is calculated on the basis of the applicable tax law in Nigeria and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on equity instruments for which the entity has elected to present gains and losses in other comprehensive income).

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.7 Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category

4.7.1 Financial assets

The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The Directors determine the classification of its financial instruments at initial recognition.

(a) Financial assets at fair value through profit and loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

Notes to the financial statements (continued)

A financial asset 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. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the income statement. Gains and losses arising from changes in fair value are included directly in the income statement and are reported as 'Net gains/(losses) on financial instruments at fair value through profit or loss'. Interest income and expense and dividend income and expenses on financial assets at fair value through profit or loss are included in 'Net interest income' or 'Dividend income', respectively. The instruments are derecognized when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognizing.

(b) Loans and receivables

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

Those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

- (ii) Those that the Group upon initial recognition designates as available for sale; or
- (iii) Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as investment securities that there was no ready market for tradeable. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivables.

(c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's Directors have the positive intention and ability to hold to maturity, other than:

- (i) Those that the Group upon initial recognition designates as at fair value through profit or loss;
- (ii) Those that the Group designates as available for sale; and
- (iii) Those that were initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortized cost, using the effective interest method.

Interest on held-to-maturity investments is included in the income statement and reported as Interest 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 income statement as Net gains/(losses) on investment securities'.

Notes to the financial statements (continued)**(d) Available-for-sale financial assets**

Available-for-sale investments are financial assets that are intended to be 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 or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement in 'Other operating income' when the Group's right to receive payment is established.

(e) Recognition

The Group uses settlement date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

4.7.2 Financial liabilities

The Group's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value), financial liabilities at amortised cost and hedging derivatives. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through profit and loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

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. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. 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'.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the income statement and are reported as 'Net gains/ (losses) on financial instruments at fair value through profit or loss'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'."

Other liabilities measured at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from corporates or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

Notes to the financial statements (continued)**4.7.3 Determination of fair value**

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, NSE) and broker quotes from Bloomberg and Reuters."

A financial instrument is regarded as quoted in an active market 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. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

"For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted securities (including those with embedded derivatives) and other instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in the Notes"

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk.

Based on the established fair value model governance policies, and related controls and procedures applied, the Directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

4.7.4 De-recognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the financial statements (continued)**4.8 Reclassification of financial assets**

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.

The group may reclassify a financial instrument when its intentions and the characteristics of the financial instrument changes.

4.9 Offsetting financial instruments

Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously."

4.10 Revenue recognition**(a) Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument.

The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Fees and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Notes to the financial statements (continued)

(c) Trustee service fee

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. The same principle is applied to the recognition of income from wealth management, financial planning, trusteeship services and custody services that are continuously provided over an extended period of time.

(d) Dividend income

Dividends are recognised in the income statement in "Dividend income" when the entity's right to receive payment is established

4.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (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 criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - o adverse changes in the payment status of borrowers in the portfolio;
 - o national or local economic conditions that correlate with defaults on the assets in the portfolio.

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. Financial 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 risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

These characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Notes to the financial statements (continued)

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 based on 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.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Following impairment, interest income is recognised using the effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and recognised in the Income Statement.

In the case of available for sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. Where such evidence exists, the cumulative gain or loss that has been previously recognised directly in equity is removed from equity and recognised in the Income Statement. Reversals of impairment of equity shares are not recognised in the Income Statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets above. Reversals of impairment of debt instruments are recognised in the Income Statement.

4.12 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment test are performed on assets when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

4.13 Property, Plant and Equipment

All property, plant and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Notes to the financial statements (continued)

Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset Class	Useful lives
Motor vehicles	4 years
Office equipment	5 years
Furniture & fittings	5 years
Computer hardware & equipment	5 years
Building	40 years
Leasehold improvements	over shorter of the useful life of item or lease period

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review on an annual basis to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Group takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets.

When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

Construction cost and improvements in respect of offices is carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment.

Payments in advance for items of property and equipment are included as Prepayments in "Other Assets" and upon delivery are reclassified as additions in the appropriate category of property and equipment.

4.14 Intangible assets**(a) Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.
- Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis over 5 years and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

Notes to the financial statements (continued)**(b) Impairment of tangible and intangible assets excluding goodwill**

At each reporting date, or more frequently where events or changes in circumstances dictate, tangible and intangible assets, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the assets or the cash-generating unit's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of tangible and intangible assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a tangible or intangible asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the tangible or intangible asset's recoverable amount. The carrying amount of the tangible or intangible asset will only be increased up to the amount that it would have been had the original impairment not been recognised. For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which the Directors monitor the return on investment on assets.

4.15 Employee benefits**Defined contribution plan**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. 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.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

4.16 Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

4.17 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Notes to the financial statements (continued)**4.18 Share capital****(a) Share issue costs**

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the company's shareholders.

Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

4.19 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the company by the weighted average number of shares outstanding during the period.

4.20 Issued debt and equity securities

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the company. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component.

4.21 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions.

4.22 Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

Notes to the financial statements (continued)

	Group		Company	
	2013 =N=' 000	2012 =N=' 000	2013 =N=' 000	2012 =N=' 000
5 Investment income				
Fixed deposits	1,556,282	194,634	41,953	12,806
Investments securities	3,085	62,204	-	62,204
	1,559,367	256,838	41,953	75,010
6 Fees and commission income				
Financial advisory fees	1,048,618	260,178	1,048,618	260,178
Other fees and charges	1,045,112	57,641	-	-
	2,093,730	317,819	1,048,618	260,178
7 Net trading income				
Quoted equities	108,517	303,665	43,904	(101)
Net trading income includes gains and losses arising both on the purchase and sale of quoted equities.				
8 Net interest margin				
Interest income on managed funds	2,172,782	-	-	-
Interest expense on managed funds	(1,963,506)	-	-	-
	209,276	-	-	-
9 Other income				
Dividend on equity investment	288,782	61,766	-	2,076
Other interest income	145	40,030	-	40,030
Write-back of excess provision	155,736	233,907	-	42,671
Other income	87,859	-	6,979	-
Profit on disposal of assets	-	150	-	150
	532,522	335,853	6,979	84,927
10 Net gains/(losses) from financial assets held for trading				
Net gain/(loss) on equity securities	69,829	127,880	-	(19,928)
	69,829	127,880	-	(19,928)
11 Personnel expenses				
Staff cost	743,107	273,553	219,920	189,407
Contributions to defined contribution plans	7,586	3,918	1,863	3,475
	750,693	277,471	221,783	192,882

Notes to the financial statements (continued)

	Group		Company	
	2013 =N=' 000	2012 =N=' 000	2013 =N=' 000	2012 =N=' 000
12 Other operating expenses				
Other premises and equipment costs	3,425	16,841	991	559
Auditors remuneration	24,001	10,646	7,001	5,646
Professional fees	400,464	6,924	99,154	964
Interest on long term debt	41,968	49,066	41,968	49,066
General administrative expenses	776,578	215,943	228,351	60,589
	1,246,436	299,420	377,465	116,824
13 Income tax expense				
Recognized in the profit or loss				
Income tax	802,029	15,630	450,000	10,785
Education tax	38,988	901	13,125	901
(Over)/under provision in prior year	-	(38,913)	-	(52,097)
Information technology tax	25,177	6,638	6,557	-
Share of associated company tax	4,709	3,580	-	-
	870,903	(12,164)	469,682	(40,411)
14 Earnings per share				
Basic earnings per share				
Basic earnings attributable to shareholders (N'000)	1,763,011	1,417,989	3,265,716	91,680
Number of ordinary shares in issue ('000)	4,000,000	4,000,000	4,000,000	4,000,000
Basic earnings per share (kobo)	44	35	82	2

The basic earnings per share have been adjusted to reflect the current year's number of ordinary shares resulting from the share split which occurred during the year.

15 Cash and cash equivalents				
Cash and balances with banks	1,951,383	147,816	1,277,907	33,478
Money market placements	27,253,814	1,986,745	265,401	-
	29,205,197	2,134,561	1,543,308	33,478
Allowance for impairment	(1,578)	-	-	-
	29,203,619	2,134,561	1,543,308	33,478

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisitions, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities less than three months.

	Group		Company	
	2013 =N=' 000	2012 =N=' 000	2013 =N=' 000	2012 =N=' 000
16 Financial assets				
16.1 Financial assets - Held for Trading	173,137	426,561	-	37,212
16.2 Loan and receivables				
Bonds	5,390,800	-	-	-
Loans to customer (note 16.2.1)	3,460,321	-	3,460,321	-
	8,851,121	-	3,460,321	-

16.2.1 This represents a loan facility indexed to LIBOR for a period of twenty four (24) months.

Notes to the financial statements (continued)

	Group		Company	
	2013 =N=' 000	2012 =N=' 000	2013 =N=' 000	2012 =N=' 000
16.3 Financial Assets - Available for Sale				
Treasury bills	3,741,675	-	-	-
Bonds	1,608,002	-	-	-
Equity- Quoted	1,683,672	-	100,039	-
Equity- Unquoted	1,700,691	-	-	-
Collective Investment Scheme	2,174,128	-	-	-
	10,908,168	-	100,039	-
Less: Fair value change	(334,962)	-	11,041	-
	10,753,206	-	111,080	-
16.4 Financial Assets - Held to Maturity				
Treasury Bills	10,563,877	317,127	-	317,127
Federal Government Bonds	3,549,976	-	-	-
State Government Bonds	8,613,545	-	-	-
Corporate Bonds	3,997,236	-	-	-
	26,724,634	317,127	-	317,127
17 Investment in associate				
Cost of investment on acquisition (UBA Metropolitan Life)	750,000	750,000	750,000	750,000
Acceptance of shares in UBA Metropolitan Life from UBA Plc	900,000	-	900,000	-
Share of profit before tax	164,091	128,865	-	-
Share of tax	(4,709)	(3,580)	-	-
Balance, end of year	1,809,382	875,285	1,650,000	750,000

This represents the Group's 50% equity investment in UBA Metropolitan Life Insurance Limited

18 Investment in subsidiaries

	Year of Acquisition	Holding	Value =N=' 000	Country
As at 31 December 2013				
UBA Securities Limited	2006	100%	100,000	Nigeria
UBA Assets Management Limited	2013	100%	500,000	Nigeria
UBA Trustees Limited	2013	100%	150,000	Nigeria
			750,000	
As at 31 December 2012				
UBA Securities Limited	2006	100%	100,000	Nigeria
Africa Prudential Registrars Plc	2006	100%	100,000	Nigeria
			200,000	

18.1 Other information on subsidiaries

- UBA Securities Limited is a dealing member of the Nigerian Stock Exchange (NSE) and registered by the Securities & Exchange Commission (SEC) as a Broker/Dealer. It is also a registered dealing member of NASD OTC Plc and FMDQ OTC Plc. This enables the Company to deal in over-the-counter Equity and Fixed Income Securities. The Company provides services such as securities dealing, receiving agents to new issues, stockbrokers to primary issues, designated adviser to SME's and equity portfolio management services.

Notes to the financial statements (continued)

- ii. UBA Assets Management Limited is registered and licensed by the Securities and Exchange Commission of Nigeria (SEC) to act as investment advisers, funds and portfolio managers.
- iii. UBA Trustees Limited has over 50 years' experience in the Nigeria providing trust services such as debenture trust, bond trusteeship to corporate and sub-sovereign issuers of public debt instruments and trustees to collective investment schemes.

18.2 Non-controlling interest of subsidiaries

The group does not have any non-wholly owned subsidiaries that have material non-controlling interest.

18.3 Significant restrictions

The group does not have significant restrictions on its ability to access or use the assets and settle the liabilities of any member of the Group other than those resulting from the subsidiaries' supervisory frameworks. Disclosures on liquidity, capital adequacy and credit risk are disclosed in the enterprise risk management.

19 Property, plant and equipment**(i) Group**

	Leasehold Improvement =N=' 000	Furniture & Equipment =N=' 000	Motor vehicles =N=' 000	Computer Equipment =N=' 000	Total =N=' 000
Cost					
Balance at 1 January 2013	2,021	15,261	24,391	18,770	60,443
Arising from acquisition of UBA Asset Management Limited	-	5,333	20,782	31,438	57,553
Arising from acquisition of UBA Trustees Limited	-	4,579	19,937	3,678	28,194
Additions	-	19,547	132,277	17,066	168,890
Disposals	-	(650)	-	-	(650)
Re-classification	(2,021)	-	(123)	-	(2,144)
Balance at 31 December 2013	-	44,070	197,264	70,952	312,286
Depreciation and impairment losses					
Balance at 1 January 2013	190	13,357	21,098	16,397	51,042
Arising from acquisition of UBA Asset Management Limited	-	5,142	13,484	30,823	49,449
Arising from acquisition of UBA Trustees Limited	-	4,155	16,989	3,539	24,683
Additions	-	3,129	20,104	4,012	27,245
Disposals	-	(650)	-	-	(650)
Re-classification	(190)	-	(11)	-	(201)
Balance at 31 December 2013	-	25,133	71,664	54,771	151,568
Carrying amounts					
Balance at 31 December 2013	-	18,937	125,600	16,181	160,718
Balance at 31 December 2012	1,831	1,904	3,293	2,373	9,401

(ii) Company**Cost**

Balance at 1 January 2013	2,021	2,014	15,588	5,978	25,601
Additions	-	16,019	41,775	14,957	72,751
Re-classification	(2,021)	-	(123)	-	(2,144)
Balance at 31 December 2013	-	18,033	57,240	20,935	96,208
Depreciation and impairment losses					
Balance at 1 January 2013	190	1,084	12,295	5,453	19,022
Additions	-	1,990	6,145	1,556	9,691
Re-classification	(190)	-	(11)	-	(201)
Balance at 31 December 2013	-	3,074	18,429	7,009	28,512
Carrying amounts					
Balance at 31 December 2013	-	14,959	38,811	13,926	67,696
Balance at 31 December 2012	1,831	930	3,293	525	6,579

Notes to the financial statements (continued)

20	Intangible assets Purchased software	Group		Company	
		=N= '000		=N= '000	
	Cost				
	Balance at 1 January 2013	32,854		1,800	
	Addition	31,778		31,778	
	Balance at 31 December 2013	64,632		33,578	
	Amortization and impairment losses				
	Balance at 1 January 2013	28,337		1,499	
	Amortization for the year	7,896		3,680	
	Impairment losses	-		-	
	Balance at 31 December 2013	36,233		5,179	
	Carrying amounts				
	Balance at 31 December 2013	28,399		28,399	
	Balance at 31 December 2012	4,518		302	
		Group		Company	
		2013	2012	2013	2012
		=N= '000	=N=	=N=	=N= '000
21	Trade and other receivables				
	Trade debtors	1,457,219	47,125	151,130	32,753
	Interest receivable	153,768	-	617	-
	Prepayments	193,904	31,524	93,829	31,524
	Accrued income	236,318	62,591	236,318	62,591
	Other receivables	164,758	147,336	52,487	113,686
	WHT receivable	-	-	321,664	-
	Other assets	287,064	21,319	-	-
		2,493,031	309,895	856,045	240,554
	Impairment on trade receivables (note 21.1)	(764,790)	(104,205)	(70,562)	(60,487)
	Total	1,728,241	205,690	785,483	180,067
21.1	Impairment on trade receivables				
	At 1 January	104,205	63,006	60,487	29,948
	Arising from acquisition of UBA Asset Management Limited	72,290	-	-	-
	Arising from acquisition of UBA Trustees Limited	31,299	-	-	-
	Prior year provision	520,484	-	-	-
	Provision no longer required	(578)	-	(578)	-
	(Release)/arising during the year	70,148	30,671	10,653	30,539
	Write off	(33,058)	10,528	-	-
		764,790	104,205	70,562	60,487
21.2	Allowance for impairment				
	Impairment loss on trade receivables	69,570	30,671	10,075	30,539
	Impairment loss on doubtful cash	1,578	-	-	-
		71,148	30,671	10,075	30,539

Notes to the financial statements (continued)**22 Deferred Taxation**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows

	Group		Company	
	2013	2012	2013	2012
	N	N	N	N
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	224,607	224,607	-	-
– Deferred tax asset to be recovered within 12 months	-	-	-	-
	<u>224,607</u>	<u>224,607</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	219	219	-	-
– Deferred tax liability to be recovered within 12 months	-	-	-	-
	<u>219</u>	<u>219</u>	<u>-</u>	<u>-</u>
Total	<u>219</u>	<u>219</u>	<u>-</u>	<u>-</u>

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004 as amended and Education Tax Act, CAP E4 LFN 2004.

23 Managed Funds

Fixed income notes	14,764,084	-	-	-
Trust funds	344,338	-	-	-
Sinking Funds	47,054,641	-	-	-
Payable on trust accounts	313,491	-	-	-
At 31 December	<u>62,476,554</u>	<u>-</u>	<u>-</u>	<u>-</u>

Sinking Funds are funds managed by Trustees on behalf of State Governments. The funds are invested in fixed income instruments for liquidity purposes in order to meet bondholders obligations as they become due

	Group		Company	
	2013	2012	2013	2012
	=N= '000	=N= '000	=N= '000	=N= '000
24 Other borrowed funds				
Balance as at 1 January	897,020	1,928,782	897,020	1,168,012
Loan from commercial bank (note 24.1)	4,718,619	-	4,718,619	-
Interest charge during the year	41,968	49,066	41,968	49,066
Repayment during the year	(332,083)	(934,799)	(332,083)	(320,058)
Waiver	-	(146,029)	-	-
	<u>5,325,524</u>	<u>897,020</u>	<u>5,325,524</u>	<u>897,020</u>

24.1 Loan from commercial bank represents a loan facility index to LIBOR for a period of twenty four (24) months

Notes to the financial statements (continued)

25	Other liabilities	Group		Company	
		2013	2012	2013	2012
		=N= '000	=N= '000	=N= '000	=N= '000
	Creditors and accruals	891,322	124,636	168,060	24,451
	Customers deposit	842,522	608,363	-	-
	Provisions	-	1,020	-	-
	Other current liabilities	505,017	45,629	-	519
		2,238,861	779,648	168,060	24,970

Included in the other current liabilities is N350million which represents the technical service agreement fee due to Heirs Holdings Limited.

26	Current tax liabilities	Group		Company	
		2013	2012	2013	2012
		=N= '000	=N= '000	=N= '000	=N= '000
	Per statement of financial position:				
	At 1 January	219,586	311,464	11,686	69,971
	Arising from acquisition of UBA Asset Management Limited	45,915	-	-	-
	Arising from acquisition of UBA Trustees Limited	283,243	-	-	-
	Charge for the year	870,903	(12,164)	469,682	(40,411)
	Reclassification of tax on APR accumulated reserves	(205,833)	-	-	-
	Share of associated company tax	4,709	3,580	-	-
	Tax paid	(163,889)	(83,294)	(1,538)	(17,874)
	At 31 December	1,054,634	219,586	479,830	11,686

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004 as amended, while Education Tax is based on Education Tax Act CAP E4 LFN 2004.

27	(a) Share capital	Group		Company	
		2013	2012	2013	2012
		=N= '000	=N= '000	=N= '000	=N= '000
	The share capital comprises:				
	(i) Authorised -				
	4,000,000,000 Ordinary shares of N0.5 each	2,000,000	2,000,000	2,000,000	2,000,000
	Issued and fully paid -				
	4,000,000,000 Ordinary shares of N0.5 each	2,000,000	2,000,000	2,000,000	2,000,000

Notes to the financial statements (continued)**(b) Retained earnings**

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

	2013 Group =N= '000	2012 Group =N= '000	2013 Company =N= '000	2012 Company =N= '000
At 1 January	1,849,912	432,020	(1,408,912)	(1,500,495)
Arising from acquisition of UBA Asset Management Limited	2,304,340	-	-	-
Arising from acquisition of UBA Trustees Limited	1,871,987	-	-	-
Gross proposed dividend from subsidiaries (Note 27c)	(3,216,638)	-	-	-
Transfer from profit or loss account	4,830,923	1,417,892	3,265,716	91,583
Share of associated profit	159,382	-	-	-
Reclassification of APR accumulated reserves	(2,383,672)	-	-	-
Acceptance of shares surrendered by UBA Plc in UBA Asset Management Ltd	500,000	-	500,000	-
Acceptance of shares surrendered by UBA Plc in Metropolitan Life	900,000	-	900,000	-
Acceptance of shares surrendered by UAML Ltd in UBA Trustees Ltd	-	-	150,000	-
Transfer of shares in Africa Prudential Registrars Plc	(100,000)	-	(100,000)	-
At 31 December	6,716,234	1,849,912	3,306,806	(1,408,912)

(c) Dividend from subsidiaries

This represents dividend declared by the subsidiaries - UBA Trustees Limited, UBA Asset Management Limited and UBA Securities Limited within the Group, made up as follows:

	2013 Group =N= '000	2012 Group =N= '000	2013 Company =N= '000	2012 Company =N= '000
Gross Dividend	-	-	3,216,638	-
Withholding tax	-	-	(321,664)	-
Net Dividend	-	-	2,894,974	-

(d) Proposed dividend to shareholders

The Directors propose that a dividend of 25kobo per ordinary share of 50kobo each, amounting to N1.5billion be paid to shareholders upon approval at the Annual General Meeting. The proposed dividend has not been provided for and this will be subject to withholding tax at the appropriate tax rate when payment is made. The dividend will be payable to shareholders whose names appear on the Register of Members at the close of business on April 22 2014.

28

Other Reserves

	2013 Group =N= '000	2012 Group =N= '000	2013 Company =N= '000	2012 Company =N= '000
Fair Value Reserves	(334,962)	-	11,041	-
	(334,962)	-	11,041	-
Fair Value Reserves				
Balance, beginning of period	-	-	-	-
Arising from acquisition of UBA Asset Management Limited	(412,051)	-	-	-
Arising from acquisition of UBA Trustees Limited	(54,037)	-	-	-
Write off during the year	131,126	-	11,041	-
	(334,962)	-	11,041	-

Notes to the financial statements (continued)**29 Related parties**

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.

29.1 Identity of related parties

	Relationship	%
UBA Metropolitan Life insurance company Limited	Associate	50
UBA Asset Management Limited	Subsidiary	100
UBA Trustees Limited	Subsidiary	100
UBA Securities Limited	Subsidiary	100
UBA Nominees Limited	Sub-subsidiary	100

29.2 Related party transactions

UBA Capital Plc. has a group life policy scheme for members of staff in each entity within the group. Balance represents unutilized amounts on the policy, held with its associate company, UBA Metropolitan Life Insurance Company Limited.

29.3 Key management personnel

Key management personnel constitute those individuals who have the authority and the responsibility for planning, directing and controlling the activities of UBA Capital Plc, directly or indirectly, including any director (whether executive or non-executive). The individuals who comprise the key management personnel are the Board of Directors as well as certain key management and officers.

29.4 Remuneration of key personnel

Aggregate remuneration paid to key management staff during the year is as follows:

	Group		Company	
	2013	2012	2013	2012
	=N='000	=N='000	=N='000	=N='000
Salaries & wages	227,603	52,787	140,853	42,248
Defined contribution plans	5,614	20	3,402	20
	233,217	52,807	144,255	42,268

29.5 Other information on Directors**Emoluments:**

	Group		Company	
	2013	2012	2013	2012
	=N='000	=N='000	=N='000	=N='000
Chairman	4,740	-	1,185	-
Other Directors	16,975	20	4,244	20
	21,715	20	5,429	20
Fees	4,875	-	1,219	-
Other Emoluments	16,840	20	4,210	20
	21,715	20	5,429	20

29.6 Details of loan to key management personnel

There were no loans to/from key management personnel during the reporting period.

Notes to the financial statements (continued)**30 Principal subsidiaries**

The financial statements of the Group include the operation of the following subsidiaries:

Company	Place of Incorporation	Primary Business Operation	% Held
UBA Asset Management Limited	Nigeria	Portfolio Management	100%
UBA Trustees Limited	Nigeria	Trusteeship	100%
UBA Securities Limited	Nigeria	Securities Trading	100%

31 Events after reporting period

The Board of Directors at its meeting on June 27, 2013, and in line with the strategic focus of the Company, approved the issue by way of Rights, 2,000,000,000 Ordinary Shares of 50 kobo each to the Shareholders whose names appeared on the Company's Register of Members as at August 23, 2013 on the basis of One (1) new ordinary share for every Two (2) ordinary shares held as at this date.

The new shares were issued at a price of 90 Kobo, and rank pari-passu in all respects, with the existing Ordinary Shares of the Company. Regulatory approvals for the registration of the Issue with the Securities and Exchange Commission have been received and the process was concluded in January 2014.

32 Contingent liabilities

In the normal course of business, the Group is party to financial instruments with off-balance sheet risk. The instruments are used to meet the financial requirements of customers.

33 Current year classifications of Statement of Comprehensive Income

Certain comparative figures have been reclassified according to the current year's presentation for a more meaningful comparison

RISK MANAGEMENT**Introduction and Overview**

Effective capital and risk management is fundamental to the business activities of UBA Capital Plc ("the Group").

The Group's enterprise risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of all risks types inherent in our business activities. The risk management framework provides for a culture of risk awareness and personal responsibility throughout the Group in a manner that encourages collaboration, discussion, escalation and sharing of information.

Risk is defined as the potential for loss caused by an event (or series of events) that can adversely affect the achievement of the group's objectives (including the protection of existing assets and enhancement of future growth objectives).

Risks are controlled at the individual exposure level as well as in aggregate within and across all business lines, entities and risk types. Overall, the Group's objective is to achieve an appropriate balance between risk and reward; and to continue to build and enhance risk management capabilities that assist to deliver our growth plans within a controlled environment.

Risk management is embedded at the core of the operating structure of the Group. The Group adopts the three lines of defense model (described below) in limiting adverse variations to earnings and capital by managing risk exposures within agreed levels of risk appetite. Our risk management approach includes minimizing undue concentrations of exposure, limiting potential losses from stress events and ensuring the continued adequacy of all our financial resources.

Responsibility and accountability for risk management resides at all levels within the group - from the Board to each business manager and risk specialist. The overall responsibility for risk and capital management rests with the Board of Directors. Within the governance structure, the Board has two sub-committees that enable it to evaluate the risks faced by the group and the effectiveness of the group's management of these risks. The Board relies on quarterly reports from these committees and attestations from business executives, senior risk managers and the group's internal audit and internal control, to satisfy itself that the group's risk management processes are fit for purpose and are operating effectively.

Our risk management processes have continued to prove effective. During the year under review, the business activities of the group have been managed within board-approved risk appetite. Executive management remained closely involved in important risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital, operational effectiveness, process integrity and effectively managing the risk portfolios.

Three Lines of Defense Model:

The group adopts the 3 lines of defense model. Reporting lines reinforce the segregation of duties and independence within the model:

	Functions	Responsibilities
1st line of Defense	Business line and Legal Entity Management	As the point of contact, they have primary responsibility for risk management. The process of assessing, measuring and controlling risks is ongoing and integrated in the day-to-day activities of the business through business and risk frameworks set by the second line of defense.
2nd line of Defense	Consists of specialist roles: Finance function; Risk Management function; Legal function; the governance and assurance functions (excluding Internal Audit)	The second line of defense functions are responsible for setting frameworks within the parameters set by the board; and report to the board governance committees. They implement the group's risk management framework and policies, approve risk within specific mandates and provide an independent overview of the effectiveness of risk management by the first line of defense.
3rd line of Defense	Internal Audit	They set the internal audit framework and provide an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to the board through the Audit & Governance committee.

Risk Categories

The risk types that the group is exposed to within its business operations are defined below. The definitions are consistent with the group's risk culture and language

Credit Risk

Credit risk is the risk of loss from obligor or counterparty default on financial or contractual obligations. Credit risk comprises counterparty risk, settlement risk and concentration risk. These risk types are defined as follows:

Counterparty risk: The risk of credit loss to the group as a result of the failure by a counterparty to meet its financial and/or contractual obligations to the group as they fall due. This risk type has three components:

- i. Primary credit risk: The exposure at default arising from lending and related investment product activities (including their underwriting).
- ii. Pre-settlement credit risk: The exposure at default arising from unsettled forward and derivative transactions. This risk arises from the default of the counterparty to the transaction and is measured as the cost of replacing the transaction at current market rates.
- iii. Issuer risk: The exposure at default arising from traded credit and equity products (including the primary market issue underwriting of these products).

Settlement risk: Settlement is the exchange of two payments or the exchange of an asset for a payment. Settlement risk represents the risk of loss to the group from settling a transaction where value is exchanged, but where the group may not receive all or part of the counter value.

Credit concentration risk: The risk of loss to the group as a result of excessive build-up of exposure to, among others, a single counterparty or counterparty segment, an industry, a market, a product, a financial instrument or type of security, a country or geography, or a maturity. This concentration typically exists where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in their ability to meet contractual obligations being similarly affected by changes in economic or other conditions.

Country Risk

The Group defines country risk to include cross-border risk. Country risk is the risk of loss arising where political or economic conditions or events in a particular country inhibit the ability of counterparties resident in that country to meet their financial obligations. Country risk events may include sovereign defaults, banking or currency crises, social instability and governmental policy changes or interventions such as expropriation, nationalization and asset confiscation. Transfer and convertibility risk (such as exchange controls and foreign debt moratoria) represent an important element of cross-border country risk.

Liquidity Risk

Liquidity risk arises when the group, despite being solvent, is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, and/or can only do so on materially disadvantageous terms. This may arise when counterparties who provide the group with funding withdraw or do not roll over that funding, or as a result of a general disruption in asset markets that renders normally liquid assets illiquid

Liquidity risk encompasses both funding liquidity risk and asset liquidity risk:

- i. Funding liquidity risk (also referred to as cash-flow risk) is defined as the risk that a financial institution will be unable to raise the cash necessary to roll over its debt; to fulfill the cash, margin, or collateral requirements of counterparties; or to meet capital withdrawals.
- ii. Asset liquidity risk (also referred to as market or trading liquidity risk) results from a large position size forcing transactions to influence the price of securities. This is managed by establishing position limits on assets (especially assets that are not heavily traded).

Market Risk

Market risk is the exposure to an adverse change in the market value, earnings (actual or effective) or future cashflows of a portfolio of financial instruments (including commodities) caused by adverse movements in market variables such as equity, bond and commodity prices; currency exchange and interest rates; credit spreads; recovery rates and correlations; as well as implied volatilities in these variables.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes business risk, information and legal risk; but excludes reputational risk.

Business risk: is the risk of loss, due to operating revenues not covering operating costs and is usually caused by:

- inflexible cost structures;
- market-driven pressures, such as decreased demand, increased competition or cost increases;
- group-specific causes, such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

It includes strategic risk, which is the risk that the group's future business plans and strategies may be inadequate to prevent financial loss or protect the group's competitive position and shareholder value.

Reputational Risk

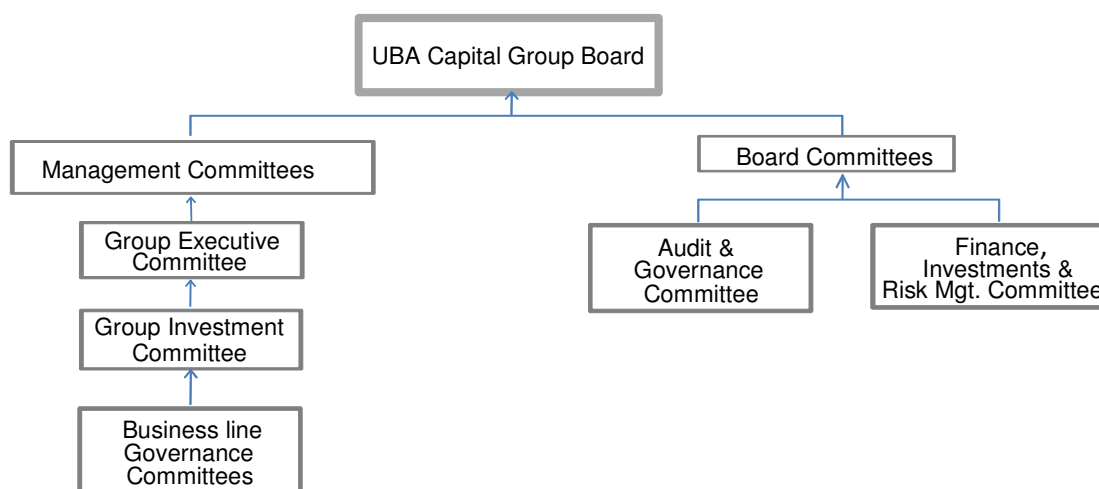
Reputational risk results from damage to the group's image among stakeholders, which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships.

Risk Management Framework

Governance Structure

Strong independent oversight is in place at all levels throughout the group. The risk governance structure is based on the principle that each line of business is responsible for managing the risks inherent in its business, albeit with appropriate corporate oversight. In support of this framework, business risk policies are approved to guide each line of business for decisions regarding the business' risk strategy, policies as appropriate and controls.

Risk Management reports independently of the lines of business to provide oversight of group-wide risk management and controls, and is viewed as a partner in achieving appropriate business risk and reward objectives. Risk Management coordinates and communicates with each line of business through the group executive committee and business line governance committees. The chief risk officer (Head, Risk Management) is a member of the business line governance committees (which also has the business line chief executive officer as a member).



Risk Governance Process

The Group has established a practical risk governance process that relies on both individual responsibility and collective oversight, supported by comprehensive and independent reporting. This approach balances strong corporate oversight at group level with participation by the senior executives of the group in all significant risk matters. This also supports the effectiveness of the three lines of defense system as business line managers are kept abreast of inherent and emerging risks related to their respective business lines.

The governance committees are a key component of the risk management framework. They have clearly defined mandates and authorities, which are reviewed regularly. Board committees meet at least quarterly to review business strategies and ongoing achievement of risk and business objectives. This is achieved by means of formal reporting by

respective business and governance units within the group; as well as interviews/testimonials from key senior business and support executives

Management committees meet at least monthly to review the business environment, execute strategy revalidation, and are focused on measuring, monitoring and managing risk. The Group Investment Committee is charged with the asset/liability management, as well as ongoing capital and liquidity risk management of the Group and individual business entities; as well as the review and risk analysis of investment and/or new product/business proposals from business units (either due to the type of product/investment or the size/risk profile of the transaction). All approvals are executed in line with clearly defined authority levels (e.g. new business product/service lines must be approved by the Board on recommendation of the Finance, Investments and Risk Management committee).

Business line governance committees are constituted in line with the nature and risk of specific business activities. Business (line) risk framework/policies defined by the Group Risk Management function may prescribe the establishment of a business line governance committee to guide the strategy/operation of specific business lines (for instance: proprietary trading activities). Business line governance committees typically have membership from independent research, risk management, internal control and business line managers. These committees typically meet weekly (or as otherwise defined in specific business risk policy). Business risk frameworks define the risk appetite for the specific business lines amidst capital allocated for the business operation. In aggregate, the group seeks to maintain a low-moderate risk appetite

The board establishes and maintains oversight of the group's risk appetite by:

- i. Providing strategic leadership and guidance;
- ii. Reviewing and approving annual budgets and forecasts, under both normal and stressed conditions, for the group and each business unit; and
- iii. Regularly reviewing and monitoring the group's risk performance through quarterly board reports

The group's ERM framework stipulates the following terms which have specific meaning within the group and guide risk management considerations:

- i. Residual risk: the leftover risk exposure after implementation of mitigation efforts and controls
- ii. Risk appetite: the amount or type of residual risk that the group is prepared to accept to deliver on its financial/business objectives. It reflects the capacity to sustain losses and continue to meet obligations as they fall due, under both normal and a range of stress conditions.
- iii. Risk tolerance: the maximum amount or type of risk the group is prepared to tolerate above stipulated risk appetite levels for short periods of time (based on the understanding that management action is taken to get back within risk appetite).
- iv. Risk capacity: the maximum amount of risk the group is able to support within its available financial resources
- v. Risk profile: the amount or type of risk the group holds at a specific point in time
- vi. Risk tendency: is defined as a forward-looking view of the anticipated change in the group's risk profile as a result of portfolio effects and/or changes in economic conditions. Changes in economic conditions may either be in the form of formally approved macroeconomic stress scenarios or ad-hoc stress scenarios models

The Group runs a Group Shared Service operations process supported by an Enterprise Resource Platform system. Risk Management is supported by risk technology and operations functions that are responsible for building the information technology infrastructure used to monitor and manage risk group-wide and at respective business line and entity levels. Risk Management has oversight of all risk types (excluding Legal risk which is managed by the Legal and Compliance; and Reputational risk which is under the oversight of the Group Chief Operating Officer)

Credit Risk Management

Credit risk is the risk of loss from obligor or counterparty default on financial or contractual obligations. The group may be exposed to credit risk arising primarily from trading activities (including debt securities) settlement balances with market counterparties, available for sale assets and reverse repurchase lending agreements. Other sources include wholesale credit to large corporate and institutional clients (on a restrictive basis)

Credit risk management is overseen by the group risk management function and implemented within the lines of business; with oversight by the management and board committees. The group's credit risk management governance consists of the following objectives:

- Establish a robust risk policy and control framework
- Maintain a strong culture of responsible investing

- Identify, assess and measure credit risk across the group, from the level of individual securities and counterparties; up to aggregate portfolio holdings
- Define, implement and continually re-evaluate business risk appetite under actual and scenario conditions
- Monitoring and managing credit risk across individual exposures and all portfolio segments
- Assigning and ensuring adherence to agreed controls
- Ensure there is independent, expert analysis of credit risks; and their mitigation

	AAA	AA	A	BBB	Not rated	Carrying Amount
	=N=' 000	=N=' 000	=N=' 000	=N=' 000	=N=' 000	=N=' 000
Cash and cash equivalents	-	1,499,999	20,480,371	7,223,249	-	29,203,619
Treasury Bills	14,305,552	-	-	-	-	14,305,552
Federal Government Bonds	5,157,979	-	-	-	-	5,157,979
State Government Bonds	-	359,252	15,227,810	-	-	15,587,062
Corporate Bonds	-	-	-	2,414,518	-	2,414,518
Loans and Advances	-	-	-	3,460,321	-	3,460,321
Other Assets*	-	-	-	-	1,728,238	1,728,238
Total	19,463,531	1,859,251	35,708,180	13,098,088	1,728,238	71,857,287

*Other Assets represent settlement risk exposure (as at the balance sheet date) to trade debtors and other counterparties in the normal course of business.

*All credit exposures are neither past due nor impaired.

Risk Identification and Measurement

The Group is exposed to credit risk through its capital and money market activities and advisory services businesses. Risk Management works in partnership with the business segments in identifying and aggregating exposures across all lines of business.

The group dedicates considerable resources to gaining a clear and accurate understanding of credit risk across the business and ensuring that its balance sheet correctly reflects the value of the assets in accordance with IFRS

To measure credit risk, the group employs several methodologies for estimating the likelihood of obligor or counterparty default. In the year under review, credit risk exposure was quantified on the basis of both adjusted exposure and absolute exposure. External credit ratings are considered in evaluating probability of default. The enterprise risk management framework recognizes credit ratings from Basel recognized External Credit Assessment Institutions (ECAI) and Agosto & Co. Ltd. External ratings are often internally adjusted for prudence. The Group regularly validates the performance of ratings and their predictive power with regard to default events

Primary credit risk arising from debt exposure is to be measured in accordance with the accounting value for outstanding exposure, including applicable accrued interest and gross of any specific credit impairments, and a measure of the expectation of additional exposure which may arise at default. Debt portfolios are structured to have an investment grade profile.

Wholesale credit risk exposure, where it exists, is monitored regularly at an aggregate portfolio, industry and individual counterparty basis with established concentration limits that are reviewed and revised, as deemed appropriate by group investment committee, at least on an annual basis. Industry and counterparty limits, as measured in terms of exposure and economic credit risk capital, are subject to stress-based loss constraints. Management of the group's wholesale credit risk exposure is accomplished through a number of means including: stringent loan underwriting and credit approval process; as well as collateral and other risk-reduction techniques. Wholesale credit exposures are at a minimum reviewed and approved at the level of the group investment committee.

Risk Identification and Measurement

Pre-settlement risk is measured on a potential future exposure basis, taking into account implicitly the liquidity and explicitly the volatility of the reference asset or price of the instrument or product and the tenor of the exposure. Instruments that give rise to issuer credit risk are measured as primary credit risk

Settlement risk is measured on a notional basis, assuming that the counter value will not be received. The daily settlement profile for the counterparty concerned is the aggregate of all settlements due by the counterparty on that date, either on a gross or net basis, depending on whether the underlying transaction agreements include netting or not.

Risk Monitoring and Management

The group employs the use of internal exposure limits to its counterparties. Money market counterparties are selected on using a set of criteria that includes an investment grade credit rating and a systemic risk relevance based on a benchmark hurdle rate. Exposure limits are assigned on the basis of the counterparty assessment based on these selection criteria.

The group has developed policies and practices that are designed to preserve the independence and integrity of the approval and business decision-making process to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels.

The framework establishes credit approval authorities, concentration limits, risk-rating methodologies, and portfolio review parameters. The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries, geographies and countries.

Impairment allowances are recognized for financial reporting purposes only for losses that have been incurred at the date of the consolidated statement of financial position based on objective evidence of impairment.

Risk reporting

To enable monitoring of credit risk and effective decision making, aggregate credit exposure, credit quality forecasts, concentration levels and risk profile changes are reported regularly to the management committees; and board committee at least quarterly. Stress testing is important in measuring and managing credit risk in the group's business portfolios. The process assesses the potential impact of alternative economic and business scenarios on estimated credit losses for the group. In conjunction with independent research, the risk management function considers economic scenarios (and parameters underlying those scenarios) which may lead to credit migration, changes in counterparty liquidity and/or solvency states and the potential losses from credit exposures. During the period under review, credit exposures are considered on the basis of absolute loss exposure impact.

Country Risk Management

Country risk is the risk that a political, economic or sovereign event or action alters the value or terms of contractual obligations of obligors, counterparties and issuers related to a country.

The F.I.R.M committee is responsible for the management of country risk across the group. The F.I.R.M committee delegates the functional oversight of country risk management to the group executive committee. The group risk management function maintains oversight of country risk exposures and reports to the group executive committee monthly and the F.I.R.M committee on a quarterly basis.

Risk Identification and Measurement

The group country risk governance standards incorporate the use of external ratings from qualifying ECAs. Country risk exposure management is based on country, sovereign and business environment risk assessment. Exposure in countries qualifying as medium and high risk countries is subject to increased analysis and monitoring

Country exposures are generally measured by considering the group's risk to an immediate default of the counterparty or obligor, with zero recovery. Where required, the group seeks to incorporate country risk mitigation via methods like co-financing with multilateral institutions; political and commercial risk insurance; transaction structures to mitigate transferability and convertibility risk (such as collateral, collection and margining deposits outside the jurisdiction in question)

Risk Monitoring and Control

Group risk management in conjunction with independent research employs the use of surveillance tools for early identification of potential country risk concerns. Country ratings and exposures are actively monitored and reported on a regular basis based on an assessment of potential risk of loss associated with a significant sovereign, political, social, or economic crisis

Liquidity Risk Management

Liquidity risk management is intended to ensure that the Group has the appropriate amount, composition and tenor of funding and liquidity to support its assets.

The primary objectives of effective liquidity management are to ensure that the Group's legal entities are able to operate in support of client needs and meet contractual and contingent obligations under both normal and stressed market conditions; as well as to maintain debt ratings that enable the Group to optimize its funding mix and liquidity sources at minimal cost.

UBA Capital manages liquidity and funding using a centralized Treasury approach in order to actively manage liquidity for the group as a whole, monitor exposure and identify constraints on the transfer of liquidity within the Firm; and maintain the appropriate amount of surplus liquidity as part of the group's overall balance sheet management strategy.

Risk Identification and Measurement

In the context of the Group's liquidity management, Treasury is responsible for:

- Measuring, managing, monitoring and reporting the Firm's current and projected liquidity sources and uses;
- Managing funding mix and deployment of excess short term cash

In addition, in conjunction with the group risk management function, Treasury is also responsible for:

- Understanding the liquidity characteristics of the Firm's assets and liabilities;
- Defining and monitoring group-wide and legal entity liquidity strategies and contingency funding plans;
- Liquidity stress testing under a variety of adverse scenarios;
- Defining and addressing the impact of regulatory changes on funding and liquidity.

The group adopts a three pronged approach to its liquidity risk management process which aligns strategies to liquidity risk categories. The group recognizes three categories of liquidity risk - short-term, structural, and contingent liquidity risk. These three liquidity risk management categories are governed by a comprehensive internal governance framework to identify, measure and manage exposure to liquidity risk

Treasury, in conjunction with the group risk management, is responsible for business activities governing the implementation of the group's liquidity management process:

Category	
Short term liquidity risk management	▪ Monitor daily cashflow requirements ▪ Manage intra-day liquidity positions ▪ Monitor repo and bank funding shortage levels ▪ Manage short term cashflows ▪ Manage daily foreign currency liquidity ▪ Provide guidance on fund taking rates in conformity with longer term and contingent liquidity requirements (as informed by the management committees)
Structural liquidity risk management	▪ Identify and manage medium to long term liquidity mismatches ▪ Ensure a structurally sound balance sheet ▪ Manage long term cashflows ▪ Determine and apply behavioural profiling to investor portfolios (in conjunction with asset portfolio managers) ▪ Preserve a diversified funding base ▪ Assess foreign currency liquidity exposures ▪ Establish liquidity risk appetite
Contingency liquidity risk management	▪ Establish and maintain contingency funding plans ▪ Monitor and manage early warning liquidity indicators ▪ Ensure regular liquidity stress tests and scenario analysis ▪ Establish liquidity buffer levels in conformity with anticipated stress events ▪ Convene liquidity crisis management committees (as required) ▪ Ensure diversification of liquidity buffer portfolios

Risk Monitoring and Control

Monitoring and reporting entails cash flow measurement and forecasting for the next day, week, biweekly, month, quarter, half-year and yearly as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected receivable date of the financial assets.

Liquidity Risk Management**Foreign currency liquidity risk management**

The group maintains active monitoring and management of foreign currency assets and liabilities using suitable indicators to consistently track changes in market liquidity and/or exchange rates. In general, uncovered or unmatched or un-hedged FX positions shall be restricted.

Funding

The Group is funded primarily by a well-diversified mix of retail, corporate and public sector funds. This funding base ensures stability and low funding cost with minimal reliance on more expensive tenured deposit and loan markets. The Group places considerable importance on the Sinking fund portfolio and other managed funds from both Trusteeship and wealth management business.

The group employs a diversified funding strategy to fund its balance sheet which incorporates a coordinated approach to accessing capital and loan markets (where necessary). Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the market, competitive and regulatory environment.

Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geography and counterparties.

Non-derivative financial liabilities and assets held for managing liquidity risk

Presented in the table below are the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in the table below, are the contractual undiscounted cash flow and the assets held for managing liquidity risk.

31 December, 2013

	<30 days	31-90 days	91-180 days	181-365 days	1-3 years	>3 years	Total
Fund under management	4,601,213	10,529,049	2,794,434	3,529,099	17,495,438	23,527,320	62,476,554
Borrowings	-	-	332,083	-	4,993,441	-	5,325,524
Total	4,951,213	10,529,049	3,126,517	3,529,099	22,488,876	23,527,320	67,802,078

Liquidity Gap Analysis

	<30 days	31-90 days	91-180 days	181-365 days	1-3 years	>3 years	Total
Financial Assets	26,667,503	19,215,235	3,235,929	4,096,022	10,317,428	10,627,648	74,159,765
Financial Liabilities	(4,951,213)	(10,529,049)	(3,126,517)	(3,529,099)	(22,488,876)	(23,527,320)	(67,802,078)
	22,066,290	8,686,186	109,412	566,922	(12,171,451)	(12,899,672)	6,357,687

31 December, 2012

	<30 days	31-90 days	91-180 days	181-365 days	1-3 years	>3 years	Total
Fund under management	-	-	-	-	-	-	-
Borrowings	-	-	-	-	897,020	-	897,020
Total	-	-	-	-	897,020	-	897,020

Liquidity Gap Analysis

	<30 days	31-90 days	91-180 days	181-365 days	1-3 years	>3 years	Total
Financial Assets	147,816	317,127	1,986,745	-	-	-	2,451,688
Financial Liabilities	-	-	-	-	(897,020)	-	(897,020)
	147,816	317,127	1,986,745	-	(897,020)	-	1,554,668

Stress Testing

Liquidity stress tests are intended to ensure sufficient liquidity for the Group under adverse scenarios. Stress tests are considered in the formulation of the group's funding plan and assessment of its liquidity position. Liquidity outflow assumptions are modeled across a range of time horizons and market and idiosyncratic stress.

Liquidity stress tests assume all of the group's contractual obligations, as well as estimates of potential non-contractual and contingent outflows are met and also take into consideration varying levels of access to unsecured and secured funding markets.

Credit Ratings

The cost and availability of financing are influenced by the group's credit ratings. Reductions in these ratings could have an adverse effect on the group's access to liquidity sources, increase the cost of funds, trigger additional collateral or funding requirements and decrease the number of investors and counterparties willing to lend to the group. Accordingly the group places due emphasis on maintaining and improving its credit rating.

Credit ratings are dependent on multiple factors including the sovereign rating, capital adequacy levels, quality of earnings, credit exposure, our risk management framework and funding diversification. The group's F.I.R.M committee ensures proper monitoring of these parameters and their possible impact on our credit rating as part of the group's liquidity risk management and contingency planning considerations.

UBA Capital currently holds an external credit rating of BBB+ from Agosto & Co. Ltd (Nigeria's foremost credit rating agency).

Market Risk Management

Market risk is the exposure to an adverse change in the market value of portfolios and financial instruments caused by a change in their market prices

The group's exposure to market risks is categorized as follows:

- Market risk in trading activities: trading activities which may comprise market making, arbitrage and proprietary trading. These activities are primarily carried out within the group's securities trading business
- Interest rate risk on the balance sheet: this refers to risks inherent in the different re-pricing characteristics of balance sheet assets and liabilities. These may include re-pricing risk, basis risk, yield curve risk, and optionality risk.
- Equity investments on the balance sheet: this refers to risks resulting from price changes in listed and unlisted equity investments carried on the group's balance sheet. These investments are typically classified as Available for Sale (AFS).

- Foreign currency risk: The group may be exposed to foreign currency risk as a result of foreign-denominated cash exposures and accruals

In managing market risks, the group risk management function works in close partnership with the lines of business, including Treasury, to identify and monitor market risks throughout the group. The group's market risk management practices seek to control risk, facilitate efficient risk/return decisions, reduce volatility in operating performance, and provide transparency of the group's market risk profile to executive management and the board of directors. This involves:

- Establishing a market risk management framework
- Independent measurement, monitoring and control of business line and group-wide market risk in accordance to approved risk limits
- Qualitative risk assessments and stress tests"

Risk Identification and Measurement

The risk management function articulates market risk management framework and specific business (line) risk frameworks that guide each line of business in the management of the market risks within its unit. The risk management function is also responsible for independent oversight of each line of business to ensure that all material market risks are appropriately identified, measured, monitored and managed in accordance with framework guidelines approved.

The group risk management function uses various metrics, both statistical and non-statistical, to measure and manage market risks including: value-at-risk; stop-loss triggers; stress tests; back-testing; and specific business unit portfolio and product controls

Value-at-risk, a statistical risk measure, is used to measure the potential loss from adverse market moves under normal market conditions. Historical VaR simulation is used specifically for market risk under normal conditions. Where adopted, historical VaR is based on un-weighted historical data for the previous 12 months, a holding period of one day and a 99% confidence level. Daily VaR estimates are converted to a ten-day holding period. Expected shortfall is quantified to counteract the limitations of VaR.

Stop-loss triggers are used to protect the profitability of trading desks, and refer to cumulative or daily trading losses that prompt a review or close-out of positions in trading portfolios.

Specific business unit portfolio and product controls are market risk controls applied to specific business units. These may include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop loss triggers, price validation and balance sheet substantiation. In addition, only approved products that can be independently priced and properly processed are permitted to be traded.

In recognition of the unpredictability of markets, stress testing is adopted to provide an indication of the potential losses that could occur under extreme market conditions and where longer holding periods may be required to exit positions.

Stress tests carried out by the group include individual market risk factor testing, combination of market risk factor testing, combination of market factors per trading desk and combinations of trading desks. The testing considers both historical market events and hypothetical forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books. Stress scenarios are regularly updated to reflect changes in risk profile and economic events

Interest rate risks in trading and non-trading portfolios are quantified using both earnings- and valuation-based measurement techniques. This is monitored at least on a monthly basis by the group investment committee.

Foreign currency risk exposure may arise as a result of foreign-denominated cash exposures, foreign-denominated accruals, the translation effect on the group's net assets in foreign operations, and foreign-denominated debt. The finance/treasury function maintains oversight of aggregate foreign currency risk exposure, taking into account naturally offsetting risk positions and managing the group's residual risk. In general, the group's policy is not to ordinarily hold significant open FX exposures on the balance sheet. The risk management function conducts foreign currency sensitivity tests to monitor potential impact from rate movements in the FX markets

The Group's market risk management process ensures disciplined risk-taking within a framework of well-defined risk appetite that enables the group to boost shareholders value while maintaining competitive advantage through effective utilization of risk capital.

Equity risk

The Group holds investments in listed and unlisted securities. Listed equity securities (quoted on the Nigerian Stock Exchange) is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

Risk Monitoring and Control

Market risk is controlled primarily through a series of limits set in the context of the market environment and business strategy. In setting limits, the group takes into consideration factors such as market volatility, asset liquidity and accommodation of client business and management experience.

Limits may also be allocated within the lines of business, as well at portfolio level. Limits are established by risk management. Limits are reviewed regularly and updated as appropriate, with any changes approved by appropriate governance committees and risk management.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events.

Operational risk is inherent in each of the group's businesses and support activities. Operational risk can manifest itself in various ways, including errors, fraudulent acts, business interruptions, inappropriate behavior of employees, or vendors that do not perform in accordance with their arrangements. These events could result in financial losses, including litigation and regulatory fines, as well as other damage to the group, including reputational harm.

To monitor and control operational risk, the group maintains an overall framework that includes strong oversight and governance, comprehensive policies and processes, consistent practices across the lines of business, and enterprise risk management tools intended to provide a sound and well controlled operational environment. The framework includes:

- Ownership of the risk by the businesses and functional areas
- Monitoring and validation by internal control officers
- Oversight by independent risk management
- Independent review by Internal Audit

The goal is to keep operational risk at appropriate levels, in light of the group's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject.

In order to strengthen focus on the group's control environment and drive consistent practices across businesses and functional areas, the group established a group shared service operational platform in the financial year. Critical to the effectiveness, efficiency and stability of this operating environment is the deployment and implementation of suitable technology leveraging an Enterprise Resource Platform. In addition, the group has invested in the development of business continuity plans, systems and capabilities to ensure resilience and stability of our business operations in the face of unforeseen disruptions.

The group's approach to operational risk management is intended to identify potential issues and mitigate losses by supplementing traditional control-based approaches to operational risk with risk measures, tools and disciplines that are risk-specific, consistently applied and utilized group-wide. Key themes are transparency of information, escalation of key issues and accountability for issue resolution. The group has a process for monitoring operational risk event data, which permits analysis of errors and losses as well as trends. Such analysis, performed both at a line of business level and by risk-event type, enables identification of the causes associated with risk events faced by the businesses.

Internal Audit utilizes a risk-based program of audit coverage to provide an independent assessment of the design and effectiveness of key controls over the group's operations, regulatory compliance and reporting. This includes reviewing the operational risk framework, the effectiveness of the internal control environment, and the loss data-collection and reporting activities.

Business and Strategic risks are governed by the group executive committee - which is ultimately responsible for managing the costs and revenues of the group, and the board.

Financial crime control

Financial crime includes fraud, money laundering, violent crime and misconduct by staff, customers, suppliers, business partners, stakeholders and third parties. The group will not condone any instance of financial crime and where these instances arise, the group takes timely and appropriate remedial action.

Financial crime control is defined as the prevention and detection of, and response to, all financial crime in order to mitigate economic loss, reputational risk and regulatory sanction. This function is anchored by the group's compliance, operations, internal control and internal audit functions.

Reputational Risk

Reputational risk results from damage to the group's image which may impair its ability to retain and generate business. Such damage may result in a breakdown of trust, confidence or business relationships.

Safeguarding the group's reputation is of utmost importance. Each business line, legal entity or support function executive is responsible for identifying, assessing and determining all reputational risks that may arise within their respective areas of business. The impact of such risks is considered alongside financial or other impacts.

Matters identified as a reputational risk to the group are reported to the group chief operating officer and head, audit and business assurance; if required, the matter will be escalated to group executive committee

Should a risk event occur, the group's crisis management processes are designed to minimize the reputational impact of the event. This includes ensuring that the group's perspective is fairly represented.

Capital Management

The Group's capital management approach is driven by its strategic and organizational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Group's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. Capital management practices are designed to ensure that the group and its legal entities are capitalized in line with the risk profile, economic capital needs and target ratios approved by the board.

Capital is managed under a seven year sustainability framework which ensures the adequacy of regulatory capital despite seven consecutive years of allocated economic capital depletion.

Through its corporate governance processes, the Group maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

The Group's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors.

The Group's capital is divided into two tiers:

- Tier 1 capital: core equity tier one capital including ordinary shares, statutory reserve, share premium and general reserve.
- Tier 2 capital: qualifying subordinated loan capital, preference shares, collective impairment allowances, and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

	2013	2012
	N'000	N'000
Tier 1 Capital		
- Share Capital	2,000,000	2,000,000
- Retained Earnings	6,716,234	1,849,912
Total qualifying for Tier 1 Capital	8,716,234	3,849,912

UBA CAPITAL PLC

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	2013 N'000	2012 N'000
Tier 2 Capital		
Fair Value Reserve	(334,962)	-
Other borrowings	5,325,524	897,020
Total qualifying for Tier 2 Capital	4,990,562	897,020
Total Regulatory Capital	13,706,796	4,746,932

Financial summary - Group

	2013 =N=' 000	2012 =N=' 000	2011 =N=' 000	2010 =N=' 000
ASSETS				
Cash and cash equivalents	29,203,619	2,134,561	9,139,771	11,599,964
Financial assets				
- Held for trading	173,137	426,561	1,065,863	1,327,331
- Loan and receivables	8,851,121	-	-	-
- Available for sale	10,573,206	-	-	-
- Held to maturity	26,724,634	317,127	4,345,574	589,945
Investments in associates	1,809,382	875,285	739,259	750,000
Property and equipment	160,718	9,401	94,948	75,378
Intangible assets	28,399	4,517	4,376	7,214
Deferred tax assets	224,607	224,607	224,607	-
Trade and other receivables	1,728,241	205,690	790,068	1,118,234
Assets classified as held for sale	-	7,605,422	-	-
TOTAL ASSETS	79,477,064	11,803,171	16,404,466	15,468,066
LIABILITIES				
Managed Funds	62,476,554	-	-	-
Other borrowed funds	5,325,524	897,020	1,168,012	1,385,684
Other liabilities	2,238,861	779,648	13,560,054	12,941,708
Current tax liabilities	1,054,634	219,586	322,204	593,086
Deferred tax liabilities	219	-	-	21,498
Liabilities associated to assets classified as held for sale	-	6,057,005	-	-
TOTAL LIABILITIES	71,095,792	7,953,259	15,050,270	14,941,976
EQUITY				
Share capital and share premium	2,000,000	2,000,000	2,000,000	2,000,000
Retained earnings	6,716,234	1,849,912	(645,804)	(1,473,910)
Other reserves	(334,962)	-	-	-
SHAREHOLDER'S FUND	8,381,272	3,849,912	1,354,196	526,090
TOTAL LIABILITIES AND EQUITY	79,477,064	11,803,171	16,404,466	15,468,066
CONTINGENT LIABILITIES	15,000,000	27,000,000	-	-

Financial summary - Company

	2013 =N=' 000	2012 =N=' 000	2011 =N=' 000	2010 =N=' 000
ASSETS				
Cash and cash equivalents	1,543,308	33,478	4,704,164	4,505,535
Financial assets				
- Held for trading	-	37,212	116,248	299,991
- Loan and receivables	3,460,321	-	-	-
- Available for sale	111,080	-	-	-
- Held to maturity	-	317,127	494,914	-
Investments in subsidiaries	750,000	200,000	200,000	200,000
Investments in associates	1,650,000	750,000	750,000	750,000
Property and equipment	67,696	6,579	6,997	17,122
Intangible assets	28,399	301	4,376	7214
Trade and other receivables	785,482	180,067	241,996	113,500
Dividend receivable from subsidiaries	2,894,974	-	-	-
TOTAL ASSETS	11,291,261	1,524,764	6,518,715	5,893,362
LIABILITIES				
Other borrowed funds	5,325,524	897,020	1,168,012	1,385,684
Other liabilities	168,060	24,970	4,781,227	4,281,662
Current tax liabilities	479,830	11,686	69,971	171,916
Deferred tax liabilities	-	-	-	16,389
TOTAL LIABILITIES	5,973,414	933,676	6,019,210	5,855,651
EQUITY				
Share capital and share premium	2,000,000	2,000,000	2,000,000	2,000,000
Retained earnings	(3,306,806)	(1,408,912)	(1,500,495)	(1,962,289)
Other reserves	11,041	-	-	-
SHAREHOLDER'S FUND	5,317,847	591,088	499,505	37,711
TOTAL LIABILITIES AND EQUITY	11,291,261	1,524,764	6,518,715	5,893,362
CONTINGENT LIABILITIES	15,000,000	27,000,000	-	-

Financial summary - Group

	2013 =N=' 000	2012 =N=' 000	2011 =N=' 000
Gross earnings	4,573,241	1,342,055	1,436,668
Gross operating expenses	(2,103,418)	(626,747)	(543,928)
Share of profit/(loss) of equity accounted investee	<u>164,091</u>	<u>128,865</u>	<u>(9,906)</u>
Profit before income tax	2,633,914	844,173	882,834
Income tax expense	<u>(870,903)</u>	<u>12,164</u>	<u>(60,040)</u>
Profit for the year from continuing operations	1,763,011	856,337	822,794
Profit for the year from discontinued operations	-	561,652	-
Other comprehensive income for the period	<u>131,126</u>	<u>(97)</u>	<u>-</u>
Total comprehensive income for the period	<u>1,894,137</u>	<u>1,417,892</u>	<u>822,794</u>

Financial summary - Company

	2013 =N=' 000	2012 =N=' 000	2011 =N=' 000
Gross earnings	4,358,092	400,086	778,209
Gross operating expenses	(622,694)	(348,817)	(410,668)
Profit before income tax	3,735,398	51,269	367,541
Income tax expense	<u>(469,682)</u>	<u>40,411</u>	<u>94,253</u>
Profit for the year from continuing operations	3,265,716	91,680	461,794
Profit for the year from discontinued operations	-	-	-
Other comprehensive income for the period	<u>11,041</u>	<u>(97)</u>	<u>-</u>
Total comprehensive income for the period	<u>3,276,757</u>	<u>91,583</u>	<u>461,794</u>